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EDITORIAL

As We See It

Even if this were not an election year, we should have to expect a good deal of furor in Washington about what is or is not being done to bring the current recession to a halt, and, of course, what ought or ought not to be done. The Democratic Party long seeking a live issue with which to go to the polls have found it, so they hope, in the rising unemployment figures. With election campaigns getting under way, it is inevitable that the utmost will be made of the recession and governmental policies related thereto. Even the ordinarily rather calm voice of Senator Johnson has of late been sounding a bit turbulent, and Mr. Rayburn in the lower house has been playing an even more colorful part.

But even the New Dealers realize that there is danger, too, in over-hasty or unwise action at this time—or at least some of them do. Hence, the more impulsive in the ranks of the party of Franklin Roosevelt are not having things altogether their own way. The Republican Party, too, has its differences about what should be done. One result is a sort of Babel in political circles in Washington.

Of course, there is general agreement among the opposition that the Eisenhower Administration is not doing the right things and enough of them, and, perhaps, most of the Republicans are sure that the Democrats would rush in where angels fear to tread. Senator Douglas would move precipitately to reduce taxes; the President is determined, he tells us, that he will not be "panicked" into taking steps that would make

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The Business Recession

By DR. ARTHUR F. BURNS*

Professor of Economics, Columbia University;
President, National Bureau of Economic Research;
Former Chairman, President Eisenhower's Council
of Economic Advisers

Former Presidential economic adviser, citing antecedents and present unfavorable factors of the current recession, maintains it may prove to be more serious than the declines of 1948-49 or 1953-54. Advocates following governmental measures to promote speedy recovery: (1) broadly based tax reduction; (2) inclusion of reasonable price stability among the explicitly stated objectives of the Employment Act; (3) improvement of unemployment insurance system; and (4) introduction of two-way flexibility into our highway program. Urges businessmen to action on their own, through intensified selling efforts, the relaxation of credit standards, advance introduction of new products, acceleration of research, and maintenance or possible increase of dividends. Urges future check on growth of non-defense spending to offset the certain growth of Defense outlays.

The principal economic problem facing our nation today is plain. We need to restore full prosperity and we wish to do so in the near future. There can be little doubt that, one way or another, we will find our way to this goal. We are likely, however, to proceed more surely toward our objective if we face up realistically to the difficulties of the current situation. It is the duty of private citizens, no less than of government officials, to try to do this. It is also our duty to avoid speculations or exaggerations which can bring comfort and advantage only to Communist rulers and their henchmen.



Dr. Arthur F. Burns

The Post-Korea Events

As you know, we had a brief and mild recession after the end of hostilities in Korea. This decline was followed by a great burst of economic activity. Production, sales, employ-

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*An address by Dr. Burns at the Sixth Annual Management Conference of the University of Chicago, Chicago, Ill., Mar. 22, 1958.

Current Canadian Economy — An Interlude Between Growth and More Growth

By DR. IRA U. COBLEIGH
Enterprise Economist

Current downturn in Canada's economic activity is described by Dr. Cobleigh as merely a temporary interlude in its dynamic growth, the resumption of which is termed inevitable. The country's fabulous natural resources, sound economy and sound dollar, the author contends, fully warrants the continued confidence of investors throughout the world in securities of Canadian enterprises. Study includes a long list of stocks which have paid cash dividends uninterruptedly for periods exceeding 125 years.

At the moment it is the fashion among economists, North and South of the St. Lawrence, to cite the great catch-up. We have, in their view, caught up with the great and impelling postwar demands for housing, motor cars, appliances, clothing, metals, minerals, cement and commodities. Because, at the moment, there appear no shortages in these diverse areas, the less imaginative interpreters of our economic scene have concluded that we are in, or headed for, some quite stormy weather anywhere from a "breather" to a king-size depression. With these counsellors of gloom, Canadian and otherwise, we quarrel.

Of course, Canada has had a downspin in the last 12 months. The standard economic criteria document that quite accurately: 540,000 unemployed in Canada; copper, lead and zinc at the lows of several years, oil a Western glut, and natural gas still in some oversupply, vis-a-vis short range pipeline and industrial demands. And

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LONG-TERM CANADIAN CASH DIVIDEND PAYERS—An integral feature of the cover page article "Current Canadian Economy: An Interlude Between Growth and More Growth," are the tables showing Canadian listed stocks on which consecutive cash dividends have been paid up to 129 years.

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JACQUES COE

Senior Partner, Jacques Coe & Co.
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Eversharp, Inc.

Election a few months ago of Patrick J. Frawley, Jr., as President of Eversharp, indicates that the sales policy of the company

will be far more aggressive than it has been in the past. Mr. Frawley is the dynamic young man who, in the short space of nine years and only \$2,500 initial capital, created and developed the Paper Mate Pen Co. and eventually sold it to Gillette for \$15,100,000 in September, 1955. He is only 35 years old, and although a very rich man, much too young to retire. Mr. Frawley's aim will be to expand Eversharp's national and international razor business.

This company originally was better known as a pen and pencil manufacturing and distributing company. Later on the Schick Injector Razor Co. was acquired—also the Climax Engine Co. Considerable additional revenue has come from a well administered security portfolio.

The razor business has an unusual record of success, enjoying constant national sales expansion. The writing instrument business had been operating at an annual loss of nearly half a million dollars. Since this company recently has been sold to the Parker Pen Co. for a substantial cash consideration, it is no longer a drag on the over-all profits.

Climax Engine Co., acquired some years ago, has been disposed of for a cash consideration in excess of \$2,000,000.

Altogether, the present portfolio of securities and cash should be in the neighborhood of \$10,000,000, with a very large portion of it in cash. Based upon the 941,000 shares of stock outstanding, this amounts to more than \$10 a share. In addition, approximately \$1,300,000 is invested in a shopping centre in Racine, Wis.

At the current market price of 18, this means that \$8 a share (deducting the \$10 from the present market) represents just the razor business which over the past years averaged before taxes several dollars per share.

Eversharp has been paying dividends of \$1.20 per annum (30¢ quarterly). There appears to be every sound reason to believe that dividends at the present rate will be continued, particularly as henceforth the razor division's earnings will not be dragged down by the losses from the pen and pencil company, and because of the extremely strong cash position.

Many of the large cosmetic chains constantly are seeking to acquire tie-in companies to supplement their over-all national merchandising and advertising policies, somewhat similar to what Gillette has done with Paper Mate, Toni Productions, etc. There is always the possibility that something along those lines might develop.

However, the real romance centers in the dynamic personality and salesmanship possessed by Mr. Frawley. Should he succeed in his efforts to make this a much

larger and more successful company, higher earnings and price levels should follow.

The management has optioned a large block of stock to Mr. Frawley (75,000 shares at \$13.96). In this manner, incentive is created for capital gain. He cannot exercise any part of this option until the summer of 1959.

Then there is also the possibility that the management might decide to use the excessive amount of cash on hand to shrink the number of shares outstanding.

Looking at this situation from all angles, Eversharp appears to be a situation which can be recommended with reasonable conviction because of:

- (1) New, forceful and imaginative management which has proven itself unusually successful in the past.
- (2) An extremely strong cash and security position, indicating that at current market price the properties are considerably undervalued.
- (3) Current dividend yield 6.9%.
- (4) Always possibility of take-over, in which event the sale price undoubtedly would be very much higher than that prevailing today, or shrinking of number of shares outstanding.

Range of Eversharp during the past few years has been high 20, 1956; low 12½ last October. The stock is listed on the New York Stock Exchange.

ROBERT H. STOVALL

E. F. Hutton & Company

New York City
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United Fruit Company

In February, the government announced settlement of its long pending anti-trust suit against this giant of the banana trade. Initial

newspaper reports of the consent decree were somewhat ambiguous and gave the impression that the company sustained a tactical defeat. Actually, it appears as though United Fruit gave as good as it got. If nothing more, acceptance of the consent decree has cleared the air and opened the way for the company to diversify its operations: initially into oil, gas and mineral exploration.

United Fruit is a far-flung empire with total assets of nearly \$400 million encompassing vast plantation lands in some dozen Latin American countries and a large fleet of modern ships, sugar mills, railways and livestock. The company has paid dividends in each of its 59 years and operated at a profit during the darkest depression days. After achieving excellent sales and earnings in the immediate postwar period, results have been hampered over the past five years by adverse weather and pest infestation. A reversal of the short range weather cycle could mitigate the former problem; the latter is being successfully attacked by the company's large and creative research efforts. Earnings this year are running ahead of 1957's results. United Fruit, at current price of 41, is selling at



Robert H. Stovall

This Week's Forum Participants and Their Selections

Eversharp, Inc. — Jacques Coe, Senior Partner, Jacques Coe & Co., New York City. (page 2)

United Fruit Company—Robert H. Stovall, of E. F. Hutton & Co., New York City. (Page 2)

little more than half its high. It provides a 7% yield in addition to a stake in a possible recapture of former earning power plus an interesting longer range natural resource play.

Sweeping Scope of Operations

As the world's largest grower and distributor of bananas, United Fruit is a fully integrated producer. Included among its holdings are 540,000 improved acres plus vast undeveloped lands in the Caribbean, Central and South America and the Cameroons. Along with its plantations, the company operates communication and transportation systems including 65 radio stations and railroads and tramways in eight separate nations. Its famous "Great White Fleet" operates 61 ocean-going ships (330 thousand gross tons), including 50 which are fully refrigerated, 10 dry cargo vessels and one tanker vessel. In addition to its own fleet, the company had 14 dry cargo vessels under charter at year-end. The last of the passenger vessels were sold in 1957 as this operation had ceased to be profitable; elimination of this service may save as much as \$1 million annually.

United Fruit is believed to account for about 35% of the total world banana market or 36½ million stems and its fruit is top quality. These stems amount to about 75 pounds of bananas. For its operation, the company employs an army of about 90,000 workers; 79,000 of which are in the tropics. As the size of the banana market in North America, its major market, has been rather static, the company has made an effort to diversify into other products, notably oil palm and abaca (a source of hemp fiber) in recent years. It also produces sugar (mainly in Cuba), cacao and hardwoods. Although the total banana market approaches \$530 million annually, or 10% of all fruit sales, it has not been growing apace with other fruits. Bananas are temperamental and difficult to process—thus far no method has been devised enabling them to be sold in frozen or processed form.

Conscious of this problem and aware of the promising geological formations in certain of its areas of interest (and already in possession of many of the necessary facilities including land, transportation facilities and personnel), United Fruit is poised on the verge of what can be a significant mineral and oil exploration program. It has recently acquired rights to explore for petroleum and natural gas on a 1,050,000 acre area in Panama. The concession includes the land holdings of one of the company's myriads of subsidiaries, Chiriqui Land Company, on the Pacific side of the Peninsula. This concession is in addition to lands owned by the company on which a full scale mineral search is about to begin. These prospects should not be over-emphasized as they are long range in nature.

The Consent Decree

The final judgment to the anti-trust case against the company (instigated in July of 1954) was settled to mutual agreement on

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The Stock Market in 1958

By RAGNAR D. NAESS*
Naess & Thomas, Investment Counsel

Mr. Naess maintains extraordinary social and economic changes, including wage and price policies and built-in stabilizers, will favorably affect the market for common stocks. Predicts major market decline will be prevented by reasonably well-maintained earnings and dividends, long-term inflation, and an under-supply of stocks to satisfy institutional demand. Concludes that business decline will continue for some months, but that "market grief" is behind us; with stock prices turning upward at turn of the year—making 1958 a year of great opportunity for building long-term capital gains.

We are in a period when it is particularly difficult to appraise the outlook for business and hence for the stock market. Under the circumstances, I approach my topic with a deep sense of humility and an acute realization of limitations of my ability to foresee the future.



Ragnar D. Naess

First, I will try to paint for you the background in broad terms, which I think very important in judging the stock market in 1958. Next, I will try to deal with some of the more immediate relevant factors that have a bearing upon the position of the stock market this year, and finally, I shall try to say a few words about the investment policy or philosophy in 1958 which in my opinion will be the most successful.

Economic and Political Background

In order to appreciate the present position and 1958 outlook for common stocks, it is essential to consider the broad economic and political background. This has a profound influence on the pattern of the business recession which is giving our economy its first serious test since the war. This test is occurring under conditions which have changed greatly from those of the great depression 25 years ago. For this very reason, we are to a considerable extent in uncharted territory when we try to gauge the potential character, seriousness and scope of the present recession. This has, in fact, led to an extraordinary cleavage of opinion as to the outlook among qualified observers. Some are of the view that conditions have changed so greatly from prewar days that the business cycle has been virtually eliminated. "Rolling readjustments," they say, are all that are needed to cure any excesses and economic maladjustments that may develop from time to time. Others, who may well be in the minority, believe that the business cycle is still to be reckoned with and that we may be in the early stages of a cyclical decline of considerable duration and severity. Those who

believe "rolling readjustments" will do the job also have greater faith in our ability to control our economy by the use of monetary and credit policies than those who are perhaps more old-fashioned in their views on the business cycle.

I feel certain that the business cycle has not been eliminated since it is an inherent characteristic of a profit economy based on individual freedom. I also feel certain that the character of our economy has been profoundly influenced by the enormous social, economic and political changes that have occurred since the great depression. Some may feel that these changes have been detrimental to our welfare, but I believe they represent progress.

Wage and Price Structure

These changes have a very real influence on the economic outlook today and must, therefore, be taken into account in judging the behavior of the market. I believe that most basic is the change which has taken place in our wage and price structure. For 150 years in the past the general price level dropped sharply following each war. For the first time in our industrial history this will not happen now in my opinion. The reason is that the major part of the cost of manufacturing, namely, unit labor cost, cannot be reduced to speak of even during periods of declining business and intense competition. On the contrary, wage rates and, therefore, unit labor costs are likely to remain at peak levels and may even rise. The labor unions are so strong that despite less favorable employment conditions, they can retain the gains made during the boom period and may even be able to extend these further.

One of the most important reasons for the rise in the standard of living over many decades has been the fact that wage rates have risen faster than the cost of living. This rise in real wages, together with the inventiveness and genius of American enterprise, have combined to give us a rapid and consistent long-term upward trend in our material welfare.

If wage rates do not decline much and if commodity price declines should be confined largely to the field of raw materials, we will have eliminated one of the chief factors which in the past caused a tendency towards spiraling deflation, namely, the process of sharp wage reductions accompanied or followed by price reductions.

The maintenance and even ad-

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CANADIAN INVESTMENT OPPORTUNITIES

Article starting on the cover page, "Current Canadian Economy: An Interlude Between Growth and More Growth," discusses the investment opportunities inherent in Canadian securities and, by way of documenting the views presented, includes a tabulation of the banks and companies listed on the Canadian Exchanges which have paid consecutive cash dividends from 10 to 129 years (Table I, page 21) and from 5 to 10 years (Table II, page 31), along with other data of interest to investors.

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Plow Shares

By DR. IRA U. COBLEIGH
Enterprise Economist

Some springtime notes about the farm implement business with particular reference to the outlook for J. I. Case Company and Deere & Company.

The farm implement business is one line which does not seem headed for further recession. It's already had its slump—long before the steels, rails, motors and metals. The peak year, in fact, was 1951 when farm equipment makers' sales hit \$1.9 billion, with the 1956 total slipping to \$1.2 billion, and the 1957 figure somewhere around \$1.3 billion.



Ira U. Cobleigh

Among leaders in the industry, there is a general opinion that farm equipment sales and profits should be, in 1958, at least as high as last year and possibly a little ahead. This qualified optimism is based on several factors: The end of the drought in the Southwest; arousal of farmer interest at various regional equipment shows; introduction of bigger and more efficient farm machinery (planters and cultivators that work in six rows instead of four; wider swath wheat combines, etc.); and improved demand for construction and road building machinery. The major clouds on the horizon are labor ones, with Case already having some controversy with its unions over wage scales; and Deere with its present labor contracts expiring in August. (The memory of a 19 week strike at Deere, in 1956, is still a vivid one.)

J. I. Case Company

And now for a swift look at these two companies, beginning with Case. Case is an old-timer. It has been turning out, and selling, farm equipment for 116 years. In recent years, results have been uneven with sales, slipping badly from 1951 highs, and a "white elephant" plant at Buttendorf, Iowa, which may have drained as much

as \$3 million from net earnings in 1957.

Today, however, J. I. Case Company presents a "forward look." Early in 1957 it acquired, by merger, American Tractor Company, a dynamic enterprise specializing in crawler tractors, earth moving and road building equipment. Quite as important, it also acquired the President and largest stockholder of American Tractor, Mr. Marc B. Rojzman, and made him Executive Vice-President at Case. He has made things hum. He is terrifically progress-minded, as evidenced by these programs he has shepherded:

(1) A \$6 million expansion program for 1958—mostly for modernization at Buttendorf to make it efficient and profitable instead of a sprawling drag on earning power;

(2) The big and fabulously successful sales convention and exhibit at Phoenix, Ariz., introducing the Case-O-Matic farm equipment line employing a torque converter in conjunction with a direct transmission, which reduces stalling and doubles the pulling power; and presenting crawler tractors with Terramatic drive. This show delivered \$60 million in orders and added 500 new Case dealers. It was probably the most successful sales promotion project in the history of the farm implement business;

(3) A \$2½ million budget for advertising and sales promotion in 1958 (three times what was spent last year).

(4) Aggressive expansion abroad including purchase of a French implement company, a West German plant to make crawlers, a farm equipment plant in Brazil, and an Australian plant to make industrial machinery;

(5) Formation, in 1957, of J. I. Case Credit Corp. to facilitate time sales to farmers and simplify corporate credit arrangements.

With all these energetic programs under way, what can we expect of Case common, which since 1946 has ranged between a high of 39% and a low (1956) of 11½? There are 2,818,623 common shares of JI listed on the New York Stock Exchange. These are preceded, in a rather complicated financial structure, by two series of preferred stocks, \$24 million in 3½% debentures due Feb. 1, 1978, and a \$100 million revolving bank credit of which \$33 million has presently been drawn upon. JI common earned 10 cents a share in 1957. Making allowance for a high level of farm purchasing power, good outlook for construction and road building, streamlined new products, and revitalized management, Case may earn as much as \$1.65 in 1958 and perhaps \$2.75 in 1959. This projection would seem to make possible a resumption of cash dividends in 1959. On the basis of the foregoing assumption, Case common may well merit current consideration at 15, not as an investment, but as a rather favorably situated speculation.

Deere & Company

For the more investment minded, an examination of Deere & Co. may prove rewarding. Here we have the second largest manufacturer in the business. Like Case, Deere has been a farm implement supplier for a long time—121 years—but in point of sustained earning power Deere has done a lot better. It has paid dividends without interruption for 21 years; it earned \$3.97 a share for 1957, paid cash dividends totalling \$1.75,

on the basis of which it yields 5.8% on its current market price of \$30.

Deere prospered handsomely in 1957, racking up total sales of \$388 million (a rise of 24% over strike torn 1956). This was not quite up to the \$396 million all time right reached in 1951. For 1958 management is hopeful of topping 1957 sales (barring a strike) and moving the per share net above \$400.

Optimism of this order is derived from a number of things. First, new models. Deere has just brought forth its No. 95 model combine. It's the largest ever, and will cut a swath 18 feet wide (instead of 14 to 16 feet maximums of prior models). It has a new bale injector, a planter and cultivator that work six rows at a clip; and it is presenting the last word in industrial crawlers. All of this new product line stems from a consistent long term program of research involving some \$13 million a year—research constantly striving for improvement on old lines and development of functionally efficient new machines.

Deere's foreign business is looking up. It accounted for some \$50 million in sales in 1957 and should do better in 1958. Deere has just placed in operation a new plant at Monterrey, Mexico; is planning for a plant in Argentina; it has a large operating subsidiary in Venezuela; and has just increased to 78% its stock interest in Heinrich Lanz, an extremely efficient equipment manufacturer in West Germany.

Not many people are aware that Deere is also in the chemical business. While sales here are not large (about \$6½ million in 1957) they are growing rapidly and tie in to the agricultural nature of Deere's main business. Chemicals are principally ammonia, a fertilizer, Vitrea, and urea additives for the feeding of cattle.

Naturally any projections of earnings must be based on the margin of profit. At Deere this was quite satisfactory for 1957 (fiscal year ends Oct. 31) particularly in view of a 6% price increase on most items, inaugurated about the middle of the year. This year there is but slight expectation of any further price rise, but the impact of higher steel prices and higher labor costs (as a result of new labor contracts in August) may change that viewpoint.

On the expansion horizon, Deere will double its 1957 outlay, and lay out \$15 million to expand manufacturing facilities at Moline, Illinois, enlarge its capacity for small wheel tractors at Dubuque, Iowa, and purchase of new and more efficient manufacturing machinery. You will recall that Case set up a credit corporation last year. Well Deere has this under consideration. It would be a logical step since, at the 1957 fiscal year end, Deere was carrying over \$100 million in farm installment paper. The move toward a company-owned credit corporation has worked out well in many industries. The credit company can release capital funds, can be a money maker, and can tie in parent company sales more effectively than when the buyer has to go shopping for credit.

In conclusion, we have sketched for you today two companies providing animate representation in the farm implement business. The first, Case, is to be considered from a speculative angle; and optimism regarding it stems importantly from confidence in the energetic new management. Deere, on the other hand, is a quite mature income-type equity to be given consideration for its attractive current yield, sustained quality of management and possibility of an increased cash dividend. Case might be a more exciting market performer within the next 15 months; and Deere, the more dependable.

The State of Trade and Industry

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

Over-all industrial production the past week continued to reflect for the most part declines. In the case of the steel industry, it is reported by "Steel" magazine that the steel mills are finding that the auto industry has been replaced by construction as their leading customer. This is quite significant since the automotive industry heretofore has taken about one-fourth of the steel mills output. Latest available figures on automotive output show a decline of 37.5% for the week ended March 21 under that of the previous period, according to "Ward's Automotive Reports."

Another authority on steel production, "The Iron Age," currently states that "the week-to-week fluctuation in steel orders reflects the uncertainty and hand-to-mouth inventory policies of steel users. It is just about impossible for the mills to pinpoint even a glimmer of a trend."

Electric output after turning upward two weeks ago, following four straight weeks of decline again showed moderate tapering off of electric energy distribution for the week ended March 22. Car loadings also registered declines in the latest reporting week. On the other hand, trade volume for the country as a whole last week, compared favorably with that of preceding week and slightly exceeded last year's level.

Industrial production has declined more in the current recession than in either of the other two post-World War II setbacks—in 1948-49 and 1953-54.

The Federal Reserve Board's seasonally adjusted production index, based on 1947-49 average output as 100, slipped to 130 in February, the board reported.

The February figure represents a decline of nearly 12% since production started falling at the beginning of last year. In both 1948-49 and 1953-54 the drop was fractionally more than 10%.

The index figure for January this year was 133. In February last year it was 146. It has not been as low as 130 since December, 1954. But it is still seven points above the low of 123 reached at the bottom of the 1954 recession, the index showed.

The index of consumer prices for February, announced Friday last by the United States Department of Labor, rose 0.2% to 122.5% of the 1947-49 average. This was 3.5% above the 1957 level.

The increase in the consumer price index will bring one to two cent wage increases to about 100,000 workers under escalator clauses in their contracts. The department said about one-third of these workers were in aircraft and the rest in metal working industries and local transit companies.

The last decline in the consumer price index was in August, 1956. It remained level in October and December of 1957 and all other months since the 1956 decline have brought increases.

The only declines in February prices, the bureau stated, were in transportation prices and in apparel. Gasoline price wars helped reduce the price of gasoline by 2.7%.

The department also noted that weekly spendable earnings of factory workers were almost unchanged between January and February. The average worker with three dependents made spendable earnings of \$73.71 per week in February, 17 cents below his January paycheck. This decline coupled with the increase in consumer prices reduced the buying power of factory workers by 0.4% in the month, down almost 5% from 1957.

Crude oil production in the United States showed a further decline during the week ended March 14, according to the American Petroleum Institute, trade organization for the oil industry.

Output during the week averaged 6,256,985 barrels daily, a drop of 70,750 barrels daily under the preceding week and well under the year ago rate of 7,798,715 barrels a day.

The decline in the latest week followed a sharp dip a week earlier, the first reflection of drastic cutbacks in allowable production set for the month of March by the major producing states.

Reporting on domestic consumption of all petroleum products for the latest three months, December-February, the Independent Petroleum Association of America states that it rose about 1% over same period last winter. Petroleum exports during the period however, were down about 600,000 barrels daily or 65% from the year ago level when exports were at the peak because of the Suez crisis. Total domestic and export demand, therefore, was down almost 5%.

Domestic consumption during the second quarter, reflecting the normal seasonal decline, is expected to average 8,350,000 barrels daily. This would be an increase of 2% over the second quarter of 1957 but slightly below the second quarter of 1956. Exports are expected to average 325,000 barrels daily compared with 594,000 last year, a decline of 269,000 barrels daily or 45%. Total domestic and export demand outlook for the second quarter was set at 8,675,000 barrels daily, down 1.2% from the second quarter of 1957.

Increased demand during February resulted in considerable improvement in the refined product inventory situation. Total product inventories at the end of February were estimated at 493,000,000 barrels or 33,000,000 higher than at the same time last year. This excess over year ago levels compares with 57,000,000 at the end of January. Substantially all of excess over 1957 product inventories is located on the West Coast.

In the automotive industry the lowest automotive production schedules of 1958 are persisting through March, "Ward's Automotive Reports" stated on Friday last.

Estimated by the statistical publication the past week is output of 101,226 cars and trucks, low for the year thus far and 37.5% under the preceding week's total of 103,399 vehicles. In the corresponding week a year ago, production was 161,865 units.

"Ward's" noted that passenger car manufacturing was pro-

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Observations . . .

By A. WILFRED MAY

THE STOCK MARKET IN THE RECESSION

The stock market's strength during our recession-depression is eliciting ever increasing commentary running the gamut from the political philosopher Max Lerner to the London "Economist." Professor Lerner in a recent "New York Post" column typifies those who find noteworthy the absence of ready "explanations" for short-term market movements. The "Economist," in a widely quoted article with the intriguing caption, "The Confident Recession," advances the thesis that the strength currently exhibited by our stock market warrants the implication of optimistic conclusions about the extent and duration of our economic decline. It supports this conclusion on the twin grounds that the substantial proportion of buying which stems from institutional investors is well informed; and that such buyers "double" as influencers of business.



A. Wilfred May

The assumed correlation between stock market behavior and economic elements is contradicted by the performance record as well as logic.

Conceiving of the recurrent fluctuations of stock prices as an indicator, either barometric or thermometric, of the nation's economy manifests complete misunderstanding of the proper role of the market and its participants. The fundamental purpose of the stock exchange is to provide a liquid market for instruments representing value, not a forum for placing bets on future business changes.

The performance record has conformed to this interpretation, via the recurrent divergence of market fluctuations from the accompanying economic events. The tremendous stock market boom of the late Nineteen Twenties had no foundation in either the state of business or the commodity markets. Again, the bull market of 1935-1936, marked by a 50% rise in the valuation of listed common stocks, was unrelated to industrial activity or corporate earnings. Conversely, the rise in production and national income from 1939 to 1942 was accompanied by a major decline in stocks. And after World War Two, the stock averages fell by 22% in 1946 and remained in the depths until 1949; an interval featured by booming business and a 40% rise in commodity prices.

Optimism Qualified

In the present situation the characterization of the Wall Street community as optimistic, on either the market or business, calls for considerable qualification. Its inapplicability to the professional element is evidenced by the current official data showing the total of short-sellers at the highest figure since 1931. And with reference to the institutional and other long-term investors, to whose support the strength of the leading averages is credited—their abstinence from liquidation may well rest on assumed continuation of the current price-inflation despite the economy's recession; coupled with the suiting of their policy, in accordance with a genuine investment role, to confidence in the very long-term future. Such leaning to the long-term attitude among even the rank-and-file is revealed by the New York Stock Exchange's latest Public Transaction Study.

Investors' present forbearance from liquidation may also rise from another factor having nothing to do with short-term recession prospects; namely their being "frozen" because of the capital gains accruals on their holdings at these still historically high levels.

Our recession may be nearing its end. But surely the stock market's behavior does not provide the easy answer to that highly complex question!

Licensing Agreements Accelerated

National Industrial Conference Board's study of licensing agreements reveals that this middle approach to foreign markets has been greatly accentuated—boosted by twin drives of nationalism and rapid industrialization.

The spread of nationalism and the desire of some foreign countries for rapid industrialization and technological development has contributed to a speedy postwar growth of the licensing agreement as an approach to markets abroad, the National Industrial Conference Board finds in a study of 240 U. S. and Canadian firms.

One hundred and thirty-one of the cooperating companies report they have one or more licensing agreements. Some 60% of them express satisfaction with their experience in this field and consider licensing an effective—but not necessarily the most effective—way of developing foreign markets. Another 30% express qualified approval of licensing under certain conditions. The remaining 10% are generally opposed to licensing if any alternative is possible, or else consider licensing relatively ineffective as a means of developing their foreign markets.

A Middle Approach

The licensing agreement is a middle approach to foreign markets—an alternative route somewhere between exporting and direct investment abroad, the Conference Board finds. To most of the companies participating in this study it is not a principal or preferred approach to foreign markets, but a very useful supplementary one to be used on certain occasions for selected market areas.

By leasing their patents, trademarks or know-how to foreign manufacturers, many firms have succeeded in increasing their revenue, gaining some advantage in marketing their products overseas, and acquiring reciprocal know-how and research developments from foreign companies.

Growth of the licensing agreement has been very substantial

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Section 5 Current Problems Under SEC Act and Release 3844

By EDWARD N. GADSBY*

Chairman, Securities and Exchange Commission, Washington, D. C.

SEC Chairman addresses himself to the troublesome problem of permissible versus unlawful advance dissemination of information concerning securities scheduled for public offering. Investment bankers, broker-dealers, and corporate executives addressing analysts societies prior to public offering, are informed by Mr. Gadsby that Commission's dealings in this matter are determined on an ad hoc basis. Explains the golden mean they should follow—regarding Section 5 of SEC Act and subsequent clarifying releases—is whether, or not, "material submitted is reasonably to be considered as a part of the selling effort." Solicits reactions to views expressed and announces Release No. 3844 may be clarified shortly.

The public and the business community are inclined to think of the Securities Act of 1933 primarily in terms of its "disclosure," and "anti-fraud" provisions. Issuers and syndicate managers who are bringing an issue to market tend to become preoccupied with determining the necessity for registration, with the content of a registration statement and prom-



Edward N. Gadsby

spectus and their informational requirements, with arriving at judgments as to materiality of and the necessity for discussion of subjects perhaps not specifically required by the registration forms, with the mechanics of the registration process and the timing of the various steps in the complicated business of putting together a syndicate and successfully placing an issue.

The public is apt to observe in the press from time to time some report of action by the Commission involving conduct by an issuer or a broker-dealer contravening the anti-fraud standards of the statute or involving the sale of unregistered securities. These actions are generally understood and are accepted without explanation or justification, either by the Commission or by the businessmen and professional people interested in the administration of the law. Being easily understood, it is perhaps natural that the impression should prevail that these are the only aspects of the statute of any real importance, that what remains is mere technicality.

However, the investment banking business and the Commission are keenly aware that one of the basic purposes of the Securities Act and one of the major changes in the conduct of investment business required in order to implement the rule of full disclosure was to impose upon issuers, underwriters and dealers a then novel discipline in the mechanics of distribution as to when and in what manner securities may be offered and sold. This discipline was spelled out in Section 5 of the 1933 Act, which is the procedural heart of the statute from your point of view and ours, and in the definitions of the terms "security," "offer," "sale," and "prospectus" contained in subsections 1, 3 and 10 of Section 2.

From 1933 until October, 1954, the statute prohibited the making of offers or sales of a non-exempt security prior to the effective date of the registration statement. During that period, there was much concern over the seeming inconsistency between two fundamental theses of the Act,

first that during the period between the filing date and the effective date, the public should have an opportunity to become informed about an issue and then that during this same period, no offer could be made. Every responsible member of the industry was anxious to comply with the law and yet was fearful lest, in distributing information about an issuer during the waiting period, he might be considered to be engaged in making an offer contrary to the statute.

FTC Classification

Very shortly after the statute became effective, the Federal Trade Commission, "In response to inquiries concerning how far an underwriter may go in discussing and advertising a proposed new offering of securities prior to the effective date of a registration statement filed under the Securities Act," published its Release No. 70 in which it discussed this basic and very practical problem. The release pointed out that the law contemplates there should be public circulation of knowledge concerning matters contained in a registration statement but warned that: "On the other hand the Act is equally definite that no offer to sell shall be made until the expiration of the waiting period."

The essence of the new discipline to which I have referred is found in one short paragraph of that release, where it was said that: "During the waiting period, as well as prior thereto, Section 5 of the Securities Act makes it unlawful for the issuers, underwriters, and dealers (to whose transactions the Act is generally applicable) to make an offer to buy or to sell a security—always remembering that 'sell' carries within it the conception expressed in Section 2(3) of an offer to sell or a solicitation to buy. The same section also makes it unlawful to transmit any prospectus (the central feature of which under Section 2(10) is the fact that it offers a security for sale) relating to a security during this period prior

*By any means invoking the Federal jurisdiction. As originally written, the term "sale" was defined to include any offer or attempt to dispose of a security.

to the effective date of a registration statement."

During this early period, the technique of the "red herring" prospectus was developed and the Commission endeavored to encourage its use at least to the dealer level. The securities industry, however, as stated in the industry report on the proposed amendments to the statute in 1941,² continued to fear that, unless underwriters gave out no information at all during the waiting period, "they are subjecting themselves to injunctions or criminal liability" or "possible revocation of their over-the-counter dealers' licenses . . . for willful violation . . ." of the Act.

In 1935, in Release No. 464, the Securities and Exchange Commission published an opinion of its General Counsel which discussed the effect of the Securities Act upon the publication by statistical services of bulletins or other circulars descriptive of securities for which registration statements had been filed, and the circulation of such bulletins or other informative literature by underwriters or dealers. The release pointed out "that there would be no apparent violation of the Securities Act in the distribution by these services of such material to their subscribers in the normal course of business, and that underwriters and dealers may, subject to certain restrictions, further distribute this material to their customers." In the course of his opinion, the General Counsel gave some description of the restrictions which he had in mind. He stated that the "legality of the submission of preliminary information under Section 5 is dependent upon whether or not it is used in connection with, or itself constitutes, an 'offer to sell,' as that term is defined in the Act" and that "the making of any attempts to dispose of a security or to solicit offers to buy a security, fall within the prohibition of Section 5 of the Act during the 20-day period preceding the effective date of registration, as well as prior to the filing of the registration statement. Accordingly, any circulation by underwriters or dealers of a bulletin descriptive of a particular security, which is in furtherance of an offering of such security for sale prior to the effective date of registration, or of a solicitation during that period of an offer to buy the security would fall within the prohibitions of Section 5 of the Act."

He went on to comment on "the problem created by the insertion in the bulletins of your ratings of the described securities and of your opinion as to their investment value." As has been pointed out above, an underwriter or dealer who circulates with a bulletin or other purely descriptive matter his recommendation as to the desirability of the investor's purchase of the security would in all probability be held to have offered the security for sale. In my opinion, the insertion of such material by the statistical service

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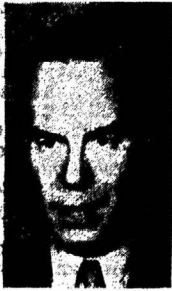
*An address by Mr. Gadsby before the Central States Group of the Investment Bankers Assn., Chicago, March 20, 1958.

Now Is the Time to Buy Tax-Exempt Bonds

By CURTIS V. ter KUILE*

Compelling arguments for municipal bonds, presented in terms of the individual investor, are advanced by market expert who raises and affirmatively answers his own question as to whether this is a good time for such investments. Mr. ter Kuile believes any single person, for example, with \$15,000, or over, taxable income should seriously consider sound tax-exempts now available at 3.50% yield and equivalent to 6.60% per stock yield at a time when it is difficult to buy a good stock that will yield him as much.

Few people outside of the institutional investor class realize the importance and extent of the tax-exempt municipal bond market in the United States. It may be interesting to note that the volume of available municipal bonds offered has risen from \$20,064,000 on January 13, 1942 to approximately \$347,000,000 today.



Curtis V. ter Kuile

Two things are generally agreed to be certain in this life: the one, of course, is death; the other is—taxes. There seems to be no escape from either. Yet it could be worse in our case. You cannot stop people from dying, no matter where they live, but many of our citizens, when they complain about it, do not realize that our taxes are proportionately lower than in any other leading nation in the world. Moreover, ours is about the only country, with the exception of West Germany, where it is possible to purchase bonds which are exempt from taxes on income. So we have a really unique situation here. We have the highest per capita income, and also an excellent method of legally avoiding a portion, if not all, of our income taxes. One can obtain a broad diversification of investment in this field. It is possible to purchase tax-exempt bonds of thirty-three of our forty-eight states. Twelve of these are rated Aaa by Moody. Also such cities as Harrisburg, Hartford, Kalamazoo, Richmond, and Salt Lake City are also rated Aaa. Nineteen of our states and many of our cities are rated Aa. These securities are considered to be high grade and safe.

Discusses Individual Investor

Well, what shall we buy—tax-exempt bonds, or common stocks with taxable dividends? That depends somewhat on who the pur-

*The writer is a graduate mechanical engineer, Cornell University. He has been engaged in engineering and the investment business for many years and is a member of the Cornell Engineering Society and the New York Society of Security Analysts.

chaser is. In this discussion let us confine ourselves to individual investors. The institutions, usually guided by an investment committee, and by certain regulations, may be counted on to use mature judgment in the proportionate and selective character of their portfolios. It is the individual who may welcome some advice, and the nature of it will depend somewhat on the particular investor in question.

Generally speaking, in these times of relatively high stock markets, high incomes, high taxes, and relatively low municipal bond prices, there seems to be very little question as to which investment is the better. Any single person with a taxable income of \$15,000 or over should be seriously interested in tax-exempt bonds. It is difficult to buy a good stock that will yield him 6.60%. Yet sound municipal bonds are available to yield 3.50%, which is the tax-free equivalent of a 6.60% stock yield. If our investor pays an income tax to the State of New York, then he should purchase some New York municipals. They would add 0.26% to his equivalent yield. He would have to buy a sound stock with a 6.86% yield to equal his tax-free bond yielding 3.50%. If the New York taxpayer is in the \$25,000 bracket, a 3.50% tax-free bond will provide the equivalent of a 8.80% stock yield. It is a fantastic situation when a person residing in the State of New York, or Maryland, or Pennsylvania, or Delaware, or in fact any state having its own income tax law, can actually purchase securities on the income of which he need not pay any tax at all.

Tax Exempts at a Low Level

In considering tax-exempt bonds one is tempted to wonder whether this is a good time to make such an investment. A study of the recent history of municipal bond prices will produce some interesting results. In the market break following the start of World War II, the Dow-Jones average yield of twenty 20-year municipal bonds jumped to 3.20%. Influenced by the necessarily higher income taxes, the yield dropped to an all-time low of 1.40% in the spring of 1946. Since then, political and economic influences have caused this average yield to eventually reach a 22-year high of 3.58%

Tax-Exempt Bonds

Moody Rating	Coupon	Maturity	Yield
Aaa State of Connecticut	3 1/4%	1-1-74	2.65%
Aaa State of Illinois	1 3/4	5-1-72	2.70
Aaa State of Maryland	2	6-15-70	2.50
Aaa State of New Jersey	4 1/2	7-1-64	1.90
Aaa State of New York	2 1/2	1-15-86	2.85
Aa Los Angeles, S. D., California	3 1/4	2-1-88	3.25
Aa Denver, Colorado	3 1/4	2-1-95	3.55
A Milford, Connecticut	3.20	12-1-71	3.10
A New Orleans, Louisiana	3 1/4	9-1-83	3.25
Aa Baltimore, Maryland	3	7-1-82	2.95
A Detroit, Michigan	3 1/2	5-1-80	3.30
A Paterson, New Jersey	2.70	2-1-78	2.90
A Southampton, New York U.F.S.D. #6	3 1/2	2-1-73	3.25
A Nassau County, New York	4.20	9-1-84	3.35
A New York City	4 1/4	3-1-81	3.30
A Oyster Bay, New York	3.40	4-1-85	3.50
Aa Cleveland, Ohio	2 3/4	9-1-70	2.60
A Amarillo, Texas	3 1/4	2-1-77	3.25
A Norfolk, Virginia	3 3/4	1-1-81	3.30
Baa Huntington, New York U.F.S.D. #6	4.10	4-1-83	3.80

on August 19, 1957. The municipal market is rising, the Dow-Jones average has declined to 3.07% on March 17, 51 points from its Aug. 19 high. Some of this price increase may be traced to the recent Federal Reserve Board action in reducing the re-discount rate and member banks reserve requirements on demand deposits, some to investment demand inspired by confidence resulting from the Board's action, and some because of bond dealers' sales to each other for a mark up. Regardless of the cause of this rise in municipal bond prices, there seems to be very little doubt that tax-exempt bonds have been selling at a low level.

Recovery or Recession

As to capital appreciation, it is a moot question whether municipal bonds, or stocks, will perform the best in the next year or two. The Dow-Jones industrial stock average rose from 92.92 in the spring of 1942 to 521.05 last year and 520.77 on July 12, 1957. Today, it stands at 449.46, 356.54 points above its low in 1942, yet only 71.31 points below its recent high registered last July. In the preceding paragraph the course of the tax-exempt municipal bond market was discussed. Its future depends on the money market, the supply of new issues and the extent of funds which will be available for investment in fixed income tax-free bonds. Inflation would normally cause stocks to advance, and we may well expect a continuation of inflationary tendencies in the conduct of affairs for which the U. S. Government is responsible. But the stock market is admittedly historically very high and the municipal market is low. When business takes a turn downward, stock prices will suffer, government inflation notwithstanding. But if business declines, the demand for money will also decline, and hence interest rates will go lower. This is bullish for bonds. If tax rates are maintained or raised, then the whole combination of events should strengthen the market for tax-exempt bonds in particular, and thus provide capital gains to holders who were shrewd enough to have purchased them at present levels.

It takes courage and good judgment to buy any securities when their markets are depressed, for at such times pessimism is prevalent. Investors should realize that municipal bonds which are payable from unlimited *ad valorem* taxes are actually a mortgage on every property in the community affected, and consequently carry a high factor of safety.

Warner G. Cosgrove to Be Shields Co. Partner

On April 11 Warner G. Cosgrove, Jr., member of the New York Stock Exchange will be admitted to partnership in Shields & Company, 44 Wall Street, members of the New York Stock Exchange. Mr. Cosgrove is a partner in Cosgrove, Whitehead & Gam-

W. T. Hyde, Jr., to Be Partner in Smithers Co.

W. Truslow Hyde, Jr., on April 1 will become a partner in F. S. Smithers & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Mr. Hyde will retire from partnership in Josephthal & Co. Mar. 31.

Wayne Hummer Partner

CHICAGO, Ill. — William B. Hummer will be admitted to partnership in Wayne Hummer & Co., 105 West Adams Street, members of the New York and Midwest Stock Exchanges, on April 3.

In Memoriam

THOMAS ALOYSIUS CREEGAN

1890 - 1958

Another "Chronicle" landmark passed on to his reward last Saturday, March 22, 1958.

To all of his associates, Thomas A. Creegan was an exponent of lifelong faithfulness in the service of the "Chronicle." Characteristically, he was a family man of more than usual diligence and dependability and also a devoted adherent of the Catholic Church, being a loyal supporter of its religious principles and tenets.

Mr. Creegan was born in Brooklyn sixty-eight years ago and was actively connected with the "Chronicle" for over a half century. His energies in late years were devoted to the multitudinous duties of his position as Cashier of the "Chronicle's" Business and Circulation departments.

We, his "Chronicle" intimates, today respectfully and proudly desire to honor the character and life of a man, a true Son of Erin, who, during his lifetime labored in the unselfish interest of others.

by A. W., Short Hills Village, Springfield, N. J., March 24, 1958.

Bogen Expects Recession to Last Several Years With Intermediate Ups and Downs

Characterizing downswing as "durable goods holiday" type of recession, Professor Bogen opposes cures that would hamper and delay real economic growth.

The American economy is undergoing a full-fledged cyclical readjustment following the long period of prosperity that culminated in the years because added stimulus from shortages, rapid debt expansion, and inflation will be lacking. The 12 years from 1946 to 1957 can hardly be considered representative of the normal growth pattern of the economy, he said.

"Resort at this juncture to frantic, ill considered anti-recession measures such as indiscriminate deficit spending and massive tax reductions could seriously hamper and delay a resumption of healthy economic growth in the 1960's," he concluded. "Such policies would provide immediate relief, it is true, but only at the price of generating a greater and more costly boom and bust as an aftermath."

"Business and consumer spending were overstimulated by the acute shortages inherited from the depressed 1930's and the war period, the rapid rise in private debt, and inflation," he stated. "The consequences—excess productive capacity and inventories, large accumulations of durable goods in consumer hands, and the heavy personal debt load—are producing a 'durable goods holiday' type of recession."

"A readjustment of this kind after so prolonged a period of prosperity and boom could continue with intermediate ups and downs for several years. Its impact can be lessened by easy money policies, moderate increases in government spending, limited tax reduction and assistance to the groups and areas most affected."

Dr. Bogen added that, while the

C. R. Lander Officer Of First Southeastern

ATLANTA, Ga.—Coy R. Lander will become Assistant Vice-President of First Southeastern Corporation, Trust Company of Georgia Building on April 3.

West Director

Percy West has been elected a director of Emerson Radio & Phonograph Corp. Mr. West is a Vice-President of the First National City Bank of New York.

Charles Cushing

Charles G. Cushing passed away March 24 at the age of 67. Mr. Cushing was in the investment business in New York.



James I. Bogen

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Due	Prices to Yield	Due	Prices to Yield	Due	Prices to Yield
1959	.90%	1966	2.10%	1972	2.50%
1960	1.10	1967	2.15	1973	2.50
1961	1.30	1968	2.20	1974	2.55
1962	1.50	1969	2.30	1975	2.60
1963	1.70	1970	2.40	1976	2.65
1964	1.85	1971	2.45	1977	2.70
1965	2.00			1978	2.70

(Accrued interest to be added)

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Robert Winthrop & Co.	Hayden, Stone & Co.	Clark, Dodge & Co.	J. C. Bradford & Co.	The Boatmen's National Bank of Saint Louis
Braun, Bosworth & Co. Incorporated	National State Bank Newark	Stroud & Company Incorporated	A. M. Kidder & Co., Inc.	J. A. Hogle & Co.
Branch Banking & Trust Co.	Bacon, Whipple & Co.	Winslow, Cohn & Stetson	Trust Company of Georgia	City National Bank & Trust Co. Kansas City, Mo.
Newburger, Loeb & Co.	E. F. Hutton & Company	Rand & Co.	Schaffer, Necker & Co.	Granbery, Marache & Co.
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				Byrd Brothers

March 26, 1958.

Dealer - Broker Investment Recommendations & Literature

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

- Atomic Energy—Review**—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.
- Atomic Letter (No. 35)**—Analysis of fund investment in missile field—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.
- Burnham View**—Monthly investment letter—Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter**.
- Business Opportunities in Latin America**—Information—American & Foreign Power Co., Area Development Dept., 2 Rector Street, New York 6, N. Y.
- Business Outlook for Japan in 1938**—Review—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.
- Common Stock Candidates for Institutional Investment**—Selected list—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.
- Electric Power in Canada**—Review—Bank of Nova Scotia, Toronto, Ont., Canada.
- Financial Planning for the Physician**—Reprint of special article by Norman F. Dacey from Connecticut State Medical Journal—Norman F. Dacey & Associates, 114 State Street, Bridgeport, Conn.
- Forging Ahead in 1937**—Report of the Ontario Department of Mines—Ontario Department of Mines, Toronto, Ont., Canada.
- 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.
- Toronto Stock Exchange**—Monthly bulletin of trading data on all issues listed—Toronto Stock Exchange, 234 Bay Street, Toronto, Ont., Canada, Dept. E-3800.
- Treasure Chest in the Growing West**—Book explaining industrial opportunities of area served—Utah Power & Light Co., Dept. K, Box 899, Salt Lake City 10, Utah.
- Your Guide to Business in Canada**—Including survey of major Canadian taxes affecting business in Canada—Business Development Department, Bank of Montreal, Montreal, Que., Canada (New York office 64 Wall Street, New York 5, N. Y.)
- Air Products Inc.**—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.
- Amalgamated Sugar Co.**—Memorandum—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah.
- Argo Oil Corp.**—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.
- Atlas Sewing Centers, Inc.**—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.
- Brown Shoe Co.**—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, Northwest, Washington 5, D. C. Also available is a memorandum on **Kansas Power & Light Co.**
- Christiana Securities Co.**—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.
- Consolidated Foods Corporation**—Analysis—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.
- Cosmopolitan Life Insurance Company**—Analysis—Herman Bensdorf & Company, Commerce Title Building, Memphis 3, Tenn.

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Time to Speak Out on Certain National Issues

By WILLIAM C. JACKSON, JR.*
President, Investment Bankers Assn. of America
President, First Southwest Company, Dallas, Texas

"We must stand up and be counted," Mr. Jackson advises fellow investment bankers in urging that their opinions in the interest of the industry and for the betterment of the nation be made more widely known. The IBA head suggests tax reform, easier money in preference to public works and voluntary pension funds, as prime areas for action. Turning to capital demand outlook, envisions plenty of "grist for our mill" in view of increasing state-local borrowing, but not any resumption of capital scarcity squeeze that "racked" bond market through October.

It would be gratifying if it were possible for me to suggest a program so comprehensive in its planning, so complete in its parts, and so convincing in its presentation, that it would challenge the thinking of each of us. Unfortunately, I have no remedy to offer as a "cure all" for our economic ills. I do have strong feelings regarding our responsibilities, as an industry, and as individuals, to our nation and to our free enterprise system, and it is these responsibilities I would like to bring to discuss.

Since the first of the year, I have had the stimulating experience of attending the Greenbrier Conference at White Sulphur Springs, and the Conference of National Organizations, which was held this year in Atlantic City. All of the leading industrial, farm and commercial associations were represented, with the American Bankers Association, the As-

*An address by Mr. Jackson before Investment Bankers Association of America, Chicago, Ill., March 15, 1938.



W. C. Jackson, Jr.

sociation of Stock Exchange Firms, and the Investment Bankers Association appearing for the financial community.

Generally, the IBA observes and listens at these conferences, although, on occasion, some of our representatives have been asked to discuss or report on monetary and debt management policies as a background for consideration of other national problems. While I personally was relieved at not having to participate actively, my observer's role left me even more keenly impressed by the scope and thoroughness of the discussion of many economic and political problems, in which the majority of the leading national associations severally stated their positions so positively and exactly.

Making Views Known

These recent experiences prompt me to reopen discussion of a matter which has recurred over the years of our existence as a national investment banking association; that is, whether we should formulate and sponsor Association policies on certain national issues, in which we either have special competence, because of the nature of our business, or in which we should be working with other business associations against political trends harmful to business in general.

As an example of what I mean, let us look at the current pro-

posals for tax relief as a means of stemming the recession. Organized labor and its political supporters clamor for tax reduction at the bottom of the income scale, in order to put more consumer buying power into circulation immediately. The more conservative position which all of us would support calls for reductions at all levels of the progressive income tax, including a cut in the corporate rate.

Now, the Chairman of our Federal Taxation Committee, Walter Maynard, has ardently advocated this sound approach for many years. Further, I understand the Board of Governors approved Walter's report and adopted it as an Association position. Walter has appeared before the Ways and Means Committee of the House of Representatives several times in support of tax reform, but I have no knowledge of concentrated action on this important matter on the part of our Association, or its individual members, such as is being taken on the "Amortization of Premium" problem.

It seems to me . . . we have nothing to lose and a great deal to gain by taking aggressive action, as an Association, and as individual members, on matters like this, which I am sure are non-controversial within our membership. We could, for example, support the Sadlak-Herlong Bill, which proposes to reduce the progressive rate structure of the income tax over a five-year period to the point that the final schedule of rates would range from 15% to 42% for individuals and a 42% rate for corporations. In my opinion, this would brighten the economic outlook and stimulate a resumption of capital investment more than any other action that Congress could take.

Incidentally, I believe that such a sensible tax structure would be the best assurance of rebalancing the Federal budget, both because there would be greater incentive to earn and to report taxable income, and because the reliance on Federal aid would be reduced through an earlier revival of business activity.

Prefers Easier Money to Public Works

As a related topic, I think it is most discouraging to witness the tendency in Congress, and to some degree in the Administration, toward combatting our present recession by hastily devising plans for more Federal spending or loans, regardless of the effect upon the budget. At the same time, the Federal Reserve Board grudgingly takes hesitant steps toward easy money, because of its fear of encouraging inflation of prices. This fear is probably well founded, in view of the fact that consumer prices have risen substantially during the past few months, partly as a result of the wage-price spiral built in to so many labor contracts. Yet it seems to me that, if easier money has any merit as a factor encouraging business activity, it would be far better to err on the side of liberality in monetary policies than to let the advocates of hasty public works programs go ahead with unbalancing the budget and thus generating an inevitable later inflation.

Voluntary Pension Plans

Also before Congress are H. R. 9-10 and H. R. 380, to encourage the establishment of voluntary pension plans for individuals. I believe our Association should give consideration to going all out in support of one of these, in an effort to promote thrift and stimulate our economy through investment. Further, we should have a definite interest, because a large number of our members are partnerships and proprietorships and, if proper legislation is enacted, the funds made available from these

Continued on page 59

- Diebold, Inc.**—Report—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.
- Dun & Bradstreet**—Analysis—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.
- Foremost Dairies**—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.
- Georesearch, Inc.**—Analysis—Metropolitan Dallas Corporation, Vaughn Building, Dallas 1, Tex.
- Glasspar Company**—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.
- Great Western Producers**—Discussion in current issue of "American Investor"—American Stock Exchange, 86 Trinity Place, New York 6, N. Y.—\$1 per year. In the same issue are discussions of outlook for retail trade, **Armstrong Rubber Company**, and the work of the Clearing Corporation.
- Gypsum, Lime & Alabastine Canada Limited**—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.
- H & B American Machine Co.**—Memorandum—John H. Kaplan & Co., 120 Broadway, New York 5, N. Y.
- Micromatic Hone Corporation**—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available is a bulletin on the **Gabriel Company** and on **Eastern Industries Inc.**
- Montana-Dakota Utilities**—Review—Parrish & Co., 40 Wall Street, New York 5, N. Y.
- New York Capital Fund of Canada Ltd.**—Report—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.
- Ohio Oil Company**—Annual report—Secretary, The Ohio Oil Company, Findlay, Ohio.
- Chas. Pfizer & Co., Inc.**—Report—Harris, Upham & Co., 129 Broadway, New York 5, N. Y.
- Rare Metals Corp.**—Memorandum—White, Weld & Co., 20 Broad Street, New York 4, N. Y.
- Sperry Rand Corp.**—Memorandum—Warren W. York & Co., 203 Market Street, Harrisburg 2, Pa.
- Standard Oil Co. of New Jersey**—Analysis—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.
- Travelers Insurance Co.**—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Bausch & Lomb Optical Company**, **Best Foods, Inc.**, **National Distillers & Chemical**, and **Convertible Preferred Stocks**.
- United Shoe Machinery**—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.
- White Eagle Oil**—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

The Investor's Dilemma

By SAMUEL C. GREENFIELD
Investment Adviser
New York City

Mr. Greenfield assesses probabilities in the current situation and mentions some typical bonds, preferreds and common stocks which he believes hold future benefits.

What is the investor to do in this kind of market? First, he must evaluate the economic situation and then determine short and probable long-term trends.



Samuel Greenfield

If one were to closely examine the growing unemployment figures, the low rate of steel production, the falling auto sales and generally the poor state of business, he would have to conclude that he would be best off being "invested in cash." Yet, when he reads that consumer prices edged up again in February to still another all-time high; and when he notes the activity in Washington, he must pause lest his cash in the bank turns into a millstone around his neck.

It is now becoming increasingly evident that the prosperity of the past few years and the creeping inflation were unrelated. The inflation is still with us, despite unemployment, reduced production, etc. Looking and planning ahead, we should recognize the fact that the selling price of goods is a function of the various costs that make up the commodity rather than the state of prosperity. And, it is hardly likely that these costs will drop in the foreseeable future.

It is also evident that the Federal Reserve and the Treasury will make money plentiful at lower and lower rates. Finally, it is reasonable to predict that consumer buying power will be maintained through a variety of measures, most of which should involve public and private construction.

Translating these anticipated actions into securities, it is reasonable to conclude that bonds and preferred stock should rise higher than they are today. There are still a few bonds of good quality that can be purchased to yield 4½% or better. To mention a few: Olin Mathieson 5½% and National Cylinder Gas 5½% convertible bonds meet this test. In

the preferred group we have McCord (\$2.50), Aldens (\$4.25) and Ashland Oil (\$1.50). The latter is a convertible issue.

Promising Common Stock Areas

Moving to common stock, it seems evident that consumers will favor soft goods. Hence, food, groceries, utilities, tobaccos and credit companies should continue to do well. In this group I consider the following reasonably priced: Bohack at \$32; First National Stores at \$59; American Tobacco at \$80; Liggett and Myers at \$70; Southern Indiana Gas at \$30; and Wisconsin Public Service at \$23; Heinz at \$48, and American Molasses at \$13.

A sound portfolio should include companies that should benefit from the anticipated construction program. They should include Al-

pha Portland Cement at \$33 and Penn Dixie Cement at \$30. Then, there are the basic securities that will be needed by industry and/or consumers. Included are: Anderson Prichard Oil at \$25 and Pure Oil at \$33. Also, Socony Mobil Oil at \$48 and Royal Dutch at \$41; Anaconda at \$47 and Kennecott Copper at \$89. In the steel group there is U. S. Steel at \$60 and Bethlehem at \$39. Finally, aluminum should be included. Here I recommend Reynolds Metals at \$44 and Kaiser Aluminum at \$28. Looking ahead beyond 1958, the aircraft merit investor attention. North American Aviation at \$27 and General Dynamics at \$59 appear good.

Security prices can be expected to move in a fumbling, indecisive and spastic manner. Through it all we should bear in mind the

fundamental fact that the present situation must be corrected and that our vast resources make it possible. All that is needed is patience and sound investment practice.

With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold H. Starr has become affiliated with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Shearson, Hammill & Co.

Joins C. M. Hathaway

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John T. Thompson is now with C. M. Hathaway Company, 1575 Sherman.

Form Equity Investors

Arthur M. Baumgarten and Harold L. Nisinson have formed Equity Investors Co. with offices at 107 William Street, New York City to engage in a securities business.

York Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Patrick C. Richards has been added to the staff of York & Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange. He was previously with First Sierra Corporation.

With Seasingood & Mayer

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—James J. Reis, Jr., has joined the staff of Seasingood & Mayer, Ingalls Bldg.

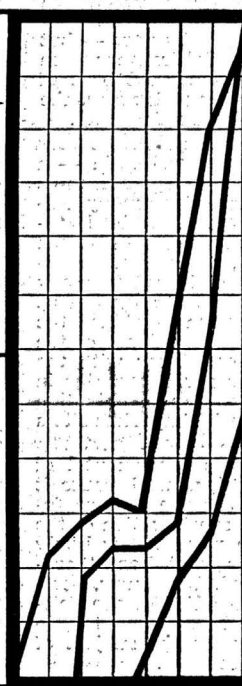
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Net Income	\$ 41,490,000	\$ 41,216,000	4th highest
Per Share	\$ 3.16	\$ 3.14	
Dividends per Share	\$ 1.60	\$ 1.60	2nd highest
Book Value per Share	\$ 27.12	\$ 25.56	Highest
Capital Expenditures	\$ 64,799,000	\$ 52,440,000	Highest
Exploration Expense	\$ 25,149,000	\$ 24,544,000	Highest
Payrolls	\$ 44,256,000	\$ 41,800,000	Highest
OPERATING			
Net Crude Oil and Natural Gas Liquids Produced—Barrels per Day	106,625	108,355	2nd highest
Natural Gas Produced and Sold—Thousand Cubic Feet per Day	290,130	282,284	Highest
Crude Oil Transported—Million Barrel-Miles	24,469	25,837	4th highest
Refined Products Transported—Million Barrel-Miles	1,396	1,485	2nd highest
Crude Oil Refined—Barrels per Day	41,521	42,421	3rd highest
Refined Products Sold—Barrels per Day	41,634	41,112	Highest



Chappell Director of First Boston Corp.

William B. Chappell, Syndicate Manager of The First Boston Corporation, 15 Broad Street, New York City, and a Vice-Pres. since 1948, was elected a member of the board of directors at the annual meeting of stockholders. Mr. Chappell was formerly associated with Mellon Securities Corporation, which was merged with The First Boston Corporation in 1946.



W. B. Chappell

If you'd like a copy of our 70th ANNUAL REPORT, write the Secretary, The Ohio Oil Company, Findlay, Ohio



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A Construction Reserve For the Railroad Industry

By WILLIAM T. FARICY*

Chairman of the Board and Chief Executive Officer
Association of American Railroads

Railroad industry's spokesman declares new freight car orders "will practically dry up" by May unless Congress permits railroads to have a construction reserve or adopt some other similar plan. Besides propounding the advantages of one or another plan making car purchases and improvement possible, Mr. Faricy stresses this does not involve tax forgiveness or subsidy, but only tax deferral. A. A. R. board chairman also urges prompt elimination of Federal excise taxes, holding that they constitute an ever-increasing competitive disadvantage for long haul as against short haul and that 52% would still be recouped through increased Federal income tax receipts.

Transportation plays a vital part in the economy of this nation. Natural resources and an enterprising people are essential ingredients in any successful economy but even the richest of resources and the most enterprising of peoples cannot achieve success without a adequate transportation.



William T. Faricy

suming markets of the nation, this means transportation which is capable of handling a large variety of commodities in great volume, over long distances, and at low cost. Such transportation makes it possible for the products of any region to be distributed to processors and consumers in every section of the country. In this vast and intricate pattern of production and distribution every form of transportation has its part—but for the big essential transportation job of moving the great bulk of products over long distances, the railroad remains fundamental.

This is true because of the very nature of the railroad train—a vehicle of many separate units individually loaded at many different locations, assembled together for movement between terminals and, at destination, divided up and delivered to many separate locations for unloading. Such an operation combines the flexibility and convenience of the individually loaded car with the economy of mass transportation in trains of cars—a combination which is of special importance to a region such as this.

I mention this fundamental of railroad operation, not because it is novel, but because it is so familiar that in consideration of the transportation picture it is likely to be taken for granted and therefore overlooked. Right now, however, the difficulties of the railroads seem to be on every tongue and definitely are the subject of real national concern.

Decreasing Share

But these difficulties are not due to any fundamental flaw in the railroad method of hauling persons and property in trains of cars on tracks. A gallon of fuel burned in a locomotive at the head of a tonnage train still moves more tons more miles than a gallon of fuel burned in any other vehicle. An hour of labor applied to the movement of a train produces more transportation service, and a dollar of money will pay for the movement of more tons more miles by train, than in the case of movement by any other means of carriage which undertakes to perform a broad and gen-

eral service comparable to that of the train.

Nevertheless, despite the economy of movement by train in fuel, manpower and money, the share of the railroads in the traffic of the nation has declined from two-thirds of the whole to less than half in the years since the end of World War II. And in no one of the dozen years since that war ended have the railroads been permitted to earn a return of as much as 4½% on their net investment. In seven of the 12 years, the rate has fallen below 4% and in two years has dropped actually below 3%.

This return—less than half the figure widely regarded as a necessary minimum if an industry is to remain in good health—is not due to stagnation in the railroad industry. On the contrary, during the same 12 years the industry has found and borrowed, and spent, an average of more than \$1 billion a year—let me repeat that, an average of more than \$1 billion per year—on capital improvements to plant and equipment.

Yet, Investment Goes On

From this billion-dollar-a-year program of expenditures there has come the diesel revolution in motive power, a revolution which is saving the railroads an estimated million dollars a day in maintenance and repair costs, to say nothing of the improvements in operating practices and in service made possible by the new type of locomotives.

From the same program of expenditures there have come more than 700,000 new freight cars which, in capacity and serviceability more than replace the older cars which went through the greatest war the world has ever seen and have since been honorably retired.

As part of this capital improvement program, the mileage of centralized traffic control has been multiplied by four times in a dozen years, until now there are nearly 30,000 miles in use—greatly improving train movement and service and economizing in train costs. And this takes no account of the savings in roadway maintenance from the reduction in trackage without substantial loss of track capacity.

From this program there have come also the modern marvels of automatic switching in the type of terminals commonly called "push-button" yards. The latest of these yards have begun to go beyond the push button stage to the stage of automatic control with devices called transceivers converting the information on punched cards or tapes into car switching movements.

All the while, improvements have gone forward steadily in the familiar fundamental of railroad transportation—the track. To take but one example of the resulting economy, consider the simple cross tie. Because of the chemical treatment of these ties and improved methods of protecting them from mechanical wear, the life of the cross ties in the track has been

extended from an average of less than 10 years to more than 30 years. This means that whereas the railroads found it necessary to replace more than 80 million cross ties in the year 1926, they had to install fewer than 25 million in 1956. Since the cost of removing and replacing a chemically treated cross tie is about \$5, the saving resulting from this reduction in the number of cross ties needed exceeds \$250 million a year.

Research Effort

Preceding much of the investment in improved railroads there has been a stepped up program of research carried on by individual railroads, by railway supply manufacturers, in the laboratories of universities and technological institutions, and out on the tracks which, in effect, provide a 220,000-mile proving ground where new devices and methods can be tried out under controlled conditions.

Much of this expanded research is focused in the Research Center of the Association of American Railroads on the campus of the Illinois Institute of Technology in Chicago. There, three modern buildings, erected and equipped during the past eight years, are devoted to the search for new and better ways of railroading. And our Association has just exercised an option on a site for a fourth building on that campus, this one to house laboratories for research in nuclear science, electronics, metallurgy, fuels and lubricants. Such an addition to the Research Center will aid in carrying forward still further the researches for which the Association of American Railroads last year received from the Franklin Institute at Philadelphia, the George R. Henderson medal in recognition of the achievements of its Engineering and Mechanical Divisions—achievements which are helping to improve railroad service and which it is estimated are also saving the industry as much as \$100 million a year.

Since railroad financial difficulties are not due to any inherent flaw in the principle of trains of cars on tracks, and since they are not due to failure of railroads to adopt and adapt the new when the new is better than the old, to what, then, are we to ascribe the inability of railroads to make adequate earnings even in years of high business activity?

The answer to that question is to be found, mainly, in the inequities of laws and public policies as to regulation, taxation and subsidy of the several competing forms of transportation. In any assessment of the future of the railroads, therefore, the impact of these inequities cannot be ignored or underrated. Fortunately, however, there are growing evidences of an awakening public realization of the handicaps under which railroads now operate, and a growing public concern over their effects upon both the railroads and the economy of the country. If this public awareness and concern are to result in corrective action—and I believe that they will—the prospects of the railroads will be bright indeed.

Repeal Excise Tax

One of the hopes for the immediate future is the real possibility of repeal of the excise taxes upon for-hire transportation, including the railroads. Opposition to the continued existence of these wartime excise taxes is one of the many things that Pacific Northwest shippers and the railroads have in common. In World War II when the transportation facilities of the nation were being utilized to their utmost, there was imposed a tax upon passenger fares, partly to raise revenue, but largely for the additional purpose of discouraging travel on already overtaxed facilities. At the same time and for much the same reasons, a 3% tax was levied on freight bills. No

one had the slightest idea or intention that these war-imposed taxes would be continued beyond the end of the war. Yet, here we are, nearly 13 years after VJ Day, with these taxes still imposed on everyone who travels by rail, airline or bus, and everyone who ships by rail, by for-hire motor carrier or barge, or by air freight. Not so the man who drives his own car or the business which can afford to buy its own fleet of trucks or barges and thus escape the tax. And when those of the Pacific Northwest ship their products, across the United States in competition with other regions having shorter hauls, the fact that the tax is on a percentage basis means that they are at an ever-increasing competitive disadvantage.

One of the best articles written about this regressive tax is by the junior Senator from Oregon, the Honorable Richard L. Neuberger. This article appeared in "Railway Progress" of August, 1957, under the title "The Tax That Chokes the West." I recommend it as interesting and informative reading.

But you might say "since we the shippers and travelers pay this tax and you the railroads merely collect it and turn it over to the Federal Government, how are you hurt?" The answer is that as to the passenger tax its original purpose of discouraging travel on the railroads is working all too well in these days when the railroads have empty berths and empty seats on most of their trains and are losing \$700 million a year trying to preserve the rail passenger train service which is basic to our defense and still remains the safest mode of inter-city traffic.

Safety Record

Parenthetically, the figures on travel safety for last year, which became available only the other day, show that the railroads in 1957 established their best passenger safety record since the all-time record set in 1952. Last year there was only one passenger fatality for each 1,625,000,000 passenger miles traveled by railroad. At that rate, if it had been possible for one to have boarded a railroad passenger train at the time of the birth of Christ and he had been traveling a mile a minute for every minute of the 1958 years since then, he still would have to travel at the same rate of speed for another 1,132 years, or until the year 3090, before meeting a fatal accident on the train. Even our good friends, the airlines, who consistently have done and are doing a magnificent safety job, could chalk up a record last year only half as good as that of the railroads.

But to get back to the excise taxes, here is where the railroads and the common carrier trucks get hurt by the freight tax. A business man figuring his costs closely, as every good business man must do in these days of recession, can avoid the 3% tax by buying his own trucks, or barges, and passing up both the rails and the common carrier trucks. Believe me that hurts. Yes, I know the Treasury gets \$666 million a year from these taxes, and the Treasury needs revenue. But I wonder whether the Treasury fully realizes that the freight tax, by far the larger portion of this revenue, is a business expense for the shipper who pays it, thereby reducing his taxable net income by just that much, so that in effect 52% of what the Government would lose through repeal of the freight excise tax would be recouped through increased Federal income tax receipts.

Repeal Movement

We are heartened in our hope of relief from this heavy handicap by the fact that two weeks ago 14 Senators, including Senator Wayne L. Morse, introduced a bill to repeal these taxes. The movement for repeal seems to be

gaining momentum every day. Repeal of these taxes carried over from wartime will be of real assistance not only to the railroads but also to the shippers and travelers of the country.

Freight Car Supply

Another thing upon which the railroads and the Pacific Northwest shippers have an intense common interest is the freight car supply. All of you who have been in business for even as recent a period as 1955 know what a serious thing it is not to have a freight car available when you are able to ship. In 1955 when the rapid amortization privilege was in effect, the railroads rolled up an order book for new freight cars which at the peak reached 140,000 cars. Rapid amortization simply meant that if the prescribed Government agency certified that a certain percentage of your proposed investment was essential to the defense of the country, you could write off that percentage in five years instead of the longer number of years of normal depreciation. It was not in any sense tax forgiveness. It was simply tax deferral. Once you wrote off the allowed portion in five years, you'd had it and you had nothing left of it to depreciate in future years. Therefore, what you saved in taxes in the five years, you made up in later years after your amortization ran out, assuming that tax rates remained the same.

Outside of the implements of warfare themselves, probably nothing is more needed in a war effort than freight cars. The importance of railroads in wartime is succinctly stated by General James A. Van Fleet, as follows:

"The railroads of the United States are a great basic military asset. They are as much a part of the military strength of the nation as our Army, Navy, Air Force, and Marines, because none of these great Armed Services could long operate without the logistical support which railroads provide."

So while the rapid amortization was in effect, the railroads rolled up a big order book and in the years 1956 and 1957 averaged 75,000 new cars a year, while retiring 50,000 cars a year, thus making a net gain of 25,000 cars each year in ownership, or 50,000 cars as of the beginning of 1958. But that order book is drying up. The car builders will have completed delivery of the cars now on order by the middle of 1958 and the railroad car construction shops will be busy only about three months beyond that time. Unless something is done quickly to permit more realistic depreciation, there won't be any substantial number of freight cars ordered until the next freight car shortage.

Absence of Funds

Now this isn't because the railroads don't want to order cars. It's because they simply don't have the money to buy the cars and in the absence of some such legislation as I am going to describe or some other recognition of the need for more realistic depreciation allowances, they won't be able to get the money. The source of funds for replacement should be what you accrue by depreciation. But when freight cars that cost \$2,500 wear out and are replaced by cars costing \$8,500, manifestly your \$2,500 of depreciation leaves you under the stark necessity of getting the other \$6,000 somewhere. And if you are going to get it out of retained earnings—the main source of funds for the railroads—you have to earn \$12,500 and first pay your 52% tax out of it.

As of the first of this year, the railroads have only four years to go like the last two years of freight car production and you will see car shortages pass into history. With the goal so close it is little short of tragic that evidently we are destined to go through the same old round of

*An address by Mr. Faricy before Pacific Northwest Advisory Board, Portland, Oregon, March 14, 1958.

freight car shortages beginning about the fall of 1959. That is, we are destined to have this with the resumption of good business unless Congress does something to make car purchases possible. You have heard of other remedies and I do not wish to be understood as opposing anything that promises more freight cars because the day will surely come when they are going to be badly needed.

Construction Reserve

Here, however, is a plan which the Board of Directors of the Association of American Railroads, speaking for the entire industry, unanimously supports. It is called the construction reserve. It would provide in effect that any railroad before computing its income tax could set aside out of net income any amount it wished and put it in a so-called construction reserve. The railroad would be required to obligate itself to spend this reserve for capital improvements within five years or in payment of debt contracted for capital improvements within those five years. If the railroad didn't so spend the money, it would be restored to income and taxed at the rates prevailing in the year in which the money was earned. But suppose the railroad did spend the money for capital improvements within the five years. The railroad would have had in effect the benefit of its depreciation all in the one year in which the money went into the reserve and having had its depreciation wouldn't be entitled to any more. Therefore, the reduction in taxes in the initial year would be made up in future years because there would be nothing left to write off. Here again we don't have any element of tax forgiveness or subsidy, but only tax deferral.

Suppose we'd had such a law on the books in 1956 and 1957 when the railroads had substantial net income. There would now be a construction reserve which the railroads would have to spend in this year of recession or the next two or three years under penalty of seeing the amounts restored to taxable net income in the year earned. We'd be seeing the freight car program go right ahead. Railroad shops and railroad car builders would still be working throughout the entire year and ultimately the Government would get the same amount of taxes because of the increased payments the railroads would have to make for the simple reason that they wouldn't have any more depreciation to take.

This proposal is rapidly gaining ground in discussions around Washington and while the Subcommittee of the Senate Committee on Interstate and Foreign Commerce, to which it was just recently presented, hasn't yet reported it in the form of a bill, we have high hopes that some such step will be taken soon. If this proposed bill or something like it or some substitute for it doesn't become law, at this Session of Congress, I am very apprehensive that we shall see orders for new freight cars practically dried up by the middle of this year.

The railroads have other proposals designed to free them to compete on equal terms with other forms of transportation which they are not now allowed to do. Time doesn't permit my going into them, but none of them nor all of them put together go beyond asking for the chance to compete on equal terms. The railroads need no more; they should not be required to do with less.

Our country alone of all major countries on the face of the earth has managed up to now to hang on to private operation of all its railroads—free enterprise in the best American tradition. The question isn't whether or not we will continue to have railroads. Of course we will. But whether they'll be the privately operated, tax-paying enterprises that they

are now or will have to be taken over by the Government, as has happened everywhere else in the world except for one railroad in Canada, is likely to be a very real question in the next few years.

Conclusion

In conclusion I would like to pose a few questions. When the history of 20th Century railroading is written and all the story is told, will it be a narrative of achievement and success? Or will it be a record of failure, of disaster, of regrets? Will it reveal the genius of able minds devoted to a colossal task—of men of vision who saw the light and built on pillars of truth? Or will the biographies of Hill and Harriman and all the other builders and operators of these pioneer railroads depict men of shortsighted policy who thought they were building an empire, but in fact

were constructing the tomb of private enterprise? Will statesmanship have first place in this field of public endeavor where law and regulation are designed to preserve and promote the public interest and protect the integrity of private enterprise? Or will the pages be darkened with perfidy and deceit, with constitutional bulwarks obliterated and the hopes of our fathers blasted? Will the youth of the future rejoice in the accomplishments of this day and age and be inspired to renewed devotion to the tasks assigned to them? Or will they feel as they read the story that all is delusion and sham—that it's not worth while to strive and achieve lest all be undone by an ungrateful and visionless people?

These are the questions that inhere in the railroad situation as together we look ahead.

Cannell Elected V.P. Of Chemical Fund

F. Eberstadt, Chairman, and Francis S. Williams, President, have announced that the board of directors at their regular monthly meeting elected Peter B. Cannell as Vice-President of Chemical Fund, Inc., 120 Broadway, New York City. He will continue to serve as Assistant to the President.

Mr. Cannell graduated from Princeton University in 1949. Before joining Chemical Fund, Inc., he was associated with Merrill Lynch, Pierce, Fenner & Smith in their investment research department.

Joins Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edward B. Murphy is now associated with Reynolds & Co., 19 Congress St. He was formerly with Schirmer, Atherton & Co.

John Nuveen Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert E. Croake is now connected with John Nuveen & Co., 135 South La Salle Street.

Joins David A. Noyes

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard B. Wheelock is now affiliated with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.



World's fastest-growing Service area

Industrial growth in Latin America is at a record pace; population is increasing at a rate twice the world average; demand for electricity is expected to triple in the next eight years. The area's swelling appetite for goods and services and the capital to finance its expansion presents a tremendous challenge and opportunity to private investors.

To meet the demand for electric light and power in the 11 Latin-American nations it serves, the American & Foreign Power System spent approximately \$475 million in new facilities in

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British Bank Rate Reduction Weakens Disinflationary Stance

By PAUL EINZIG

Dr. Einzig's commentary on recent cut in British Bank Rate to 6% expresses regret that the Government succumbed to pressures before pending wage dispute is settled. The economist-writer sees this departure from disinflation acting as an open invitation for labor-employers to agree to higher wage settlement with management passing this on in form of higher prices.

LONDON, Eng.—On March 20, almost exactly six months after the increase of the Bank Rate to 7%, the Bank of England announced its reduction to 6%.



Paul Einzig

Although the possibility of a reduction was envisaged on practically every Thursday since January, the cut took the markets by surprise. This was perhaps not altogether accidental. It is said, half-jokingly in the city, that before definitely deciding to reduce the Bank Rate, the authorities made discreet inquiries to ascertain whether there were, on Wednesday afternoon or on Thursday morning, any "unusual" dealings in government loans, dealings of a kind that would suggest an intelligent anticipation of a change in the Bank Rate. On being told that there were none, the authorities are said to have decided to proceed with the Bank Rate reduction.

If the story told in jest is true, this overdose of caution must have been the result of the recent Bank Rate leak inquiry. The authorities are naturally enough, anxious not to provide the Opposition with another opportunity for suggesting that there was selling of government loans on inside information about the impending Bank Rate reduction. So, it would be natural if in the future Bank Rate changes were timed to ensure that they do not take place on days when many people anticipate them. One cannot but admire the courage of City men who dare to joke about the Bank Rate after the recent instance at which all jokes on the sacred subject were taken seriously.

The reduction was welcomed on the Stock Exchange, but it was not followed by any spectacular boom. The reduction has been discounted some time ago, especially in the Gilt-edged market, so that when it materialized its actual effect on stock prices was moderate.

Socialists Are Enthusiastic

The change had an enthusiastic reception among Socialists and Trade Unionists, also in industrial circles. On the other hand, the financial press was, on the whole, disapproving. It is widely felt among practical experts in London that the move was premature. The official explanation is that the improvement of the exchange position, the balance of payments and the gold position justified the reduction. But even this point of view there is room for doubt about the wisdom of the move. The influx of gold has not been really impressive, and the gold reserve will have to be increased much more in order to enable the government to view the autumn pressure with confidence. For one thing, it seems certain that the improvement of the British balance of payments will be more than offset by the deterioration of the balance of payments of the

raw material exporting countries of the Sterling Area. Even as far as the United Kingdom is concerned, it remains to be seen whether the recession in the United States and in the raw material producing countries will not cause a sharp setback in British exports.

From the point of view of the domestic position there was no justification whatever for relaxing the disinflationary measures. It is true, the cost of living index has remained steady since November. But any major wage increase is liable to cause a resumption of the inflationary spiral. And the reduction of the Bank Rate has given considerable encouragement to trade unions to hold out for higher wages.

Act Viewed As Premature

The view is widely held that the government ought to have awaited the outcome of the major wage disputes which are in progress before reducing the Bank Rate. It seems more than probable that the trade union leaders, who were marking time until now, will now feel that the government's resistance is weakening, so that it is safe for them to press ahead with their excessive wage demands. Employers, too, are likely to feel that, with the relaxation of the disinflationary drive, they are now in a better position to resume the practice of passing on wage increases to the consumers in the form of higher prices.

Admittedly, the authorities disclaim any intention of relaxing the credit squeeze. But lower interest rates do tend automatically to increase the demand for credit facilities. While until now the banks had no difficulty in keeping their loans within the limits of the official credit ceiling, from now on they will be under pressure by their customers to grant increased amounts of credit. While in recent months several banks kept well under the official limit for lack of demand, from now on they are bound to reach their limits.

It is widely believed that the Bank Rate will be reduced further in the not too distant future. Pressure is brought to bear on government by business firms, also by conservative politicians who feel that the government's popularity could be increased if interest rates were lowered. Moreover, quite a number of economists are constantly urging the government to stop disinflation, in view of the very moderate symptoms of recession which have become apparent. There is always an outcry at the evidence of any moderate increase in unemployment. Few people realize that "pockets" of unemployment are sometimes a necessary evil, enabling a re-allocation of labor between industries. In the absence of such pockets the only way in which labor can be attracted by an expanding industry is by bidding against each other, offering higher and higher wages, which means inflation.

Has Government Lost Its Nerve?

Possibly the government may have lost its nerve under pressure by prophets of depression and by its own political and industrial supporters. Yet quite recently a

Ministerial spokesman declared that this time the government was determined not to reverse prematurely its disinflationary measures. The strongly adverse results of recent by-elections may have contributed towards the pressure on the government not to defer any longer the relaxation of the disinflationary drive. Yet, a few more weeks might have made an

appreciable difference from the point of view of the outcome of industrial disputes. The decision is liable to influence the attitude of arbitrators engaged in considering wage claims. They may feel that the need for damping down wage claims is no longer imperative. Quite conceivably the relief secured by the Bank Rate cut will prove to be very costly.

Continued from page 2

The Security I Like Best

Feb. 4, 1958. While denying any culpability in the matter, management believed that this solution was in the best interest of the company as it eliminated a very costly, worrisome and time-consuming litigation which could have dragged on for many years. The consent decree frees the company to push ahead with its diversification plans and, of more importance to current results, allows management to concentrate full attention on present business.

The main proviso of the decree provides that United Fruit must submit to the court by June 30, 1966 a plan for the transfer of the wherewithal to enable a new competitor to import nine million stems of bananas into the United States per year. This amount represents 35% of the company's current imports to this country but only about 20% of its total business, and an even smaller proportion of its production potential which approaches 50 million stems annually. Contrary to popular misconception, the 35% figure is not contained in the decree. The plan does not penalize United's 91,000 stockholders, who will probably emerge as the owners of any new company.

In broad outline, the compliance could take three alternative modes: (1) Creation of the new company to hold the transferred assets with

a distribution of stock in such company to United Fruit shareholders; (2) Sale of assets to an uninterested third party; (3) Some combination of the foregoing. At any rate, the company has four years after submission and approval of the plan to effect any sale or spin-off. By 1970 the impact of a nine million stem loss of output may be so small in relation to capacity as to be almost academic. In addition to the creation of a new competitor, United Fruit must also divest itself of its 40.18% voting stock interest in International Railways of Central America and also must, within eight months, vacate the banana jobbing business in this country. The company has not found such operations worthy of the capital investment required and, as it has only one regional subsidiary so engaged, evacuation of this business will not have any effect on operations generally.

The Perils of Banana Growing

Aside from its legal imbroglio, United Fruit is presented with three fundamental operational problems: weather, disease and politics. During the past five years, losses in potential production due to adverse weather conditions (particularly windstorm and flood) have been unusually severe. Windstorm losses have no

permanent damage to productive capacity but defer production for about one year. Sigatoka disease, a spore, and Panama disease, a fungus, which affect the plants, have cut seriously into production in recent years. To date, the company has spent millions in combating this and other diseases but they continue to represent one of the largest factors (about one-third) in the cost of plantation operations. Aircraft spraying and stepped-up research efforts seem to be turning the tide.

The company operates in the political climate which has historically been volatile. In several instances, it is the most important single employer in the nations where it operates. In addition to sheer size, United Fruit pays wages which are generally higher than prevailing national rates, particularly when its many services (schools, hospitals, roads, etc.) are considered. For this reason, politicians of only the most extreme bent have used the corporation as a whipping boy in recent years. In the past, United Fruit has acted as an arm of the State Department in certain areas of Central America and with the trend towards increasing point-four aid, a continuation of this partnership would presume to be beneficial for all concerned.

Current Operations

Blowdowns last year were unusually severe, double the average losses sustained in recent years, which reduced the tonnage of bananas marketed in North America by 5%. Higher fruit prices made up for this volume reduction somewhat but as the company is geared to handle tonnage considerably in excess of last year's volume, certain inefficiencies occurred. Progress was made in the preparation of new company plantations (three million additional stems in Guatemala) and in addition the program of assistance to local farmers from whom the company buys about 20% of its bananas showed definite progress.

United Fruit's advertising budget is now \$3½ million, more than triple what it was a few years ago and encompasses institutional as well as brand name (Chiquita Banana) campaigns. While dollar volume was lower than in 1956, gains on sale of property and a lower tax bill enabled the company to increase net earnings to \$3.59 a share from \$3.45. Earnings had been as high as \$7.49 in 1950 when weather was more favorable and crop disease less virulent. It is believed that the law of averages favors better operating climate this year and some modest improvement in net income is a reasonable expectation.

Powerful Financial Position

United Fruit has always been known as a cash-rich company. At the end of 1957, cash and various Government securities amounted to \$60 million, nearly twice current liabilities. There is no capitalization senior to the common stock and book value has been increased by a heavy capital investment program to \$40.90 a share, just a shade under market. A capital budget of \$18 million has been authorized for 1958 which when added to unexpended but previously authorized funds, makes a total capital program of some \$45 million, mainly for new shipping and increased production. Actual expenditures in 1958 are estimated at \$27 million, or about \$5 million in excess of the anticipated depreciation allowance.

United Fruit has traditionally maintained a generous dividend policy (about 80% in recent years), but even should earnings assume the expected trend, no increase in the current dividend can be anticipated until the extent of the diversification program can be ascertained.

State of Connecticut Receives Check in Payment For \$77,000,000 Turnpike Bonds



The State of Connecticut March 20 accepted through Connecticut State Treasurer John Ottaviano, Jr. (seated, center) a check in payment for \$77,000,000 Connecticut Turnpike general obligation bonds purchased from the State on Feb. 18 by a nationwide banking group headed by The First National City Bank of New York, Bankers Trust Company, Lehman Brothers and The First National Bank of Chicago. Funds raised through sale of the bonds will be applied by the State of Connecticut to the costs of the part of the Connecticut Turnpike west of the Connecticut River. The Turnpike was opened to traffic in January. Mr. Ottaviano was handed the check by Delmont K. Pfeffer (seated, right), Vice-President of The First National City Bank of New York, on behalf of the banking group. Observing are (seated, left) Newman E. Agraves, Connecticut Highway Commissioner, and (standing, left to right) G. H. Reinhardt, trust officer of The Connecticut Bank and Trust Company, Hartford, Conn., trustee of the bond issue, and Raymond C. Deering, Senior Vice-President of Manufacturers Trust Co., New York City, paying agent on the bonds. The check ceremony took place in the Broad Street office of the Manufacturers Trust Co.

Investing for Profit

By GEORGE C. ASTARITA

Associated With Colorado Springs, Colo.,
Office of Boettcher & Co.

Prominent Mountain State's analyst provides investor with a primer giving the answers to *why* and *how* to invest. Mr. Astarita explains: (1) general principle and specific factor that should guide selection of securities; (2) need to be flexible in selling and buying, particularly when a stock is not doing well or is unduly depressed, to keep portfolio constantly in best possible condition; and (3) that large variety of kinds and types of securities permits various possibilities to accommodate investor's needs for safety, income and appreciation without need to diversify at expense of selection. Advises uninitiated investors on pros and cons of different types of investment companies.

Introduction

One must invest his capital to reap deserved rewards because capital is stored-up labor, whether it be by the hand or the brain or both, and he is entitled to a return on that stored-up labor just as he is for labor itself. Capital furnishes the tools for industry and if one supplies the tools, he must be paid for them just as are those who use the tools. In addition, there exists the need to protect oneself against the ravages of inflation and to date no better refuge than common stocks has been found. The present recession is primarily inventory in character as should be future ones and in no way lessens the importance of guarding against long-term inflationary factors.



George C. Astarita

Purchase of common stocks leads to profits. This is because common stocks represent ownership of American industry which grows with the expansion of population and the higher standard of living resulting from technological development and the redistribution of purchasing power. Within the next twenty years our economy will double in size and any sound investment should increase many fold in that period. In addition to natural growth factors, common stocks appreciate as the result of earnings retained over and above dividends paid out and the cash-flow emanating from depreciation and depletion accounts. These funds afford a compound growth in assets which in turn enable the payment of still higher dividends in the future. The avenues of financial success are open to all who will explore them and what follows is an attempt to make the exploration easy.

One further preface. In this day and age of keen, economic competition the investor should lay stress upon the large and soundly financed companies. Only such companies can afford to purchase expensive equipment for low-cost production; spend huge sums for research; and, successfully promote the sale of their products. Too many sound investments are available to warrant taking risks with unsound ones.

I

Selection

Selection of the particular security, not timing of market swings, is the first and most important ingredient in the recipe for successful investing. One must possess a full realization that the person doesn't live who can time stock market swings. Yes, one can recognize certain major trends and from time to time he can catch the minor swings as well, but over a long period there has never been any financial service, institution or individual who has

been consistently right on stock market gyrations. Humble yourself to the extent of admitting that you are not going to be the exception to this rule. Stop gazing into the crystal ball and making guesses as to whether or not the market is going up or down. To assume this objective attitude is easier said than done, but it is of vital necessity for successful market operations. One must close his ears to rumor mongers and financial gossip concerning market trends. He must be adamant in his decision to forget the market as a market and instead to concentrate upon selecting those securities which will perform well more or less regardless of market circumstances.

If you will go along with this thesis and will steel yourself to the necessity of thinking only about the individual security and not the market, then you are ready and in a position to take advantage of many opportunities which exist in special situations. The reasoning behind the principle of selection rather than timing the market is simply this: If you select a security which represents a company in the process of growth you will find that that security will do better than the market; if the market goes down, the security should hold up better than the market; if the market stays on an even keel, your security should rise gradually; if the market goes up, your security should go up considerably faster than the market.

If I have labored this point it is only because the principle involved is so important. Few of us can be market experts but many of us can determine which stocks are more attractive than others, much the same way as we can determine exceptional values in a department store.

All right, you say, that you are ready and willing to abide by this all-important principle of selection, but how do you go about it? The answer is simply that you must be a good judge of security values just as you would be a good judge of automobiles, clothing, houses or any of the other hundreds of necessities which go to make up your daily living. On any given day you can go over the 1,500 or so listed securities on the New York Stock Exchange, the 800 or so on the American Stock Exchange or the thousands traded on the Over-the-Counter market, and you will find bargains based on comparative values. That is to say that all securities do not at all times sell in an exact relationship to the values which they represent. Certain securities will be what is called "out of line" with other securities in the same category. If you will find those particular ones you will be finding values and if you buy values you will make money. Think of it in terms of a fruit stand. I am sure that you are careful to select the finest quality melon, plum or banana in the group because you pay no more for it than the not-so-attractive ones reposing alongside. If you will do the same in the selection of securities you will find that

you will obtain better values and therefore your investments will make money for you.

Measuring Value

The next question is, what determines value? Most of us are familiar with the usual yardsticks of assets, earnings and dividends. These are good yardsticks, but they are not the sole measurements of security values. All of these measurements are available in the financial manuals and clearly depict the past record of any given company. Using solely these measurements one is able to do a good job of selecting comparative values but if he will read between the lines he will do a still better job.

By reading between the lines I mean formulating judgment on the most probable future course of any given company. The past record often affords a good guide to the future but it should be used only as a guide and not as a final determinant. Too many people look only at the past and attribute too little judgment to what the future may hold for the operations of a company. To carry this to an extreme, it could be pointed out that at one time there existed companies engaged in the manufacture of buggy whips, and based upon the past records of these companies, one could very well have bought a buggy whip stock at the time the automobile was about to come into existence. The past record, therefore, must be used judiciously and perhaps

even more attention should be paid to what the future holds for the fortunes of a company.

To gauge the future you must keep abreast of daily developments in the political, economic and even the psychological world. That is a pretty trite statement, but true. In selecting any particular security you have to know something about the products or services which that company has to offer—whether or not they are good, mediocre or above average. You have to know something about the ability of the company to distribute these products or services over a wide field and yet at a cost which is moderate. You should know whether or not the company in question is capable of promoting the sale of its products or services in an efficient and superior manner. It goes without saying that the company should be able to produce at a cost which will permit adequate profits and that it has comfortable finances. Finally, you should make sure that the company possesses an adequate research staff in order that its products or services may continue to stay ahead of the parade. If you as an investor do not feel capable of this rather large task, then it is wise for you to accept the counsel of an institution or an individual in whom you have confidence to perform the job for you.

Evaluate News

But to get back to the problem of actually making money for yourself, it is my responsibility to

tell you how I think you can best do it. Take a good look at every piece of news having to do with the financial world, and few items are published which do not have some bearing on the course of the securities markets. Learn to evaluate news events and changing trends in the economy. If atomic power, for example, is to be the big feature of the next industrial revolution, then it will pay you to seek out those companies which stand to benefit from this development. It may be too early to capitalize on what is to come in this industry, but not too early to be alive to the possibilities. Think, too, what effect the development of atomic power might have on the oil industry. It is altogether possible that oil may become as decadent as coal with the advent of atomic power applied to general industry and household usage. Of course, that is doing some dreaming, but the example points up the principle involved; that is to say, one must be constantly abreast of changing conditions in order to properly appraise the effect of these developments on the securities markets.

Perhaps a better example might be to consider the current defense program and its effect on security values. In other words, if we are going to experience large expenditures on the part of the government for armament for an indefinite period of time, I think we shall find that many securities in

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The American System

By HON. GEORGE W. MALONE*
United States Senator from Nevada

Nevada Senator claims five essential conditions necessary for international trade are largely unfulfilled, thus, making it necessary to allow Trade Agreements Act of 1934 to lapse and bring 1930 Tariff Act's statutory rates into operation with foreign trade regulation reverting to Tariff Commission. Senator Malone prefers flexible tariff, continually adjusted to equal cost of production differences, as the Constitutional way to "return to profitable foreign trade." In answer to the argument that exports provide jobs, states that if subsidies and foreign aid are deducted "we are exporting a less percentage of our exportable goods today than we were in 1934. . ."

There was a time when the American people had a reasonable idea of their relationship with foreign nations—and with their own government.

Some where we left the "mainline" — we departed from the constitution and the American system and began a series of "sharpshooting" tactics that has left our people helpless and confused, under the direction of Washington bureaus and commissions who themselves are operating under an international "spell."

It is time that we returned to the "mainline." Return to the constitution—a government by law and not by men.

Government by Men—Not by Law

As a result of the government by men, there is little understanding of policies in the United States today and few unspoken assumptions between people on the three key issues of our times—inflation, government spending, and tariffs.

As a result there is no principle upon which investments can be made that cannot be destroyed by government officials.

We left the gold standard in 1933 and started a spiral of inflation that shows no sign of abating. The 1933 dollar is worth about thirty-five cents today.

Following World War II we started the greatest foreign spending spree of all time. More than \$70 billion has been gift-loaned and expended in Europe and Asia since that date.

Under the 1934 Trade Agreements Act (so-called reciprocal trade) the President was given the power to trade a part or all of any American industry to foreign nations to further his foreign policy. This reversed the policy of protection of American jobs and investments followed by this nation from 1789 to 1934.

GATT-36 Foreign Competitive Nations

Under that act the President organized the General Agreement on Tariffs and Trade (GATT) and transferred its operation to Geneva, Switzerland where thirty-six foreign competitive nations are now dividing the American markets among themselves through multilateral trade treaties.

Under the rules and regulations of GATT such foreign nations do not need to keep their agreements while they are short of dollar balance—which will always obtain until our markets and wealth are equally divided among them.

Economic Structure Greater Danger Than Security

Under existing operations our economic structure is in greater danger from the capitals of Eu-

rope than our security is from Russia.

We can whip Russia from North America and can make the Western Hemisphere self-sufficient in everything we need for war or peace.

Russia knows it and we know it. By 1955 I had inspected all of our Star Boarders in Europe and Asia.

In 1955 I went behind the so-called Iron Curtain and stayed two months and a half—visited all of the Balkan countries—and travelled 14,000 miles in Russia inspecting industries in all of the 16 Socialist Republics.

At the end of the inspection I said that Russia would make itself self-sufficient in everything it needs for war or peace—that there would be no effective revolt—and that all of the power in the Eastern Hemisphere had moved to Russia.

I further said that if these three things were true, and I believed them to be true, then it was up to us to make our system work—and that could not be done by dividing our markets and wealth among the nations of the world.

The Constitution—Universal Free Trade

The constitution provides a perfect method for bringing about the ideal of universal free trade.

The 1930 Tariff Act provides a flexible tariff to be continually adjusted to equal the difference in the cost of production of an article and that of a similar article in the chief competing nation—and recommend that as the tariff.

The tariff would be lowered to conform to any rise in the standard of living in such nation and when the living standards compared favorably with ours free trade would be the immediate and automatic result.

If the Congress does not extend the 1934 Trade Agreements Act beyond the expiration date of June 30th of this year—the regulation of our foreign trade reverts to the Tariff Commission, an agent of Congress, under Article 1, Section 8 of the Constitution.

I

There used to be a time when a speaker addressing an American audience had a reasonably accurate idea of how that audience felt about the issues he was going to discuss. In the United States today, however, there are few unspoken assumptions between people on the three key issues of our times—labor unions, inflation, government spending, and tariffs.

Some speakers can talk on both sides of these issues, simultaneously and with great diplomacy.

But I was not trained as a diplomat.

I was trained as an engineer, to think functionally, and that is the only way my mind will work.

This gets me into a lot of trouble with a lot of nice people who don't like the blunt way I get at my facts.

I say this so that no one need feel any embarrassment should they find themselves disagreeing with me on the issue which I am going to discuss—the United States tariff policy.

I will discuss some things that

may seem harsh concerning some of our allies, but if you think about them I believe you will see that they are not said in a spirit of criticism as much as explanation.

In fact, these countries are only doing what comes naturally and the purpose of their actions is to benefit their own people—a basic idea that might be considered more frequently in our own deliberations.

II

Every man of goodwill supports the ideal of universal free trade, because it is the only way of unlocking man's economic potential.

It would bring a degree of prosperity the world has never known, and never will, until every man can make what he can make best, and exchange it with whomever he pleases, wherever he pleases.

If we want an example of what free trade can mean, all we need do is to look at the United States of America—48 sovereign states whose joint commerce has created unparalleled prosperity for their peoples.

But before we can project these blessings throughout the world, we must observe the conditions under which they take root and flourish.

Sets Forth Five Conditions

Although most people haven't thought much about this, they could easily set forth the conditions that make interstate commerce click.

First: every state in the Union uses the same money, that money sells for only one price, and its interstate movement is unrestricted.

Second: every state in the Union has reasonably uniform wage rates, and the workers in every state are equipped with tools of production whose efficiency is reasonably equal.

Third: there is free interstate movement of labor, thus assuring that the right workers can be in the right place at the right time.

Fourth: there is free interstate movement of raw materials and finished products—movement that cannot be endangered by punitive or hostile action within the 48 states.

Fifth: there is free movement of capital—movement that is not hampered by the danger of expropriation by any state or blocking or impounding of the earnings on investments.

III

I believe we will all agree that all five of these conditions are essential to the free trade that is carried on between our states.

Now let's see the extent to which these conditions exist between nations today.

First let's take a look at the condition of money in international trade today.

Money Restrictions

Many people believed that the International Monetary Fund would substantially reduce the restrictions on the international movement of currencies because its 64 members agreed (under Article VIII) "to avoid restrictions on payments for current international transactions and discriminatory currency practices, and maintain complete convertibility of foreign-held monetary balances."

Of the 64 nations signing this agreement, only 11 have lived up to it.

The other 53 members have taken advantage of Article XIV which permitted members to deviate from their agreement "during the postwar transitional period."

The war has been over for 12 years and they are still deviating.

In addition to non-convertibility, there are many other monetary considerations that interfere with international trade.²

¹Page 64 of Monetary Fund report.
²Page 65 of Monetary Fund report.

13 countries demand advance deposits for imports.

33 countries require exchange licenses.

9 countries have an exchange tax.

10 countries have blocked non-resident bank accounts.

46 countries require export licenses.

47 countries require forced exchange of payments received in foreign currency.

62 countries require import licenses.

17 countries have import quotas.

23 countries indulge in that delightful practice of multiple exchange rates, for their currency.

The price you pay depends upon who you are and, sometimes, who you know—and more important is whether or not they want an article imported or exported.

16 countries have preferential exchange rates.

21 countries have preferential trade systems.

28 countries have restrictions on incoming capital movement.

36 countries have restrictions on outgoing capital movement.

It does not require much imagination to visualize the problem that we would face in the United States if every state in the Union exercised these types of trade controls, nor does it require much imagination to visualize the enormous degree of monetary policy reform that must take place before the world can seriously undertake the establishment of universal free trade.

IV

Wage Differences

Let's look at the second condition—reasonably uniform wage scales and reasonable equality in tools of production.

This is the condition that maintains fair and healthy competition, the condition that, for example, enables the furniture workers in Michigan to compete with their southern counterparts.

But let's assume that the furniture wages in the south were substantially lower, and that this cheap labor was equipped with tools every bit as good as those of the Michigan workers.

The result would be inevitable—no furniture worker could make a good living in Michigan.

Such a trade advantage, of course, couldn't exist here, but it serves to illustrate what is happening because of foreign competition.

Let's look at some of the wage differentials between the United States and other highly industrialized nations.³

Our average industrial hourly wage is \$2.08.

Canada is close, with \$1.59.

In Sweden it's 83 cents.

In Norway it's 72 cents.

In Switzerland it's 63 cents.

In the United Kingdom it's 61 cents.

In Belgium it's 56 cents.

In West Germany it's 55 cents.

In France it's 54 cents.

In Italy it's 43 cents.

In Japan it's 22 cents.

It might be thought that in spite of these low wages, the direct labor costs per unit produced abroad would still be as much or more than our domestic costs.

We don't have to guess about this, because the facts were revealed in a recent study by the National Industrial Conference Board of the direct labor costs in foreign plants of American corporations producing the same or similar products both here and abroad.

Out of 143 products surveyed, 24 foreign plants did have higher labor costs, in 10 cases the costs were the same, and in 109 the costs were lower.

The Conference Board reported, "In every instance where the labor bill is lower, it is lower by a wide margin. More often than not, it is 55% or less than United States expenditures."

³Page 96 of Monetary Fund report.

The report also states that "for the cases reported, the incidence of less-than-U. S. total production costs was highest in Western Europe, chief trade competitor of the United States producers."

V

The third point—the free movement of labor—is not a serious problem from the standpoint of production.

It is a sociological problem in that a lot of people would like to be living somewhere else—particularly in the United States—but that is outside of the scope of these remarks.

VI

Our fourth condition is the free movement of raw materials and finished products.

In times of peace this may be considered a convenience, but in times of war it is a stern necessity.

Need for Self-Sufficiency

Throughout history nations have struggled to own and control essential raw materials, and this struggle has never been more acute than it is today.

Under the present world circumstances, the only protection most nations can have against control shortages, is the development of their own resources or the development of substitutes, such as our synthetic rubber.

The desire of nations to be self-supporting dominates the thinking not only of the colonial world today, but the so-called advanced nations.

Everybody wants to be able to produce more of the things they need, and be able to depend less upon foreign trade.

I should have said everybody, but the United States, because we, alone, have a policy of stripping our domestic industries from protection.

VII

Our fifth condition is safety of investments in other sovereign areas.

Every nation that has gotten ahead since the civilization of Western Europe, has done so by making itself a safe and attractive place for foreign investment.

The United States was helped tremendously in this way.

So was Canada, and to a lesser extent, South America.

Nationalization

Today, however, the drive for national self-sufficiency has brought on an epidemic of fiscal immorality.

As noted before, ten nations invoke the blocking of nonresident bank accounts, 28 countries have restrictions on incoming capital, and 36 countries have restrictions on outgoing capital.

Many undeveloped areas, particularly those recently freed from colonialism, are in desperate need of foreign investment, but their political behavior is actually driving it away.

The newly coined synonym for illegal expropriation is "nationalization."

This wraps a false cloak of legality around the seizure of private property.

Between our 48 states there is a uniform code of honor and business morality, backed up by the force of law.

Between the nations of the world there is no effective code, and any hope that it could be achieved in our life-times is totally unrealistic.

VIII

The foregoing, I believe, dispels the dream of universal free trade, except as advanced under the Constitution of the United States—Article 1, Section 8.

We are the only nation in the world today that does not protect its workingmen's jobs and investors' investment in any commercial enterprise.

We are the only nation that



Geo. W. Malone

*An address by Sen. Malone before New York Board of Trade, New York City, March 7, 1958.

needs such protection for the higher wage-standard of living.

American Machinery and "Knowhow" Available

Our machinery and "know-how" are available to every nation in the world. There is approximately \$50 billion of American capital invested in foreign nations—encouraged through four lending organizations financed by American taxpayers. \$70 billion of American taxpayers' money has been gift-loaned and spent in such nations to build plants using cheap labor competing with our own producers in America.

The last manufacturing plant or mill constructed anywhere in the world is the most efficient, because it is the last one.

The difference in the domestic and foreign cost of delivering a product to our markets is the effective labor cost and the cheap water transportation.

Fight for the American Market

The show-down fight is between the American workingmen and investors and the international investors for the American market.

Much is being made of persons employed in the manufacture of exported goods. The facts are that if the money given to foreign nations, plus the subsidies provided in foreign trade are deducted—we are exporting a less percentage of our exportable goods today than we were in 1934 when the free import act was first passed.

Under the Constitution we would return to profitable foreign trade—which is what the American taxpayers want to do.

Under the Constitution the 1930 flexible tariff act provided equal access to the American markets for the American workingmen and investors.

Under the 1934 Trade Agreements Act the President may sacrifice any part or all of an industry or industries if he believes that his foreign policy will be advanced thereby. This policy has continued under three Presidents.

Only U. S. Keeps Agreements

Under the rules of GATT operated by 36 foreign competitive nations in Geneva, multilateral trade agreements are made. However, these agreements are not kept by the foreign nations since they are excused as long as they are short of dollar balance.

The foreign nations then protect their own industries through tariffs, quotas, import permits, exchange permits, and manipulation of the value of their money in terms of the dollar for trade advantage.

Few understand that if Congress does not again extend the 1934 Trade Agreements Act (so-called reciprocal trade) when it expires on June 30 of this year—that the regulation of our foreign trade reverts directly to the Tariff Commission, an agent of Congress, under the 1930 Tariff Act, as the Constitution provides.

That after June 30, neither the State Department nor the nations under GATT in Geneva can trade American industries for a foreign policy, or further divide the American markets among them.

That upon from two to six months' notice all bilateral and multilateral trade agreements are cancelled and revert to the Tariff Commission, an agent of Congress, under the statutory rates.

The flexible duties or tariffs are then continually adjusted by the Commission to represent the difference in the living standards here and in the chief competing country on each product, as already explained.

The profit is taken out of the foreign "sweatshop" labor at the water's edge—and the money so collected goes into the general treasury and can be used to lower taxes or to pay on the national debt, or both.

Let's return to the Constitution and the American System.

Federal Financing And the Debt Limit

By AUBREY G. LANSTON*

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

Treasury flotation of \$40 billion minimum for remainder of the year, comprising at least \$17 billion cash sales and \$22 billion refunding, is estimated by Mr. Lanston who believes market is almost oversold for the present on long terms and, therefore, advises Treasury to stay "short" when it raises about \$4 billion cash next month. The noted specialist in governments' critiques Treasury debt management policies; recommends Treasury plans consider the economy's and banking's needs for liquidity—even at the risk that some rekindling inflationary fires may later occur; and suggests distributing the onerous floating debt more uniformly over a five-year period until economic conditions allow longer funding into 5 to 10 year range.

Federal financing requirements throughout the balance of the calendar year will be extraordinarily large. The debt limit will have to be increased again before Congress adjourns. The Treasury faces some tough problems. The prices of fixed-income securities will continue to advance, although not necessarily in a straight line. That's the substance of what follows.



Aubrey G. Lanston

Let's start with the matters of Federal financing requirements and the debt limit. What I just pointed out about them could have been said a month ago, or earlier, without reservation, although there was less steam then behind proposals for anti-recessionary increases in Federal spending and for reductions in Federal taxation.

Let me illustrate with a few figures, just for size. Without allowing fully for the recent proposals to spend more money, and without allowing for reductions in Federal taxes, the studies of Federal finances made by my firm suggest:

(1) the budget deficit for the fiscal year ending June 30, 1958, may run as high as \$3 billion or \$4 billion.

(2) during the first half of the fiscal year 1959 (which covers the last half of this calendar year), the budget deficit may run to \$11 billion.

(3) the public debt as of June 30 may be about \$273 billion, and by Dec. 31 next it could easily run to \$284 billion.

The present debt limit is \$280 billion.

I have not attempted to formulate any estimates beyond the end of this calendar year. The Government's plans are unsettled to say the least, and the entire situation is too fluid to make such exercises worthwhile. However, the interim prospects are for larger Treasury deficits than I have suggested, and for a higher public debt limit—so, the longer run prospects are not cheering.

This sets up a heavy calendar of Treasury financing. To give some idea of how heavy this can become, I prepared the accompanying tabulation which indicates the extent to which the Treasury has engaged in debt operations so far this year and—on an estimated basis, of course—the extent to which the Treasury may have to be in the market throughout the balance of 1958. This table does not reflect the full impact on the Treasury's requirements that will flow from some pending and other larger Federal spending, or the erosion in Treas-

ury receipts that will follow from tax reductions.

The table points up two things: You can see that, by the end of the year, the Treasury may have had to make 9 trips to the market in a space of 12 months, excluding weekly bill auctions, which have become a part of the routine of the market.

During 1957, the Treasury made 11 trips to the market, and during 1956, it made 7 trips. Thus, over a 36-month period, the Treasury has engaged in 27 financing operations, either to raise cash or to refund.

When I was quite a bit younger, I used to play around with boxing and I have never forgotten the unending admonitions of Spike Webb, the boxing coach. He kept saying—"Jab him, keep him off balance"—meaning, I hoped, my opponent. And, "Lead with your left, and keep leading get him off balance and give him a one-two!" The reference to a one-two meant another left jab followed almost immediately by a presumably crushing right-hand blow.

Sometimes, I wonder whether the Treasury is following Spike's instructions. Its constant trips to the market during recent years have had the effect of a steadily pumping left-hand jab; the market has been kept off balance more or less continuously and, on occasion, the Treasury has seemed inclined to let go with a one-two. The money and other credit markets have been similarly affected. In such a background, all of these markets have been less able to adequately reflect the judgments, requirements, and expectancies of the public as to business conditions, the demands for private and other non-Federal credits, the supply of investible funds, Federal Reserve credit policy, and the like. The functioning of these markets sometimes has been strained as a consequence; the terms on which the Government has had to finance sometimes have been disadvantageous, and the heavy requirements of public debt management have detrimentally affected business and industry.

Unfortunately, there appears to be little prospect that the Treasury will be able to decrease significantly the number of occasions when it will have to come to market for the balance of this year.

The second thing that is pointed up by the table is the large size of the Treasury's financing needs. Between now and the end of the year, the Treasury may have to refund more than \$22 billion of publicly-held debt. You may observe from the table that some \$4.4 billion of callable bonds have been included. These represent two bond issues that fall due on March and Sept. 15, 1959, but are callable, on or before May 15 next. These bonds carry relatively low coupons—2½% and 2¾%—but it seems likely they can be called and refinanced at some saving—for the remaining period to maturity. For this and other reasons, I anticipate that the call will be issued and their refunding will become a part of the Treasury's debt operations later this year.

The Treasury also will need to sell at least \$17 billion of new securities for cash. Actually, it may need to raise a much larger sum—to take care of the expenditures (to be made during 1958) under such new Federal spending programs as are adopted and to replace the revenue that will be lost, at least initially, if taxes are reduced.

In the aggregate, the Treasury faces the need to float some \$40 billion or more of new securities.

Continued on page 48

ESTIMATED TREASURY FINANCING REQUIREMENTS FOR CALENDAR YEAR 1958

(In billions of dollars, as of March 20, 1958)

Date	Cash Redemptions (1)		Refunding		Cash Sales (2)
	Amount	Issue Maturing	Amount (4)	Issue Maturing	
Jan. 29			10.9	3 3/8% Certificates of 2/14 2 1/2% Bonds of 3/15 1 1/2% Notes of 4/1 Special Bills of 4/15 3 1/2% Certificates of 4/15	
Feb. 20					1.5
Mar. 24	3.0	Tax Antic. Bills			
April 11					4.0-5.0
May (3)			9.1	2 7/8% Notes of 6/15 2 3/8% Bonds of 6/15 2 3/4% Bonds of 6/15	
July (3)			4.6	4% Certificates of 8/1	*
Aug. (3)			4.5	2 3/8% Bonds of 3/15/59 (5) 2 1/4% Bonds of 9/15/59 (5) 1 1/2% Notes of 10/1/59	
Oct.					*
Nov. (3)			4.2	3 3/4% Certificates of 12/1 2 1/2% Bonds of 12/15	
Dec.					*
Total	3.0		33.3	Including callable issues above	18.5*

Does not reflect the full impact of increases in Federal spending appropriated as counter-recessionary measures, nor such impairment in Treasury receipts as might flow from reductions in taxes.

* On basis set forth (opposite), net cash borrowing is estimated at \$12.7 billion, the larger portion of which might be raised in July and in October.

(1) Assumed.

(2) Excluding attrition on refunding offers.

(3) Month in which refunding announcement might be made.

(4) Amount held by public.

(5) If called by May 15 for September 15.

*An address by Mr. Lanston before the National Industrial Conference Board's Financial Outlook Round Table, Dallas, Texas, March 20, 1958.

The Risk Taker: His Capital Needs a Living Wage

By G. KEITH FUNSTON*
President, New York Stock Exchange

Leading stock exchange head declares space age will require capital-outpouring dwarfing anything previously raised in the United States. Looking at the expected corporate bill for new plants and equipment, Mr. Funston sees it averaging \$45 billion a year between now and 1965, instead of \$35 billion depicted in 1955, entailing \$7 billion in new equity issues. To achieve a two-and-a-half-fold increase in new stock financing, and maintain rising standard of living, Mr. Funston urges adequate incentives for those undertaking risks. Prescribes better governmental treatment of regulated firms and an improved tax structure.

The wheel of history is always intriguing. Almost four years ago to the day the Association of Stock Exchange Firms and its guests convened in Washington. The association was concerned, then, with the need to create an investment climate capable of spurring great economic growth. We are no less concerned today.



G. Keith Funston

But the parallel is not quite the same. In a period of five months we have been propelled, with extraordinary drama, into the age of space—first by the Russian satellite, and then by our own. As a nation we are in much greater danger throughout the world. And the problem of stimulating economic growth has become a matter of national survival.

We are beginning to see, perhaps, that over the long-term Sputnik will have done the United States a favor. It has destroyed much of our complacency. It has forced us to face up to a sense of national jeopardy. And it has made us acknowledge that bit of wisdom which holds that "anyone desiring a quiet life has done badly to be born in the 20th Century."

It is hardly possible, I believe, to exaggerate the demands that will be placed upon us. And I mean total economic demands—not just military. The latter may win the big headlines. But our long-term struggle with Communism will take place in the much less dramatic area of economic growth. The funds we devote to military strength, the help we offer the free world, and the steps we take to meet our educational needs, all rest on the rock of our industrial prosperity and our capacity to expand. This is not a new truth. But it is reason enough to ask how a free people, in a free economy, are going to meet this total challenge to their way of life.

Russian Successes Emphasize that U. S. Must Harness Great New Amounts of Private Growth Capital Without Abridging Individual Freedoms

To begin with, we ought to recognize the nature of Russia's industrial challenge—largely because it dramatizes the problems of a free society. An American expert, back from Russia, recently made the observation that the Soviets regard steel mill equipment the way they view artillery. It is something to be massed, utterly without regard for anything but meeting a given production schedule.

Russia can sometimes achieve a

*An address by Mr. Funston before the Association of Stock Exchange Firms, Washington, D. C.

Stock Exchange developed estimates concerning the total funds corporations would require to meet 1965 economic goals. Those goals seemed extraordinarily ambitious. Yet, by the fall of last year we were on the way towards achieving them. Then, in October, the beeps of a Russian satellite threw the 1955 figures into limbo.

Today, new estimates must allow for a national security budget that is likely to jump sharply over the next eight years. They must reckon with price increases since 1955. And finally, they must recognize the public's desire to have, each year, more goods, services and jobs so that living standards will not be slashed—but will, in fact, continue to grow.

The answer to our new demands is more tools to do the job—and a rate of return high enough to attract the money to pay for those tools. We must compress into eight hectic years almost as much as we had planned to build in a record-breaking 10 years. From now through 1965 the corporate bill for new plants and equipment alone should average an estimated \$45 billion a year. Earlier, we had put that annual figure at approximately \$35 billion. And where once we talked softly of a goal each year of six billion new equity dollars—that is dollars invested in common stocks—we must now speak of raising annually an average of nearly \$7 billion through new stock issues. This is more than two-and-a-half times the level of recent years.

This equity goal is, in fact, one of our most critical targets. Its achievement will enable corporations to expand soundly, without the danger of too heavy a debt burden, which has already climbed almost 100% in the last decade. The need for venture money is particularly pressing for the nation's small businesses which find it extremely difficult to expand through the issuance of debt securities because of an inadequate equity base.

The dollars required can be made available. They can flow, in fact, from three sources—from growing financial institutions . . . from current investors who make up the nation's family of over 8.6 million shareowners . . . and from new investors. The latter can be attracted to shareownership, we believe, at the rate of about 500,000 people a year. Such a growth would not be without precedent. It was achieved during the years between 1952 and 1956 when the number of shareowners jumped 33%, and we have reason to believe it has continued during the past two years. Another measure of our great capacity to invest can be found in the reservoir of liquid personal savings that now stands at \$90 billion. By 1965 it is likely to reach about \$155 billion.

This is the background against which the flow of equity dollars can rise. And there is an important idea at stake. Every increase in shareownership emphasizes the multiple character of the average American. He is a citizen, a consumer, an employee and—in a growing People's Capitalism—an owner as well. This is a concept that is virtually unknown in the rest of the world. And it is one that ought to be pondered carefully by some American labor leaders as well. It is not necessary for labor to move towards socialism in order for its members to share in corporate profits. For, through stock ownership, the way is presently and continually open for employees to share in corporate profits—and such a development could prove a tremendous stimulus to economic growth. But if labor is increasingly to turn entrepreneur, it must—like everyone else—be willing to stand the

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From Washington Ahead of the News

By CARLISLE BARGERON

The people of the country, generally speaking, pay little attention to the various state primaries which will be starting soon. In those primaries the candidates for Governor and United States Senator will be nominated by popular vote of the respective parties. Formerly these candidates were nominated by the political parties in convention. The so-called direct primary by which the candidates are nominated by popular election was put into effect, through constitutional amendment, as a result of the crusading efforts of the late Senator George W. Norris of Nebraska. He was quoted in his latter days as saying that it was the thing he most regretted. Unquestionably the change has resulted in less able and more demagogic Senators.

Anyway, in Pennsylvania on May 20 is a primary in which all the people of the country should be interested whether for good or bad or whether they are really interested or not. It is a primary of national importance.

In that primary Harold Stassen, a former governor of Minnesota, a perpetual seeker after the Presidency, is running for governor. At the age of 30, he was elected governor of his native state, the head of a youth movement and to accentuate that he was, he proceeded to fire every government employee in the State government over the age of 40. In my long experience I have never seen youth more rampantly on the march than when he was the Minnesota governor. In his book there was no place for 45-year-old gray heads. Youth was to run the world.

Well, he finally ran his course in Minnesota. He let the organization out there which he had so carefully molded, get away from him and politically he was on his bottoms when Eisenhower rescued him and made him his peace adviser. Whether Stassen was right or wrong in his endeavors in this respect, I don't know, but he ran afoul of John Foster Dulles. Now he is running as the governor of Pennsylvania, having changed his residence there a few years ago when some of his influential friends got him the job as the President of the University of Pennsylvania.

One of the most interesting studies of Harold is how he manages to make a living running for political office which, aside from the time he was on Eisenhower's payroll as peace adviser, he has been doing all of his adult life. There are people in this country who seemingly always are prepared to finance him in a political undertaking which involves his livelihood while he is making that undertaking.

Just now there are reported to be a lot of rich men who are financing his campaign in Pennsylvania. Few of them are Pennsylvanians. The regular Republican organization wants no part of him. They have named a gubernatorial and senatorial candidate. But Harold is getting money from out of the state and there is no assurance whatever that he won't be nominated. What is more ironical he figures best to beat the Democratic gubernatorial candidate and be elected. Insofar as the Republican state organization is concerned, they would undoubtedly prefer a Democrat.

But what will it mean nationally if Stassen should be nominated and subsequently elected governor of Pennsylvania?

It would probably mean the end of Vice-President Nixon's Presidential candidacy. As it stands now, it is a shoo-in for him for the Republican Presidential nomination and there is a general feeling among Washington observers that notwithstanding the Republicans' unpopularity he would be the next President of the United States. This feeling is because the American people have seemingly quit voting for political parties but for a popular name. Nixon's is the most popular name before them at this time. The Democrats have no one of his popular stature to put up.

But let Governor Stassen become governor of Pennsylvania and Mr. Nixon's name is likely to become goose. As governor, Stassen would control a very powerful delegation to the Republican National Convention. Unless he and Nixon came to an unexpected understanding in the meantime this delegation would be anti-Nixon.

The fact is that Stassen tried to kill off Nixon for renomination as Vice-President in 1956. He got smothered in the attempt. But don't think that doesn't rankle him. Undoubtedly, if he should win the Republican primary next May 20 and subsequently become governor, Nixon is in trouble. He knows that.

In the meantime there is a lot of Democratic money, that of Eastern internationalists, including, we are told, Barney Baruch, going into Stassen's campaign. There are a lot of rich men in this country who feel that Stassen is saying what they would like to say if they had the audience. They are willing to pay him to say it.

Joins Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—David D. Hill has been added to the staff of Mountain States Securities Corporation, Denver Club Building.

Foster Marshall Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Frederick A. Yerkes, Jr. has been added to the staff of Foster & Marshall, Southwest Sixth Avenue at Oak Street.

Hoppin Bros. Admit

On April 3, Hoppin Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Jewel A. Haughey to limited partnership.

Joins Prescott Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Richard S. Cole is now with Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges.



Carlisle Barger

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks found little incentive to do much decisive this week, waiting on clarification of the Middle East oil situation, the anti-recession measures that might ultimately emerge from Congress, and some signs of a Spring upturn in the basic and important industries such as steels, autos, etc.

Improvement in Coppers and Oils

Some of the newer notes in the daily sessions were a bit of life in coppers and oils which have had anything but hopeful market experience up to here. The price of the red metal shows signs of having bottomed out abroad which was enough to perk up the sharply-depressed coppers. The strength of the oils didn't appear to be as much a case of the end of all problems as it was a return to their role as the classic hedge against inflation. As a partial explanation, the domestic issues were able to derive a bit of additional strength from the new threats to supplies in Saudi Arabia. The new shows of strength, however, were far from being excessive since profit-taking moved in rather rapidly in view of all the caution still prevailing in market circles.

Market Threats

The immediate intangible in the way of progress is how much selling will have to be done to raise tax funds for the April 15 payment. Time is fast running out on this, however, since only a bit over a fortnight remains for such transactions to be initiated. The opposing school insists there need be no added pressure for this reason since there has been enough selling to make funds available generally and credit balances of around \$900 million would tend to support the thesis.

Nevertheless, there is a clear majority of market technicians who expect the list to drive toward its low sometime early next month or in May when the bleak run of first quarter earnings reports will be flooding the business pages.

Market Hopes

Hopes for better market action center mostly on Washington where it is felt the psychological lift of a possible tax cut, plus the much more substantial emphasis on expediting the construction and road building industries, will in time give the market more confidence and better action.

It would also appear that

hopes for these bolstering actions has already helped hold the market, at least as far as the industrial section is concerned, at a historically high level and in a narrow trading range at a time when it is being called on to absorb a flood of bad news that is more dour than anything seen in years.

The railroad section, too, has been fairly resistant to any new decline even in the face of a report on the Eastern carriers that showed their first two-month losses were far greater than even the losses in the memorable year of 1932. At that time the rail average declined all the way down to \$13 against the better than 100 prevailing today. The Western roads still showing good earnings were the supporting element.

Bright Spots

As is always the case in a complex economy, there were bright spots around to be culled out, mostly in what are termed the "soft goods" lines as against the manufacturers of durable goods.

The annual meeting of American Chicle was told that first quarter earnings were running a bit above the similar period a year ago when \$1.18 per share was turned in. Moreover, the future indicated "reasonable optimism." Even in the sick rails, Denver & Rio Grande reported a comfortable boost in its earnings to \$6.19 against \$5.85 for the previous year. Armstrong Cork is expected to make a good showing this year since the company had a sharp upturn in new orders following the turn of the year. American Can could show a better performance this year than it did last when price raises and bad weather that cut into the fruit and vegetable pack gave it a slight but early earnings setback. And so it goes.

Even in the oil well supply business, where the oil glut cast a shadow, Reed Roller Bit stands out. It suffered for years in a twilight zone as Hughes Tool Co. dominated the field of drilling bits and has only been able to step out on its own since 1955 when some of the Hughes patents expired. Earnings are expected to hold relatively stable, despite a large boost in its foreign sales. The issue, however, has been selling at less than eight times earnings and with a yield of well above 6% to indicate that it has been more conservatively

rated by the market than the companies in a similar line.

An item that already had a setback is Container Corp. which interrupted a good untrend last year when the entire paper industry bumped into heavy competition and Container itself had some heavy capital expenses. Now the capital program is about to end and outlays for this purpose this year will be well below half of last year's level. Any upturn in demand will make a large difference in the company's 1958 results. On the indicated dividend, the stock recently has been offering a return of well into the 5% bracket and while the payment might be in jeopardy if an upturn doesn't set in, the industry is confident that the turn will come.

Something of a misnomer is Quaker Oats in the food section which, in addition to the breakfast food after which it is named, is also involved importantly with many other widely-known food products as well as with animal feeds and chemicals. These include furfural which is important in nylon and petroleum processes among others. The company's earnings are expected to show good stability during the current fiscal year that runs to June even on top of record results in the previous year. The stock has been something of a regular on the new highs lists but still was available recently at around a 5% yield on a well sheltered payment.

Dividend-Increase Candidate

A candidate for a dividend increase is Johnson & Johnson in the drug section which last year reported earnings of \$6.22 against a dividend payout of only \$1.80 for a substandard 2% return. With the stock working into the 90 bracket, it automatically is also a candidate for either a split or a substantial stock dividend, either of which could be potent marketwise. As the largest maker of surgical dressings, the company isn't bothered by overly arduous competition in much of its product line as are the pure drug companies.

[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.]

Nye & Whitehead to Be Formed in N. Y. C.

Nye & Whitehead will be formed as of April 11 with offices at 44 Wall Street, New York City, to engage in a securities business. Partners will be Joseph S. Nye, who will acquire a membership in the New York Stock Exchange, and Louis H. Whitehead, general partner, and Elsie A. Nye, limited partner. Mr. Whitehead is a partner in Cosgrove, Whitehead & Gammack which will be dissolved. Mr. Nye is also with Cosgrove, Whitehead & Gammack.

U. S. Foreign Trade Outlook in 1958

By WALTER H. DIAMOND*
Editor, McGraw-Hill "American Letter"
and
Economist, McGraw-Hill International

World trade expert offers, country by country, an analysis of foreign trade picture for 1958; forecasts modest decline in U. S. exports, and weighs consequences of European Common Market on Congressional trade legislation and investment policies of U. S. firms. Mr. Diamond believes Congress will pass reciprocal trade program, liberalize trade slightly, join O. T. C., and American firms will build more plants in Western Europe to offset expected decline in sales to that area. Writer concludes from his analysis of 36 leading markets for American exporters that if we do not halt tariff rises then our trade will suffer as foreign nations will be forced to retaliate.

For the first time since 1952, America's foreign trade will decline during 1958. But the shock wave from Russian sputniks and full realization that the European Common Market is here to stay, whether liked or not, will cushion the impact of the drop. In fact, by the time the U. S. is through spending dollars for European missile stations and for African and Latin American metals needed for ballistic materials, foreign nations will have nearly as much money to buy American goods as they did last year. Moreover, many European countries are likely to find themselves with an unprecedented inflow of private capital as U. S. firms begin to set up central distributing centers in preparation for the Common Market buying potential.



Walter Diamond

Both of these far-reaching realities are bound to provide intangible stimulants to our imports as well as to furnish a direct boost to military and capital goods exports. Washington's post-sputnik concern for strengthening the inflation-torn economies of the Western Allies is placing new props under the Administration's liberal trade program. It undoubtedly will mean extension of the Reciprocal Trade Act for at least three years, some reduction in tariffs and a revision of U. S. anti-dumping laws.

In addition, Congress is now likely to approve membership in the Organization for Trade Cooperation, which is designed to police the General Agreement on Tariffs and Trade (GATT.) Because of the existence of the European Common Market, there is a growing feeling among Congressmen that the U. S. will have to stay in GATT if for only to protect its rights against competition arising out of the six-member union.

It is only natural to expect U. S. exports to slip from the incredible \$20 billion peak reached in 1957 as a result of artificial stimulants brought on by the Suez crisis. A major reason for the anticipated slowdown is declining oil shipments, which last year were boosted \$400 million by the closing of Suez. At the same time Washington has curtailed cotton and wheat sales abroad under the Government's farm surplus disposal program. In the early part of last year Western European countries were forced to buy \$100 million of grain unexpectedly from America because of unfavorable harvests in 1956.

Another temporary upsurge also arose out of this Administration's

*An address by Mr. Diamond before the Overseas Automotive Club.

intense desire to "dump" cotton abroad. Washington's policy was so successful that U. S. shipments exceeding \$280 million outpaced growth of foreign cotton production. As a result, many nations accumulated inventories. America's coal shipments to Western Europe, which swelled the export figures by more than \$100 million in each of the past two years, will dip as Britain and Poland step up sales once again. Additional freight charges and shipping shortages resulting from the long haul around Cape of Good Hope also cost foreign countries approximately \$200 million.

Notwithstanding these exceptional factors, commercial exports this year will stay close to the second half rate of \$19 billion maintained in 1957. Imports also will remain around last year's level of \$13 billion. This means that America's share of world trade—now at \$200 billion—will continue to be around 16% of the total.

Facing Crucial Tests

There is no doubt that U. S. foreign trade in 1958 faces many crucial tests. First of all, a number of the world's monetary experts fear the deflationary policies that could be brought on by tight credit and fiscal programs around the globe. Inflation still is the number one threat to the free world economy. These analysts believe that if the restrictive policies are not reversed, prosperity everywhere would be shattered. Prices have been slipping for some time in most of the commodity markets of the world. With no upturn in sight, the primary producers will continue to suffer from balance of payments difficulties.

Last year the trade deficit between the U. S. and the rest of the world jumped to \$6.5 billion. Foreign nations had to draw down their gold and dollar reserves by \$1.5 billion in order to help meet this imbalance. If the present adjustment in the U. S. economy should develop into a real setback, weakened demand for world commodities would cause prices to sag still further. By reducing the dollar income of foreign nations, American overseas shipments correspondingly would suffer.

Foreign Reserves Down

Having dipped into their gold and dollar holdings substantially last year, many countries are now determined to rebuild their reserves, even though the International Monetary Fund offset the bulk of these losses with emergency loans. For the past several years up to 1957 all countries outside the U. S. and the Communist bloc averaged a \$1.5 billion annual rise in gold and dollar balances. Today the total still exceeds \$30 billion. But this sudden reversal in the upward trend has rightly alerted several nations to take precautionary measures and

Continued on page 35

Canadian Uranium Production

By RICHARD E. BARRETT*

Pleased with prospect that 1958 Canadian uranium production will fulfill forecast for full production rate, in excess of 10,000 tons of oxide with 15,000 tons by year end, compared to 6,732 tons in 1957, Mr. Barrett also notes that industry is successfully overcoming capital and operations problems. The mining executive sees no reason why mines cannot prosper in the more distant future, even during the interim years between lapse of military contracts after 1962-3 and pick up of civilian usage in late 1960's.

In retrospect it does not seem a long time, but I think prospectors and developers of Canada will agree that this past decade has been an important one in the mineral industry.

Speaking in particular of the uranium industry, it is interesting to recall that in 1948—and for a number of years later—there was concern in many quarters that any large nuclear program, either military or civilian, might be hampered by an insufficient supply of uranium. Canadian enterprise can be credited with alleviating these fears. The accomplishment was not a simple one. In fact, the size of Canadian uranium industry today is in marked contrast to those disappointing days of early prospecting and development along the shore of Lake Superior, and of the first work at Blind River and Bancroft.

The published price schedule for the purchase of uranium was established on the theory that discoveries would be of the very high grade massive vein type deposits such as Port Radium. However, as more and more occurrences were found and studied, it gradually became evident that Canada's uranium resources were to be mostly in lower grade, disseminated bodies, requiring plants far too costly to be economic under the published price schedule. It was then that the idea of special price contracts, individually negotiated, was developed.

At that time the Gunnar deposit was outlined and the first contract with a private corporation was negotiated with that company in the late Fall of 1953. This was followed by a crescendo of other negotiations until by the end of March, 1956, commitments had been made which materialized into contracts for the delivery of \$1.4 billion of uranium oxide from privately financed and operated mines. No further applications for uranium production contracts were accepted after that date.

*An address by Mr. Barrett before joint meeting of Prospectors and Developers, Assn., Geological Assn. of Canada, and Mineralogical Assn. of Canada, Toronto, Ontario, March, 1958.

Production

In 1956 six mines, including Eldorado's Beaverlodge and Port Radium operations, produced 2,281 tons of uranium oxide.

In 1957, 13 mines produced 6,732 tons of the oxide, or approximately three times that of the previous year. The value of the 1957 production is \$136.7 million.

In 1958 it is expected that production will exceed 10,000 tons of oxide and by year-end the rate of production should be approximately 15,000 tons a year. This is the rated output of the industry. Our original forecasts called for a full production rate, some time early in 1958. If this can now be attained by year-end, it will be very satisfactory when one considers the problems the mines have faced.

Their task would have been considered prodigious in any period, but the coincidence with one of the greatest industrial and mineral expansion epochs in Canada's history, made it many, many times more so. The shortage of labor and technical help, the full utilization of our manufacturing capacity and the spiral of wages, prices, and the cost of money, created problems that no one could get around. This was bound to be reflected in financial troubles which we all know some of the uranium companies have encountered and which, I am glad to note, they seem to be overcoming.

So much for the capital side of the picture. What about operations? It is too early yet to speak of the mines as a whole, but judging as best we can from the experience to date, it can be said that the ore being opened by underground work is standing up well to expectations. The milling processes are satisfactory and in most cases recoveries are higher and operating costs lower than allowed in original estimates.

Underground, the problems being encountered, and the changes in techniques required, are certainly no more than any experienced mining engineer would expect. Ground conditions are generally good and even in this

early stage, costs are not unsatisfactory.

Our Customers

At this point I would like to discuss briefly our customers. As Canada itself has no military need for uranium and as our civilian requirements will be relatively small for many years to come, the Government's policy has been to buy no uranium that has not already been sold. In the initial stages of the program, all Canadian production was under contract for delivery to the United States.

Later, when the United Kingdom became interested in the purchase of Canadian uranium, it was decided by tripartite agreement that their needs between Aug. 1, 1958 and March 31, 1962, should be provided by Canada from uranium already under contract to the United States. This arrangement was good for all three parties. It benefited the United States, since their domestic industry has grown in potential beyond their rosiest hopes; it benefited Canada by allowing us to enter the U. K. market without need of further expansion of an already large industry and it benefited the U. K. by adding another assured source for their nuclear program.

Since then a second agreement has been negotiated between the three countries to permit a further diversion to the U. K. of uranium under contract to the U. S. A. and scheduled for delivery in the year April 1, 1962 to March 31, 1963.

U. S. A. Growing Resources

It was early in 1955 that a uranium discovery was made in New Mexico that has since developed into one of the world's important uranium resources. I refer to the Ambrosia Lake area. Until that time the vast demand of the American military program could only be assured by purchases from foreign sources. The potential productive capacity of their domestic uranium has grown so rapidly in the last year and a half that the United States Atomic Energy Commission is now refusing to contract for additional milling capacity in the United States.

This decreasing dependency of the United States upon foreign uranium has been recognized by the Canadian authorities for some time, and for that reason the Government has been interested in developing markets in other countries. Canada has always supported the principles laid down by the International Atomic Energy Agency for the control of the use of uranium. Sales of uranium to friendly countries must therefore be preceded by the negotiation of bilateral agreements between the two governments. These bilaterals include provision of suitable control measures. Such an agreement has been entered into with the Federal Republic of Germany and similar negotiations are taking place with the Confederation of Switzerland.

The present requirement of such countries is small, but it is expected that their purchases will become important as their nuclear programs develop.

Future

The Canadian uranium mines have the sale of their output assured at least to the extent of their contracts with Eldorado until March 31, 1962, or in some cases, March 31, 1963.

Those qualified to estimate the growth of demand for fuel for nuclear power plants of various sorts, forecast that the western world requirements in the late 1960's will be increasing rapidly and that at about that time civilian-use consumption should be in reasonable balance with present uranium production capacity.

This leaves us with the in-between period of several years in which the demand will be dependent upon the military plus the as-yet small civilian requirements. Because the military needs are not yet ascertainable, no one can do better than guess at this time. Your guess is as good as mine. In other words, I see no reason why the more distant future is not one in which the Canadian uranium mines can prosper. The market for the next four or five years is assured and the intervening period is undefinable. That situation is not new to metal miners. For instance, I am sure no miner would like to be positive as to the level of consumption and prices of base metals in that same period.

Prospecting in Ungava

By MURRAY WATTS*

Consulting Engineer, Toronto, Canada

The mineral potentialities and permanent population prospects of the northern regions of Canada, with specific reference made to Ungava District of New Quebec, are surveyed by Mr. Watts who finds climate and topography should prove no bar to successful economic development providing certain needs are met first. These needs are said to include transportation, communication, successful mineral exploitation, housing and living facilities, and power development. Author states that it is imperative that this area be developed for strategic military, political and economic reasons.

Prospecting within the Ungava, or New Quebec area, deals largely with its geographic location within the Canadian Arctic and Sub-Arctic regions of Canada. It might also be thought of as linking the Eastern Atlantic Seaboard and the inland area of Quebec with Hudson's Bay and the Arctic Archipelago. For the purposes of this discussion, attention is largely confined to the Hudson's Bay and Ungava Bay parts of the Ungava District and must of necessity deal in a general way with its known resources.

Must Develop Northern Regions

For strategic military, political, and economic reasons, it is now of prime importance to develop the Northern regions with the least possible delay, which means establishing permanent resident populations.

For all practical purposes this vast area is undeveloped and with the exception of a few bands of Eskimos and Indians and some missionaries and fur traders at a few fur trading posts on the sea-coast, it is uninhabited. The lone exception is a permanent "white" settlement at Knob Lake, and another small one at Great Whale River insofar as Ungava is concerned.

Canadian Cabinet Ministers, under the vigorous leadership of the Prime Minister and the Transport Minister are well aware of this need and have made repeated re-

*An address by Mr. Watts at Joint Annual Meeting and Convention of Prospectors and Developers Association; Geological Association of Canada, and Mineralogical Association of Canada, Toronto, Canada, March 11, 1958.

cent statements concerning Federal aid in the development of these Northern Regions.

By far the greatest need of such Federal aid is for transportation and communication establishments and improvements.

Urgent transportation problems must be overcome in order to promote mineral development, whether by rail, sea, or air, or in a combination of these services.

Individual radio-telephone service from the Canadian Arctic is now technically possible, which would enable direct telephone hook-up between any place in the North and any place in southern Ontario or Quebec. It would take only a little time, effort and money to conclude it.

The only practical way of attracting a significant population, other than for military purposes, is by exploiting the area's mineral resources.

Offers Potential Mineral Prospects

Insofar as the present and potential mineral resources of the Arctic and sub-Arctic are concerned, the Ungava district of New Quebec seems to offer the greatest opportunities for both discovery and exploitation.

Reviewing the economic factors of the Ungava region we must first consider its areal extent and population. It is about 500 miles wide and 700 miles long and covers an area of approximately 350,000 sq. miles.

Since Radisson and Groselliera founded the Hudson Bay Company in 1670 with the establishment of fur trading posts in Hudson and Ungava Bays, the population certainly has not changed very much. The present few hundred Eskimos

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probably represent a general decrease in population while the Knob Lake settlement has provided an increase of a few hundred "whites."

Eskimo labor, except for a few specialized tasks, would not be the most efficient for general mining purposes, and they are too few in number.

Improved Transportation

The second factor for consideration is that of transportation and communication facilities. Twenty-five years ago, transportation was only a little better than that of the time of Radisson's and Groseliers' when the Hudson's Bay Company boat visited the area once a year. However, with the recent construction of several weather reporting radio stations and three modern airfields, some considerable improvement has been made. This, of course, only constitutes a start in such development when we consider the vast area of the district, with its multitude of accompanying problems.

A significant and favorable point of economical transportation is that Ungava has more than 2,000 miles of sea-coast line, thus rendering a great part of the land accessible to within 100 miles or so of the sea—a great asset when considering that sea shipping is the cheapest off all heavy freight transportation. It also means that the whole world can be its market—especially Western Europe, which will require many minerals of which it is deficient.

The Canadian Federal authorities are now giving serious study and planning to harbor, dock and shipping facilities and it is hoped to extend the present short shipping season of about four months. Study is also being given to the location of new air fields and the establishment of radio-telephone facilities, although these, at least initially, would be for military purposes.

It is believed that present shipping rates of \$50 per ton for small loads landed at Ungava Bay coastal points can be lowered by half for somewhat larger load lots, with eventual shipping by iron-ore boats becoming comparative to Atlantic sea-board rates of \$4-\$8 per ton.

The establishment of permanent paved air strips will lower air freight costs to reasonable amounts for regular charter service.

The third economic factor is that of climate and topography.

Overcoming Climate and Topography

The climate is typical of the Arctic and sub-Arctic—cold winter and cool summer, limiting the summer season for surface prospecting in the most northerly part to the months of July and August. However, with the proper housing and living facilities, other types of work, including diamond drilling, can be carried out the year round. June can also be a good month due to long hours of daylight and warm spring temperatures. The temperature may vary from 20 degrees at night to 100 degrees Fahrenheit in the daytime.

Inland lakes freeze-up in October generally and stay frozen to late June or early July with ice thickness of five to eight feet and many shallow lakes and streams freeze to the bottom.

The northern tree limit extends from Richmond Gulf in the west to Fort Chimo in the east. Permafrost begins at the tree limit and increases in severity to the northward.

The general topography is of a rocky ridge nature with changes of elevation seldom more than 300-500 feet. There are a great number of lakes and rivers.

Power Potentialities

With regard to Power, most areas are readily accessible to plentiful sources of potential Hydro-Electric power. The largest

of these potential sites are on the Payne and Kaniapiskau Rivers emptying into Ungava Bay. In the lower reaches of the Payne River there is a potential of over 1,000,000 horsepower to be harnessed.

With regard to the geology of Ungava, information is still limited for much of this area. Reconnaissance surveys indicate that a large portion is underlain by granite, para-gneiss, orthogneiss and related rocks of early Precambrian age.

The Belcher Islands and the east coast of Hudson Bay in the area of Richmond Gulf and Koksoak River contain sedimentary rocks and iron formation measures of late Precambrian age.

Large areas of greenstones have been mapped in the Eastmain River area and a complex sedimentary-volcanic-intrusive belt is known in the Cape Smith-Wakeham Bay region. This may be an extension of the sedimentary-volcanic belt, which is over 500 miles long beginning near Knob Lake, and extending to Hopes Advance Bay in Ungava Bay.

Lists Known Deposits

There are several areas of Precambrian rocks in which base metals have been found. These are known as the Knob Lake, Kaniapiskau River, Gerido Lake, Payne River, Cape Smith-Wakeham Bay, Great Whale River, Duncan Lake and Eastmain River areas, and include deposits containing iron ores, nickel, asbestos, copper, lead, zinc, manganese, uranium and gold.

The only commercial production at present is from the iron ores of Knob Lake where over \$300 million has been expended in attaining the present successful stage of operations.

The next most advanced in planning and development are the Cyrus Eaton controlled iron deposits at Payne Bay, where production is scheduled for 1962, according to the terms of the concession as granted by Quebec. Successful production would involve an expenditure of over \$100 million and require a permanent population of several thousand people. This area is about 180 miles south of the new nickel belt near Wakeham Bay.

The copper deposits of Gerido

Lake have had considerable expenditures made on them over the past four years, particularly by Holannah Mines Ltd. and this exploration work is being continued.

Of most recent interest are discoveries of nickel-copper deposits in the Cape Smith-Wakeham Bay area. Sulphide occurrences, associated with basic intrusives occurring on and near the south contact with pillow lavas, extend at intervals from Cape Smith on the west, to Wakeham Bay on the east—a distance of about 200 miles. From a point in this contact structure, known as Cross-Lake on the LeMoyné concession and occurring eastward to the central part of the Raglan concession—a distance of about 36 miles—there are many nickel-copper bearing sulphide zones. About 19,000 feet of diamond drilling has been completed on the LeMoyné property and 3,000 feet on the Raglan property.

Work on the LaMoyné property in 1957 is reported to indicate about 7,000,000 tons of better than 2% nickel plus copper while Raglan has indicated one, shoot 620 feet long of better than 3% nickel plus copper and open both ends.

Core width is thought to average about 50 feet but is inconclusive, as only three holes had been drilled before freeze-up which terminated the 1957 work.

Obviously there is much more exploration drilling required along this length of 36 miles to obtain conclusive results.

Quotes L. H. Timmins

To quote Mr. Lee H. Timmins, Vice-President of Hollinger Gold Mines Ltd. and President of La Compagnie Minière de l'Ungava Limitee in his annual address to the latter company for 1957 Ungava operations: "Many people believe that such factors as permafrost, inhospitable terrain, climate, short working season, etc., will mitigate against the possibility of a successful economic operation in the far north. In order to place things in their proper perspective, it is necessary to give intelligent consideration to such factors. Nature, in the majority of mining ventures, did not intend that its riches were to be taken without effort."

"These obstacles are the challenge of the north. Other parts

Continued on page 23

the added importance of Canadian **IRON ORE**

Increasing the production and sale of Canadian iron ore to U. S. and Canadian industry has never been as important to the entire North American economy. By the mid-period of this half-century, experts estimate, the annual value of this production can be in the range of one-half billion dollars. Most of this will be for export and chiefly to the United States.

Long before that date, iron will be in first place among Canadian minerals.

This is the most significant single source of new funds to reduce Canada's trading deficit and finance continuing purchases in the United States.

The position of Steep Rock in the industry can be judged by the Company's present objective—yearly production of 8.5 million tons from mines directly-operated and under lease to others, sustainable for more than 160 years.

STEEP ROCK IRON MINES LIMITED

Producers of High-Grade Open Hearth and Blast Furnace Ores
Steep Rock, Ontario—in the Lake Superior Region.

Current Canadian Economy—An Interlude Between Growth and More Growth

Continued from first page

wheat a world glut, uranium catching up with its contracts, and a rise in the price of gold still years away.

With such economic fodder as this to feed on, Canadians of a morose turn of mind might well find documentation for lacrimose demonstration. But they could be forgetting two things: (1) the character, courage and spirit of the Canadian people, and (2) the dynamics which the fabulous natural resources of Canada must create in a world which devotes its major energies to chewing up raw materials.

A Breathing Spell

So at this point we veer from the popular prognostications of recession in Canada and flatly assert that what we now witness is a lull, a consolidation, a breather, from which Canada will emerge stronger, richer, more secure and more resolute than ever before, in her relatively short history as a member of British Commonwealth.

Nor is our viewpoint to be regarded as blindly optimistic, a Pollyanna posture, or a stolid and stubborn ignoring of the more obvious debits now visible on our economic horizon.

A good way to start our current appraisal is with the sources of energy. Here Canada is magnificently equipped. Her vast water power resources are being steadily harnessed and now account for almost 10% of total energy sources. Coal, which is in large supply in the Maritimes, especially Nova Scotia, has been in a long range decline, accounting for almost 70% of fuel needs 30 years ago, and less than 40% today. The really impressive progress in energy source has been, of course, in petroleum and natural gas. The oil strike at Leduc 11 years ago set the stage not only for a sharp change in the fuel consumption pattern in Canada but has dramatically accelerated the entire economy. In 1926, petroleum was a 10% supplier of the total energy. Today it accounts for over 45%. In 1926 almost all petroleum was imported. Today around 50% is imported and that to serve the Montreal and Eastern area; and according to the Gordon Report by 1980, domestic production will provide almost twice Canada's total (then) domestic requirements.

"Myopic" U. S. Attitude

Which brings us right up to the major international problem of the day, existing between Canada and the United States. Quite suddenly the U. S., whose citizens, corporate and individual, have been pouring in hundreds of millions of dollars in exploration for gas and oil in the interior plains sections running from the international border to the Northwest Territories (and Alaska), has changed the rules of the game. The rate of discovery has been remarkable and the percentages of successful wells driven, particularly in Alberta, has been far higher than in respect to similar drillings in the U. S. Vast stores of oil and natural gas have indeed been located and marked out as known reserves. But now, what to do about them? Capping is great for climaxes, but very unsatisfactory for oil and gas wells. And if the United States persists in its recently instituted embargo on oil, and virtual limitation of gas imports to existing contracts, then capping may be the only answer.

Some have argued that these reserves in the ground are ever a fine asset and may be worth more in later years. But a far more practical approach is to obtain immediate petroleum markets at fair prices giving an immediate income without deferral, and creating funds, and inducements for continued exploration and development. This is the only sensible plan; and the present myopic American viewpoint must, in due course, give way to it. The development of Northwest United States, as well as of West Canada, depend on the free international flow of these fuels. The oil is there; the pipelines are in being or under construction. So let there be a top-level (perhaps Spindletop level!) conference to resolve this vital problem sensibly.

Uranium: A Bright Spot

The final major energy source, uranium, has been moving ahead lustily in Canada. Canada is now clearly the world's second largest uranium producer and its quite new mills at Gunnar, Algom, Consolidated Denison, Pronto, Stanrock, Northspan and Stanleigh are now at work in fulfillment of contracts, running as far as 1966, for almost \$2 billion in uranium oxide at around \$8 a pound. This is a magnificent example of the

swift build-up of a major industry. It will assure atomic electric power to certain sections of the Dominion which can best be served thus, and, of course, this rising U-stockpile is a bulwark of defense for the free world.

Attractive Bank and Insurance Stocks

The splendid system of branch banks in the Dominion has functionally served the loan and deposit requirements of the nation, and made its appropriate contribution to the all time high of \$8.8 billion in capital outlay in 1957. The individual banks reported excellent earnings, and are, each year, attracting greater numbers of shareholders, drawn not only by the current cash dividends and stock splits, but by their long-term income reliability.

In life insurance ownership, Canada leads the world. Canadians own more life insurance in relation to total national income than the peoples of any other nation. The great leaders, Sun, Canada Life, Crown, Manufacturers, London and others have also set a standard of excellence in investment portfolio management that they may well be proud of.

Transport and Minerals

In Canadian transport, the year 1957 was significant with the locks, channels and dams of the Seaway being constructed on schedule; expansion of over 600 miles in new rail lines, the vast progress, East and West, with gas pipe lines, the commissioning of Canadian Pacific's new lines the "Empress of England," and the recent public financing (and expansion) of Greyhound Lines of Canada.

The mineral and mining interests had a tough year in 1957. Very soggy prices in copper, zinc and lead (plus U. S. tariff threats), a substantial catch-up in nickel production, created major downturns in mining shares with some marginal coppers dipping as much as 80% from their highs. All of these metals seem now, however, to be at or near their bottoms, and it doesn't take too much optimism to suggest that mining results in 1958 will show improvement.

Gold Mines Busy

The gold mines have had a lively little market spree of their own in recent months based on

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GOVERNMENT, MUNICIPAL
AND CORPORATION SECURITIES

some new high grade ore-body locations, efficiency of certain properties, especially Kerr-Addison, and the hopes and longings, nurtured in each and every recession, that the price of gold will be raised to \$60 or \$70 an ounce. The current economic realities do not, however, suggest that a rise in price is at all imminent.

Lumber and Newsprint

The forest lands of Canada are an empire in themselves. They spread over 1½ million square miles of which over 800,000 support stands of timber of commercial value now or in later years. These forests provide the lumber and plywood for domestic housing, and a considerable export; while the newsprint supplies 90% of the requirements of the U. S. Thus, timber relies heavily on export trade, and requires constant control over production and transport costs to retain competitive international advantage. 1957 was a rugged one in timber, with plywoods, in particular being hard hit, price wise.

The position of Canada as No. 1 in asbestos continues, and rising aluminum capacity plus low production costs continue to give Aluminium Ltd. common a "growth stock" tag.

In sum, Canada in common with the U. S., is now in an adjustment period. Canada, like her southern neighbor, has in view certain economic boosters for prompt application: a tax cut, more generous mortgages with lower down payments, construction of schools, hospitals, roads and other public works, and rising scales of unemployment benefits. These measures, plus intelligent and sensible solutions of the tariff, petroleum, and world wheat market problems, which have recently disturbed the historic "good neighbor" relationship between the U. S. and Canada, should put Canada back again in orbit—an orbit that should lead her to new heights of material welfare, financial strength, and exalted status in the community of the free nations of the world.

Dynamic Exponent of Forward Look

Liberal or Tory, Canada is a dynamic exponent of the forward look. Her huge resources, active and broad security markets, sound economy, and solid dollar will continue to attract the investors of the world, whose confidence is ever assured by the sustained earning power of her diverse corporations—as evidenced by the panoramic list that follows of distinguished, long-time Canadian cash dividend payers. Here is documentary proof of the high calibre of investment opportunities available to the astute investor. Moreover, the list is the best possible answer to the belief, held only in uninformed quarters, of course, that Canadian securities are largely of unproven quality. As a matter of fact, of the more than \$41,000,-

000,000 of listed shares, more than \$25,000,000,000 represent stocks of manufacturing companies. And by far the most of these, by the way, are listed and traded on the Toronto Exchange, with every variety of company in Canada's rapidly expanding manufacturing industry being represented in the 243 companies of that classification so listed.

TABLE I

LISTED CANADIAN Common Stocks

On Which
CONSECUTIVE CASH
DIVIDENDS

Have Been Paid From

10 to 129 Years

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957 —Canadian \$—	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paymts. to Dec. 31, 1957
Agnew-Surpass Shoe Stores, Ltd.	24	0.45	8	5.6
Makes and distributes shoes through retail chain				
Aluminium Ltd. new	19	*0.90	28½	3.2
Largest producer of aluminum ingot in the world				

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
† Add current Canadian Exchange Rate.
‡ Dividend paid in U. S. Currency.
§ Dividend paid in U. S. Currency.

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957 —Canadian \$—	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paymts. to Dec. 31, 1957
Andian National Corp., Ltd.	14	*0.40	3.80	10.5
Operates oil pipe line in Colombia, S. A.				
Anglo-Canadian Pulp and Paper Mills, Ltd.	12	2.00	29	6.9
Newsprint and allied products				
Anglo-Huronian Ltd.	18	0.50	9	5.6
Holding & operating co.—chiefly interests in Can. gold mining				
Anglo-Newfoundland Develop- ment Co., Ltd. "Ord."	13	0.525	5	10.5
Newsprint and allied products; also mining interests				
Argus Corp., Ltd.	11	0.80	14¼	5.6
Investment co.—manufacturing & merchandising interests				
Asbestos Corp., Ltd.	20	1.75	28¾	6.1
Mining & milling of asbestos fibre				
Ashdown Hardware Co., Ltd., J. H., "B"	20	0.72	11	6.5
Large wholesale and retail business in general hardware				
Aunor Gold Mines Ltd.	17	0.16	1.90	8.4
Ontario gold producer				
Auto Electric Service Co. Ltd.	11	1.00	13½	7.4
Service distributors of automotive electrical carburetors & auxiliary equipment				
BANK OF MONTREAL	129	1.60	38½	4.2
Operates 725 branches and agen- cies throughout the world				
Bank of Nova Scotia	125	2.30	51	4.5
Operates 610 branches and sub- offices throughout the world				
Banque Canadienne Nationale	76	1.50	36	4.2
Operates 247 branches in Canada				
Barber-Ellis of Canada, Ltd.	27	5.30	†	†
Stationery and printers' supplies				
Beatty Bros. Ltd.	18	0.20	3.75	5.3
Manufactures barn and stable equipment, household equipment, pumps, etc.				

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
† Add current Canadian Exchange Rate.
‡ Dividend paid in U. S. Currency.
§ Inactive issue. No Exchange trading.

Continued on page 22

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SASKATOON PRINCE ALBERT BRANDON PORTAGE LA
PRAIRIE KENORA KINGSTON GALT ST. THOMAS SIMCOE
CHATHAM KITCHENER LEAMINGTON WINDSOR

TORONTO STOCK EXCHANGE, MONTREAL STOCK EXCHANGE,
CANADIAN STOCK EXCHANGE, CALGARY STOCK EXCHANGE,
VANCOUVER STOCK EXCHANGE, WINNIPEG STOCK
EXCHANGE, WINNIPEG GRAIN EXCHANGE, INVESTMENT
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Fighting Harmful Actions Taken Against Canadian Mining

By Mrs. VIOLA R. MacMILLAN*

President, Viola-MacMines
President, Prospectors and Developers Association

Distinguished Canadian mining head voices the industry's alarm at new tax and leasing proposals being made, proposed U. S. A. action on mineral tariffs, and approaching new prospecting year characterized by depressed metal prices and leveling off of the boom. Mrs. MacMillan observes that though "we may have our 'backs to the wall,' temporarily . . . this is nothing new," and that with an aggressive spirit, as in the past, problems can be overcome. Opines economy's decline is only temporary, new discoveries and financing will be solved, and missile developments point the way to new era in metals.

The Association views with considerable alarm actions of our Provincial Governments and the United States in creating barriers that have a direct effect on our operations. We are especially concerned regarding developments in the United States to impose additional restrictive duties on lead and zinc as well as the consideration being given towards similar action on copper. We must do our utmost to withstand this type of pressure, being one of the last frontiers of mining contributing nobly during periods of essential need. Additional problems have also arisen closer to home, such as passage by the British Columbia Legislature of bills calling for:



Viola MacMillan

- (1) Tax on export of iron ore;
- (2) That a tax of up to 10% be levied on the value of ore in the ground and;
- (3) That a Crown-grant system in relation to mining claims is

*From an address by Mrs. MacMillan before joint meeting of Prospectors and Developers Assn., Geological Assn. of Canada, and Mineralogical Assn. of Canada, Toronto, Ontario, March 10, 1958.

eliminated and a leasing system substituted, giving the Government right to cancel the lease unless the property is developed to the Government's satisfaction.

New Lease's Provisions

I might say that on March 7 the British Columbia Legislature introduced amendments that will guarantee renewal of mining licenses, under certain conditions, to give leaseholders a certainty of tenure. The Government, however, will not go back to the old crown grant system. Under the year-old legislation, there were two types of leases; one was for five years, as a "holding" lease, the second for 21 years as a production lease. Under the amendment there will be only one type of lease, and it will be for 21 years. There will be a guaranteed renewal for another 21 years if the lease has been in production for any period in that 21 years; and a renewal "may" be granted if certain development work has been done, and fees paid, during the first 21 years.

Proposed New Tax on Profits

The Association, at this moment, is particularly alarmed by the recent proposal of the British Columbia Government to set in motion another amendment that would give the province a 50% share in all the iron and manganese mined in the province.

This bill would be retroactive to 1952.

Let's look over the effect of such an Act. Look back over the experience of the new producers in the past 18 months. The tremendous expenditure of bringing these properties into production, at today's accelerated costs, has already eaten into shareholder profit of the future. Imagine what's going to happen if the British Columbia Government takes a 50% slice of all future profits of new discoveries of iron or manganese in the province. Particularly, disturbing is the news that deposits already discovered—and large sums expended on their exploration and development—are going to come under this new amendment.

We, as Canada's prospectors and developers, must fight this type of legislation or we are going to be out of business. Why would interests back a venture of this description in British Columbia if the rewards are going to be greater to open new iron deposits in Eastern Canada? This is just another type of inroad in your business to help finance the increased expenditures of government. Let's make certain we are not the "Whipping Boy."

We prospectors and developers are also alarmed by the proposal to introduce a new Federal Act changing in principle the taxation of estates. It is our opinion this change is not in the best interests of the minefinders of Canada. It has also been brought to our attention that prospecting and development possibilities in the Arctic region are suffering from inadequate recognition—obsolete mining and taxation laws and a lack of Federal Aid in pioneering the invasion of this area. Those working these districts have demonstrated attractive possibilities but until conditions are reviewed and incentives created there is small likelihood of major development taking place.

Temporary Gloom

For the first time in years this Association is approaching a new prospecting year that raises some doubt as to its activity and outcome. Tight-money policies—de-

Continued on page 23

Continued from page 21

CURRENT CANADIAN ECONOMY — AN INTERLUDE BETWEEN GROWTH AND MORE GROWTH

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paymts. to Dec. 31, 1957
—Canadian \$ 6—				
Beaver Lumber Co. Ltd.	14	1.00	b17½	5.7
Lumber & building supply retailer, 274 branches in Canada				
Belding-Corticelli Ltd.	35	0.15	8	1.9
Makes nylon, silk and rayon threads for all purposes				
Bell Telephone Co. of Canada	77	2.00	397½	5.0
Most important telephone system in Ontario and Quebec				
Bellefleur Quebec Mines, Ltd.	13	0.10	1.26	7.9
Quebec gold producer				
Biltmore Hats Ltd.	24	0.40	b7¼	5.5
Men's fur felt and wool felt hats				
Brazilian Traction, Light and Power Co., Ltd. "Ord."	17	0.50	6½	7.7
Diverse utility interests in Brazil				
British American Bank Note Co. Ltd.	23	2.00	a31	6.4
Makes bank notes, bonds, revenue stamps, and similar items				
British American Oil Co. Ltd.	48	1.00	33½	3.0
Petroleum production, refining, distribution				
British Columbia Forest Products Ltd.	10	0.50	8½	5.9
One of the largest producers of timber products in Canada				
British Columbia Power Corp. Ltd.	40	1.40	37½	3.7
Holding co., controlling B. C. Electric Co. Ltd.				
British Columbia Telephone Co. "Ord."	42	2.00	38	5.3
Second largest privately owned telephone system in Canada				
Brock (Stanley) Ltd. "B"	12	0.40	b6	6.7
Laundry supplies, hardware, plumbing supplies, etc.				
Building Products Ltd.	31	1.80	36½	4.9
Asphalt roofing, flooring and insulation				
Bulofo Gold Dredging, Ltd.	10	0.50	3.15	15.9
Operates a gold dredging project in New Guinea				
Burlington Steel Co. Ltd. new	21	0.70	12	5.8
Steel rolling mill & related oper.				
Burns & Co. Ltd.	11	0.70	10¾	6.7
Meat, lards, butter, poultry prod- ucts, etc.				
Calgary & Edmonton Corp., Ltd.	21	0.10	19	0.5
Leases oil and gas drilling rights in Alberta				
Canada & Dominion Sugar Co., Ltd.	27	1.20	21	5.7
Cane and beet sugar refining				
Canada Bread Co., Ltd.	15	0.10	3.25	3.1
Bread and cake wholesaler and retailer				
Canada Iron Foundries, Ltd.	13	1.50	27	5.6
Holding and operating company— machinery & equipment interests				
Canada Life Assur. Co.	103	4.60	b120	3.8
One of the largest Canadian com- panies underwriting life, accident and sickness insurance				
Canada Malling Co., Ltd.	30	2.00	52	3.8
Malt for the brewing & distilling industries				
Canada Packers Ltd. "B"	23	1.75	34¼	5.1
Full line of packinghouse prod- ucts				
Canada Permanent Mortgage Corp.	102	3.55	80½	4.4
Lends on first mortgage security, issues debentures, accepts deposits				
Canada Steamship Lines, Ltd.	15	1.00	32¾	3.1
Freight and passenger vessels; other diverse interests include hotels				
Canada Vinegars Ltd.	33	1.25	20	6.3
Vinegar and apple products				
Canada Wire and Cable Co. Ltd. "B"	19	0.80	13	6.2
Copper and steel wires and ropes				
Canadian Bank of Commerce	90	1.60	40¾	3.9
Operates 760 branches throughout the world				
Canadian Breweries Ltd.	13	1.50	25¼	5.9
Holding co.—brewing and grain milling interests				
Canadian Bronze Co., Ltd.	30	2.00	25	8.0
Holding co.—subsidiaries make bronze bearings, bushings and castings				
Canadian Celanese Ltd.	22	0.85	14¼	6.0
Synthetic yarns and fabrics				
Canadian Fairbanks Morse Co., Ltd.	20	1.20	15½	7.7
Exclusive sales agents for Fair- banks, Morse & Co. of Chicago				
Canadian Gen. Elec. Co., Ltd.	28	12.00	700	1.7
Exclusive manufacturing & sell- ing rights of General Electric products in Canada				
Canadian Gen. Invest. Ltd.	29	1.325	25	5.3
Management type invest. trust				
Canadian Industries Ltd.	31	0.50	15¼	3.3
Chemicals and allied products				

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
* Add current Canadian Exchange Rate.
* Dividend paid in U. S. Currency.
† Adjusted for stock dividends, splits, distributions, etc.
a Asked.
b Bid.

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CURRENT CANADIAN ECONOMY — AN INTERLUDE BETWEEN GROWTH AND MORE GROWTH

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957 —Canadian \$—	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paymts. to Dec. 31, 1957
Canadian Ingersoll-Rand Ltd. Manufactures compressors, pneu- matic tools, pulp and paper	28	3.50	40	8.8
Canadian Oil Cos., Ltd. Petroleum refining & distribution	32	0.80	26	3.1
Can. Pac. Ry. Co. "Ord." The private railway system of Canada	14	1.75	21½	8.0
Canadian Tire Corp., Ltd. Automotive accessories, parts, etc.	14	0.70	b82½	0.8
Canadian Westinghouse Co. Ltd. Airbrakes and large variety of electrical apparatus	12	1.00	45	2.2
Celanese Corp. of America Yarns and fabrics	19	*1.00	‡	‡
Central Canada Invest. Ltd. Investment co. — large insurance interests	14	0.95	b28	3.4
Chartered Trust Co. General fiduciary business	23	1.40	47	3.0
Chateau-Gai Wines Ltd. Wines and juices	13	1.00	16½	6.1
Collingwood Terminals, Ltd. Operates a 2 million bushel grain elevator in Collingwood, Ontario	16	1.00	b18	7.7
Commoil Ltd. Oil properties in Western Canada, also holding company	20	0.10	2.25	4.4
Conduits National Co., Ltd. Rigid electrical conduits, elbows, couplings, etc.	21	0.80	9	8.9
Confederation Life Assoc. Wide range of endowment and life policies	34	2.00	87	2.3
Consolidated Mining & Smelting Co. of Can. Ltd. Lead, zinc, silver, chemical fer- tilizers, etc.	25	1.60	16½	9.7
Consol. Paper Corp., Ltd. Owns five mills; daily newsprint capacity 2,479 tons	12	2.00	28¾	7.0
Consumers' Gas Co. of Toronto Manufactures and distributes gas in the Toronto area	110	0.80	28¾	2.8

Listed Companies Which Have Paid Consecutive Dividends From 5 to 10 Years Appears in the Second Table Starting on Page 31

Consumers Glass Co., Ltd. Wide variety of glass containers	22	1.50	23½	6.4
Corby (H.) Distillery Ltd. v.t. Holding and operating co. — al- cohol and spirits	21	1.10	16¼	6.8
Cosmos Imperial Mills Ltd. Manufactures heavier grades of cotton duck	23	0.80	11	7.3
Crain, R. L. Ltd. Manufactures & sells continuous business forms	12	0.80	31	2.6
Crown Cork & Seal Co., Ltd. Bottle caps for the beverage in- dustry	29	2.00	50	4.0
Crown Trust Co. General fiduciary business	58	0.60	b16½	3.6
Crow's Nest Pass Coal Co., Ltd. Coal producer on western slope of Canadian Rockies	40	‡0.60	15	4.0
Distillers Corp.-Seagrams Ltd. A holding co.—interests include a complete line of whiskies and gins	21	1.70	25¼	6.7
Dome Mines Ltd. Ontario gold producer	38	0.75	10%	6.9
Dominion and Anglo Invest- ment Corp., Ltd. Investment holding company	18	17.00	b450	3.8
Dominion Bridge Co., Ltd. Bridges, cranes and structural steel of all kinds	45	0.95	23%	4.0
Dominion Engineering Wks., Ltd. Wide variety of machines and equipment	16	1.20	17	7.1
Dominion Fabrics, Ltd. Towels, tapestries, draperies, etc.	31	0.60	a9¾	6.0
Dominion Foundries & Steel Ltd. Makes wide variety of primary steel products	21	1.00	23¾	4.2
Dominion Glass Co., Ltd. Wide variety of glassware	40	2.60	58	4.5
Dominion Insurance Corp. Operates company for fire insur- ance, etc.	14	8.00	b166	4.8

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
 ‡ Add current Canadian Exchange Rate.
 † Dividend paid in U. S. Currency.
 ‡ Adjusted for stock dividends, splits, distributions, etc.
 ‡ Inactive issue. No Exchange trading.
 ‡ Asked.
 b Bid.

Continued on page 24

Continued from page 22

Fighting Harmful Actions Taken Against Canadian Mining

pressed metal prices and the leveling off of the boom have created some problems and obstacles. Unemployment is more pronounced—some of our technical men are faced with lessened business and others are seeking employment. But this industry did not reach successfully and surpass the almost insurmountable goal of over \$2 billion annually by defeatist thoughts. We may have our "backs to the wall," temporarily, but this is nothing new. About the turn of the fifties many of our prospectors were slightly disheartened by lack of new finds of uranium. But, it wasn't too long before we even had Ottawa concerned with the fruitfulness of this new field which has since developed into one of the nation's greatest individual sources of metal revenue.

It is with this aggressive spirit that we must face the days ahead. Perhaps it will be more difficult to secure grubstakes but we are well aware this leveling off is temporary only. Find the new discoveries and financing will eventually take care of itself. The world's new missile programs are unquestionably pointing the way to a new era in metals and prospectors and developers will be seeking them out.

Travers & Bartsch Admit

Travers & Bartsch, 120 Broadway, New York City, members of the New York Stock Exchange, on April 3 will admit John M. Dear to partnership. Mr. Dear will become a member of the Exchange. On the same date Genevieve T. Moore, Mary Ann Travers, Millicent T. Ryan and Genevieve B. Travers will be admitted to limited partnership.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)
 BOSTON, Mass.—Neal R. Shulman has been added to the staff of Merrill Lynch, Pierce, Fenner & Smith, 18 Milk Street.

Martin Gilbert Joins Van Alstyne, Noel & Co.

Martin Gilbert, stock market analyst with 30 years of experience in the securities industry, is now associated with Van Alstyne, Noel & Co., 52



Martin Gilbert

Wall Street, New York City, members of the New York and American Stock Exchanges, it has been announced. Mr. Gilbert has been with Bache & Co. since 1944 and in recent years was editor of that firm's daily market letter which was disseminated to over 50 Bache offices in the United States, Canada and abroad. He is also an author and lecturer and has addressed many business and financial groups around the country.

Aibel, Karlton Partners In Richard Kohn Co.

NEWARK, N. J.—Herbert M. Aibel of South Orange and Peter C. Karlton of Little Silver have become partners in the firm of Richard E. Kohn & Co., 20 Clinton Street, members of the New York Stock Exchange. This was announced today by Richard E. Kohn, senior partner. Formerly co-manager of the firm's Elizabeth office, Mr. Aibel has been elected to membership in the New York Stock Exchange. Mr. Karlton is a customer's consultant at the Newark address, and manager of the Commodity Department.

Form Standard Bd. & Sh.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Standard Bond & Share Co. has been formed with offices in the Equitable Building to engage in a securities business. Officers are Robert J. Vallier, Jr. President; Clyde D. Roberts, Vice-President; and Robert McMichael, Secretary.

Continued from page 19

Prospecting In Ungava

of the world have their own mining problems, such as intense heat, lack of water, fever-ridden areas, etc. The perma-frost that your company's engineers will have to contend with is more of an exploration problem than an operating one. Actually, the perma-frost might not be all grief. It is surprising how often such obstacles can be turned to one's advantage with a little ingenuity. It is not a secret that it is easier to work with, rather than to oppose nature.

"Inhospitable terrain gives way as capable and congenial people who get together for the purpose of proudly sharing in the development of an area that takes courage and fortitude and in the building of an enlightened and decent community, which insists primarily on consideration of one's fellow men.

"Your directors foresee no insurmountable difficulty in carrying on a continuous mining and milling operation in the most northern part of Ungava, should your company be successful in finding an ore body."

The Ungava District of New Quebec, therefore, offers great hopes for future mineral developments which will lead to the establishment of a permanent population at many places within its boundaries.

Russell Investment Co. Formed in Denver

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Russell Investment Company has been formed with offices in the Boston Building to engage in a securities business. Officers are Gerald M. Greenberg, President; Samuel Greenberg, Vice-President; and Blanche R. Greenberg, Secretary. Gerald M. Greenberg was formerly Treasurer of H. Carroll & Co. Samuel Greenberg was previously with the Continental Investment Co.



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Some Aspects of Canadian Business

By NEIL J. MCKINNON*
President, The Canadian Bank of Commerce

Prominent Canadian banker explains why 1958 poses some challenging problems to Canada but, after reviewing weaknesses and gains, adds that Canada meets criteria for potential growth. Mr. McKinnon notes marked domestic increase in demand for farm produce, industrial raw materials, industrial production, and finds that if 1958 capital expenditures, particularly construction content, do not decline more than 5% from 1957 that this area again will be an important source of underlying strength throughout the year. Warns a certain degree of ups and downs is one of the prices of a free economy and that temporary economic injections for "ills of today" should not be allowed to stagnate or jeopardize tomorrow's inexorable surge ahead.

Since we cannot view the future intelligently except in terms of the past, I propose first that we should look aft—not to glance

fearfully over our shoulders, but as travelers who have covered some rather difficult terrain and who hope to profit by the experience as they approach the still hidden road ahead.

The past year was one of contrasts in business and industrial activity. In terms of national accounting (Gross National Product, National Income and the like) we achieved the highest level on record; at the same time some frictions emerged in the chain of production and consumption.

On striking a trial balance for 1957, there appear in retrospect some handsome gains, a few not very shattering losses, some break-even situations, and a few developments which, because they

*An address by Mr. McKinnon before the Canadian Club of Montreal.



Neil John McKinnon

are not yet in proper perspective, may be placed in contingent account.

Past Year's Gains

Foremost among the gains are the achievement of a considerable measure of control over what threatened to be a degree of inflation, and a population increase of more than half a million. Other gains must include continued development work on iron ore deposits, the bringing into production of uranium mines, the start of development work on Manitoba nickel deposits, further important discoveries in the western oil and gas fields, an increase of 1.5 million h.p. in electric capacity with more than four times as much new capacity now under construction, and the building of railways, pipe lines and power lines to bring all these products to market. Also classified as a gain would be the retention of our export trade at its all-time high, despite a softening of the market for some of our major export lines and the disadvantage we suffered in having a premium dollar in a dollar-short world market. Also in the credit column would go the maintenance of a high standard of living, achieved not at the expense of, but with a substantial increase in savings. On the credit side, too, would be the continued interest in Canada

as a field of investment, evidenced by a continued inflow of capital funds.

Losses in Past Year

These by any reckoning are impressive gains. Now let us take a look at the losses. These are largely concerned with those two time-honored buttresses of our export trade—wheat and lumber. One of the problems in selling wheat has been the disturbance in markets created by the grain marketing policies of the U. S. in the last year or two. As a result of this and also of a previous series of high crop yields we have acquired a wheat surplus. Its disposal is one of our problems, since wheat is still the mainstay of our prairie region despite a broadening of the prairie economy.

Our forest industries were hard hit by the loss to other suppliers, chiefly Scandinavian and Russian, of valuable European markets last year. A decline in housing construction in both Canada and the United States and lessened demand for pulpwood added to the industry's troubles, and consequently to the rolls of the unemployed.

The non-ferrous base metals have suffered from price and market instability, and the currently lower price of some metals has meant the closing of a few marginal properties. The threat of an increase in the U. S. tariff on lead and zinc also hangs over the industry.

But these same industries were not wholly without their brighter side. Our own increasing population provided a ready and growing market for the majority of our live stock, poultry and dairy products. The lumber and pulpwood markets, while suffering by comparison with some recent years, were by no means stagnant. Uranium and iron ore, relative newcomers to the mineral products export market, along with nickel largely offset any declines in the mining field.

In manufacturing the total capacity of the industry was greatly enlarged as a result of a \$3¼ billion capital investment over a three-year period. The expansion extended both to the capacity of existing industries and the addi-

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CURRENT CANADIAN ECONOMY — AN INTERLUDE BETWEEN GROWTH AND MORE GROWTH

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957 —Canadian \$—	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paym'ts. to Dec. 31, 1957
Dominion Oilcloth and Lino- leum Co., Ltd.	71	2.10	29½	7.1
Wide range of linoleum and oil- cloth products				
Dominion Steel & Coal Corp., Ltd.	12	1.00	18½	5.5
A holding co.—coal, iron & steel interests				
Dominion Stores Ltd.	16	1.25	50	2.5
Operates grocery and meat chain				
Dominion Tar & Chemical Co., Ltd.	12	0.50	10	5.0
Distiller of coal tar & producer of its derivatives				
Dominion Textile Co., Ltd.	46	0.60	7½	8.0
Wide range of cotton yarns and fabrics				
Donohue Brothers Ltd.	12	†0.75	10	7.5
Owns and operates a paper mill at Clermont, Quebec				
Easy Washing Machine Co., Ltd.	14	0.55	b7¼	7.6
Electric washing machines, floor polishers, air circulators, etc.				
Economic Invest't Trust Ltd. General investment trust business	31	1.60	30½	5.2
Electrolux Corp.	14	*1.00	9½	10.5
"Electrolux" vacuum cleaners, & air purifiers				
Equitable Life Insurance Co. of Canada	19	0.90	45	2.0
Wide line of life and endowment policies				
Falconbridge Nickel Mines, Ltd.	25	1.20	22	5.5
Nickel, copper, cobalt; subsidiary produces steel castings				
Famous Players Canadian Corp., Ltd.	23	1.50	14¾	10.1
Largest operator of motion pic- ture theatres in Canada				
Fanny Farmer Candy Shops, Inc.	30	*1.50	18	8.3
Operates large candy chain				
Federal Fire Insurance Co. of Canada	15	3.00	‡	‡
Sells fire, rain insurance, etc.				
Ford Motor Co. of Canada, Ltd. "B"	25	5.00	85	5.9
Automotive manufacturer				
Foundation Co. of Canada Ltd.	18	0.95	17	5.6
Engineers & general contractors				
Fraser Companies, Ltd.	14	1.50	23	6.5
Wide variety paper and lumber products; synthetic yarns and fabrics				
A. J. Freiman, Ltd.	12	1.10	‡	‡
Owns & operates largest depart- ment store in Ottawa				
Gatineau Power Co.	20	1.40	27	5.2
Hydro-electric energy in Eastern Canada				
General Steel Wares Ltd.	17	0.40	5¾	7.0
Household utensils; hotel, restau- rant, and hospital equipment; refrigerators, etc.				
Goodyear Tire & Rubber Co. of Canada, Ltd.	31	6.00	143	4.2
Natural and synthetic rubber products				
Gordon Mackay Stores Ltd. "B"	33	0.50	5½	9.1
Manages subsidiaries which dis- tribute textile products and allied goods				
Grand & Toy Ltd.	14	1.70	b36¾	4.6
Manufactures commercial & gen- eral stationery & business forms and distributes office supplies & furniture throughout Ontario				
Great Lakes Paper Co., Ltd.	11	1.60	27¾	5.8
Manufactures newsprint and un- bleached sulphite paper				
Great West Coal Co., Ltd. "B"	11	0.50	b4.90	10.2
Wholesale distributor of lignite coal				
Great-West Life Assur. Co.	58	4.00	190	2.1
Wide range of life, accident and health policies				
Greening (B.) Wire Co., Ltd.	20	0.25	b4.35	5.8
Wide variety of wire products				
Guaranty Trust Co. of Can.	29	0.70	20½	3.4
General fiduciary business				
Gypsum, Lime & Alabastine, Canada, Ltd.	11	1.20	26½	4.5
Building materials; gypsum and lime products; industrial chemi- cals, etc.				
Hahn Brass Ltd.	11	1.00	b15	6.7
Manufactures large variety of metal products				
Hallnor Mines, Ltd.	19	0.13	1.80	7.2
Ontario gold producer				
Hamilton Cotton Co., Ltd.	16	0.90	b13¾	6.7
Wide variety of textile products				

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.

‡ Add current Canadian Exchange Rate.

† Adjusted for stock dividends, splits, distributions, etc.

b Bid

‡ Inactive issue. No Exchange trading.

Continued on page 25

Where
In Canada
are the most
manufacturing
shares listed
and traded?

The Toronto Stock Ex-
change lists a larger number
of industrial shares than any
other two stock exchanges
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Every variety of company
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CURRENT CANADIAN ECONOMY — AN INTERLUDE BETWEEN GROWTH AND MORE GROWTH

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras to Dec. 31, 1957	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paymts. to Dec. 31, 1957
Harding Carpets Ltd.	22	0.60	7	8.6
Specializes in seamless "Axminster" and "Wilton" rugs				
Hayes Steel Products Ltd.	15	1.50	b21	7.1
Wide variety of automotive parts				
Hendershot Paper Products Ltd.	11	0.40	5	8.0
Manufactures paper products including containers & corrugated products				
Hinde and Dauch Paper Co. of Canada Ltd.	24	1.80	39½	4.6
Wide variety of paperboards, boxes, etc.				
Hollinger Consolidated Gold Mines, Ltd.	42	0.70	20%	3.5
Ontario gold producer				
Hudson Bay Mining & Smelting Co. Ltd.	23	4.75	43	11.0
Manitoba copper & zinc products				
Huron & Erie Mortgage Corp.	93	1.55	32½	4.8
Lends money on first mortgage security and operates deposit and debenture accounts				
Hydro-Electric Securities Corp.	10	0.45	8¼	5.5
Management-type investment trust				
Imperial Bank of Canada	82	1.70	46½	3.7
Operates 234 branches throughout Canada				
Imperial Flo - Glaze Paints Ltd.	17	1.40	28	5.0
Varnishes, lacquers, enamels, paints, etc.				
Imperial Life Assurance Co. of Canada	56	2.00	51	3.9
Comprehensive range of life, endowment and term policies				
Imperial Oil Ltd.	58	1.20	40¾	2.9
With subsidiaries comprises full integrated oil enterprises				
Imperial Tobacco Co. of Canada, Ltd. "Ord."	46	0.65	12½	5.2
Tobacco, cigars and cigarettes				
Industrial Acceptance Corp., Ltd.	10	1.40	25%	5.5
Purchases acceptances; also small loans & gen'l insurance business				
International Metal Industries. Name changed to Wood (John) Industries Ltd. Shares exchanged share for share				
International Nickel Co. of Canada, Ltd.	24	*3.75	70	5.4
Holding and operating co.—Primary operations at mines and smelters near Sudbury, Ontario				
International Paper Co.	12	*†2.9325	86	3.4
Holding and operating co.—Operates pulp and paper mills in Canada and the U. S.				

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
† Add current Canadian Exchange Rate.
‡ Dividend paid in U. S. Currency.
§ Adjusted for stock dividends, splits, distributions, etc.
b Bid.

Continued on page 26

Outlook for Base Metals

By SIMON D. STRAUSS*

Vice-President, American Smelting and Refining Company
New York City

Aware of the small difference between a shortage and surplus of base metals, Mr. Strauss is confident prices ahead will improve from present "profitless levels" and attributes present plight not so much to decreased industrial demand as from excess production. Advocates metal producers seek new markets and avenues of potential application.

Available supplies of base metals are currently in excess of the needs of industry. As a consequence prices for copper, lead and zinc have fallen to levels at which most mines are making little or no profit and many are operating at substantial loss.

This situation is not a new one. It has occurred on many occasions in the past; even since the end of World War II in 1945, there have been at least two similar crises in which, momentarily at least, producers of metal have been unable to dispose of all they could produce.

Not Demand But Production

Curiously enough, industrial demand for metals in 1957 was, on the whole, relatively good. Consumption in the United States was below the levels of 1956, but in other parts of the world it increased. In the case of copper, deliveries to copper fabricators throughout the world as reported by the Copper Institute set a new all-time record. Similar figures are not available for lead and zinc, but based on information available it would appear that there was a small decline from 1956—probably about 2 or 3%.

The difficulties faced by the metal-mining industry result not so much from decreased industrial demand last year as from excess production. Some might, perhaps, feel that the geologists, prospectors, and developers who belong to this and similar associations

*An address by Mr. Strauss before the Joint Prospectors and Developers Assn., Geological Assn. of Canada, and Mineralogical Assn. of Canada, convention, Toronto, Canada, March 10, 1958.

have done their work too well—perhaps they have found too many new deposits or too many extensions to old ones.

Please do not consider this as criticism. Far from it. A few years ago, in the Korean crisis, the governments of the Free World were breathing down your collective necks, urging you to add to available mineral resources to assist in the defense of democracy and free enterprise. Many eminent economists and politicians then feared permanent shortages of mineral raw materials.

Three years ago I emphasized that the one certainty in the outlook for the base metals is that it will change. That is still true today. The shortages of the Korean War did not prove permanent; neither did the copper shortage of only two years ago. In the same way, the surpluses that are pressing the market so hard today also will not prove permanent.

Our customers, who are today concerned with shrinking their inventories, will look back at the prices now prevailing and wonder why they did not, instead, replenish their stocks with copper at 20c, lead at 9½c, and zinc at 8c a pound—which are the prices prevailing in Europe—or copper at 23c, lead at 13c, and zinc at 10c a pound—which are the prices prevailing in the United States. For in the long run prices are certain to reflect the cost of producing the quantity of metals needed by industry—and in my opinion that means prices higher than those prevailing today.

Surplus-Shortage Difference Is Small

It must be remembered that the difference between a shortage and a surplus is a small one. At the beginning of 1956 consumers and producers alike were talking of a shortage of copper. In the two years from Jan. 1, 1956, to Dec. 31, 1957, the Copper Institute reported production of 6,000,000 short tons of copper. In the same period of time, producers' stocks

of unsold copper increased by 237,000 tons—less than 4% of the production. We can be quite certain that consumers did not increase their stocks of copper in this period—because prices were falling. Thus a surplus of less than 4% forced the price of copper down from over £400 a long ton in London to the present level of £160.

Copper producers are now cutting back their production—had they done this a year ago the price of the metal might have been held at more remunerative levels. Today the curtailment comes at a time when business activity is declining more rapidly than it did a year ago. For 1958, as a whole, deliveries of copper to fabricating customers by the copper producers probably will be lower than in 1957.

The difficulties faced by the lead and zinc producers stem from over-expansion of capacity also; and this over-expansion in turn was to a considerable degree engendered by the needs of the Korean War. Following the period of over-production in 1952-54, stability was restored to the lead and zinc markets through large purchases made by the United States Government. But as the Joint Committee on Defense Production of the United States Government clearly stated in its recent report "Accelerated purchase of materials for Government inventories for the purpose of solving economic problems tend to postpone rather than provide permanent solutions." So when in early 1957 it was decided to restrict further barter acquisitions of strategic materials, the prices of lead and zinc promptly weakened again.

Sees Prices Improving

Looking ahead, one can feel quite confident that prices will eventually improve from their present profitless levels. Rising populations in the Western World and the pressure for improved living standards will create markets that will readily absorb the present surplus production of metals which is, after all, relatively small. When this will occur no one can say with confidence. But if the producers of metals will show as much energy and skill in searching for new markets as the geologists and prospectors have shown in looking for new deposits, the day can be considerably hastened. Although copper, lead, and zinc have been known to mankind since antiquity, many avenues of potential application of these materials have not been explored. The great bulk of the use of these metals is now consumed for purposes that did not even exist one hundred years ago. In the dynamic march of scientific progress, new applications for these metals are certain to be found. By working through trade associations and through the research establishments of the individual producers, much can be done to ensure that proper consideration is given to the proven merits of these time-tested raw materials.

Amott Baker Branch

WATERBURY, Conn. — Amott, Baker & Co., Incorporated, announced the opening, on March 26, 1958, of a new branch office in Waterbury, Conn. This new office, under the direction of Milton M. Seligson as resident manager, will be located on the lobby floor of the Roger Smith Hotel at 30 West Main Street.

Mr. Seligson has been associated with the securities business for many years in Waterbury and is well known to civic organizations and others in the area as a lecturer in the securities field.

Opening of the Waterbury office will increase the number of the firm's branch offices to three. Other branch offices are now located in Philadelphia and Detroit.

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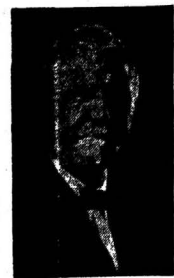
(Territory of the Islands of St. Pierre and Miquelon)

Who Is to Blame for Our Current Economic Difficulties?

By ROGER W. BABSON

Why consumers overextend themselves and save so little frightfully mystifies business analyst Babson who finds, in the last analysis, that labor exemption from anti-trust laws and "Womb-to-Tomb" security should be blamed for our present difficulties. Claims we have lost our sense of values and justice, and calls for more soul searching by all of us.

Bread lines which have now sprung up in some of our cities only six months after prosperity was booming along last summer suggest that something is pretty radically wrong with people's economics! What, really, is the matter?



Roger W. Babson

For several years, I have been warning that we could not continue to live it up forever without one day paying the piper. I often wonder when I am driving around in an eight-year-old automobile how the average factory worker

could afford his one or two shiny new cars.

Strong appetites have been whetted for housing and cars and appliances and luxuries; and consumers have jeopardized the family finances by overbuying. Don't get me wrong. I am all for as many new homes and TV's and cars as the family pocketbook can stand. All these represent a higher standard of living. But I am for these things only after the worker has first set aside a portion of his weekly pay check in some form of liquid savings.

Bread Lines vs. Bank Accounts

When are you spending too much and not saving enough? When you have extended yourself to the point that you don't know where next month's rent is coming from if you lose your job this week, then you have obviously overextended. Unemployment in-

surance, or tax-cutting, or any form of "pump priming" is like relieving pain with a mustard plaster when a surgical operation is really needed.

From the stories of bread lines in places like Detroit, Mich.; Saco and Biddeford, Maine; Long Island; the West Coast; and a number of other areas where major industries have slowed down, it seems that consumers have greatly overextended themselves. Frankly, this kind of situation scares me to death. I have talked with merchants in some of these areas. One, a typical hardware store operator who gives the outward appearance of being very successful, says that he could be folded up very easily. All that has to happen is for a few of his creditors to press him for the payment of a few bills and he is done. The situation in many areas of our country parallels the old game you used to play with dominoes. Remember how you used to stand the dominoes on end next to one another in a long line, then knock the first one down, and away went all? A business depression is like many an illness; only a change in our habits and attitude toward life can permanently cure it.

Who Is to Blame?

Without doubt much of our current recession was precipitated by our labor leaders. I believe in labor unions and once was Assistant to the Secretary of Labor in Washington. We could count on full employment as long as wages and production kept in balance. When, however, wages were dragging behind production, we had severe strikes; but when production did not keep up with wages, we had recessions. Both labor and management will now take a licking until prices again come down and we consumers get a fair deal. This is nature's cure; government plasters will not help the situation.

It is easy to blame our present difficulties on Mr. Eisenhower, or the Republicans, or the Federal Reserve for their attempts to balance our economy. But I personally believe our problem goes back a lot further than the Eisenhower Administration. It started when labor leaders were exempted from the Anti-Trust Laws. Economic trouble was also spawned for us all at the point back in the thirties when we demanded "womb-to-tomb" security. When we shrugged off the responsibility for our own welfare and held the government accountable for our jobs, the education of our children, and what happens to us in our old age, we headed for trouble. We have lost our sense of values and justice. We don't save for that "rainy day" any more; we don't bother about a nest egg for the education of our children; we don't purchase adequate life insurance, but depend instead upon social security. Perhaps this present reversal in business conditions could turn out to be a blessing in disguise for many. Let us all do a little soul searching into the question of how we got into this situation, both individually and collectively.

Fiberglas Exhibit

An electrified exhibit, which uses a "talking glass marble" to tell about new Fiberglas products for home and industrial uses, has been opened to the public in Grand Central Terminal, N. Y. C., by the Owens-Corning Fiberglas Corporation, Toledo, Ohio.

The exhibit will be held during March and April in the Investment Information Center of Merrill, Lynch, Pierce, Fenner and Smith in the main rotunda.

Byron Brooke Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—James B. Milner has been added to the staff of Byron Brooke & Company, Citizens & Southern Bank Building.

Continued from page 25

CURRENT CANADIAN ECONOMY — AN INTERLUDE BETWEEN GROWTH AND MORE GROWTH

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paymts. to Dec. 31, 1957
—Canadian \$—				
International Petroleum Co. Ltd.	40	\$1.40	35½	3.0
South American oil producer and refiner				
International Utilities Corp.	14	†1.75	21½	8.2
Management and development of natural gas and electrical companies in Alberta				
Investment Foundation Ltd.	14	2.70	38½	7.0
Management type investment trust				
Journal Publishing Co. of Ottawa, Ltd.	41	1.00	b14	7.1
Publishers "The Ottawa Journal"				
Kelvinator of Canada, Ltd.	14	0.30	5¼	5.2
Complete line of home appliances, parts and repairs				
Kerr-Addison Gold Mines Ltd.	18	0.80	14¾	5.4
Ontario gold producer				
John Labatt Ltd.	13	1.20	18¾	6.4
General brewing business				
Lamaque Gold Mines Ltd.	19	0.20	2.20	9.1
Quebec gold producer				
Laura Second Candy Shops, Ltd.	31	1.25	19¼	6.5
Retail candy chain in Ontario & Quebec				

Listed Companies Which Have Paid Consecutive Dividends From 5 to 10 Years Appears in the Second Table Starting on Page 31

Leitch Gold Mines Ltd.	20	0.06	1.00	6.0
Ontario gold producer				
Lewis Bros., Ltd.	12	0.60	8½	7.1
Wholesale hardware trade in Eastern Canada				
Loblaws Cos. Ltd. "B"	35	0.40	22½	1.8
Operates chain of "self-service" grocery stores in Ontario				
Loblaws Inc.	19	*1.75	70	2.5
Operates 133 "self-service" food markets in northern New York, Pennsylvania and Ohio				
Walter M. Lowney Co., Ltd.	22	1.00	b21½	4.6
Chocolate and other confection products				
Lucky Lager Breweries (1954) Ltd.	29	0.27	4.35	6.2
A holding company for four British Columbia companies				
MacLaren Power & Paper Co.	16	2.75	b60	4.6
Holding company—newsprint, lumbering and power interest				
MacMillan & Bloedel Ltd. "B"	17	1.00	24	4.2
Fully integrated lumber business; large exporter				
Madsen Red Lake Gold Mines Ltd.	18	0.10	1.79	5.6
Ontario gold producer				
Maple Leaf Gardens, Ltd.	12	1.50	b18	8.3
Owens and operates Toronto sports arena of same name				

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
† Add current Canadian Exchange Rate.
‡ Dividend paid in U. S. Currency.
§ Adjusted for stock dividends, splits, distributions, etc.
b Bid.

Continued on page 27

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Continued from page 26

CURRENT CANADIAN ECONOMY — AN INTERLUDE BETWEEN GROWTH AND MORE GROWTH

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paymts. to Dec. 31, 1957
Maple Leaf Milling Co., Ltd. Grain handling; flour milling; operation of bakeries, etc.	12	0.50	7%	6.5
Marcus Loew's Theatres, Ltd. Owns two Toronto motion picture theatres	13	5.00	b115	4.3
Massey-Harris Co., Ltd. Complete line of farm implements and machinery	12	0.40	6 1/4	6.4
McCabe Grain Co., Ltd. "B" General grain dealings	11	1.00	a23 3/4	4.2
McColl-Fontenac Oil Co. Ltd. Oil production, refining and distribution	14	1.65	52	3.2
McIntyre Porcupine Mines, Ltd. Ontario gold producer	41	3.00	67	4.5
Midland & Pacific Grain Corp., Ltd. Deals in grain and operates line elevators in Western Canada	12	1.00	b16 1/2	6.1
Minnesota and Ontario Paper Co. Newsprint, specialty papers and other timber products	11	1.60	20 3/4	7.7
Mitchell (J. S.) & Co., Ltd. General supply house for many industries in Eastern Quebec	23	1.25	34 1/4	3.6
Mitchell (Robert) Co., Ltd. "A" Brass, bronze, nickel and other metal products	10	0.25	7	3.6
Modern Containers Ltd. "A" Makes tube containers for tooth paste, shaving cream and other semi-liquid products	10	1.00	12 1/2	8.0
Molson's Brewery, Ltd. "B" Montreal brewer	13	1.40	27	5.2
Monarch Mortgage & Investments Ltd. Operates and owns number of apartment houses	10	3.00	39	7.7
Montreal Locomotive Works, Ltd. Diesel-electric locomotives and related production	12	1.00	15	6.7
Montreal Refrigerating & Storage Ltd. Operates general and cold storage warehouse in Montreal	12	2.00	40	5.0
Montreal Trust Co. Executor & trustee, management of securities & real estate	49	1.35	34 1/2	3.9
Moore Corp. Ltd. Business forms, advertising dis- play products, etc.	14	*2.00	64 1/2	3.1

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
† Add current Canadian Exchange Rate.
‡ Dividend paid in U. S. Currency.
§ Adjusted for stock dividends, splits, distributions, etc.
|| Asked.
b Bid.

Continued on page 28

Peaceful Canadian Development Of Atomic Energy

By DAVID A. KEYS*

Scientific Adviser to the President,
Atomic Energy of Canada Limited

Prominent Canadian nuclear scientist describes threefold developments in research and practical applications of isotopes, power and breeding. Dr. Keys anticipates, for example, that in next 20 years as much power will be developed from nuclear fission in Ontario as is now produced by hydro and coal-fired plants, and that probably all the uranium we can mine will be used. Author opines, however, it will be many years before fusion process will be economically used for power, and by that time thousands of nuclear fission plants will be in operation producing electricity.

In 1903 the late Lord Rutherford, then a Professor at McGill University, wrote in his book "Radioactivity" the following, which I quote:

"There is reason to believe that an enormous store of latent energy is resident in the atoms of radioactive elements. . . . If it were ever possible to control at will the rate of disintegration of the radioactive elements, an enormous amount of energy could be obtained from a small quantity of matter."

About 18 years later, when Cavendish Professor at Cambridge, he gave a popular lecture at the Royal Institution in London, during which he is reported in the press to have said:

"Each atom, though it is quite incommensurable, has in it the power of a thousand horses. If we can harness this power, almost all our material difficulties are at an end. . . . Infinite material power is at our fingertips awaiting release by finer and finer instruments."

This prediction became a fact with the discovery of fission in 1939 and the construction of the first reactor in December, 1942. Since that time about 240 reactors have been built, releasing millions of kilowatts of energy, and another 100 either under construction or in the planning stage, opening vast new fields of scientific, industrial and medical applications for the benefit of humanity. This new atomic age has created work for probably half a million people, developed a mining industry in Canada, which in uranium alone has reached contracts amounting to about \$1 1/2 billion, and made improvements in industrial processes and agriculture, which in the United States are causing a saving of over \$200 million annually according to Dr. W. F. Libby.

In such peaceful developments of this new science, Canadian scientists and engineers are taking a leading part. We have at Chalk River four reactors in operation, two of which, the NRX and NRU, have facilities for research and applied tests of nuclear fuel for production of power, unsurpassed by those in any other nation in the Western World. Reactors, apart from their use in research, have three main functions: They produce isotopes for industry, agriculture, medicine and research; they are able to release enormous amounts of heat from small quantities of nuclear fuel; they can produce new nuclear fuels from nonfissionable materials. A few

*An address by Dr. Keys before joint annual meeting of Prospectors and Developers Assn., Geological Assn. of Canada, and Mineralogical Assn. of Canada, Toronto, Ontario, March 11, 1958.

examples about each of these three functions may be of interest.

Isotopes

Any element placed in a reactor and subjected to the intense neutron bombardment becomes a radioactive isotope of that element. Many of these have found special uses. Strong sources of cobalt 60 were first made at Chalk River and have been supplied to industries as a substitute for high voltage X-ray machines, since cobalt 60 gives out a penetrating X-ray as it decays into nickel with a half-life of 5.3 years. It is used in radiography of castings. Iridium 192 is used to inspect welds in our pipe lines. Others such as strontium 90, gallium 72, cesium 134 and thulium 170 are used for similar purposes.

The radiations from such isotopes as the above, and ruthenium 106, are now employed for con-

trolling the thickness of many kinds of pliofilms—paper, rubber, sheet metal, plate-glass in so-called thickness gauges. They are also used to regulate packaging, tobacco in cigarettes, liquid levels in pipes. They are useful in testing rapidly the wear of moving parts, piston rings, tires, rollers, etc. They are convenient electrostatic eliminators.

The radiations from certain isotopes assist in chemical processes. They give new properties to certain polyethylene plastics; sterilize food (such as meat, milk, vegetables, whole wheat), drugs and bandages. Our Commercial Products Division made the largest single source of cobalt 60 for radiation purposes that has ever been produced, equivalent in its radiation to that of more than 130 pounds of radium. It was for an American firm interested in the effects of radiation on all manner of chemical processes and sterilization experiments.

Radioactive carbon can be incorporated in chemical compounds so as to follow any particular industrial or biological process by the radiations the carbon emits. Such detection methods are extremely sensitive. If an ounce of radioactive sugar, made by replacing an inactive carbon atom by a radioactive one, is mixed with twenty thousand million gallons of water, the amount of sugar in a teaspoon of the water is detectable. Such tracer methods have improved many chemical processes, revealed new valuable information in agriculture and forestry, and been used for diagnostic purposes in medicine.

The Commercial Products Division

Continued on page 28

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Peaceful Canadian Development Of Atomic Energy

sion of Atomic Energy of Canada Limited made the first highly active cobalt 60 units for the treatment of malignant diseases. More than 100 of these units have been produced and sold to 20 different countries. The use of iodine 131, phosphorus 32, gold 198 and certain labelled compounds has provided new therapeutic and diagnostic sources for improving the health and relieving the suffering of thousands of patients in hospitals throughout the world. Last year we made more than 2,800 shipments of various radioactive isotopes to Canadian and foreign commercial, medical and research institutions.

Power

The standard of living of any nation may be gauged by the amount of energy available per capita of the population, particularly in the form of electric power. The rate of increase in demand for electric power in the more advanced countries is doubling about every 10 years. Most of this energy has been and still is produced by burning fossil fuels, particularly coal which supplies the bulk, oil and natural gas next in order. Hydro supplies a small fraction of the world's energy and is confined to those countries fortunate enough to have water power available. Apart from perhaps the United States, all the European countries

and most others as well have had to import fossil fuels to meet their rapidly expanding demand for electrical energy to maintain and raise their present standard of living. Great Britain is importing coal from the United States and Canada, as well as oil: their coal mines cannot supply their requirements. Other countries have no indigenous sources of fossil fuel and are dependent on importing their requirements. Hence, the demand for new sources of energy.

The fission of uranium produces enormous release of heat. One pound of uranium 235, which constitutes 7/10ths of 1% of natural uranium, if completely "burned" up in a reactor, gives as much heat as is obtained from burning 2,700,000 pounds of coal; 60,000 gallons of oil, or 20,000,000 cubic feet of natural gas. Hence, the interest of all countries in seeking methods of employing fission as a source of thermal fuel to supplement the supply of fossil fuels. Several pilot plants, using fission of uranium, are in operation in many countries generating small amounts of electricity. Large plants producing tens of thousands of kilowatts each are in operation in the United Kingdom and the United States, and soon will be in operation in other countries. Larger nuclear power stations of several hundred thousand kilowatt electrical output

are being planned and constructed. The capital cost of such plants are high compared with coal-fired stations. But the fuel costs are lower. By 1965, the United Kingdom will have 19 nuclear power stations, producing five to six thousand megawatts of electricity equivalent to that obtained from about 20,000,000 tons of coal annually. What are we in Canada doing about this?

Last year, there were about 90 billion kilowatt hours of electric energy used in Canada. If this had been all generated from nuclear fission of uranium, producing steam and electrical energy at 25% efficiency, it could have been obtained from the complete burning of 15 tons of uranium 235. Using natural uranium metal and burning 1%, which appears quite possible, this would require 1,500 tons of uranium metal, which is the amount contained in approximately 500,000 tons of our Canadian ore. This 1% involves burning some of the fissionable plutonium which is produced from the uranium 238 in every reactor employing natural uranium.

Ontario will have exhausted its supply of hydro power by 1962. It is even now supplementing its hydro supply with steam plants, using imported coal. Additional fossil-fired steam plants are already planned to supply the additional power that will be required. Since we have large supplies of uranium ore available, we are interested in using it as fuel, hence, the plans for constructing nuclear power reactors.

Dr. W. B. Lewis and his scientific colleagues; Mr. J. L. Gray and his engineering staff; with the help of a team of able engineers from several Canadian Utilities and the Canadian General Electric Company have produced a new conceptual design of such a power reactor, differing from any of those now in operation in other countries. It is based on the experience of heavy water moderated and cooled reactors which are in operation at Chalk River. This new design will use uranium oxide fuel in pressurized tubes, surrounded by heavy water under pressure, heated to about 600 degrees Fahrenheit, which will produce steam by circulating this hot water in a heat exchanger. Their design removed the necessity of large pressurized vessels (which are expensive and difficult to fabricate) such as the British and American large plants have employed. It will also be heavy water moderated at ordinary pressures. Considerable research on uranium oxide fuels, the type of sheathing, and the effect of radiation on such slugs or rods, has been performed at Chalk River in the NRX reactor. Since the NRX and new NRU reactors have special facilities for such investigations, our staff carry out similar work on a cooperative basis for the United Kingdom Atomic Energy Authority and the United States Atomic Energy Commission and their contractors.

The first Canadian plant will be a development one, generating 20,000 kilowatts of electricity, that will not be competitive with coal but will serve to gain experience on operation and reliability. It will be built near Des Joachim on the Ottawa River near the Ontario Hydro installation and will supply electricity to that system. The same design may be extended to larger plants of 200,000 kilowatts or more and studies of such power stations will proceed at once. This will be undertaken at the new Nuclear Power Plant Division of AECL established in Toronto under the direction of Mr. Harold A. Smith, who has been appointed as its Manager. If the cost of research and development, including manufacturing development, is elimi-

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CURRENT CANADIAN ECONOMY - AN INTERLUDE BETWEEN GROWTH AND MORE GROWTH

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957 —Canadian \$ 5—	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paymts. to Dec. 31, 1957
Mount Royal Rice Mills.....	12	1.20	13	9.2
Manufactures and distributes rice products.				
National Drug and Chemical Co. of Canada, Ltd.....	17	0.70	11½	6.1
Wholesaler of drugs, chemical & general merchandise.				
National Grocers Co., Ltd.....	16	0.60	20¾	3.0
Ontario grocery wholesaler.				
National Hosiery Mills Ltd. "B".....	10	0.32	4.00	8.0
Manufactures ladies' hosiery.				
National Steel Car Corp., Ltd.....	21	1.775	21	8.4
Railway cars, automobile chassis, etc.				
National Trust Co., Ltd.....	59	1.60	38½	4.2
General trust business, also accepts deposits.				
Neon Products of Canada Ltd.....	28	0.60	111½	5.2
Neon advertising signs.				
Niagara Wire Weaving Co., Ltd., new.....	24	0.60	8½	7.1
Makes wire mesh, cloth, wire weaving machinery, etc.				
Noranda Mines, Ltd.....	28	2.00	35¾	5.6
Copper and gold producer.				
Normetal Mining Corp., Ltd.....	12	0.29	2.60	11.2
Quebec copper and zinc producer.				
Office Specialty Manu. Co. Ltd.....	12	0.80	16	5.0
Mfg. and distributes office furniture and supplies.				
Ogilvie Flour Mills Co., Ltd.....	55	1.50	26	5.8
Mills flour, feeds, and cereals.				
Ontario Loan and Debenture Co.....	87	1.15	22¼	5.2
Accepts deposits and sells debentures; invests in first mortgages.				
Ontario Steel Products Co., Ltd.....	20	1.50	20	7.5
Automotive springs, bumpers and plastic products.				
Page-Hersey Tubes, Ltd.....	32	3.95	105	3.8
Industrial pipe and tubing.				
Pato Consolidated Gold Dredging Ltd.....	19	0.60	2.60	23.1
Operates a gold dredging project in Colombia, S. A.				
Paton Mfg. Co., Ltd.....	19	0.80	12	6.7
Woolens and worsted fabrics.				
Penmans Ltd.....	51	1.60	23½	6.8
Woolen, cotton and silk knitted goods.				
People's Credit Jewellers Ltd.....	16	0.35	15	2.3
Retailer of jewelry and associated merchandise.				
Photo Engravers & Electrotypers Ltd.....	24	2.375	42	5.7
Photo engravings, electrolytes, commercial photography, etc.				
Pickle Crow Gold Mines Ltd.....	22	0.10	0.98	10.2
Ontario gold producer.				
Placer Development, Ltd.....	25	1.00	8.25	12.1
Investment-holding company—gold interests.				
Powell River Co., Ltd.....	20	1.50	30¾	4.9
Largest producer of newsprint on the West Coast.				

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
\$ Add current Canadian Exchange Rate.
† Adjusted for stock dividends, splits, distributions, etc.
b Bid.

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CURRENT CANADIAN ECONOMY — AN INTERLUDE BETWEEN GROWTH AND MORE GROWTH

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paymts. to Dec. 31, 1957
Power Corp. of Canada, Ltd. A utility holding management and engineering company	21	2.00	56¾	3.5
Premier Trust Co.----- Operates as trust company trustee, etc.	41	6.00	b85	7.0
Preston E. Dome Mines Ltd. Ontario gold producer	18	0.08	4.25	1.9
Price Brothers & Co., Ltd. Newsprint and related products	14	3.00	39	7.7
Provincial Transport Co.----- Operates coach lines in Quebec and Ontario	21	1.00	11	9.1
Quebec Power Co.----- Operating public utility	43	1.40	27½	5.1
Robertson (P. L.) Manufac- turing Co., Ltd.----- Wide range of screws and bolts	16	0.80	12¾	6.3
Robinson Little & Co., Ltd. Wholesale and retail merchandis- ing of dry goods & variety store lines	10	0.80	b9¼	8.6

Listed Companies Which Have Paid Consecutive
Dividends From 5 to 10 Years Appears in the
Second Table Starting on Page 31

Royal Bank of Canada----- Operates 796 branches throughout the world	89	2.10	57¼	3.7
Royalite Oil Co., Ltd.----- Oil production and development	29	0.26	12½	2.1
Russell Industries Ltd.----- Holding company—machine tool interests	22	0.75	7½	10.0
Sangamo Co., Ltd.----- Electric meters, motors, switches, etc.	21	0.65	12	5.4
Sarnia Bridge Co., Ltd.----- Steel bridges and related production	15	1.00	b12½	8.0
Scarfe & Co. Ltd. "B"----- Manufactures and sells varnishes, paints, etc.	11	0.10	‡	‡
Scythes & Co. Ltd.----- Manufactures cotton and wool waste, cotton, wipers, etc.	22	1.00	b13	7.7
Shawinigan Water and Power Co., new Quebec electric utility	51	‡0.6533	23¾	2.7
Sherwin-Williams Co. of Canada, Ltd.----- Paints, varnishes, enamels, etc.	16	2.05	33	6.2

* Quotations represent Dec. 31, 1957 sale prices or the last sale price
prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
† Add current Canadian Exchange Rate
‡ Adjusted for stock dividends, splits, distributions, etc.
§ Inactive issue. No Exchange trading.
b Bid.

Continued on page 30

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Peaceful Canadian Development Of Atomic Energy

nated from the cost of the first large plants to be built, the second and perhaps even the first will be able to generate electricity at a cost competitive with steam from coal—between five and six mills per kilowatt hour.

Since the demand for electric power is doubling every ten years, in 20 years we can expect as much power to be developed from nuclear fission in Ontario as is produced today by hydro and coal-fired stations. Our demand for uranium at that time, and that of other countries, will probably use all the uranium we can mine. The possibility of using central heating plants for supplying large sections of cities, which would eliminate boilers in separate buildings, a system which is now used in some cities, is an application which so far has received little earnest attention. The use of reactors as a source of process steam in industries, however, is being considered, for example in Finland.

Apart from the design and construction of nuclear power plants to supply electricity for industrial purposes, their application to the propulsion of ships, trains, and even airplanes, is being investigated. The atomic submarine is already a success. The United States have three in operation at the present time, with ten or eleven others under construction or planned. These submarines have travelled many thousands of miles, nearly half the time submerged, on a single fuelling. The "Nautilus" covered 69,138 miles (39,738 submerged) in 26 months on a single fuelling. The Russians have launched their ice-breaker "Lenin" which will have a displacement of 16,000 tons, 44,000 horse-power, and a speed of 18 knots. It will operate on 5 oz. of nuclear fuel per day. The British and Americans are designing commercial submarine tankers, cruisers, airplane carriers, passenger ships and freighters, to operate on nuclear power. Some of these are already under construction. In fact, every maritime country is interested in such nuclear ships, since the fuelling only requires replacement after many miles of travel. This is a great saving in time and ultimately in fuel costs.

Nuclear powered locomotives have been planned by Dr. Borst at the University of Utah in the United States, and by the Russians. The latter country has announced that its atomic locomotive will be 164 feet long, weigh 300 tons, have traction of 8,000 horse-power, and pull a train from Moscow to Vladivostok on slightly more than one pound of nuclear fuel, compared with the 600 tons of coal now required to make that trip.

United States has flown an operating reactor in an aeroplane, has constructed a land-based reactor which drives a propeller but has not yet attempted to fly a plane on nuclear energy.

During the next 10 or 20 years we shall see nuclear energy applied to many peaceful uses, augmenting our natural fossil fuels as sources of energy.

Breeders

The third function of a reactor is to produce nuclear fuel from nonfissionable material. Uranium atoms of mass 238, which forms 99.3% of natural uranium metal, can be transformed into the nuclear fuel plutonium in a reactor. All thermal reactors using natural or slightly enriched uranium, produce plutonium. Also thorium 232 may be transformed into the

nuclear fuel, uranium 233, in a reactor.

By designing the reactor in a particular way, using a core of highly enriched uranium 235, or uranium 233, when the supply of this isotope is large enough, in what may be called a fast reactor, that is one using fast neutrons, it is possible to produce in the surrounding blanket of uranium 238 or thorium 232, more fuel than you burn up. Pilot plants built on this principle have been operated in both the United States and in the United Kingdom. Physicists realized this possibility when they found that at each fission of a uranium 235 nucleus, 2½ neutrons were ejected on the average. It takes one of these to maintain the nuclear power level in a chain reaction. This leaves 1½ surplus. Some, of course, will be lost by absorption in the sheathing of the fuel, in the coolant, in the fission products or "nuclear ash," and others will escape into the shielding and be captured there. But, by proper design, it might be possible to have, say, 110 of these surplus neutrons produce in the uranium 238, 110 atoms of plutonium, or in thorium 110 atoms of uranium 233, both of which are new nuclear fuels. If this proved correct, we would obtain more nuclear fuel of a new kind than the fuel we burned up. Such reactors are called "breeders." A large plant, built with this in view, is nearing completion at Dounreay in the north of Scotland. It will also produce power as well. It is the first large experimental reactor of this type to be built. The success of this experiment on a large scale is awaited with interest. It is this breeding possibility

which makes it hopeful that all our uranium and thorium will eventually become a source of power.

Nuclear Fusion

The source of energy which the sun and stars have been emitting for millions of years has been explained on the theory of the release of energy by the fusion of hydrogen to form helium, which produces a large amount of energy—more per pound than the fission of uranium. But, it requires temperatures of millions of degrees, and in the celestial bodies, enormous space. The release of energy by fusion was proved to be possible when we had the high temperatures available in the explosion of an atomic bomb. But laboratory experiments have been in progress for many years in several countries, attempting to devise a system of controlling this reaction so as to provide a useful source of energy. The recent announcements of progress in this direction by the British and American scientists are of great interest for our future supply of energy. It will take years of research to accomplish this on a laboratory scale and many more to bring it to that state in which it can be applied in a practical power plant.

For nearly a century, physicists have been investigating the discharge of electricity through gases. The late Sir J. J. Thomson made outstanding contributions to the theory of such discharges, discovering the electron in 1897 during such investigations, for which he received the Nobel Prize. It is interesting to note that his son, Sir George Thomson, also a Nobel prizeman, has been associated with some of the recent developments on fusion in England. The method by which the physicists are attempting to produce a fusion reaction is to create by heavy electrical pulsed discharges currents of nearly a million amperes, lasting for three or four thousandths

Continued on page 30

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Peaceful Canadian Development Of Atomic Energy

of a second, through a tube containing heavy hydrogen gas at less than a millionth of an atmosphere pressure.

This high current produces a magnetic field round the current which pinches the gas down to a thin discharge, holding it away from the walls of the tube. The heat produced in the gas raises it to temperatures of several million degrees. At these temperatures, the heavy hydrogen (deuterium) nuclei are stripped of their electrons and fly together at high velocities producing a nuclear reaction. These hydrogen nuclei are positively charged and under normal conditions would repel each other. But, if driven against each other with sufficient velocity, this repulsion is overcome but it takes enormous speeds—hence the requirement of high temperatures, since the mean velocity of gas nuclei increases with rise in temperature. These reactions may result in the formation of a tritium nucleus (unstable hydrogen isotope of mass 3) and a proton (a hydrogen nucleus). Or, it may equally well result in the production of the helium nucleus of mass 3 and a neutron. Both of these reactions release energy. Other subsequent reactions may follow, such as the proton reacting with the deuterium nucleus to form a helium nucleus of mass 3, or the tritium nucleus with the deuterium nucleus to form helium and a neutron. All of such reactions release energies.

To make such a reaction release more energy than is necessary to apply to the apparatus, it may be necessary to get temperatures of a hundred million degrees. So far, they have observed from 10,000 to a million neutrons produced per pulse with currents of as much as a million amperes lasting a few millionths of a second. Most of these neutrons undoubtedly come from mere impact of nuclei and not from fusion.

These experiments, carried on at various laboratories in the United States and Great Britain, using straight and doughnut types of tubes, with external magnetic fields in some cases to keep the thin discharge confined, are merely preliminary attempts at fusion. The Russians, of course, are also carrying on similar experiments, and no doubt other countries as well.

The final accomplishment of release of energy by some such fusion process will undoubtedly be achieved but it will be many

years before power is produced in this way. When it is, however, our energy requirements for the future will be solved, since all water contains a fraction of heavy

water, so we shall have the sea as a source of the fusible material. Probably thousands of nuclear fission plants will be in operation producing electricity by the time fusion plants become available and economic. But, our sources of fissionable material, like our fossil fuels, are expendable and we must be prepared for the day when that happens. Hence, the investigations proceed.

But Keep Out of the Way!

"We believe that the Government has a never-ending responsibility to keep abreast of the facts of economic activity, and to be prepared, whenever an economic downturn occurs, to do whatever it can to help bring about a healthy increase in employment and business activity. But another part of the same principle also holds that the real mainspring of our kind of economy is not Government, but the built-in thrust and vigor of private enterprise." — President Dwight D. Eisenhower.



Pres. Eisenhower

We can only hope—against hope—that the President and his party, in doing whatever they can "to help bring about a healthy increase in employment and business activity" will take pains not to reduce "the built-in thrust and vigor of private enterprise."

Finneson Director of First Maine Corp.

PORTLAND, Me.—Herbert A. Finneson, prominent attorney of Greenwich, Conn., has been elected a Director of First Maine Corporation, 84 Exchange Street, according to Burton M. Cross, President. Mr. Finneson, who maintains offices at Greenwich, Conn.; White Plains, N. Y.; and Washington, D. C., is general counsel and a director of several corporations, and is a member of the American Institute of Management.

Queens Medical Society To Hear William Winslow

William A. Winslow, manager of Harris, Upham & Co., 445 Park Avenue, New York office, will discuss "Sound Methods of Investing" on Thursday, March 27 at 8 p.m. before members of the Medical Society of Queens County in the Medical Building, Forest Hills, Long Island.

L. P. Brown V.-P. of Blue Ridge Assoc.

Election of Lee Polk Brown as Vice-President of Blue Ridge Associates, Inc., 116 John Street, New York City, underwriter and distributor of Blue Ridge Mutual Fund, Inc., has been announced by Milan D. Popovic, President. Mr. Brown was formerly District Representative for Hugh W. Long & Co., Inc., Elizabeth, N. J., and more recently associated with dealer relations for the company. Prior to that Mr. Brown was with Hemphill, Noyes & Co., members of the New York Stock Exchange.

Midwest Exch. Members

CHICAGO, Ill.—Seven men, three of whom represent new member firms, have been elected to membership on the Midwest Stock Exchange.

They constitute the largest group admitted at one time by the Exchange since January, 1950.

Chicagoans among the new members are Milton J. Hayes, Ellis A. Heilbronn, R. James Smith and Francis C. Woolard. Mr. Woolard is Vice-President and director of H. M. Byllesby & Co.

Others are Charles F. Curry, Chairman and Vice-President of Prescott, Wright, Snider Co., Kansas City, Mo.; James H. Ellis, President and Director of Ellis, Holyoke & Company, Lincoln, Neb., and Harold Friedman, general partner, Sutro Bros. & Co., New York City.

With Glore, Forgan

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James W. Carr has become connected with Glore, Forgan & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Tower Secs. Add

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Odd E. Rost has been added to the staff of Tower Securities Corp., First National Bank Building. He was previously with Carroll & Co.

Continued from page 29

CURRENT CANADIAN ECONOMY — AN INTERLUDE BETWEEN GROWTH AND MORE GROWTH

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957	Quota- tion Dec. 31, 1957 —Canadian \$—	Approx. % Yield Based on Paymts. to Dec. 31, 1957
Sicks' Breweries Ltd.	30	1.40	21½	6.5
Beer, ale, stout and carbonated beverages				
Sigma Mines (Quebec) Ltd.	18	0.40	3.75	10.7
Quebec gold producer				
Silknet Ltd.	10	1.00	17½	5.7
Lingerie, swim suits and other rayon products				
Silverwood Dairies, Ltd. "B"	20	0.60	10½	5.7
Full line of dairy products				
Simpson's Ltd.	12	0.50	17½	2.9
Owns and operates through subs. dept. stores in Canada				
Slater (N.) Co., Ltd.	20	1.00	17	5.9
Pole-line hardware for power companies; also metal stampings and forgings				
Smith (Howard) Paper Mills Ltd.	13	1.50	26%	5.7
Pulp and paper manufactures in Canada				
Southern Co., Ltd.	22	2.00	41¼	4.8
Publishes seven daily newspapers across Canada; operates three radio stations				
Southern Canada Power Co., Ltd.	35	2.50	56	4.5
Operating public utility; South- ern Quebec				
Sovereign Life Assurance Co. of Canada	39	2.00	102	2.0
Life and endowment insurance				
Standard Paving & Materials Ltd.	10	2.00	34	5.9
General paving contractor				
Stedman Brothers Ltd.	23	1.05	24	4.4
Wholesale and retail small wares business				
Steel Co. of Canada, Ltd.	42	1.90	47½	4.0
Engaged in all branches of steel production				
Sterling Trusts Corp.	21	2.00	36	5.6
General fiduciary business				
Stuart (D. A.) Oil Co., Ltd.	18	1.25	14	8.9
Makes extreme friction lubricants and related products				
Supertest Petroleum Corp., Ltd. "Vot. Com." new	32	0.08	5	1.6
Markets petroleum products in Ontario and Quebec				
Sylvanite Gold Mines, Ltd.	28	0.08	1.08	7.4
Ontario gold producer				
Tamblyn (G.) Ltd.	21	0.60	21	2.9
Operates chain of 103 drug stores				
Taylor, Pearson and Carson (Canada) Ltd.	11	0.50	8½	5.9
Holding co.—interest in automo- tive and household appliances				
Teck-Hughes Gold Mines, Ltd.	32	0.10	1.36	7.4
Ontario gold producer				
Third Canadian General In- vestment Trust Ltd.	29	0.25	5¼	4.8
Investment trust of the manage- ment type				
Toronto-Dominion Bank	100	1.50	39¼	3.8
Operates 460 branches, 448 in Canada, one in New York and one in London, Eng.				
Toronto Elevators, Ltd.	19	1.00	15	6.7
Grain elevators, feed manufac- turing and vegetable oils				
Toronto General Trusts Corp.	74	1.575	30	5.3
General fiduciary business				
Toronto Iron Works, Ltd.	12	1.00	26	3.8
Steel plate products and special metals				
Toronto Mortgage Co.	58	5.00	101	5.0
Lends on first mortgage; issues debentures and accepts deposits				

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
† Add current Canadian Exchange Rate.
‡ Adjusted for stock dividends, splits, distributions, etc.
§ Bid.

Continued on page 31

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Continued from page 30

CURRENT CANADIAN ECONOMY — AN INTERLUDE BETWEEN GROWTH AND MORE GROWTH

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paymts. to Dec. 31, 1957
—Canadian \$—				
Traders Finance Corp., Ltd. "B" ————	11	2.40	34½	7.0
Purchases installment sales ob- ligations				
United Amusement Corp., Ltd., "A" ————	33	0.50	10	5.0
Operates 34 motion picture thea- tres in Montreal and other Que- bec cities				
United Canadian Shares Ltd. Holding co.—insurance interests	33	0.20	8½	2.4
United Corporations Ltd. "B" An investment trust of the man- agement type	17	0.80	19¾	4.1
United Steel Corp Ltd. ————	12	1.00	12½	8.2
Steel plate and welded steel products				
Upper Canada Mines Ltd. ————	18	0.02	0.60	3.3
Ontario gold producer				
Viau Ltd. ————	11	3.00	63	4.8
Biscuits and confectionery				
Waite Amulet Mines, Ltd. ————	18	1.05	5.95	17.6
Quebec copper-zinc producer				
Walker (Hiram)—Gooderham & Worts, Ltd. ————	22	4.00	74¾	5.4
Holding company—extensive liquor interests				
Westeel Products Ltd. ————	17	1.20	14	8.6
Manufactures sheet metal				
Western Canada Breweries, Ltd. ————	21	1.20	30	4.0
Serves four western provinces				
Western Plywood Co. Ltd. "B" ————	10	0.60	10¼	5.9
Manufactures and sells veneer & plywood. Plant in Vancouver				
Westminster Paper Co., Ltd. "B" ————	25	0.80	22	3.6
Wide range of paper specialty products				
Weston (George) Ltd. "B" ————	28	0.40	21½	1.8
Fine biscuits, bread, cakes, con- fectionery, etc.				
Wood, John, Industries Ltd. "A" ————	15	2.00	31	6.5
Holding Co. Subs. Can. & U. S. mfr. water heaters, oil trade equipment, etc.				
Wright-Hargreaves Mines, Ltd. ————	27	0.03	1.50	2.0
Ontario gold producer				
Zeller's Ltd. ————	17	1.15	27	4.3
Operates chain of specialty stores across Canada				

TABLE II

LISTED CANADIAN Common Stocks

On Which
CONSECUTIVE CASH
DIVIDENDS
Have Been Paid From
5 to 10 Years

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957	Quota- tion Dec. 31, 1957*	Approx. % Yield Based on Paymts. to Dec. 31, 1957
—Canadian \$—				
Abitibi Power & Paper Co., Ltd. ————	9	1.70	25¼	6.7
Newsprint and allied products				
Acadia Atlantic Sugar Refineries Ltd. ————	7	0.50	9¼	5.4
Refines raw sugar cane & pro- duces 50 or more grades & pack- ages of sugar				
Acme Gas & Oil Co. Ltd. ————	5	0.01	2.25	4.4
Operates as gas and oil producer in Illinois and Ontario				
American Nepheline Ltd. ————	5	0.04	0.70	5.7
Mines & processes nepheline syenite for use in glass and ceramic trade, in Ontario				

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
† Add current Canadian Exchange Rate.

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Making a Future for Gold Via Industrial Gold Research

By FRANC R. JOUBIN*
Mining Geologist, Toronto, Canada

Taking a candid look at Canadian gold mining industry, Mr. Joubin suggests industry's salvation may be best obtained through an organized research program bent on increasing industrial usage of this treasured metal. Pending formation of an Industrial Gold Research Board, the mining geologist strongly recommends intensified drive for new gold discoveries. Author rejects gold price increase for it "would stimulate more suicidal inflation . . . [and] boomerang right back on the gold producer" unless a serious business recession requires an "inflationary dope needle."

I believe it was Stephen Leacock who once said that there are three problems that will always be with us; the drink problem, the woman problem and the gold problem. I will deal with the gold problem.

In the minds of many people the gold producing industry has fallen upon evil days. The gold miners are extremely vocal and their message, more often than not, is one of anguish. To me, it is pleasantly surprising that we have a gold industry left at all, when one considers that there has been no really aggressive exploration for new gold deposits during the last 20 years. In any branch of mining, survival and profits depend on new ore discoveries; it never pays to "coast along" as we have attempted to do with gold.

Gold is, to a degree, unlike other metals inasmuch as the sale price is fixed between narrow limits. Broadly looked at, there are four ways in which the gold producer's position could be improved.

Gold Price Rise's Consequences

First, should the sale price of the product be raised he will of course benefit, at least temporarily. But it is perhaps unlikely that this step will be taken until an economic emergency forces it. Domestically an increase in gold price would stimulate more suicidal inflation which would soon boomerang right back on the gold producer with a fresh upsurge of his costs. However, if a serious business recession appeared on this continent, the inflationary dope needle might well be required. Internationally, an increase in the gold price would help the U.S.S.R. as much if not more than the U.S.A. and this is a form of foreign aid that men like John Foster Dulles find distasteful.

A second way in which the gold producer can survive in the face of a fixed sale price, is to lower his costs, but this of course is next to impossible during an inflationary period like the past decade. A business recession would of course accomplish this, as it did in the mid-thirties.

A third way for the gold producer to survive and prosper is to diversify his interests. This rule, in fact, applies to any company engaged in the production of a single metal. Diversification can take several forms. Gold profits can be used for energetic general exploration, as Hollinger did in Labrador iron, or Preston did in Algoma uranium. Or gold profits can be placed in investment portfolios as McIntyre has done. It is perhaps late for this step now because gold profits, once large, have now dwindled considerably.

A fourth way for the gold producer to survive and even prosper is to discover and mine higher grade ore. The lower-grade material now put aside would become profitable with future lower costs

*An address by Mr. Joubin before joint meeting of Prospectors and Developers Assn., Geological Assn. of Canada, and Mineralogical Assn. of Canada, Toronto, Ontario, March 10, 1958.

4.25 million ounces annually. South Africa and the Soviet Union are each reported to produce about four times this amount, or 17 million ounces annually.

The dollar value of gold production amounted to over 52% of our total mineral output in 1941, but it has fallen to about 10% in 1957. Canada's gold mines, numbering 87 in 1948 had been reduced, mainly through the exhaustion of ore reserves, to 42 in 1956. The nation-wide average grade of the operating gold mines is now 0.24 ounces valued at \$8.10 per ton, although individual mines range from less than \$4.00 to over \$40.00. About 13% of Canada's gold is derived as a by-product of base-metal mining; about 2% from placer mining and the remaining 85% from lode mining.

Gold production in Canada has been, under certain conditions, subsidized since 1948. The subsidy paid during the period 1948 to 1956 inclusive, for a total production of about \$1,350 billion, amounted to about \$100 million. During the same period, about \$54 million was paid by the mines in taxation and about \$133 million was distributed as dividends. Even after allowance for the federal subsidy, there was a net national gain from this industry of some \$87 million.

As you know the price received per ounce of gold has ranged between \$33 and \$35. When we examine the costs of the 42 mines in business we learn that only 13 of them can produce gold at less than \$34 per ounce. We can reasonably conclude that if there were no subsidy, over two-thirds

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INVESTMENT IN CANADA

Canada has much to offer in the field of investment. Natural resource securities such as mining and oil provide good vehicles for future capital appreciation. Canadian pipeline debentures and stock are attractive at this time especially such issues as Westcoast Transmission Company Limited, Trans-Canada Pipe Lines, Quebec Natural Gas, Interprovincial Pipe Line Company and other Gas and Oil Pipeline Securities.

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CURRENT CANADIAN ECONOMY - AN INTERLUDE BETWEEN GROWTH AND MORE GROWTH

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957 —Canadian \$—	Quota- tion Dec. 31, 1957 ^a	Approx. % Yield Based on Paymts. to Dec. 31, 1957
Bathurst Power & Paper Co., Ltd. "B" Boxboards, corrugating materials, etc.	9	1.50	b17½	8.6
Beaubrun Corp. Open-end investment trust of management type.	9	1.10	26½	4.2
Campbell Red Lake Mines Ltd. Ontario gold producer	6	0.3375	5.20	6.5
Canada Cement Co., Ltd. Portland cement	8	1.00	25	4.0
Canada Flooring Co. Ltd. "B" Specializes in manufacture of hardwood flooring of all kinds	9	1.00	14	7.1
Canada Foils, Ltd. Oldest and largest foil converting plant in Canada	9	0.60	15	4.0
Canadian Arena Co. Operates Montreal Forum	5	1.00	150	0.7
Canadian Dredge & Dock Co., Ltd. General dredging; construction & repair work on waterways	8	1.00	15½	6.5
Canadian Ice Machine Co. Ltd. Engaged in air-conditioning and refrigeration field from manufacturing to installations.	6	0.10	b5½	1.8
Canadian International Investment Trust Ltd. Management type of investment trust	7	0.90	15	6.0
Canadian Marconi Co. Ltd. Mfr. radio, radar & television equipment	5	0.06	2.10	2.9
Canadian Vickers, Ltd. Shipbuilding, repairs; also makes industrial and mining machinery	8	1.50	22	6.8
Castle Trethewey Mines Ltd. Silver producer, also has considerable investment portfolio	6	0.15	3.30	4.5
Catelli Food Prod. Ltd. "B" Manufacturers of macaroni, vermicelli, noodles, fancy pastes and canned foods. Plants at Montreal, St. Thomas and Lethbridge	8	1.60	45	3.6
Combined Enterprises Ltd. Owns & operates companies mfg. food flavors, paints, industrial rubber goods, moulded drug sundries, elevator gears & machinery. Plants in Montreal, Toronto and Farnham, Ont.	5	0.60	10½	5.7
Consolidated Bakeries of Canada Ltd. Holding Co. through subs. operates 19 bakeries in Ontario & Quebec	5	0.50	7½	6.7
Deinite Mines Ltd. Ontario gold producer	9	0.02	0.57	3.5
Dominion Corset Co. Ltd. Manufactures ladies' foundation garments	8	1.00	14¼	7.0
Dominion Scottish Investments Ltd. Investment trust of management type	6	1.00	b20	5.0
East Malartic Mines Ltd. Gold producer, Fourniere Township, Malartic area, Quebec	5	0.05	1.84	2.7
East Sullivan Mines, Ltd. Produces copper, zinc, silver and pyrite	8	0.15	2.05	7.3

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
 † Add current Canadian Exchange Rate.
 a Asked.
 b Bid.

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957 —Canadian \$—	Quota- tion Dec. 31, 1957 ^a	Approx. % Yield Based on Paymts. to Dec. 31, 1957
Empire Life Insurance Co. Operates as life insurance co.	7	0.75	b47	1.6
General Bakeries Ltd. One of Canada's largest independent bakery operations. Makes bread, cakes, biscuits and confectionery	7	0.375	4.85	7.3
General Petroleum of Canada Ltd. "Ord." & Class "A" Oil well drilling contractors	9	0.20	2.70	7.4
Giant Yellowknife Gold Mines Ltd. Gold producer Yellowknife area, N. W. T.	5	0.30	4.30	7.0
Great West Saddlery Co., Ltd. Wholesale distributor of general store mdse., and riding goods	8	1.00	a18	5.6
Hughes-Owens Co. Ltd. "B" Mfg. & retailer of drafting equip., scientific instruments & artists' supplies	5	0.60	b12½	4.8
International Bronze Powders Ltd. Holding co. Subs. manufacture bronze and aluminum powders	7	0.70	b10¼	6.8
Interprovincial Building Credits, Ltd. Home improvements financing	6	0.925	10½	8.8
Interprovincial Pipe Line Co. Owns & operates crude oil pipeline from Red Water, Alta. to Superior, Wis. and Sarnia, Ont. 1,770 miles	5	1.40	37	3.8
Jamaica Public Service, Ltd. Holding company. Holds all common stock of Jamaica Public Service Co. Ltd. which serves Jamaica with light & power from 2 steam electric, 5 hydro-electric and 4 diesel power generating stations. Capacity 66,645 hp.	5	1.50	22½	6.7
Lambert, Alfred, Inc. "B" Manufacturers, wholesalers and retailers of footwear goods	7	0.60	14½	4.1
London Canadian Investment Corp. Investment trust, management type	7	0.30	7	4.3
Lower St. Lawrence Power Co. Quebec electric utility	7	0.80	13	6.2
Macassa Mines, Ltd. Ontario gold producer	9	0.15	2.75	5.5
MacLeod-Cockshutt Gold Mines, Ltd. Ontario gold producer	9	0.10	1.23	8.1
Malartic Gold Fields Ltd. Gold producer, Quebec	5	0.05	1.30	3.8
Maxwell Ltd. Manufactures washing machines, dryers, lawn mowers and food choppers	8	0.50	5	10.0
Milton Brick Co., Ltd. Makes first quality face brick	8	0.20	2.25	8.9

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
 † Add current Canadian Exchange Rate.
 a Asked.
 b Bid.

	No. Con- secutive Years Cash Divs. Paid	Cash Divs. Including Extras for 12 Mos. to Dec. 31, 1957 —Canadian \$—	Quota- tion Dec. 31, 1957 ^a	Approx. % Yield Based on Paymts. to Dec. 31, 1957
Mining Corp. of Canada, Ltd. Holding, exploration & financing company	9	0.75	9.50	7.9
Newfoundland Light & Pow. Co., Ltd. Operating public utility	9	1.65	45	3.7
Ontario Jockey Club Ltd. Operates several horse race tracks in Ontario	6	0.10	1.55	6.5
Parker Drilling Co. of Canada Ltd. Owns & operates oil drilling rigs in Western Canada	5	0.50	3.75	13.3
Quebec Telephone Provides telephone services to some 300 towns & villages in 17 counties of Eastern Quebec	7	0.75	19½	3.8
Quebec Mining Corporation Ltd. Produces gold, silver, copper, zinc, and pyrites in Quebec	7	1.00	7.75	12.9
Quinte Milk Prod., Ltd. Wide variety of milk products	9	0.15	b3.00	5.0
Reitman's (Canada) Ltd. Through holdings of 3 subs. operates 86 retail clothing stores in Ontario and Quebec	7	0.70	13	5.4
Rolland Paper Co., Ltd. "B" High-grade bond writing paper & related products	8	0.40	22¾	1.8
St. Lawrence Corporation Ltd. Newsprint and allied products	7	1.00	12¾	7.8
Simon, H. & Sons Ltd. Cigar manufacturer	6	1.20	31	3.9
Siscoe Mines Ltd. Silver-cobalt producer in Gowanda area, Ont. through subsid. vermiculite operations; also through subsid. plus other varied interests through holdings	8	0.035	0.62	5.6
South American Gold & Platinum Co. Gold dredging operation, in Colombia, South America	7	0.30	†	†
Sullivan Consolidated Mines, Ltd. Quebec gold producer	9	0.06	1.85	3.2
Swinton Industries Ltd. Mfgs. vacuum cleaners, floor polishers, gas heaters, furnaces, etc.	5	0.28	2.70	10.4
Union Gas Co. of Canada, Ltd. Production, storage, transmission and distribution of natural gas	9	1.50	66¾	2.2
Ventures Ltd. Holding, investment, promotion, exploration and development co.	9	0.50	21	2.4
Victoria & Grey Trust Co. Operates as trust company	7	1.00	23¾	4.2
Wood Alexander Ltd. Operates wholesale hardware business	7	0.30	3.30	9.1
Yukon Consolidated Gold Corp. Ltd. Gold dredging operation in Yukon	7	0.06	0.58	10.3

* Quotations represent Dec. 31, 1957 sale prices or the last sale price prior to that date. Bid and ask quotations are as of Dec. 31, 1957.
 † Add current Canadian Exchange Rate.
 Inactive issue. No Exchange trading.
 b Bid.

Hare's Appoints Reily As Florida Representative

FT. LAUDERDALE, Fla. — S. Chadwick Reed, Vice-President of Hare's Ltd. has announced the appointment of Phil K. Reily as Resident Representative for the firm in the State of Florida. Hare's Ltd. is the national distributor of Institutional Funds and the Canadian International Growth Fund.

Mr. Reily, who was formerly Mutual Fund Department Manager of the New York Stock Exchange member firm of Jones, Kreeger & Hewitt, Washington, D. C., has had many years of experience in the investment business. He will make his headquarters in Fort Lauderdale, Fla.

New York Stock Exchange Weekly Firm Changes

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

Mark J. Stuart will retire from partnership in Cowen & Co. March 31.

Edward A. Tallbott will withdraw from partnership in Edwards & Hanly, March 31.

Harriet Bell will retire from limited partnership in L. H. Rose, Harmon & Co. March 31.

D. H. Peters & Co. will be dissolved March 31.

Townsend, Graff & Co. is being dissolved effective March 27.

Frank M. Cryan retired from partnership in McLaughlin, Cryan & Co. March 20.

Joins S. Romanoff

WORCESTER, Mass.—Arthur O. Berthiaume is now with S. Romanoff & Co., 45 Chamberlain Parkway. He was formerly with H. L. Robbins & Co., Inc.

Hemphill Noyes Adds

WORCESTER, Mass.—Frank A. Ofring has become connected with Hemphill Noyes & Co., 340 Main Street. He was formerly with H. L. Robbins & Co., Inc.

With Distributors Group

Martin J. Fribush and Arthur J. Tobias have joined the staff of Distributors Group, Inc., 63 Wall Street, New York City, national sponsor and investment advisor of Group Securities, Inc.

Form Columbian Financial

Columbian Financial Development Co., Inc., has been formed with offices at 15 East 40th Street, New York City to engage in a securities business.

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Making a Future for Gold Via Industrial Gold Research

of the present gold mines would have to shut down.

Why a Gold Industry?

If we want to maintain our gold industry we must improve its health or it will languish and lose its identity as did our once-proud silver industry. Canada needs a strong gold industry and for several reasons. Gold provides one of the few forms of economic insurance in times of business recession. Gold discoveries advance the economic frontiers of our very large country much faster than do any of the other primary industries that are often totally dependent on bulk transportation facilities such as railroads. Gold mines can and repeatedly have established new frontier posts away ahead of all other economic developments, which invariably followed.

To make gold mining healthy we need new discoveries and I am confident that if our prospectors will apply themselves to the job, they will as usual produce results. New discoveries of higher grade ore or permitting low-cost operation present our only reasonable route to vigorous health. However, I have some thoughts on the subject of gold that I think could be of considerable psychological and even economic value in restoring its health.

Calls for New Uses

I often wonder how many people look at gold simply as some curious holy product, vaguely related to the mysteries of high finance. I think that is the wrong attitude. I think that much is to be gained by objectively regarding gold simply as another metal for which we must find industrial markets. In other words, let's make gold useful. This would not be the first time that a metal has been faced with the problem of developing uses and markets. In fact the problem has applied to every metal known.

Historically a metal is produced first and then, based on its properties, its applications and market are developed. Nickel, aluminum, magnesium and titanium are relatively recent examples. Nickel, as you know, was long cursed as an impurity of copper. When finally it could be separated and refined (a considerably more difficult process than the production of pure gold) it faced almost insurmountable problems of developing uses and markets. But financial courage and intelligent research were rewarded and one can hardly conceive of the world around us today without nickel. Aluminum was the same. One hundred years ago the first aluminum was valued at \$545 a pound, or about the present value of gold. Again courage and intelligent research developed a fantastic number of industrial uses. Aluminum today is a big and profitable industry.

Magnesium is another example of having an abundant supply of metal for which uses and markets had to be developed. Titanium is another excellent example. How many of you realize that, as recently as 1939, titanium cost not 40 cents but \$40 a pound to produce. Yet the physical and chemical properties of titanium are such that over \$100 million has been poured into the development of industrial uses for that metal in the past few years. In other words, the metals were produced and then had to be made useful. In every instance the effort was amazingly successful.

When we look at gold we see a strange anomaly. It is a metal that has been available—in highly purified form—for several thou-

sand years—and yet has scarcely been elevated above its first use as barbaric ornaments and coinage. Yet gold, as a metal, has many physical and chemical properties that are unique and useful, particularly in this age of high temperature and pressure corrosive chemistry.

Gold Is Not High Priced

But, you may argue, forgetting such examples as aluminum which was as valuable as gold at its birth, gold is such an "expensive" metal.

Then, consider platinum which is twice to three times the value of gold. Despite the high price of platinum, almost 90% of the metal produced goes—not into treasury reserves, not into jewelry—but into industry. A 1957 annual metal review concerning platinum reads—"The long-term outlook for the platinum group remains excellent. While the use of platinum for ornamental purposes has doubled in the U. S. during the past 20 years, industrial demand has quadrupled. There is hardly a field, from atomics to guided missiles, in which platinum is not of critical importance." The oil industry is now the largest single consumer of this metal, which it uses as a catalyst for the production of high octane gasoline. Platinum is also an important tool of the rapidly expanding chemical industry and in the manufacture of optical glass and glass-fibre. The steel industry is the third largest consumer, while electrical manufacture is another important outlet. Enough for platinum; I feel that these few remarks suffice to refute the attitude that the high cost of a metal will alone prohibit its use.

Gold, like platinum, is one of the very small group of "noble" metals. It has many unique physical and chemical properties. Some of these rare characteristics are being recognized and employed by scientists and industrialists of non-gold producing countries. I would refer briefly to the increasing use by the Germans of gold in glass manufacture for glare reduction; the development, by American reactor design groups, of gold lined atomic reactor cores; research on gold as a glare and heat reflecting skin for space vehicles; the exciting experimental work with radioactive gold in increasing fuel-burning efficiencies by as much as 50%; the use of radioactive gold as a fume or smoke eliminator; its use as an ideal metal for acid corrosion resistance in the moderate temperature range, where there is no scour, as in pipes, valves and tanks (in certain applications an effective gold lining will actually cost less than rubber).

There is some suggestion that radioactive gold may be as effective as the much costlier platinum as a catalyst in the oil and other industries. The use of gold in metal alloys is little understood, but already certain gold-palladium alloys have produced very encouraging results in electronic devices that must operate in corrosive atmospheres or liquids. Some recent work in America is developing gold pigment paints suitable for application to wood, metal or ceramic. I am not being entirely facetious when I say that this last use alone may offer fantastic promise. Today's way of life is simply waiting for everything to be goldplated, from the bathtub to the garbage can. These few examples serve to indicate that gold can be useful as well as pretty and financially magical.

Industrial Gold Research Board

I am not prepared to say that the salvation of gold depends on its industrial usefulness, but I feel it could help. It would certainly help those courageous, clever and successful enough to devise industrial uses for gold that could be patented and licensed for use. Why could those financing the research not be a consortium of gold producers, whose revenue from licensed industrial uses would in effect be a premium on the sale price of their product? Other metal producers—for example, nickel—do this constantly and successfully.

I would suggest that the gold producers take the initiative and form an Industrial Gold Research Board, and that they either raise finances through a membership levy or agree that a small portion of the E. G. M. A. subsidy (averaging about \$11 million annually) be diverted to financing such a research center. Such a step would demonstrate, more than any thing else, the gold industry's readiness to help itself.

To prospectors I would say, go out and make a new gold discovery. If it's a good one, then your personal gold problem should be solved for awhile.

Continued from first page

Current Business Recession

ment, and the flow of incomes rebounded sharply in the closing months of 1954 and continued rising vigorously through the next year. But once a level of practically full employment was reached, the rate of economic expansion necessarily became much smaller.

Industrial production, in particular, experienced little change from the end of 1955 to the middle of 1957. The Federal Reserve Board index of industrial production, which reports changes in the total output of our factories and mines, stood at a level of 144 in December, 1955. During 1956 the index averaged 143. During June and July 1957 it stood again at 144. In the meantime, however, investment by business firms in new plant and equipment proceeded at a high and rapidly increasing rate. Business outlays on plant and equipment, taken in the aggregate, rose 27% between the third quarter of 1955 and the third quarter of 1957. Investment expenditures of this type by manufacturing firms rose still more, by 37%, although manufacturing was precisely the branch of industry in which expansion of output virtually ceased after 1955.

A large part of the investment expenditures that occurred during the recent boom resulted, of course, in modernization of existing plant rather than in any enlargement of industrial capacity. The figures I have cited reflect also the sharp increases in production costs that have marked recent experience. But after full allowance for these factors, it remains true that the physical plant of business firms, and particularly of manufacturing enterprises, expanded considerably faster than their output or sales after 1955. As a consequence of this disparity of growth, it became increasingly clear last year that some of our major industries—notably those engaged in the production of steel, non-ferrous metals, petroleum, paper, automobiles, household appliances, and various building materials—had expanded their productive capacity beyond the need for current operations.

Antecedents of the Recession

The emergence of excess capacity was the basic reason for the downward revision of business investment programs that became fairly general after mid-1957. However, other factors, largely of a financial character, also contributed to this development. One of these was the high and rising cost of construction and equipment. Another was the high and rising level of interest rates. A third was the reduced availability of bank credit. A fourth was the reduced liquidity of business firms. A fifth was the cut-back of government contracts last summer. A sixth—and the most important of these secondary influences—was the squeeze of costs on profits. In the last quarter of 1955 corporate profits, after taxes, were being realized at an annual rate of nearly \$23 billion. A year

later the rate of profits fell close to the \$22 billion mark. By the second quarter of 1957 the rate of profits fell below \$21 billion. Thus, financial factors, especially the sagging tendency of corporate profits, reinforced the revaluation of investment programs which the imbalance between industrial capacity and actual production had of itself induced.

When we go back to the middle of 1956, we find that businessmen's expectations concerning sales and profits were, by and large, still being realized. However, in later months of that year a small gap opened up between what the business community had anticipated and what it actually experienced. This gap widened in the first half of 1957, not because business expectations had as yet changed significantly, but rather because sales and profits failed to come up to expectations in an increasing number of cases. As disappointments were repeated and became more numerous, a perceptible change in business sentiment took place. The expectations of the business community became less sanguine in the later months of last year, and an increasing number of businesses revised their capital expenditure programs.

I have dwelt on some of the antecedents of the current recession because a proper diagnosis of our economic difficulties is essential if we are to arrive at sound policies. Much has been said in recent days about the inventory correction that is now under way. Such an adjustment is indeed occurring, but it reflects in large part the downward revision of business investment in plant and equipment. The business community has of late sought to adjust its investment in fixed capital. This has led to efforts to bring inventories into better adjustment to sales, and the sluggish trade in numerous consumer goods—especially automobiles—has released similar tendencies.

Moreover, our exports have of late been declining, unlike their behavior during the recession of 1953-54, when the economy of Western Europe was booming. And although the stock market no longer plays the role that it once did in the over-all economic situation, we must not overlook the widespread speculation in common stocks that preceded the current recession, nor the effects on sentiment caused by the decline of stock prices last fall.

For all these reasons it is only prudent to recognize that the current recession may prove to be a more serious economic decline than the recessions of 1943-49 or 1953-54, which we commonly think of as mere inventory adjustments.

Thus far, however, and it is well to recognize the fact, the overall decline of economic activity has been of much the same order of magnitude as the decline that occurred over corresponding intervals of our two earlier post-war recessions. In this recession,

as in the others, the decline has varied from one industry to another. The reduction of activity has been especially large this time in the steel industry, the automobile industry, and in the case of railroads. However, economic activity, taken in the aggregate, has not declined much. True, the combined physical output of our factories and mines has fallen about 11% or 12% from its peak level. But, in the meantime, the activity of other industries—agriculture, construction, electric power, and the service trades—has been well maintained.

Allowing for seasonal factors, the nation's total output of goods and services has declined about 3% from its peak. Employment in nonagricultural establishments has declined about 3¼%, although the reduction would appear somewhat larger if allowance were made for the increased frequency of part-time work. Total personal income has fallen by only about 1½% and the disposable income of individuals—that is, personal income after taxes—has fallen still less.

Decline Rather Mild

I deplore, as do most Americans, the increase of unemployment that has occurred since last summer. But I am bound to report the facts as I find them and they indicate that the current economic decline has, thus far, been rather mild. Moreover, some of the trends that have been shaping up in the business world have been moderately encouraging. The bond market has improved dramatically since last year. Short-term interest rates have joined long-term interest rates in moving toward lower levels. The prices of raw materials, viewed as a whole, have displayed considerable stability in the past four or five months. The prices of common stocks are somewhat higher, on the average, than they were last December. Farm incomes have of late been steady or have even increased a trifle. The prospects of the homebuilding industry appear to have improved. The expenditures of our state and local governments are continuing to increase. Federal procurement contracts have risen materially in recent weeks. This rise will be extended in the months immediately ahead and some increase in the rate of Federal expenditures will soon follow.

Present Unfavorable Factors

While these and other favorable developments surely deserve weight in any appraisal of the current economic situation, so also do the unfavorable factors. We must not blink the fact that the backlog of business orders and contracts has been materially whittled down in recent months. The new orders flowing to our factories have been below sales since January 1957, and the deficiency has on the whole tended to widen despite the recent increase in Federal orders. The outstanding appropriations of business firms for capital expenditures have been appreciably reduced, as have the contracts flowing to construction firms—especially, contracts for commercial and industrial building. The efforts of business firms to reduce inventories have thus far been only partly successful. New orders are continuing to decline. Retail sales have been somewhat disappointing in recent months. It appears likely, if we may judge from surveys of consumer buying intentions, that the sluggishness which has of late characterized retail sales will continue for a while. And there are numerous and definite signs that business capital expenditures will be moving

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Current Business Recession

toward materially lower levels in the months ahead.

Tapering Off Worldwide

Moreover, the boom has tapered off or ended in much of the rest of the world. Canada is experiencing a recession, just as we are. Industrial production does not appear to be rising any longer in Western Europe — notably Holland, Belgium, or England. The same is true of Japan. The lower level of raw material prices has reduced the buying power of many nations in Latin America, Africa, and Asia. All these developments are already being felt by our exporting firms.

In view of these facts, it would be premature to conclude that the end of the recession is approaching or that economic recovery will soon be in sight. The time for confident forecasts of an early recovery will surely come. It will come when we see orders for goods received by our manufacturing firms rising, and when we again see business orders exceeding sales. It will come when we see construction contracts stirring in an upward direction, when we see bankruptcies turning downward once again, when we see the liquidation of inventories abating, when we see the length of the workweek stabilizing and beginning to rise once more. Developments such as these, if they are occurring at all on any scale, are still in an incipient stage and hardly visible. Until they emerge with some clarity, we will lack compelling evidence that the recession has virtually run its course or that economic recovery is soon likely to follow.

Opinions are bound to differ concerning the eventual timing of recovery or the need for further governmental action. But there is no reason to doubt the resiliency of our system of free enterprise. Each setback of economic activity in the past has been succeeded by renewed expansion which in time carried our economy well beyond its earlier best performance. The basic forces that have shaped our extraordinary economy are still with us and we can reasonably count on vigorous growth in the future. Moreover, the current recession has been following a course similar to that of declines which proved moderate in the past rather than that of the convulsive movements which previously brought protracted hard times. For all these reasons, extensive anti-recession measures on the part of government, which would unavoidably involve some risk of rekindling the embers of inflation, may seem unnecessary or premature to some of us.

Timing Important

But any extended postponement of moderately strong measures for combatting the recession also involves risks and it would be unwise to underestimate them. Our government is committed to a policy of promoting economic expansion, and the only practical question is whether the government should take major contracyclical steps very soon or wait on the chance that they will prove unnecessary. There are dangers in any major delay. The current recession is already in its eighth month. There is no good evidence of the likelihood of an early economic upturn. Although the recession has proved a mild movement thus far, it need not remain that.

The recession has spread and it is being felt to some degree in nearly every major industry. True, business and consumer confidence has not yet been seriously impaired, but that is precisely the element of strength that we must

preserve. If the government takes major action promptly, there is still an excellent prospect that moderately strong measures will suffice to reverse the economic tide. If, on the other hand, we delay more than a very few weeks, in the hope that economic recovery will come on its own by midyear, we shall be taking the risk of having to resort later to drastic medicine. In that event we will find ourselves piling a huge deficit on top of the deficit that automatically flows from reduced tax revenues, with the result that our economic problems in both the short run and the long run will be multiplied manifold.

Nor is this the only risk of any extended delay. Although this recession may differ little from many earlier setbacks in our country and elsewhere, it comes at a perilous time in world history. Of late the prestige of Communism has increased as a result of the skilful political maneuvers, scientific achievements, and technological successes of the Russians. If our current economic decline should deepen appreciably, while the Soviet economy continued to make sharp gains in production, there is a grave danger that the moral and political influence of the United States on other nations would be impaired.

The recession that we are now experiencing is, therefore, not only causing hardship to many of our citizens, it is not only giving a new lease on life to discredited political theories, it is also adding a new dimension of risk to our foreign relations. In the present international situation, the continuance of prosperity in the United States is essential—indeed, absolutely essential—to the economic, political, and military strength of the entire Free World. It is primarily for this reason that a sense of urgency surrounds much of our recent discussions of the recession. I would judge that it is in large part for this reason that our government has already taken significant steps to ease credit conditions, to stimulate a recovery of homebuilding, and to accelerate spending on governmental projects that are actually under way. And it is precisely because the economic strength of the Free World is vital to our national security that the President has so strongly stressed the importance of extending the Trade Agreements Act and of continuing foreign economic aid on a liberal scale.

At present, a great debate is being waged on the question whether the next major step in fighting the recession should be a large expansion of public works by the Federal Government or a sizable tax reduction. We have, as things stand, vast expenditures under way on all sorts of necessary public works. Nevertheless, much can be said in favor of expanding faster the nation's public assets — our schools, hospitals, roads, water resource developments, possibly even reclamation projects and harbor improvements. But whatever the merits of specific public works might be, it would be unrealistic to expect any significant economic effects in the immediate future from a special public works program—even if we proceeded on a massive scale.

Public Works Entail Delay

It takes considerable time to develop momentum in a public works program. The preparation or perfecting of construction plans, the acquisition of sites, the development of specifications, the arranging of contracts and subcontracts—all these essential steps are time consuming. And once construction on a public project of

any magnitude gets under way, the work itself often stretches over years. It is true that some useful Federal works can be started within three months and completed within a year or thereabouts, but they come to a small sum in the aggregate.

Hence, any large public works program, such as many citizens are now urging, would do little to check the recession this year, while it would sharply increase spending next year and still later years, when our economy may well be experiencing inflationary pressures once again. In other words, if we embark on a huge public works program to deal with the recession, we will not solve our economic problems this year, while we will probably be adding to the troubles of later years. It is reassuring that the President has emphatically rejected proposals to saddle our nation with a new PWA or WPA.

Advantages of a Tax Reduction

A tax reduction is clearly a sounder method of dealing with a mild recession. Although both consumers and business firms have recently become more cautious in their spending, the confidence of people in their own economic future and in their country's future has not been significantly impaired. In these psychological circumstances, a sizable and broadly based tax reduction, applicable to high as well as low incomes and to businesses as well as individuals, can have a powerful economic effect. Such a tax cut would increase promptly the spending power of both consumers and business firms. More important still, it would change the atmosphere or climate within which the spending decisions of consumers, businessmen, and investors are made.

The eighth month of a recession that seems likely to continue for a while is a poor time either for drastic reforms or for half-measures. There is not much point in undertaking a tax cut unless it is large enough to give reasonable assurance of checking the recession. In view of the magnitude of the decline that has occurred in the gross national product and in personal incomes since the onset of the recession, I believe that a tax reduction of about \$5 billion on a full-year basis will prove sufficient.

But the character of the tax cut is not less important than the amount. If a tax reduction is to yield the maximum psychological benefit, it must apply, as I have already suggested, to taxpayers generally and not only to low-income recipients. It must be designed to stimulate investment as well as consumption. And it must be free from temporal restrictions which, by confining the tax reduction to a couple of months or a year, as some tax specialists have suggested, could destroy the greater part of its constructive influence on the state of confidence.

An early tax cut that conformed to these broad principles would tend, under present conditions, to stimulate consumer buying of all sorts of goods, including new homes, almost at once. Some business investment projects that previously seemed doubtful would also take on a promising look. For a time, investment expenditures would continue to decline because of earlier decisions to reduce such outlays. But this decline, together with increased consumer spending, would serve to correct the existing over-capacity of numerous branches of industry. Meanwhile, the stimulation of new investment decisions would keep investment expenditures from falling to a level that might otherwise generate fresh imbalances.

With these developments set in motion, and with Federal expenditures on defense and other programs increasing, there would be

solid grounds for expecting that before long our nation will be experiencing full employment once again. It is therefore of the utmost importance, unless economic prospects improve promptly, that the next major step in combatting the recession be a soundly conceived tax reduction.

Manner of the Deficit Important

I am not unmindful of the uncomfortable fact that a tax reduction will involve a return to deficit financing, just as a public works program would. I would urge, however, that the manner in which a deficit arises makes considerable difference to the functioning of our economy. A public works program serves to enlarge governmental enterprise and governmental spending, while a tax reduction serves to enlarge private enterprise and private spending. Although both the one and the other will tend to augment private incomes, the tax reduction will do so faster. Hence, it is reasonable to expect that the effect of lower tax rates on Federal revenues will soon be offset in considerable part by the increase in the tax base.

Federal Expenditures Tendency Toward Permanency

We must also keep in mind the fact that Federal spending is already rising significantly, partly because of the recession but fundamentally for other reasons. A large public works program would necessarily raise Federal expenditures still higher, not immediately, but in the future. Once government expenditures go up, they seem to have a habit of remaining high even when the stimulus that originally led to the increase has vanished. On the other hand, an early tax reduction would be apt to exercise some restraint on later increases of Federal spending. Since a tax reduction would to some degree tend to keep governmental operations from expanding beyond the level that our defense and other needs strictly require, it would be less likely to generate inflationary pressures in the future than would a public works program of comparable magnitude.

I do not, however, want to over-emphasize these differences. Great uncertainties inevitably surround the long-range effects of the one type of deficit and the other. Nor do I wish to minimize the inflationary problems with which we may need to reckon in the future, no matter what course we take now. As long as the government is prepared to take more decisive steps to combat recession than to resist inflation, our economy is likely to be biased in an inflationary direction.

However, the proper remedy for this bias is not to diminish our efforts to curb recession, but rather to deal vigorously with inflation in times of economic exuberance. Much good can come from recognizing our mistaken tolerance of inflation in the past. But it will come by taking resolute steps for dealing with inflation in the future, not by reducing our willingness to curb recession today.

Declaration of Anti-Inflation Purpose

What we clearly need to do, besides taking bold steps to strengthen the latent forces of economic recovery, is to allay the understandable fear of many thoughtful citizens that such actions will excite inflationary pressures later. Indeed, unless we proceed in this manner, our efforts to curb speedily the recession now in process may meet with only partial success. It would therefore be wise to accompany any early tax reduction by a national declaration of purpose with regard to the general level of prices that could have a moral force such as the Employment Act already exercises with regard to our levels

of production and employment. This can be most effectively accomplished by including reasonable stability of the consumer price level among the objectives of the Employment Act, which "it is the continuing policy and responsibility of the Federal Government to use all practicable means" to promote.

Such an amendment of the Employment Act would not of itself assure success in curbing inflation, any more than the provisions of the Act as it stands assure success in dealing with recession and unemployment. It would, however, pledge the Congress and the Executive to use all practicable means to promote stability of the consumer price level, just as they are now pledged to promote high and expanding levels of production and employment. If this session of the Congress proceeded, as a sequel to any tax reduction, to amend the Employment Act along the lines I have sketched, the effects on the state of confidence would be wholesome and enduring. The two actions taken together would constitute a unique demonstration of a proper governmental concern for both the present and the long future.

There are other actions that the government might well take to strengthen the confidence that is basic to prosperity. The Federal-state system of unemployment insurance, which is our first line of defense against depression, badly needs improvement, as the President has repeatedly pointed out. Temporary extension of the duration of unemployment compensation benefits, which the Federal Government is already considering, is a logical step at this time, especially if a tax reduction soon becomes effective. But we should strive to make permanent improvements in the unemployment insurance system, besides speeding temporary supplements. All or most of the 12 million wage earners who are not covered by the insurance system need this type of protection. Moreover, the weekly benefits need to be raised in some states and their maximum duration in every state.

By strengthening our system of unemployment insurance along these lines, the flow of incomes to wage earners in a time of declining economic activity would be better maintained, and it would therefore become possible in the course of a recession to consider public policies in a calmer atmosphere than we have enjoyed in recent weeks. Long steps toward this goal at this session of the Congress would lay the foundations for a better future and thereby contribute to the current state of confidence.

Highway Program Should Be Revised

It would also be constructive, in seeking to strengthen confidence, to revise our enormous highway program, so that future expenditures may be adjusted with some promptness to the changing state of business activity. That is impossible under present arrangements which limit spending on highways to the sums available in the Highway Trust Fund. If this fund were given temporary borrowing authority, one hurdle would be overcome. Other difficulties, stemming from the joint responsibility of Federal and state authorities, cannot be solved so readily, but there can be little doubt that they will be handled with reasonable success if we earnestly seek a solution.

In the Economic Report which the President transmitted to the Congress in January 1956, he noted wistfully that a "forward step would be taken if both the Executive agencies and the Congress became accustomed, in connection with every bill on public construction, to consider the possible need for flexibility in public works programming." But this

counsel did not prevail. The Highway Act of 1956 laid down a rigid schedule despite the fact that highways can be subdivided into numerous small projects and thus, unlike many other types of public construction, are technically suited to serve the needs of business cycle policy.

No temporary patching up of our highway program is likely to prove really helpful in the current recession. What we basically need is an overhauling which would permit fairly quick expansion in any future recession or, if need be, a fairly quick restriction in times when the economy is booming. I sincerely hope that the lesson we have learned this year will not be lost.

A Recapitulation

Let me now recapitulate the several measures that I have sketched in the interest of having our government promote speedy recovery and a sound prosperity. They include, first, a broadly based tax reduction, second, the inclusion of reasonable price stability among the explicit objectives of the Employment Act, third, the improvement of the unemployment insurance system, fourth, the introduction of two-way flexibility into our highway program. I conceive of these measures as parts of a single, prompt, concerted program to build a strong bridge of confidence between the present and the future.

If any of these measures should prove dubious on further consideration, it should be set aside or modified. If some other measure or measures seem likely to prove immediately constructive, it or they should be included in the program. My only hope is that we will not take too long in seeking the perfection which we shall not find. Once the government's program is announced, it should be allowed to work for a respectable period with a minimum of innovation. Private citizens can then concentrate once again on the great opportunities that lie ahead of them, and which they can only realize by their own resourcefulness, energy, and enterprise.

Indeed, there is much that businessmen in particular can do at once, without waiting to see what the government will do next. An alert business enterprise will not respond passively to a decline in its markets. On the contrary, it will fight hard to retain or even to enhance its place in the economy. This may mean more intensive selling efforts, whether through lower prices or increased advertising or a redirected sales approach. It may mean the relaxation of credit standards within prudent limits. It may mean earlier introduction of new products than had been planned. It may mean the acceleration of research and development. It may mean the maintenance or even increase of dividends if profits are still ample and capital expenditures declining.

There is nothing wrong with our economy today that could not be corrected in large part by vigorous business enterprise. Our government has already taken some steps to stimulate individuals and business firms to take constructive economic action, and it will undoubtedly take some further steps. The rest is up to private citizens.

But even as we attend to the immediate problem of generating economic recovery, we must constantly keep in mind the world struggle between the forces of freedom and the forces of communism. Although a temporary Federal deficit should under present circumstances prove helpful in maintaining our nation's economic strength, we must not overlook the historical lesson that chronic deficits can dangerously weaken a nation's economy.

As we look to the future, it is

likely that, high though Federal expenditures now are on defense, scientific research, and education, they will need to be higher still. A rapidly expanding economy will tend to ease this burden. But serious financial difficulties will lie ahead of us if (as we increase public spending to serve the basic purpose of national se-

curity, we do not simultaneously plan to check the growth of spending in other directions. Once the current recession has passed, it will become the stern duty of private citizens, as well as of their governmental representatives, to tackle this problem in earnest.

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As We See It

unemployment chronic — which, of course, so far as it goes, makes sense.

All Want Action

Few politicians are to be found who would not insist—in fact, who do not insist—that much further deterioration in the business situation must not be “tolerated.” If much vaunted “built-in stabilizers” do not function to limit the downturn very shortly, special action, so they all agree, must be taken. But what sort of action? Ah, there's the rub. All sorts of ideas are being bandied about—greatly enlarged spending, large grants to extend unemployment insurance, grants to the states and municipalities to enlarge public works, accelerated road construction, more liberal credit to home builders, massive tax reduction and a good many others. Each has its favorites. Many would not content themselves with one or even two or three of such programs. Secretary of the Treasury Anderson wonders—as well he may—whether drastic action amid so much clamor may not tend to cause business and individuals to hoard rather than to spend more freely as is hoped by economic managers.

But not only the politicians have fallen victim to this popular notion of spreading purchasing power around in order to increase spending, and not only the politicians find themselves differing the one with the other. The economists are at it, too. And among them about the only common factor is an indifference as to where this purchasing power is to come from, and a refusal to consider the ultimate consequences of simply creating it by enlargement of commercial bank loans. So eminent an authority as Professor Arthur Burns* now urges a massive and broadly based tax reduction without time limit. His views have been interpreted in some quarters as indicating support of a “permanent” reduction in taxes.

On the other hand a committee of the CED is convinced that tax reduction should be strictly temporary, and has no qualms about writing such a provision into any law designed for that purpose. It says, as a matter of fact, that “we cannot emphasize too strongly the importance of distinguishing clearly between temporary measures to deal with the recession and permanent changes in public policy. This distinction will make prompt and effective action both more feasible and less dangerous. The possibility of agreeing quickly on emergency measures will be greatly enhanced if there is also agreement that these measures are for the duration of the emergency only. In particular, it should be much easier to agree upon a generally acceptable tax cut to last for a short period than to agree upon a broad and permanent revision of Federal Tax policy with all the complications that entails.”

“Moreover, the danger that emergency measures would persist into conditions when they would be inappropriate—when they would be inflationary, wasteful, or inconsistent with long-term growth—would also be reduced by prior understanding of their temporary character and by advance provision for their termination. One implication of this is that we must all resist the temptation to use the recession as an occasion for trying to fasten permanent changes upon Federal policy with respect to expenditures, taxes or anything else.”

Another Group Speaks

Another group of economists is exercised about proposals for using Federal funds for extending the length of time unemployment benefits are paid. They fear—and probably with good reason—that such action by the Federal Government would tend to lead the states to feel that they could “pass the buck” to Uncle Sam—as they are always ready to do whenever money is needed. We dare say that if a thousand, nay, a hundred, of the leading economists of the country chosen at random were to be assembled for the purpose of drafting a program of anti-recession action for the President, very wide differences of opinion would soon emerge—so wide that anything approaching unanimity in support of any program would be quite out of the question. It may be added

*See cover page for full text of Dr. Burns' remarks.

parenthetically that practically all of those with “plans,” whether politicians, economists, or just plain professional reformers, seem to forget all about the fact that despite all the rise in unemployment (and, accordingly, alleged reduction in purchasing power) prices keep rising. True, Professor Burns appears to be aware of this anomaly, and would have Congress enact some sort of legislation about prices—futile as such procedure would certainly be.

When one stops to consider the matter carefully, it is hardly surprising that there should be so much disagreement about what should be done at this time to give the so-called unemployment act practical effect. The cold truth of the matter is, we suspect, that there is not a great deal that government can do to revive business—certainly not without grave danger of rekindling the inflationary trend. It will yet be found in actual practice that the pre-New Deal, pre-Keynes students of the subject were right when they always insisted that the time, and probably the only time when effective steps can be taken to limit or eliminate depressions is before the preceding boom gets well under way. Public policy is plainly now of an exactly opposite nature.

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impose drastic curbs on American goods.

France, India and Japan probably suffered more financially from the closing of Suez than any other country, except, of course, Egypt, and consequently placed sharp restrictions on American products. Pressure on the British pound, particularly from the sterling area countries, will continue to force England to curtail purchases of dollar goods.

Offsetting the import restrictions on American products necessitated by the drop in gold and dollar reserves is the new trade liberalization policy of a group of Western European countries. This was accomplished at last year's meeting of the members of the General Agreement on Tariffs and Trade at Geneva. By lifting controls on a long list of U. S. farm products, Sweden will be able to expand purchases from this country by as much as \$50 million annually. Austria, Germany, Norway and Italy also relaxed restrictions on American goods.

Further progress toward dollar liberalization by West European nations will be modest at best. The economies in this area show definite signs of leveling off, although at a high plateau. Bolstered by defense spending for missile bases, U. S. exports to Western Europe will drop only slightly. In fact, shipments of capital goods continue to rise despite the slowdown in industrial activity there. Expansion of Europe's steel industry will provide large markets for U. S. coal and additional outlets for American capital as \$300 million will be sought here. Although 1958 is likely to be remembered as one of the most important years in America's foreign trade history because of the actual beginning of the European Common Market, it will be too early to feel the latter's depressing effects on U. S. exports this year. In fact, the rush of American firms to share in the creation of a mass market of 164 million Europeans by starting to build plants in Western Europe will counterbalance part of the decline in overseas sales to that area.

Austria, Belgium and Denmark

AUSTRIA's economic growth will continue in 1958. Foreign trade is the most rapidly expanding sector of Austria's progress. Gold and foreign exchange reserves will rise further while large gains in productivity will help the Austrian schilling gain recognition as a hard currency this year.

The World Trade Fair at Brus-

sels will make 1958 one of BELGIUM's greatest and most prosperous years in history. Belgian's construction industry is so swamped with orders that entire economy is being boosted. A \$10 million loan from the World Bank and a \$30 million bond offering in the U. S. market will contribute toward coal, steel and waterway improvements. Gold and foreign reserves will reverse the downward trend. American exports will remain at a high level while Belgian industry offers one of the best outlets in the European Common Market for American capital. But a letdown in the economy can be expected later in the year as demand for Belgian exports falls.

DENMARK's astute Government policies have stopped the balance of payments deterioration suffered in 1956 and most of 1957. Stability will be the watchword in 1958. Foreign loans to boost productivity would be the answer to Denmark's problems. Agricultural exports will continue to be harassed by the U. S. farm surplus program and British subsidies on eggs. Commercial construction, up 75% in 1957, will level off because of credit controls.

Devaluation by FINLAND has not helped the slipping economy. Timber and pulp industries still face difficulties. Imports will be cut and markets for U. S. exports will dwindle.

France, Germany and Italy

FRANCE's runaway inflation and war in Africa continue to threaten the French with bankruptcy. The economy must slow down. Imports will be restricted to bare essentials. Exhausted gold and dollar reserves will be bolstered temporarily by German and U. S. loans. Another devaluation is likely as the free rate will stay well above the official value. Exports will be stimulated by the present bonus but new taxes and budget slashes will help the financial situation only slightly. Trade union demands for higher wages must be checked if France is to recover. Meanwhile, U. S., Swiss and other foreign interests are making plans to establish central distributing points in France to take advantage of European Common Market sales.

The six-year boom in WESTERN GERMANY's exports is leveling off. Import curbs in India, Indonesia and some Latin Republics hurt. While competition from England and France is increasing, German firms will be forced to curtail liberal credit terms. Unemployment, resulting

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From the squeeze on exports, will intensify the pressure. Germany will maintain her present 8% share of world commerce. For the first time in the postwar era, management and labor are at cross purposes. Serious strikes are certain as wage demands will not be met. Gold and dollar holdings will recede from the \$6 billion peak. But American exporters still have a huge market in Germany that can be developed further.

ITALY's industrial output will continue to expand while development of her southern regions will increase exports. Remarkable progress in cultivation of crops marks the nation's forward movement. Italy stands to make tremendous gains under the European Common Market as numerous consumer products, textiles, autos and chemicals will benefit from lower tariffs. Balance of payments will remain favorable. Growing exports, up 50% in the last three years, will provide the dollars for more imports as restrictions are eased. In 1957 Italy increased purchases from the U. S. by 35%. The Italians will make a concerted drive to capture new Latin American markets.

Holland, Portugal and Sweden

Austerity in the **NETHERLANDS** will prevail as the recent program to counteract inflationary pressures becomes fully effective in 1958. Nevertheless, U. S. exports of raw materials and capital goods to Holland scarcely will be affected as the liberal treatment granted American goods in 1957 will not be altered. Adjustments now going on are not of serious character although they will bring some unemployment. The industrial production index will drop slightly while farm output will stay high. Holland's foreign exchange position will strengthen after the 1957 flight from the guilder. Reserves will rise and Dutch currency will become harder despite severe losses in Indonesia. Scarcity in Amsterdam's capital and money markets will continue to be precarious. But exports will gain over imports.

Full employment and favorable economic trends are envisaged in **NORWAY**. The Government will continue its policy of encouraging investments and subsidies. Outlook for shipping earnings remains bright but fishing competition will be intense from Peru and Japan. Mining and timber exports also will be down. The 1957 increase of 9% in purchases from abroad will not be repeated.

PORTUGAL's high gold and dollar reserves have inspired the greatest construction boom in history. Four hydroelectric dams and three irrigation schemes were started in 1957. Prices are relatively stable. Orders from Portugal in 1958 will break all postwar records.

U. S. financial assistance in **SPAIN** will be stepped up as one way to expedite the missile station program. So far Washington has spent half a million dollars in aid but American exports are declining. This is because the inflationary spiral has forced drastic curbs on business. Recent trade deals with Iron Curtain countries and great acclaim of the Soviet Sputniks indicate Franco is now taking a neutral stand in the "cold war." Meanwhile, the balance of payments deficit and currency deteriorate.

With inflation largely checked in **SWEDEN**, feeble deflationary trends are now apparent. Steel and forest products mark the pro-

duction slowdown. But Sweden's heavy dependence on exports still inspires a high level of output. The decline in new orders from leading Western buyers and stiffening competition will hurt. Nevertheless, foreign exchange reserves will hold at about \$500 million and the external balance will be in equilibrium, mainly because of shipping receipts.

Switzerland, Turkey and U. K.

SWITZERLAND will experience little slackening in any sector of her booming economy in 1958. Industrial construction is up 36% from last year. Shortages of cement and other materials exist but prices are surprisingly steady. Capital markets in Switzerland will remain tight. Prospects for further trade expansion are good as imports will be required in greater volume, especially from U. S. because of Swiss preference for American products.

Critical exchange shortage in **TURKEY** shows few signs of easing. Dollar imports will be confined principally to goods financed by U. S. aid program. Turkish arrears to European countries is \$200 million while American exporters will continue to wait for payments on the backlog.

The leading question for the **UNITED KINGDOM** in 1958 is whether the Government should risk strikes or accept inflationary wage settlements. Chances are that the country will be plagued with labor troubles as the fight on inflation will be carried out. British business is headed for a grim year. Profits and dividends will be down considerably. But gold and dollar reserves will rise and exports will continue to climb. The U. S. will buy more autos, whiskey, china, pottery, electronic equipment and industrial machinery, while British income from woollens, clothing, footwear and bicycles will be cut. England will also benefit from construction of three American missile launching bases. Devaluation will not be necessary as loans and U. S. military spending will help support sterling. But American exporters will suffer a \$150 million drop in sales to the United Kingdom as import curbs will be rigid.

Because of the instability in the Middle East, American exporters must concentrate their efforts in a few isolated countries in the area. But there is reason to believe that overall U. S. exports to this region will increase somewhat as the U. S. will ease restrictions on some shipments.

Middle East

Business in **EGYPT** will pick up slightly as the Western Allies unblock part of Cairo's frozen funds. Nasser now intends to lean toward trade with the West since many Soviet promises have not been fulfilled. Letter of credit shipments are advisable although the situation is improving.

IRAN should not be overlooked as consumer demand rises and exchange is available. Pipeline construction will stimulate activity in many lines. Both exports and imports will gain while recent liberalization of trade controls makes foreign purchases automatic. The new investment guarantee agreement with the U. S. will help to lure private capital to Iran.

Despite the successive crises in the Middle East, **LEBANON's** free-trade economy prospers. The Suez War and Syria's alienation of the West caused only minor and temporary flurries on the Lebanese market. Sizable increases can be expected in agricultural and industrial production.

The trade deficit will grow as imports are seven times exports. But transit business, remittances and capital movements into Lebanon from neighboring Arab states result in increasing gold and exchange assets. Europeans and Americans will compete for this continually improving market.

In 1958 America's largest percentage export increase will be registered in Africa. A continued heavy inflow of African raw materials for American industry is anticipated. In turn Africa will need large quantities of manufactured goods and heavy machinery for economic expansion, particularly in the Belgium Congo, British East Africa and the French African territories. The steadily rising trend in both exports and imports between the U. S. and Africa reflects the importance of the smaller markets.

Africa

In the **BELGIAN CONGO**, the world's largest hydroelectric power project is now underway. Another \$300 million of European and American capital will be attracted to the Congo this year. A great potential still exists for exporters everywhere in this highly underrated market.

GHANA's prospects for larger imports are gaining rapidly. Capital goods needed for her vast development program, including the \$835 million Volta River project, must come from U. S. assistance. But Russia is wooing this new African nation and is prepared to offer large credits. Ghana's expanding cocoa markets also contribute income for greatly needed consumer products.

SOUTH AFRICA's import curbs will not be relaxed further as had been expected. Exchange holdings are dropping. Consumer demand increases rapidly but competition for Africa's largest market also rises. The leading threat to the economy is labor unrest arising out of political problems.

Last year the greatest percentage gain in American overseas shipments took place in the Far East, where exports skyrocketed more than 50%. It is most doubtful that sales to this area will be maintained at the 1957 rate of \$3.3 billion because of exchange shortages.

Near Mid Far East

AUSTRALIA's wool prices are down 18% from a year ago. This will mean a reduction in export revenue amounting to \$150 million. Severe drought in Eastern Australia will cut the wheat harvest by half while income from metals and minerals also will drop as a result of lower prices. However, the stepped-up pace of U. S. investments, especially through licensing agreements, will be maintained. On the other hand, the inflow of British capital will decline because of the new Bank of England rate. Canberra hopes to find more wool and automotive markets in the Far East.

INDIA's Second Five-Year Plan will be cut substantially in 1958. Local prices will stabilize although some industrial raw materials will be in short supply. Opportunities for U. S. commercial sales to India will be restricted by stringent controls. A more favorable attitude toward foreign capital will encourage American and European private investment. Deferred-payments arrangements made with the U. S., Canada, Britain, West Germany, France, Italy and Japan will grant these nations sizable outlets for capital equipment. Production of iron, steel, pharmaceuticals and power will be accelerated while more loans will be available from Washington.

Outlook for business in **JAPAN** is good. But industrial production will fall below the record levels of 1956 and 1957. Wholesale prices will continue their present down-

ward trend. Tight money will restrain domestic investment. The foreign exchange position will turn favorable but this will require a cut in imports. A vigorous promotional campaign to be launched in 1958 will help exports. Capital goods markets in the Philippines and Indonesia will be monopolized by Japan. Other countries will be offered liberal payment terms for purchase of Japanese industrial equipment. Greatest gains will be made by Japanese chemical, metal, leather, machinery, rubber, printing and ceramic industries.

PAKISTAN's inflation and political instability forewarn of a critical year. But U. S. aid will sustain increased shipments of foodstuffs, tractors, trucks and capital equipment. The double taxation treaty with the U. S. will become effective despite hesitation by Congress resulting from certain pressures here.

To hold the past rate of growth in the **PHILIPPINES** will become increasingly difficult in 1958. Balance of payments will remain upset unless substantial U. S. aid is forthcoming. Markets for Philippines abaca and coconut products will continue to deteriorate. Minerals will play only a small role in export income. Philippine dollar imports will be cut by as much as \$10 million a month. Nevertheless, the Philippines have a basis for rapid economic development that few countries enjoy. Import curbs will encourage an expansion of U. S. subsidiaries and branches in the Philippines. Internal and external value of currency will be kept relatively stable.

Exchange shortages and political uncertainties again cast shadows across the Latin American continent. Argentina, Bolivia, Brazil and Colombia already have undertaken sharp reductions on imports of American goods while Chile and Peru are suffering dollar losses from the drop in non-ferrous metals prices. As a result of the almost desperate situation in the coffee market due to the steady drop in prices, and with the shift from Latin American to African blends, Brazil and Colombia are buying considerably less from the U. S.

Despite these drawbacks, U. S. sales to Latin America gained 20% last year. Because of the urgent need for industrialization of many of the Republics, it is safe to say that U. S. exports in 1958 again will match the incredible rate of \$4 billion attained last year.

South America

ARGENTINA is in for a difficult year no matter what happens. Labor problems and rising costs again will disrupt business. Incentives to increased farm production resulting from devaluation have disappeared because of inflation. Exports are running at only 60% of the pre-Peron level. Last year's trade deficit exceeded \$200 million and prospects for increased exports are dim. With wool and meat sales down, purchases from abroad will be kept at a minimum. The peso will weaken, reversing the recent trend as the Government will have to stop selling gold in order to support the currency. Trade with the Iron Curtain countries will be encouraged.

Shortage of foreign exchange in **BOLIVIA** remains acute. But removal of import and exchange controls in 1957 will lead to better export possibilities this year. British loans will stimulate trade with England. Signs of stability are appearing so that U. S. exports will improve slightly.

BRAZIL's tremendous industrial expansion sets the pace for this shaky economy. On the gloomy side is the long-term outlook for reduced earnings from coffee. But temporary improvement recently in coffee sales means Brazil will

not repeat another \$200 million trade deficit in 1958. The sharp trend downward in gold and dollar reserves should halt. Chances of a stable cruzeiro now seem more promising. Rising cost-of-living is levelling off while foreign investments pour into Brazil's chemical, electronic, automotive and metal-working industries. Construction of Brasilia, the new capital, will stimulate sales in many lines. Exports of manganese, pine wood, iron ore and other minerals will expand. Domestic production of steel and chemicals will continue to climb but no change in Petrobras is likely this year.

Considerable strides were made by **CHILE** in 1957. Revamping of exchange and import controls was just what the economy needed. Striking gains were registered in all phases of business. Easing of trade restrictions inspired a 100% jump in purchases from the U. S. Exports to Chile probably will decline in 1958. But the rapidly increasing population demands greater food imports. Ties with Argentina will become stronger as more wheat must be bought from Chile's neighbors. Inflation is again on the upswing. U. S. aid will be stepped up while Washington's decision to increase missile spending also will help Chilean copper sales. Prices for the metal have touched bottom and will strengthen during 1958.

COLUMBIA's business outlook is dampened by overall economic retrenchment. Import curbs on raw materials will impede industry's endeavors to maintain current production levels. Short-term foreign notes coming due throughout the year will drain dollar reserves unless refinanced. This seems unlikely as debt servicing requirements are severe and could cause another commercial backlog. Skidding coffee prices will trim dollar incomes to about \$350 million. To keep finances from deteriorating further, the Government must enforce the austerity program with maximum imports of \$25 million monthly. Only essential commodities will be bought. The best that can be hoped for is stabilization.

Sound economic policies of **ECUADOR's** Government in the past year have restored confidence. Improvement is noted in all lines. Outlook for greater gains is promising as Ecuador continues to be the world's largest exporter of bananas. Cocoa, coffee and cotton output is expanding. Market for foreign goods will increase slowly but steadily.

PERU's emphasis on expanding whaling and other fishing industries will offset the recently reduced copper prices and the severe drought of the past two years. A drop in income resulting from probable American tariffs on lead and zinc will force sharp curtailment of imports from the U. S. Despite stiff competition, excellent opportunities still exist for aggressive exporters. Gold and dollar reserves will be strained somewhat.

In **URUGUAY** another exchange reform and tighter import regulations can be anticipated in 1958. The entire situation is extremely gloomy and there is little hope to reduce the huge trade deficit. Uruguay's meat industry will remain in the doldrums as more U. S. and domestic plants close. Montevideo will have to sell the large wool clip at prices well below the established levels necessary to ease the financial strain. For the first time in history individual taxes are likely. A peso devaluation is probable.

VENEZUELA's rapid growth in other areas besides petroleum assures this booming economy of more records. Iron ore production—now ranked second to oil as dollar earner—will expand further. Bauxite and other minerals are slated for intensified output in 1958. Power project on Caroni River in Orinoco basin will ex-

pedite development of a "Second Rur." U. S. exports to Venezuela will climb again in 1958 to approach \$1 billion and become America's second largest customer. But rate of increase will be slower than the 40% jump registered in 1957. The only flaw in the outlook is voluntary restriction by the U. S. on Venezuela petroleum. Measures to protect local industries as retaliation are likely.

Central America

CENTRAL AMERICAN markets, which have long been praised for their excellent payments history, are now showing some delays. Political disturbances, adverse weather conditions, the dip in coffee prices and Government red-tape are the principal reasons for the sudden disappointment in the noteworthy record. But there are still many good markets where U. S. exports can increase.

Unprecedented prosperity prevails in **CUBA** as rising sugar demand exists throughout the world. Political unrest is the only real threat to progress. Washington will increase sugar quotas later in 1958 to again bolster the Cuban economy. Another 20% expansion in purchases from the U. S. is probable. A double taxation agreement between Cuba and the U. S. will be signed this year.

All business in **MEXICO** points toward the important national elections. But chances are that basic economic policies will not be altered, thus reassuring the present stability. The Mexican economy grows at a rate of 5.4% annually. Mexico must step up mineral and agricultural exports if she hopes to sustain this expansion. Balance of payments widens but receipts from sulphur and tourism will gain. Rumors of peso devaluation must be discounted. Exporters to Mexico must count on reduced sales as more exchange licenses will be required. Italians, Germans and Japanese will make larger inroads, forcing better salesmanship by U. S. businessmen. Mexico is sure to retaliate against American goods because of Washington's cotton export policy and pending hikes in lead and zinc tariffs.

Canada

With the **CANADIAN** economy so closely linked to the U. S., our northern neighbors must prepare for a moderate adjustment. Purchases from this country will be curtailed sharply while trade will be diverted toward England. Tight money will be eased to boost consumer spending, especially in durable lines. The Canadian dollar is unlikely to strengthen as demand for Canada's investments tapers off.

Conclusion

Liberal traders in the U. S. look upon 1958 as "A Year of Crises in World Trade." A great deal is at stake and it is up to Congress. Until the launching of the Russian satellites the Administration could not expect much support for its trade program. Had the growing protectionist groups won their battle, as had been expected, then U. S. exports were bound to suffer sharply as result of planned retaliation by many countries.

American trade curbs anger foreigners. Right now there are 100 bills in Congress to impose tariffs or quotas on U. S. imports. Some will be passed in 1958. The Tariff Commission is sure to recommend higher duties on lead and zinc, as requested by Pres. Eisenhower. Oil quotas are only a matter of time. Last year when the President raised duties from 25% to 45% on wool-fabrics from abroad, an immediate dip in imports occurred. Unless the free traders muster all their strength to halt more tariff rises, American imports and exports will drop substantially. Of the 36 leading markets for American exports analyzed above, 17 will increase their

purchases from the U. S. while two will hold at last year's level. However, it is my firm conviction that if foreign nations are forced to retaliate because of import curbs by Washington, then the countries curtailing purchases of American goods in 1958 will far outnumber those now anticipated to be on the plus side.

Phila.-Baltimore Stock Exch. Elects Officers

PHILADELPHIA, Pa.—At the annual election of the Philadelphia-Baltimore Stock Exchange J. Raymond Leek, Bioren & Co., was named President. Members of the Board of Governors elected for three years were William Gerstley, II, Gerstley, Sunstein & Co.; James M. Johnston; Norbert W. Markus, Smith, Barney & Co.; Robert P. Morrissey, Jones, Miller & Company; George E. Nehrbaas, Parrish & Co.; Theodore C. Sheaffer, Janney, Dulles & Battles, Inc.; and William D. Sherrerd, Jr., Butcher & Sherrerd.

The following officers were appointed by the Board to serve for the ensuing year: S. Grey Dayton, Jr., Elkins, Morris, Stokes & Co., Vice-President; Samuel K. Phillips, Samuel K. Phillips & Co., Treasurer; and Charles L. Wilson, Secretary.

Edward Hopkinson, Jr., Drexel & Co., was appointed to a three-year term as trustee of the Gratuity Fund, and C. Sewall Clark, E. W. Clark & Co. as trustee of the Stock Exchange.

A. L. P. Smith With Woodcock, Hess, Moyer

PHILADELPHIA, Pa.—Woodcock, Hess, Moyer & Co., Inc., 123 South Broad Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, announce that A. L. Pennock Smith has become associated with their firm as a registered representative.

Mr. Smith has been active in the investment securities business for the past 35 years. Prior to joining Woodcock, Hess, Moyer & Co., Inc., he was associated with the Philadelphia office of the Pittsburgh investment securities firm of Langley-Howard, Inc.

Three With First Southern

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—James H. Branigan, Richard A. Kiel and Albert C. Ruehmann, Jr. have joined the staff of First Southern Corporation, 652 Peachtree Street, Northeast.

Dunscombe Adds

Leon Weiss is now associated with Dunscombe & Co., 111 Broadway, New York City, members of the New York Stock Exchange, as a registered representative.

Paul W. Doll, Jr., V.-P.

In Semple, Jacobs Co.

ST. LOUIS, Mo.—Paul W. Doll, Jr., has been appointed a Vice-President of Semple, Jacobs & Co., Inc., 711 St. Charles Street, members of the New York and Midwest Stock Exchanges. Mr. Doll holds membership in the New York Stock Exchange.

Richard E. Boesel

Richard E. Boesel, member of the New York Stock Exchange, passed away suddenly March 21 at the age of 64. Mr. Boesel was active as an individual floor broker. In the past he was a partner in Dobbs & Co. and Jackson Brothers & Boesel.

William F. May

William F. May, President of May & Gannon, Inc., Boston, passed away suddenly March 18.

Nadler Criticizes Monetary and Federal Debt Policies

Timidity on the part of the Federal Reserve and surprising Federal debt management policies are singled out by Prof. Nadler who fears more severe measures than otherwise would have been necessary will be required unless business improves soon.

Federal Reserve credit policy in the past two months has been "timid" and "puzzling," Dr. Marcus Nadler, consulting economist



Marcus Nadler

to The Hanover Bank, declares in a report on "The Credit Situation," just published by the bank. The authorities' policy of caution is apparently based on the belief that the present recession will be neither serious nor long, Dr. Nadler states. But, the economist points out, industrial production has declined, unemployment has reached an eight-year high, and the number of workers usually employed full time whose hours have been cut below 35 a week has climbed to a post-World War II peak.

Puzzling Policy

In the face of these factors, the action of the Reserve Board in lowering reserve requirements up to now by only 1% and its failure to remove the higher requirements for New York City and Chicago banks remains puzzling, Dr. Nadler says.

"Reserve requirements are too high and a further reduction is warranted," he adds.

Even "more surprising" is the debt management policy pursued by the Treasury, Dr. Nadler continues.

The economist cites the issue of \$1,250 million or 3% 8½-year bonds offered on Feb. 28 by the Treasury for new money.

While admitting that the "aim of the Treasury to lengthen the maturity of the debt is sound," Dr. Nadler adds:

"It is not desirable in a period of declining business activity and rising unemployment for the Treasury to compete too aggressively for long-term funds with private borrowers and state and local governments."

Horns of Dilemma

Thus, the monetary authorities find themselves on the horns of a dilemma, the economist states.

On the one hand they realize the importance of preventing a serious recession, and, on the other, they rightfully fear that a policy of active credit ease would increase materially the money supply and could revive the forces of inflation, he explains.

If the authorities are correct in their appraisal, their policies may be sound and desirable, Dr. Nadler says.

But if business does not improve soon—and particularly if unemployment should rise more rapidly than anticipated—the authorities may be impelled to take more severe measures than would have been necessary if they had acted with less timidity during the past two months, Dr. Nadler concludes.

Sets Forth Six Conclusions

"(1) The policy of credit restraint was followed by the Reserve authorities even after the weak spots in the economy became numerous. In retrospect it would appear that the increase in the discount rate in August 1957 was not warranted and that the measures taken in October to ease the money market were too limited. While the lowering of the

discount rate on Nov. 15 signified the end of the "tight money" period, the policy of the Reserve authorities continued passive.

"The improvement in the reserve position of the member banks was caused primarily by the decision of the authorities not to counteract the return flow of currency and other reserve-creating factors rather than through positive action. The lowering of the reserve requirements in February and again in March by the unusually small amount of ½ to 1% also reflected the cautious approach of the Federal Reserve Board.

"(2) A similar degree of caution was manifested in the debt management policy pursued by the Treasury. At the end of January, the Treasury offered all holders of five government issues with nearby maturities and aggregating \$16,785 million, the privilege of converting them into 2½% 1-year certificates, 3% 6-year bonds, or 3½% 32-year bonds. The 3½% bonds had an immediate adverse effect on the long-term bond market and absorbed funds which otherwise might have found their way into the corporate, municipal or mortgage markets.

"Even more surprising was the issue of \$1,250,000,000 of 3% 8½-year bonds offered on Feb. 28 by the Treasury for new money. Proceeds of the issue were partly to pay off the \$1,454,000,000 of obligations unexchanged in the February refinancing. The aim of the Treasury to lengthen the maturity of the public debt is sound. Nevertheless, it is not desirable in a period of declining business activity and rising unemployment for the Treasury to compete too aggressively for long-term funds with private borrowers and state and local governments.

"(3) The current credit and debt management policies are apparently based on the belief, often expressed by high government officials, that the recession will be neither serious nor long. Under such circumstances, the monetary authorities deem it unwise to act with the same speed and to take such drastic measures as in 1953-54. While these measures contributed to the business recovery, they also laid the foundation for the boom that followed. However, it is doubtful whether the official optimism today is entirely warranted. A more liberal credit and debt management policy would be more helpful, particularly in stimulating home construction and public works and in aiding the banks and business concerns to restore their liquidity.

"(4) The monetary authorities find themselves on the horns of a dilemma. On the one hand, they realize the importance of preventing the present decline in business activity from degenerating into a serious recession. On the other hand, they rightfully fear that a policy of active credit ease, coupled with the offering of a large volume of short-term government obligations particularly suitable for bank investment, would increase materially the money supply. This, they feel, could revive the forces of inflation. Their policy, therefore, seems to be to move slowly and cautiously, at least until the degree and the duration of the recession become clearer. If business activity does not show any signs of improvement in the Spring it may be expected that the authorities will take stronger measures to aid the recovery.

"(5) Despite these considera-

tions, the action of the Reserve Board in lowering reserve requirements up to now by only 1% and its failure to remove the higher requirements for the New York City and Chicago banks remains puzzling. Reserve requirements are too high and a further reduction is warranted. Obviously, the timing of such a measure is important. When business activity was at a high level and the forces of inflation were strong, this action would not have been appropriate. But at present such a measure would have a pronounced effect on the money and capital markets, and particularly on home building and financing of public works. If the lowering of reserve requirements should create too large a volume of excess reserves, this could be counteracted by open market sales.

"(6) The cautious credit and debt management policies are justified to some extent, but they leave the impression that the authorities are not too concerned about the business outlook and that there is no need to take drastic measures now. If the authorities are correct in their appraisal, such a policy is sound and desirable. If business does not improve soon, and particularly if unemployment should rise more rapidly than they anticipate, the authorities may be impelled to take more severe measures than would have been necessary if they had acted with less timidity during the past two months."

H. B. Thielbar V.-P. Of Investment Fund

Henry B. Thielbar, partner in charge of the New York office of Stein Roe & Farnham, Chicago investment counselors, has been elected a Vice-President of the Stein Roe & Farnham Fund, Inc., which the firm manages, Harry H. Hagey, Jr., President of the fund, has announced.

Mr. Thielbar is also a Vice-President of the New York Capital Fund of Canada, Ltd., and a Vice-President and director of the New York Capital Management Company of Canada, Ltd. He joined Stein Roe & Farnham in 1951 and became a partner in 1954.



Henry B. Thielbar

Shearson, Hammill Branch

DUNEDIN, Florida—Shearson, Hammill & Co. has opened a branch office in the First National Bank Building under the management of George H. Patterson.

With Coffin & Burr

BOSTON, Mass.—Chenery Salmon has become affiliated with Coffin & Burr, Incorporated, 60 State Street, members of the New York and Boston Stock Exchanges, as research specialist.

Joins Merrill Lynch

KANSAS CITY, Mo.—Duan J. Chittenden is now with Merrill Lynch, Pierce, Fenner & Smith, 1003 Walnut Street.

With Edw. D. Jones

ST. LOUIS, Mo.—James J. Taxman has become connected with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Paul L. Davies, Chairman of the Board of Directors and Chief Executive Officer of Food Machinery and Chemical Corporation, has been elected a Director of the Chase Manhattan Bank, New York, it was announced March 19 by John J. McCloy, Chairman of the Board.

Irving G. Sperling, officer in charge of the Manila branch of the First National City Bank of New York, died March 15. He was 51 years old. Mr. Sperling joined the bank in 1929 and went to Manila in 1931.

Directors of Chemical Corn Exchange Bank, New York, have elected Earl C. Sandmeyer Vice-



Earl C. Sandmeyer

President, Chairman Harold H. Helm announced March 21.

Mr. Sandmeyer has been Director of Public Relations since joining the bank in 1951.

Appointment of Guido F. Verbeck, Jr., as an Executive Vice-President of Guaranty Trust Company of New York has been announced by J. Luther Cleveland, Chairman of the Board. Mr. Verbeck has been a Vice-President in charge of the bank's relationships in the Pacific Coast district, since 1953. He joined Guaranty Trust Company in 1939.

Bankers Trust Company, New York's 44th office, which will be completed and formally opened May 1, offered complete banking services from its lower level on March 17. The office located on the northwest corner of Third Avenue and 46th Street, will be headed by Vice-President Andrew P. Maloney.

Irving Trust Company, New York, announces the promotion of Frederick W. Baker from Assistant Vice-President to Vice-President.

Mr. Baker, who has been with the Irving since 1946, is in the Mid-Continent District and has specialized in business in the southwestern states.

Mr. Albert C. Simmonds, Jr., Chairman, announces the appointment of Mr. Douglas Brown, Jr., as Assistant Treasurer of the Bank of New York. Mr. Brown will be located at the 73rd Street and Madison Avenue office and will assist in its management.

Clinton Trust Company, New York, N. Y., was given approval by the New York State Banking Department to increase its capital stock from \$1,300,000 consisting of 130,000 shares of the par value of \$10 each, to \$1,400,000 consisting of 140,000 shares of the same par value.

Fabian Roll, formerly a Vice-President of Merchants Bank of New York, was elected a Vice-President of American Trust Com-

pany, New York, at the last meeting of the Board of Directors, according to Harvey L. Schwamm, Chairman. Mr. Roll will be in charge of the trust company's Bronx office at 301 East Fordham Road, which is open from 9 a.m. to 9 p.m. Mondays through Fridays.

Mrs. Jeanette L. Robbins, manager of the main office credit department, was elected an Assistant Treasurer of the trust company. She will also be located at the Fordham branch. Both appointments are effective April 1.

Fabian Roll joined Merchants Bank in 1933 and created and managed the international department. From 1925 to 1933, Mr. Roll was with Public National Bank and Trust Co. He began as a teller. Later, he became Assistant Manager of the Hunts Point office and subsequently of the East Broadway office.

Mrs. Robbins started her business career with Public National Bank and Trust Co. and then was Assistant to the President of National Bronx Bank. She rejoined the trust company in May, 1957. Other previous connections of hers included Assistant Cashier of Amalgamated Bank, New York.

One hundred and thirty-nine years ago, on March 26, 1819, when the New York State Legislature granted a charter to The Bank for Savings, New York, a mutual institution, it marked the beginning of savings banking in New York State.

On July 3, 1819, the first day the bank opened for business in a basement room in the Old Alms House in City Hall Park, 80 depositors banked a total of \$2,807. Today, The Bank for Savings serves over 200,000 depositors through four Manhattan offices. Assets are over half a billion dollars.

Uninterrupted dividends totaling \$330,000,000 have been paid to depositors since the bank started 139 years ago.

W. Emerson Gentzler, President, announced the opening of the Empire Savings Bank's third office. The office is located at Third Avenue and Fifty-first Street, in the new Girl Scout Building. The bank's executive offices are being moved to the new location.

COLONIAL TRUST COMPANY, NEW YORK			
	Mar. 4, '58	Dec. 31, '57	
Total resources	\$73,689,090	\$81,829,569	
Deposits	65,936,985	70,391,054	
Cash and due from banks	16,531,319	20,166,532	
U. S. Government securities holdings	13,286,786	16,840,254	
Loans and discounts	35,830,002	33,217,037	
Undivided profits	962,550	922,820	

W. Robert Moore has been appointed Assistant Vice-President of Chemical Corn Exchange Bank, New York, it was announced today by Harold H. Helm, Chairman. At Chemical Bank, Mr. Moore will be in charge of the Bank's Methods and Standards Unit.

Raymond Davidson has been elected a Vice-President of The Hanover Bank, New York and will join the Bank's London City office.

Mr. Davidson was formerly Assistant General Manager of Martins Bank, Ltd.

Mr. Henry L. Schenk, President of Trade Bank and Trust Company, New York, announced the election of Frederic J. Evans as a member of its Board of Directors.

The Bushwick Savings Bank of

Brooklyn, N. Y. elected Fred Werbals a Trustee, it was announced by Gerald R. Dorman, President.

Edward A. Hummel, Assistant Mortgage Officer of The County Trust Company, White Plains, N.Y., completed 25 years of service on Saturday, March 15. He started his banking career with the Putnam Trust Company in Greenwich and later was with The Westchester Title and Trust Company in White Plains.

First Westchester National Bank, New Rochelle, N. Y., elected Charles B. Fischer to the board to succeed the late Charles S. Andrews.

George W. Sweet, President and co-founder of the Newton National Bank, Boston, Mass., died March 21 at the age of 75. Mr. Sweet was the first Vice-President of the bank, when it was organized in 1928. He had served as President since 1939.

Merger certificate was issued March 7 approving and making effective, as of the close of business March 7, the merger of The City National Bank of South Norwalk, South Norwalk, Conn., with common stock of \$300,000, into The Connecticut National Bank, Bridgeport, Conn., with common stock of \$4,780,000. The merger was effected under the charter and title of The Connecticut National Bank.

Clinton Barnum Seeley, 90, retired banker, died March 17. Mr. Seeley was a former Vice-President of the Pequonock National Bank and later became President and Board Chairman of the Bridgeport Trust Co., Bridgeport, Conn.

Frank N. Betz, President elect, corrected our article in the March 20 issue, page 1280, concerning the Irvington State Bank, Irvington, New Jersey. The bank is located in Irvington, not Trenton as we stated.

By a stock dividend, the common capital stock was increased at the Mellon National Bank and Trust Company, Pittsburgh, Pa., from \$60,475,000 to \$61,684,500 effective March 10. (Number of shares outstanding — 2,467,380 shares, par value \$25.)

A unique office center being constructed six minutes away from downtown Pittsburgh's Golden Triangle will be the site of Fidelity Trust Company's 14th office, now under construction, according to John A. Byerly, President.

Groundbreaking ceremonies for the new Fidelity office were held March 11, when Walter J. Wilson, Jr., President of Council in Greentree Borough (where the site is located) turned the first shovel of earth for the project. Mr. Wilson served in a dual capacity, since he is also Vice-President of Fidelity.

Frederick C. Emerick, Jr., has been appointed Assistant Manager of the Ambridge Office of Mellon National Bank and Trust Company, Pittsburgh, Pa. William J. Miller, Assistant Cashier at the Principal Office and Michael Solomon, manager of the Claysville Office. These appointments were announced by Frank R. Denton, Vice Chairman of the Bank.

Mr. Emerick came to Mellon Bank in 1952. In 1954 he joined the Bank's Management Training Program and after completing this training in 1957 was transferred to the Ambridge Office.

Mr. Miller, formerly Assistant Manager of the Bank's Braddock Office started his banking career with the Braddock National Bank in 1921. He joined Mellon Bank in 1947 when the Braddock National became an office of Mellon

National Bank and Trust Company. At this time he was made Assistant Manager of that office in charge of Loans and Operations.

Mr. Solomon joined the Citizens Trust Company in Canonsburg, Pennsylvania, in October, 1949 and worked as a commercial and savings teller. He joined Mellon Bank in 1952 when the Citizens Trust Company became the Canonsburg Office of Mellon National Bank. In June, 1955 he was made head teller and in October, 1956 was transferred to the Claysville Office of Mellon Bank as administrative Assistant.

DeHaven Develin, President of The Bryn Mawr Trust Company, Bryn Mawr, Pa., announced that work is now underway on the construction of the Bank's new branch office to be located in the Penn Fruit Building in the Haverford Square Shopping Center in Haverford, Pa.

The new branch bank, which is expected to be completed and in operation early in the summer, will be constructed in the western section of the supermarket.

By the sale of new stock the common capital stock of The Peoples National Bank of Charlottesville, Va., was increased from \$1,562,700 to \$1,718,970, effective March 14. (Number of shares outstanding — 85,948½ shares, par value \$20.)

The First National Bank of Elkhart, Ind., increased its common capital stock from \$725,000 to \$1,087,500 by a stock dividend effective March 14. (Number of shares outstanding — 21,750 shares, par value \$50.)

Fidelity Bank & Trust Company, Indianapolis, Ind., will open its new Meadows Branch, Meadows Shopping Center, 2800 East 38th Street on March 28, it was announced by Frank E. McKinney, President.

Mercantile National Bank of Miami Beach is offering 50,000 additional shares of stock at \$20 per share to shareholders of record March 17, 1958 on the basis of one additional share for each three shares held. The subscription offer will expire at 2 p.m. on April 30.

Construction of Bank of America's new \$13,000,000 Service Center in San Francisco begins shortly after June 1 with completion scheduled for fall, 1959, President S. Clark Beise announced.

Located at Market, 11th and S. Van Ness Streets, the building will house departments serving metropolitan Bay Area branches and, in some instances, the entire Bank of America organization, plus drive-up and walk-up banking windows for auxiliary service to the Ninth and Market branch.

Emerson Spear was elected to the board of the Citizens National Trust & Savings Bank of Los Angeles, Calif.

Robin H. Murphy, Assistant Manager of The Bank of California's Oakland office, passed away at his home on Sunday, March 16, at the age of 60.

Mr. Murphy had an extensive career in banking. At various times he was associated with the Reconstruction Finance Corporation and the National Bank of the Republic in Chicago, the Iowa State Banking Department, the California State Banking Department where he served as Senior Examiner, and the Bank of Berkeley which later became the Berkeley office of The Bank of California.

On Aug. 1, 1955, he was appointed Assistant Manager of the Berkeley office and on Feb. 1, 1957 he became Assistant Manager of the Oakland office where he was serving at the time of his death.

\$49.5 Million Bonds Of New York State Offered to Investors

An underwriting syndicate formed by the consolidation of a group headed by The First National City Bank of New York and another managed by Lehman Brothers was the winner on March 25 of \$49,500,000 State of New York Mental Health and Highway Construction, and Grade-Crossing Elimination Bonds, due April 15, 1959 to 1978, inclusive.

The group bid 100.1813 for 2.30s and 2½s, representing an overall net interest cost of 2.4147% to the state.

The bonds are being reoffered at prices to yield from 0.90% to 2.70%, according to maturity.

Others members of the offering syndicate include:

Bankers Trust Co.; J. P. Morgan & Co. Inc.; Guaranty Trust Co. of New York; The First National Bank of Chicago; Smith, Barney & Co.; Harriman Ripley & Co. Inc.; Halsey, Stuart & Co. Inc.; Phelps, Fenn & Co.; Glore, Forgan & Co.; Lazard Freres & Co.; Merrill Lynch, Pierce, Fenner & Smith; Goldman, Sachs & Co.; Drexel & Co.; Continental Illinois National Bank and Trust Co. of

REPORT OF CONDITION OF

Colonial Trust Company

of New York 20, N. Y., a member of the Federal Reserve System, at the close of business on March 4, 1958, published in accordance with a call made by the Federal Reserve bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS	
Cash, balances with other banks, including reserve balance, and cash items in process of collection	\$16,531,319.18
United States Government obligations, direct	13,886,786.08
Obligations of States and political subdivisions	1,060,888.01
Other bonds, notes, and debentures	4,442,773.71
Federal Reserve Bank stock	126,000.00
Loans and discounts (including \$4,866.93 overdrafts)	35,830,001.70
Bank premises owned \$244,373.80, furniture and fixtures \$269,697.28	514,071.08
Customers' liability to this bank on acceptances outstanding	765,746.47
Other assets	531,504.24
TOTAL ASSETS	\$73,689,090.47

LIABILITIES	
Demand deposits of individuals, partnerships, and corporations	\$43,227,707.99
Time deposits of individuals, partnerships, and corporations	5,400,589.03
Deposits of United States Government	599,985.33
Deposits of States and political subdivisions	1,062,500.00
Deposits of banks	13,945,644.04
Other deposits (certified and officers' checks, etc.)	1,700,559.31
TOTAL DEPOSITS	\$65,936,985.70
Acceptances executed by or for account of this bank and outstanding	789,184.47
Other liabilities	811,467.43
TOTAL LIABILITIES	\$67,537,637.60

CAPITAL ACCOUNTS	
Capital	\$2,350,000.00
Surplus	2,700,000.00
Undivided profits	962,549.87
Reserves (and retirement account for preferred capital)	138,903.00
TOTAL CAPITAL ACCOUNTS	\$6,151,452.87

TOTAL LIABILITIES AND CAPITAL ACCOUNTS	
	\$73,689,090.47

This bank's capital consists of: capital notes and debentures \$850,000 and common stock with total par value of \$1,500,000.

MEMORANDA	
Assets pledged or assigned to secure liabilities and for other purposes	\$3,591,037.49
1. Charles F. Bailey, Vice-President of the above-named bank, hereby certifies that the above statement is true to the best of his knowledge and belief.	

Correct—Attest:
Charles D. Deyo
William C. MacMillan, Jr. Directors
Robert G. Calder, Jr.

Chicago; The First National Bank of Portland, Oregon; Wood, Struthers & Co.; Paine, Webber, Jackson & Curtis; F. S. Smithers & Co.

Ira Haupt & Co.; Lee Higginson Corp.; Wm. E. Pollock & Co., Inc.; Dominick & Dominick; Coffin & Burr Inc.; Laidlaw & Co.; Roosevelt & Cross Inc.; Dean Witter & Co.

Patterson Named by McDonald, Holman Co.

McDonald, Holman & Co., Inc., 70 Pine Street, New York City, announced the appointment of John T. Patterson Jr. as Assistant



J. T. Patterson, Jr.

Manager of corporate finance. Mr. Patterson is believed to be the first Negro ever to be named to an executive position with such a firm in the financial district. Hugh McDonald, President of the company, said Mr. Patterson will also act as special assistant to Executive Vice-President Richard A. Holman.

Mr. Patterson was formerly Vice-President and Sales Manager of Special Markets, Inc., first Negro-owned and operated brokerage house in the Wall Street area.

He later became head of the New York office of the Financial Industrial Fund, of Denver, making him not only one of the youngest men but also the first Negro in financial history to hold such a job. Mr. Patterson founded Patterson & Co., an investment securities house, New York, last September.

Frank Siemens Opens

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Frank E. Siemens has formed F. E. Siemens & Associates with offices at 1720 Southeast 38th Avenue, to engage in a securities business.

With Anderson, Randolph

(Special to THE FINANCIAL CHRONICLE)

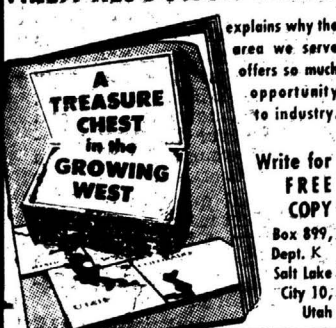
DENVER, Colo. — Robert S. Leeper has been added to the staff of Anderson, Randolph & Co., Inc., C. A. Johnson Building.

Three With Columbine

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Charles E. Coleman, Donald N. Drake, George W. Hall and Ray E. Stringer have been added to the staff of Columbine Securities Corp., 1575 Sherman.

AREA RESOURCES BOOK



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Public Utility Securities

By OWEN ELY

Iowa Power and Light Company

Iowa Power and Light Company provides electric and gas service to an area in central Iowa, including the capital city of Des Moines; and in southwest Iowa, including Council Bluffs, an important railroad center. These are interconnected to form an integrated system serving about 5,600 square miles. The population of this area is nearly half a million, well balanced between urban and rural. The company's roots extend back almost a century and it and its predecessors have paid dividends for the past 49 years. In earlier years the company was a subsidiary of United Light & Railways, but with the breakup of that system in 1950, the stock of Iowa P. & L. came into the hands of the public.

Electric sales account for about two-thirds of revenues and gas one-third. Gas revenues, which amounted to \$13.4 million in 1957, have increased 277% in the past decade. Electric revenues, which were \$25.8 million last year, have gained 144% since 1947. The average residential electric customer is using nearly twice the number of kilowatt hours used in 1947.

The territory served is largely agricultural—corn and other grains, livestock, dairying and other farm products. There is diversified light manufacturing in the state, as well as coal mining. Des Moines is a printing and publishing center; Meredith Publishing Company has been expanding and the company may become one of the utility's principal users of industrial power in the near future. Food processing, farm implement manufacturing and light consumer goods are other activities. Firestone Tire & Rubber and Armstrong Rubber Manufacturing have made Des Moines the number two tire capital of the nation. Others of the ten largest customers include the following: Marquette Cement Manufacturing, Solar Aircraft, Penn Dixie Cement, Great Lakes Pipeline, Iowa Packing, Central Service and Spencer Kellogg and Sons. Sixty-five of the 500 largest companies in the United States have plants in Iowa.

The company buys natural gas from two independent pipelines for resale. Natural gas for the Des Moines and other centrally located properties—about 90% of the company's total distribution—is purchased from Northern Natural Gas Company. The balance comes from Natural Gas Pipeline Company of America. Peak shaving facilities located in Des Moines have capacity to manufacture the equivalent of 20,000,000 cubic feet of natural gas a day for limited periods of high demand. Gas service rates are about in line with those of neighboring utilities; they are a matter of individual negotiation with municipalities where franchises exist.

Residential gas house-heating saturation is now about 75%. The company is trying to extend gas service to additional communities, and hopes to obtain the additional gas to carry through this program during 1958-9. Cost of natural gas to the company has doubled in the past decade—from 17¢ to 34¢ per mcf. The Memphis decision has caused considerable confusion over gas rates. A favorable factor with respect to the company's future earnings from its gas division is the important Court decision of last year allowing fair value in the rate base; some Iowa utilities have had difficulties with municipalities in raising gas rates to their customers, and this decision may be helpful with respect to any future readjustments in rates made necessary by higher gas costs.

Construction expenditures in the past decade exceeded \$110 million or an average of \$11 million a year, and over three-quarters of the company's present plant account is represented by this construction. About \$15 million was spent last year and about the same amount will be spent in 1958, though future years may average only about \$10 million. Current expenditures include construction of a 90,000 kw generating unit at Council Bluffs. Reserve capacity last year, including 30,000 kw firm power temporarily purchased from the Omaha Public Power Districts, was 14%. It may be necessary temporarily to obtain power from the Power Pool, the capacity of which will be greater next year due to installation of new facilities at Kansas City and St. Joseph. The principal electric utilities in Iowa have been cooperating to plan for installation of larger and more economical generating facilities.

The company's equity ratio has ranged between 30% and 33% in the past decade and approximated 34% at the end of last year, although this was reduced by sale of bonds and preferred stock early this year. Some additional borrowing may be necessary around mid-summer and in 1959 some common stock might be sold.

The common stock record is indicated in the accompanying table. The percentage earned on invested capital has declined from 8.1% in 1947 to about 5.8% in 1957, which has doubtless had a retarding effect on share earnings. While these have recovered from \$1.74 in 1952 to \$2.08 last year, the latter figure remains below the level of 1946-8 (in those years the company was controlled by United Light & Railways). President Gussett in a recent talk before the New York Society of Security Analysts said that he hoped to maintain earnings at a \$2 level or higher and that he considered the \$1.60 dividend as quite secure.

The common stock has been selling recently around 28½ to yield about 5.6% and the price-earnings ratio is 13.7.

Year	Revenues (Mill.)	Earnings	Common Stock Record—Divs.	Approx. Range	% Earned on Invested Capital
1957	\$39	\$2.08	\$1.60	28—24	5.8
1956	37	2.03	1.40	28—24	5.8
1955	35	1.99	1.40	30—27	6.1
1954	31	1.83	1.40	30—25	5.7
1953	29	1.94	1.40	26—22	4.9
1952	27	1.74	1.40	26—23	5.9
1951	25	1.89	1.40	24—21	6.8
1950	21	1.86	1.40	24—18	7.4
1949	18	1.85	1.40		6.4
1948	16	2.09	1.50		7.0
1947	14	2.26	1.60		8.1

* In 12 months ended Oct. 31.

WASHINGTON GAS LIGHT COMPANY

In the review of Washington Gas Light which appeared in this column last week, it was stated that "the rate increases if allowed in full would approximate 40¢ a share, it is estimated." These increases would aggregate about \$2 million after income taxes and hence would be equivalent to about \$1.47 a share on the 1,358,000 shares outstanding, not 40¢.

Securities Salesman's Corner

By JOHN DUTTON

Requisites for a Good Salesman

It is often very easy to overlook the obvious. Some of the most successful securities salesmen, the big producers who have developed substantial accounts and have kept them over the years, would all admit that the very keystone of their success is built upon a strongly established climate of confidence and respect between their clients and themselves. Notice I have qualified the foregoing statement with the words *kept* them over the years. Selling securities does not add up to the same sort of relationship that exists between customer and salesman in certain other industries. Selling securities successfully must combine the twin arts of analyzing investor needs, and selecting the proper investment vehicle for them. The third and essential factor in the triangle is the creative salesmanship which establishes the climate of confidence which will enable the salesman to direct the various portfolio moves with the cooperative acquiescence of the client.

How to Build Confidence

All this is academic and yet many men come into the investment business and they conscientiously read books on how to close the sale, how to answer objections, how to win friends and how to prospect, yet they fail to make an outstanding success. The generic phases of salesmanship are important and should be mastered. But before you can sell yourself, or the interview at the proper time and a favorable place, and you can obtain the first "yes" from your prospect, you should know and understand what it means to manage an investment program, whether it be large or small, and whether or not the investor is primarily defensive minded or aggressive in his investment planning.

If you are a beginner in the investment business and you want to become a top-flight general securities salesman, study! Take the I. B. A. courses offered by mail. Take correspondence school courses. Go to night school if you are near a college that offers such courses. Augment your education with collateral reading from your local public library. Talk with men whom you know and respect in this business and learn from them. Make up your mind that no one is going to be better qualified to obtain and retain your client's respect and confidence than you if knowledge and experience will give you the answer—and it will.

Don't Wander

Don't be impatient. Stay with a good firm that places its client's welfare first. The investment business is a long-term career, with ups and downs and violent cyclical changes in markets, and changes in public psychology constantly affecting your sales quotas and your investment results. I know of hardly another business that is so susceptible to sudden change and for that reason so difficult to operate consistently with success. But the rewards to the skillful salesman who is also a keen analyst, and who has the character to stand up against the efforts to others to influence his

better judgment for both his and their immediate but transitory gain, are worth the effort.

After you have gained a foundation of theoretical knowledge, and you have had a good many years of laboratory work actually buying and selling securities both for your own account and for others, then you will still need to read and read and read. I would say that a minimum per week for the general market securities salesman of reading would require at least one daily paper and preferably two; also several good trade magazines in any particular fields in which he may have a special investment interest.

Then You Are Qualified

Only when you have the complete confidence that you can sit down and carefully analyze the business background prevailing in this country, the general state of market opinion and public confidence, and you can take hold of a list of investment securities and pull it apart piece by piece and bit by bit, and come up with some sound suggestions, are you ready to sit down and talk investment with a truly important investor. I am discussing your own state of mind here. I am not suggesting that you do the physical work necessary that a top-flight statistical organization would accomplish. I am suggesting that unless you know that you can do it, you won't be ready to convince anyone else that you are qualified to control, suggest, and assist in the management of his account.

If you think this is a tall order I agree. It can't be done in a year or two, or even five or ten. But if you are intent upon making the selling of securities your career, you can spend a lifetime studying and learning and the more you know the higher your income will grow. The generic of salesmanship are important, this can be learned too, but a top investment salesman is more than a talker, a glad-hander, a good-time-Charlie, a swell fellow and a good golfer. He's got it between the ears—and you can bet he has made quite a few mistakes getting there.

Two With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Joseph W. Jackson and Harriett H. Pott have become connected with Investment Service Co., First National Bank Building.

First Boston Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — John P. Heiner has become affiliated with First Boston Corporation, 231 South La Street.

Joins Hornblower & Weeks

DETROIT, Mich. — Robert A. Kutzen has joined the staff of Hornblower & Weeks, Penobscot Building.

With R. J. Steichen

MINNEAPOLIS, Minn. — Otto Waldorf has been added to the staff of R. J. Steichen & Company, Banker Building.

Continued from page 24

Some Aspects of Canadian Business

tion of new lines. Much of it centered in steel, cement, petro-chemical products and paper, most of which had been operating at near-capacity rates throughout 1956. Low inventories and heavy backlogs from 1956 kept most manufacturers busy in the early part of 1957, but as the year wore on the pressure of demand slackened. For the year as a whole the volume index of production averaged about the same as in 1956. If we were striking a balance for the manufacturing industry alone we should find that most of the nondurables gained as the durables dropped off.

Two important developments of 1957 should probably be allocated to contingent account until such time as we can judge them more objectively. These are the sub-normal prairie grain crops of 1957, and the continuing loss of a large part of our export market for oil. A wheat crop more than 100 million bushels below the ten-year average can only be viewed as a mixed blessing. How could we have stored, much less sold, a crop of the previous year's size, had another huge crop been added in 1957 to the surplus wheat with which we began the year? On the other hand, a future succession of poor harvests or revived markets could give our present wheat stockpile a very different aspect.

The current lessening in markets for oil is not one to be underestimated in its effects on a youthful and expanding industry. It does not, however, appear to have greatly dampened the enthusiasm of those most immediately concerned regarding the industry's future.

Terms 1957 Record Year

On balance we can only conclude that 1957 will go down in the books as a record year, surpassing in a number of important respects what some economists regard as "the year of wonders" 1956. I mention this because there is a tendency in some quarters to regard the past year as period of slump. We have become so conditioned to a rising curve of production and income that even a leveling off of the curve arouses forebodings, and few stop to reflect the height at which the leveling off began.

The nation's total output of goods and services, valued at current prices, is now estimated to have been within a range of \$30.8 and \$31 billion in 1957. That would be between 3 and 4% higher than in 1956. The physical volume of production was about the same as in the previous year. This leveling off in the over-all volume of output was to a measurable extent the result, not of business recession, but of the sharp drop in crop production. Non-farm production in the past year is estimated as probably about 1% higher than in 1956. A somewhat smaller increase in the volume of industrial production indicates that services, rather than goods, were responsible for a substantial part of such increase as did occur.

Throughout the past year there was increasing evidence that productive capacity had reached a level where it could without strain supply effective demand for all major commodities. The rate of capital spending in the industrial and much of the business sector was thus dictated not so much by actual need as by expectations. Bright though long-range expectations may be, such a situation obviously lowers the head of steam behind plans for new capital spending along related lines, though not necessarily or even probably, along other lines such as engineering projects, public utili-

ties and housing. This shift in emphasis, actual or in prospect, could be a major development. Changes in the level of capital investment need not be labored—we have had plenty of evidence of their effect in recent years. Shifts in its content are less obvious but can be almost as far-reaching over the long term in their effect on debt, on production and on employment. This will probably prove to be a favorable development, one that will tend toward a greater degree of equilibrium, for the near future at any rate, in this very important aspect of the economy.

The past year brought a fractional decline in the per capita volume of consumer purchases, particularly of durables. This decline suggests that consumer purchases of durables may have been affected by some over-buying in the previous period, and that some consumer resistance to rising prices was developing. The durables category of retail trade can, of course, be demonstrably affected by the introduction of major changes and improvements in products and by new products—as witness the impact of television a few years ago. A decline in overtime pay is a factor that cannot be disregarded. Average hours worked in the mining and manufacturing industries were consistently somewhat lower throughout 1957 than they were in 1956. Recent figures show a marked rise in the labor force listed as employed less than 35 hours a week.

Population Changes

With final figures for 1957 not yet all in, the coming year can only be considered in general terms. I propose, therefore, to deal with certain things that seem to me to be of major importance in the light of past, and not necessarily immediate past, experience. Let us look at the background from which we move following a 10-year period that has added well over four million people to our population.

The population is increasing nearly 2½ times as fast as in the '50's as it did in the '30's. The birth rate is higher, and the death rate lower. In addition, net immigration has been high, in contrast with the small influx of the '40's and a net efflux in the '30's.

Immigration brought over a million and a half persons—of whom we retained about a million and a quarter—in the past 10 years. Immigration accounts for 285,000 of last year's total population increase of more than 550,000. The 1957 immigration total was the highest since before World War I.

Population growth, combined with a dynamic technology, rich natural resources and adequate funds for investment, either by way of savings or capital inflow, is a tremendous stimulant to economic activity. From it flow more jobs, higher income and better living standards.

The labor force as a result of this last upsurge of over four million people has been augmented by close to a million workers, or nearly one-fifth, which, with the increase in productivity during the same years has brought an increase in the physical volume of national production of about one-half.

It was to be expected that we should see an increase in the volume of consumer buying more or less paralleling the increase in population. Actually it was considerably higher.

Principal Beneficiaries

One of the chief beneficiaries has been the market for farm pro-

duce, which, apart from grains, has undergone a great shift during the postwar years as a result of the population increase. Despite an average expansion of over 50% in the volume of agricultural production in the past five years, as compared with 1935-39, the domestic market now absorbs practically all but a minor percentage of the meat, poultry, dairy products, fruit and vegetables we can produce—a marked contrast to the days when the prosperity of the mixed farming community rested largely on export demand.

The increase in the domestic consumption of industrial raw materials, while important, is in most cases obscured by the magnitude of the increase in production. Exports, as a whole, however, now amount to about one-fifth of national production as compared with almost one-third 30 years ago. Increase in the percentage of production consumed domestically largely reflects population growth.

Had it not been for the heavy immigration movement of the post-war years the rate of increase in national production would have been greatly modified. For example, in the first five years after the war immigrants supplied fully half the number of new workers required to meet the demands of an expanding economy. In the following five years they numbered more than the whole increase in the working force, thus overcoming what would otherwise have been a decline in the labor force as a result of the aging of the working population and a smaller percentage participation in the labor force of the population as a whole.

The demand for housing, with all its supply industries, including public utilities, household equipment and furnishings, rests largely on family formation, the rate of which has been very high, despite lowered birth rates of the '30's. Higher birth rates, high immigration until recent months, and our trend to longer lives have combined to expand population, in particular in the lower and upper age brackets. This factor has innumerable economic and social influences, ranging all the way from stimulation of the market for goods and services relating to children and the creation of demand for new buildings as a result of the overcrowded schools, to an increase in children's allowances and old age pensions. Their cost, through taxation, is carried by the narrowing ratio of middle-age brackets.

The proportion of women in the labor force is increasing. It is about one in four as compared with one in five 20 years ago, while about 40% of working women are now married. Their influence upon aggregate consumer buying power has significance in terms of all-important consumer confidence in a changing economy. This means, too, that the yardsticks of previous economic shifts cannot accurately measure today and the year ahead. On the whole, however, it would appear that this enhancement of income per working family may help to sustain the rate of consumption. Consumer buying, therefore, seems likely to be influential, as in the two previous post-war down-turns, when it was a source of strength.

Debt Composition

At a time when business is slowing down, it is natural to ask to what extent will the position of debtors be affected by the strata of debts contracted in a previous period of buoyancy, and largely in the expectation of a continued increase in personal income. The average per capita indebtedness in both dollar terms and as a percentage of disposable income is high as compared with some previous years. There is every reason to believe that a far larger percentage of the adult population

than ever before owes some form of debt, but a significant factor is that most of it is on an amortized regular pay-out basis.

In terms of personal disposable income, consumer credit outstanding has undergone a net rise from 9.5% at the end of 1933 to 11.8% by June 1957.

One of the main developments leading to an increase in credit buying has been the widening ownership of cars and of homes. Home ownership in large centers tends increasingly to the suburbs. The improved mass production of many types of household equipment, the increase of women in the labor force and a desire to lessen work in the home have contributed to the increase in buying on credit.

There is one aspect of this willingness to assume increasing obligations that should not be overlooked, however. Most such debts involve the creation of an asset—a home in the case of a mortgage, and such things as cars and household equipment in the case of shorter term debt, assets that will at least in part enable the debtor to end paying for services that previously to some extent had to be purchased in one form or another. The net strain on the family budget is not altogether as great as periodic instalment payments might suggest, since they usually displace to a degree outlays on a number of services such as public transportation, laundries, movies, domestic help and the like.

Time financing is an established factor in the marketing of most durables but the rate of increase shows signs of slowing down to one more in line with that in other directions.

Capital-Investment Backlog

Important in Canada's economic prospect for 1958 is the outlook for capital expenditures which, with their multiplier effect, are so widespread in their repercussions on business generally. The carry-over of construction work from 1957, while less than that a year ago, is still very considerable, though along somewhat changed lines. Construction contracts awarded in 1957 were about half a billion dollars lower than in 1956, with the greater part of the decline in residential and engineering construction. No comparable decline in over-all capital outlays seems likely to have occurred, though investment in machinery and equipment was probably below that in 1956. A resurgence in residential building starts toward the end of the year, and the increase in funds available for mortgages, suggest greater activity in this field in 1958, and there is a good backlog of construction in engineering and utilities.

If, as now seems possible, in fact probable, 1958 capital expenditures, and particularly their construction content, do not decline more than about 5% from 1957, they would constitute an important source of underlying strength throughout the year.

Allied with house-building, outlays in other directions arising from the purchase of a new home are significant. A widespread sampling has indicated an average expenditure per home of \$1,610 on a wide variety of household goods.

Sensitivity to USA

Canadian sensitivity to business fluctuations in the United States has always had a major influence, not only because of the preponderance of that country in our foreign trade, balance of payments and capital investment picture, but because U. S. conditions have such tremendous world-wide impact. With 60% of our exports going to the U. S., even a small percentage movement in over-all demand can have widespread and important effects on our economy. U. S. conditions strongly influence not

only the evaluation of future prospects on which many investment projects are based, but also their financing.

Nineteen hundred and fifty-eight seems likely to pose some challenging problems to Canadians. But we need to apply cool perspective in appraising our problems and in assessing their solutions. At this time in particular we need to recollect our past doubts and our past successes in the face of those doubts. If we go back only three years, to 1955, we may recall that even in the midst of a remarkable economic expansion there always seemed to be some worrisome topic for business conversation. In mid-1954, too, when our economy was experiencing what is now recognized as only a mild recession, there were prophets of stagnation among us. If we go back as far as 1945, there were suggestions that we were moving into a severe postwar depression. Our gloomier seers spoke of the letdown after World War I, of the acute stresses of the '20's. Yet, with only a slowing to catch its breath, Canada moved out of the Second War years into a succession of expansions which confounded the pessimists.

Growth Ingredients

I offer these recollections to make a point: optimism and pessimism can each be a little out of focus, each in its own time. Each misleads our emotions and shrinks our perspective.

Growth, from a broad economic standpoint, implies a continuing, even if irregular, expansion in production and consumption. Yet, even if we were turning out more and more goods and services, if the effort required to do so were increasing too rapidly, we would each of us be poorer, in net, not richer. The second essential element in growth would thus appear to be a rise in productivity—an increase in what a man can produce in an hour or a day or a year of work.

Material resources, however abundant, are only one ingredient in growth. They are not the most influential, either, because many of the world's resources have existed since before the dawn of human history and still have been scarcely scratched. Men and women apply the weight of their numbers and skills to the earth's resources and create a civilization for themselves and their heirs. Canada still has ample living room for many more people, and we may justifiably look forward to a long wave of future population growth, with all its myriad effects upon our national and personal well-being.

But even resources and sheer numbers of people are by no means enough to ensure growth. After all, many regions of the world have an abundance of people and resources but are still basically poor in terms of the average level of individual and family income. There is still the fundamental issue of economic efficiency, the productivity of human labor. This in turn demands two conditions in its environment—skills and a savings-investment process to maintain continuity in the growth of machine power, so that man, increasingly, may apply his creative skills in developing new products, new processes and new methods for the steady improvement through the years in our conditions of life.

The general question of skills is at first sight mainly a technical one. But upon further investigation it soon devolves into a broader question concerning education as a whole.

The wartime and postwar history of our economy is one in which production has been heavily emphasized. Even so, we have not had a large enough growth in scientific and engineering skills to meet our full requirements. Now, however, when the new economy,

bigger, richer, and more diversified industrially, faces new aspects of managerial flexibility and adaptation to highly competitive marketing conditions, we sometimes find ourselves with problems to solve. Education within the enterprise system itself, education which is mainly the by-product of experience, does not always yield the desirable degree of flexibility.

How, then, are we to rate the qualities of our educational system for the long haul? The guiding of youth into the hidden pathways of the future remains an endless challenge to us all.

Need Skilled Labor

We do need more scientists, researchers, engineers, chemists and physicists, and great emphasis must be laid on this need. But at the same time we must avoid a society dominated solely by these considerations. Education in the arts and social disciplines must be advanced as well, so that we shall be assured of a people with the balance, the understanding, the creative spark, the real riches of the soul and mind which only the broader vistas of the humanities can bring.

People, skills and material resources are focal points for our thinking about economic strategy. All these are, however, ineffective for the purposes of an industrial society unless they can be harnessed by an essentially capital-creating system of production and distribution. Real capital in the form of productive complexes of buildings, machinery and equipment requires a prior flow of real savings. And real savings can emerge only when the people of a society can set aside something—money and resources—beyond their requirements for immediate consumption.

An economy characterized by positive savings and thus an accumulating store of real capital, an economy with ample resources and with a skilled, thinking and informed populace—this is an economy with a potential for growth. Canada meets these criteria and we must keep them constantly in mind.

But production also demands a corresponding and synchronized flow of consumption. Canadians have a monetary system, including a core of chartered banks, which helps the managers of enterprises dovetail their production to the demands of the marketplace. One of the strategic issues we cannot escape is that of judging our efforts—through a free price system—to keep production and consumption in harmonious long-term accord. Notice, too, that a static balance—which could be attained in a stagnant economy—is not consistent with the idea of growth. The equilibrium established between production and consumption has to be a dynamic equilibrium; and it is just this dynamic aspect that may be neglected if we become pre-occupied with short-run economic problems, to the exclusion of the long-run.

Here we are confronted with the very human conflict between security and progress, between rigidity and adaptation. The strategic fact that we cannot avoid, try as we may, is that a dynamic capitalistic system is not inherently consistent. A certain degree of ups and downs is one of the prices that we pay for having a free economy. In the Canadian sense it is also one of the prices we pay for having a world-trading economy, in which exports and imports combine at a high level to yield us higher real incomes through gains from international trade—but under which we are exposed to economic influences from many other parts of the world.

The problem of economic adjustment is bound to change as the economy itself changes. Not so

many years ago—to instance just one region of Canada—our western economy was much more agricultural than it is now. Today this is altered to an extent that no one would have believed possible 20 years ago. The impact of Leduc only 11 years ago has spread the benefits of low-cost energy through the west, and is bringing these benefits to the east as well. I am sure that we have scarcely begun to witness the scale of the changes that gas and oil will work.

Despite the fact that international trade continues to be very important to our economy, it is feasible to look forward to a day when it will be of lesser relative importance than it is now, even though the volume of transactions may be considerably larger. One of the strategic issues of our day, is to what extent we should encourage the domestic as against the international aspects of our economic activity.

Of primary importance, however, is the role of the individual in national progress. Do we put security ahead of adventure when it is only adventure that, in the end, can produce security? Perhaps we might do well, as individuals and together, to think a little more about how, as a nation, we could promote growth over a long period of years rather than put first emphasis on easing the recurring twinges of national growing pains. Important and immediate as economic injections may be for the ills of today, they must not be allowed to preoccupy us at the expense of the larger future.

While a dynamic economy, like ours, strides ahead in stages and from time to time must ease its pace to capture its "second wind," its vital impulse is to advance. That is its record and that is its future. It is driven inexorably ahead, not only by its built-in strength of human and physical resources and demand for their utilization, but by the momentum of growing population to enlarge the domestic market and produce for export.

Canada is not off-stride; we are adjusting our gait, for a necessary interval, while we gather new force for the surge ahead. And that conviction, I am sure, is shared by every Canadian who pauses, even briefly, to think back along our path.

Chicago Analysts to Hear

CHICAGO, Ill.—At their luncheon meeting to be held March 27 in the Adams Room of the Midland Hotel, the Investment Analysts Society of Chicago will have as guest speaker Bertram J. Lange, Manager of Marketing Services for "Life" Magazine. He will speak on the "Life" Magazine Study of consumer expenditures.

Joins Reynolds Staff

PHILADELPHIA, Pa.—Reynolds & Co., 1526 Chestnut Street, members of leading stock and commodity exchanges, announce that Joseph S. Derham has become associated with them as an account executive. Mr. Derham has been in the investment securities business since 1949 prior to which he was associated with Westinghouse International in New York City.

Coronado Inv. Opens

(Special to THE FINANCIAL CHRONICLE)
DENVER, Colo.—Coronado Investment Co. has been formed with offices at 1050 West Fourteenth Avenue to engage in a securities business. Officers are Ferris E. Braun, President; Loudine F. Braun, Secretary-Treasurer.

Joins Bankers Bond

(Special to THE FINANCIAL CHRONICLE)
LOUISVILLE, Ky.—Eugene L. Colcord, Jr. is now with Bankers Bond Co., Kentucky Home Life Building.

"Law Day U. S. A." to Be Observed on May 1

American Bankers Association makes advertising mats available gratis to banks as a contribution toward observance of "Law Day U. S. A." on May 1.

The Trust Division of the American Bankers Association, in cooperation with the A.B.A. Advertising Department, will make



Walter Kennedy

advertising mats available without charge to banks and trust companies in all sections of the United States, as a contribution by the banks toward the observance of "Law Day U. S. A." on May 1, according to

Walter Kennedy, President of the A.B.A. Trust Division, and President, The First National Bank of Montgomery, Montgomery, Alabama. "Law Day U. S. A." has been proclaimed by President Dwight D. Eisenhower to be marked with appropriate observances on May 1. The purpose of "Law Day U. S. A.," which is endorsed and implemented by the American Bar Association, is:

To strengthen the nation's dedication to the rule of law as the foundation of our free society; To freshen every American's awareness of the rights and privileges he enjoys by reason of our system of laws and courts.

Mr. Kennedy Explains

In calling upon banks and trust companies to cooperate with the Bar Association in the observance, Mr. Kennedy says: "Our system of laws and courts is unique in the entire world, and one of our chief obligations to our youth and the youth yet to be born is to tell them of our great heritage. It was won by the heroic sacrifices of our forefathers, and it can be lost by the complacency of our posterity.

"We are all aware of the fine relationships existing between the Bar and trust departments everywhere, through the deliberations of the National Conference Group, composed of five members each from the American Bar Association and the Trust Division of the American Bankers Association. We hope sincerely that this close relationship will continue through the years."

The Trust Division of the American Bankers Association has mailed Mr. Kennedy's letter and a proof of the suggested advertisement to approximately 3,000 members of the Trust Division of the American Bankers Association. Mats will be supplied without charge to all Trust Division members desiring to use them.

With Newhard, Cook

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, Mo.—Charles J. Wilmot is now with Newhard, Cook & Co., Fourth and Olive Streets, members of the New York and Midwest Stock Exchanges.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)
WHEELING, West Va.—William N. Hogan, Jr. is now with Bache & Co., 1219 Chapline Street. He was formerly with Westheimer and Co.

With Gallagher-Roach

(Special to THE FINANCIAL CHRONICLE)
COLUMBUS, Ohio—Anna V. Brown has joined the staff of Gallagher-Roach and Co., 16 East Broad Street.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

The magnitude of the statutory losses among the fire-casualty insurance stocks in 1957 is now to be realized on the figures being issued by the companies. The year 1956 was a highly unsatisfactory one for the industry, but it is far more difficult to find black ink figures in the 1957 releases than it was a year earlier. Indeed, one would probably have to go back to 1932, or one of the nearby depression years to match the industry loss and expense ratio.

As has been pointed out here before, the companies found themselves in the position of bad results in almost all lines of their writings. Some specialty writers, such as in surety and fidelity carriers, have reported comparatively favorable 1957 underwriting results. Also several that operate at a low expense ratio by reason of the fact that parent units carry a large part of their expense load. (Insurance subsidiaries of finance companies are good examples of this.)

But for the companies whose shares are regularly traded in the open market surprisingly few came up with underwriting profit margins. And even as consistently an underwriting profit producer as Seaboard Surety, a specialty unit two-thirds of whose volume is in surety bonds, saw a reduction in its profit margin from 31.2% to 19.5%.

The following tabulation gives, for a group of more prominent companies, their underwriting (statutory) profit or loss, and the 1957 loss and expense ratio, compared with that of 1956:

	Statutory Result 1957	Loss and Expense Ratio 1956	1957
Agricultural Insurance.....	1,950,000	107.9%	109.9%
American Insurance.....	11,769,000	104.9	110.4
American Surety.....	5,268,000	102.0	107.6
Continental Casualty.....	2,024,000	94.9	100.0
Fire Association.....	2,647,000	105.1	108.4
Fireman's Fund.....	7,460,000	108.3	105.1
Glens Falls.....	3,780,000	103.1	103.9
Hanover Insurance.....	3,395,000	104.5	107.1
Aetna Casualty.....	8,450,000	98.3	101.5
Aetna Insurance.....	6,154,000	103.8	105.6
Camden Fire.....	842,000	101.2	104.3
Continental Insurance.....	7,206,000	103.4	105.7
Fidelity Phenix.....	6,295,000	105.7	107.1
Great American Insurance.....	5,074,000	103.2	106.0
Insurance Co. North America.....	7,617,000	98.0	99.9
North River Insurance.....	1,088,000	102.7	104.2
Phoenix Insurance.....	6,424,000	107.1	109.5
Springfield Fire & Marine.....	4,438,000	108.9	108.5
U. S. Fidelity & Guaranty.....	20,285,000	99.4	105.7
U. S. Fire.....	2,295,000	102.9	104.1
Westchester Fire.....	1,332,000	102.9	104.5
American Re Insurance.....	90,000	96.5	97.9
Bankers & Ship.....	900,000	97.4	102.5
Boston Insurance.....	3,650,000	108.6	109.8
Firemen's Insurance.....	9,180,000	102.4	110.9
Hartford Insurance.....	3,939,000	100.5	101.8
Home Insurance.....	8,876,000	106.2	104.5
Merchants Fire.....	1,719,000	99.6	105.3
National Fire.....	1,692,000	114.5	110.5
National Union.....	2,700,000	108.2	106.9
New Hampshire.....	428,000	106.0	101.1
Pacific Fire.....	1,026,000	97.4	102.5
Seaboard Surety.....	1,076,000	68.8	80.5
Mass Bonding.....	357,000	98.2	99.3
Northern Insurance.....	753,000	95.5	99.3
Providence Wash.....	1,008,000	108.4	107.8
St. Paul Fire & Marine.....	4,945,000	97.7	102.3
Standard Accident.....	7,430,000	102.1	107.9

These are all parent company results where fleet showings are involved. If we were to add to the parent company figures those of the subsidiaries the statutory loss total would be even worse. For example, the addition of the loss figures of its two affiliates to Insurance Company of North America's would increase the loss to \$11,386,000. Hartford Fire's main affiliate would increase the parent's statutory loss by 73%. The inclusion of the half interest that Continental Insurance has in Niagara and Fidelity & Casualty would more than double the parent unit's minus showing.

Home Insurance trimmed its volume of writings somewhat, which contributed to its better showing over 1956.

The above data treat Firemen's by itself. From here on it will be included with Continental Insurance.

Fire Association's name was changed on Jan. 1 last to Reliance Insurance.

The only consolidated data above are that of New Hampshire Fire.

Several other mergers took place involving one or more of these companies, the effect of which will be in post-1957 data.

The almost complete unanimity of loss figures in this tabulation brings out the really serious loss results in the fire-casualty industry in 1957, on top of a bad 1956. Fortunately, there are good signs of a turnabout, but without more rate increases and fewer outrageous jury verdicts, the mending process will be slow.

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Specialists in Bank Stocks

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The money market has been looking for some time for additional help from the Federal Reserve Board in order to be in a position to finance the new money raising operations of the Treasury. This meant that another reduction was expected in reserve requirements of the member banks of the Federal Reserve System. It finally came along last week when these requirements were again lowered by one-half of 1%. The deposit institutions are believed to be the main ones in this new money raising venture of the Treasury and in order to make it a successful deal, these institutions had to be supplied with the wherewithal to purchase the new issues. Accordingly, a further decrease in the funds that the member banks are required to keep with the Central Banks was inevitable.

The Government Market Now

The Treasury bill market continues to attract a sizable following and it is not expected that the short-term securities which are looked for in the Treasury financing will have more than a temporary effect on the demand for the most liquid Government issue.

The Government bond market is presently feeling the effects more fully of the coming Treasury new money raising operation. This has resulted in better price action in the longer term obligation, even though volume as a whole is not too sizable. This lack of overall activity is in spite of not a few large scale trading switches which have been reported from time to time as well as indicated fairly substantial acquisitions by the out-of-town commercial banks of the more distant maturities of Government securities.

Nonetheless, it is the opinion of most money market specialists that the Government market is not going to be moving much out of its current constructive but not too active trading vein until there is an announcement by the Treasury as to what issues will be used to raise the new money which will be needed for immediate operations of the Government. To be sure, there is more than a passing amount of talk as to the best way in which this money can be obtained but the money market must still wait for the terms from the Treasury to be sure.

Suggested Maturities

It is rather common gossip in money market circles that the Treasury, in the impending new money raising venture, should confine maturities to the short or intermediate term range. In other words, a one-year obligation, with the other security or securities running at the most not more than five years. It is also evident that certain money market specialists hold to the opinion that the Treasury should not go beyond the three year limit in offering an issue to supplement one with a certificate maturity.

It is the thinking of the money market that this financing of the Treasury should be definitely of the short-term variety and the extension of maturities through the offering of long-term obligations should not have a place in this new money raising operation. The economy is now in a recession and, in spite of the predictions which are coming out of the nation's capital, it is not likely that it will be easily or quickly ended.

No Debt Extension Deemed Desirable

Therefore, it seems as though the concerted and massive action which is expected from Washington should have as part of this plan, developments which should be important to the money market. Thus, in addition to lower reserve requirements, favorable open market operations and declining discounts rates, which will help to make credit more ample and cut the cost of obtaining it, there should be a debt management policy which will be compatible with the existing weak condition of the economy. When the business pattern is on the defensive, as it is now, there should be an increase in the money supply and one of the ways in which this can be done effectively is through the sale of Government securities to the deposit banks. Since these institutions must protect their liquidity at all times, it is evident that short-term Treasury obligations are the issues which will fill this bill.

Enlargement of Money Supply

The belief of not a few money market specialists is that near-term maturities only should be used in the coming Government financing operation. To put out long-term obligations which would be bought almost entirely by others than the deposit banks would not increase the money supply, since it would principally be a transfer of deposits and not the creation of new ones. The extension of maturities is usually a desirable happening but it should not be done during a period of declining business.

With the new money financing venture of the Treasury, just around the corner, the decrease of one-half of 1% in reserve requirements is still on the conservative side and just about enough to enable the deposit banks to take care of their part of the operation. The larger and larger deficits which are being predicted for the Treasury should bring with it easier money conditions and more ample credit.

Continued from page 3

The Stock Market in 1958

vance of the general level of wages even under adverse economic conditions represents the greatest departure under modern conditions from the economic trends that prevailed a generation ago.

The Built-In Stabilizers

Of lesser but still of great importance in shaping our economic destiny and environment in broad terms are the built-in stabilizers such as social security, unemployment insurance, pensions, etc., which have been created in the last quarter century in our business structure. With these goes the well-developed sense of social responsibility of business in general as against its attitude of even two decades ago.

These are economic factors and must be viewed in the light of the enormous technological progress since the second world war. The technological revolution we are going through has a profound influence on our economic affairs and helps significantly in providing a cushion for the readjustments that are bound to take place in business from time to time.

Beyond this, we are spurred on to a solution of our economic and social problems by the world-wide struggle now going on between two concepts of social organization. Our position of leadership of the democratic nations means that we have more at stake in keeping our economic and social welfare at a high level than we did when we were concerned mainly with domestic political problems and when the question of the future social organization on a world scale was not a critical issue.

These are the most important social and economic changes to consider in appraising the outlook for common stocks. The latter represents a most sensitive barometer reflecting the composite impact of all these forces upon the psychology of the investing public. The problem, then, involves an evaluation of the effect upon the investment background of these profound changes that have taken place. This, of course, is a matter of each individual's judgment because there is no mechanical way by which to obtain the answer.

The Investment Background

I feel strongly that the period ahead, measured in terms of years or decades, will differ greatly from the period since the first world war. The last forty years will go down in history as one of the most violent and dramatic in the long struggle of mankind to solve its social and economic problems. This period is likely to be followed by one of a relatively more calm character during which we will learn how to get along better with other nations even though they may have a very different social organization than ours. It will be a period, also, during which our own social and economic problems will be far less serious than those of the last generation. I hasten to add that this in no way implies that we will not have crises and serious social and economic problems. They will continue to arise to plague us, but I think they will be on an entirely different scale than recent ones. The likelihood that international crisis will be met without recourse to major warfare in itself is of great consequence in the outlook. I think this is a legitimate estimate of the outlook because major warfare has now become impossible as a means of settling differences between nations. This, I believe, is becoming more widely recognized.

We have clearly come a long way in our approach to our domestic social and economic prob-

lems and further progress in this direction seems inevitable. Their solutions will probably be made with much less friction and struggle than characterized the epoch-making years of the recent past. Chances of solving our differences at home through democratic and peaceful means are certainly better than at any previous time.

Favorable Factors

The market for common stocks clearly will be affected by these extraordinary changes that have occurred. First of all, if we are not to experience a deflationary trend in business, earnings and dividends as great as that of the more severe depressions of the past, common stock prices should not decline to the bargain levels which prevailed during those periods. Secondly, and perhaps even more important, in a world less crisis-ridden, the psychological factor in the investment background is bound to be more favorable than it has been.

You may notice that I have not as yet mentioned the word inflation which is perhaps the most commonly used catchall to describe long term trends. This may be a good time to mention in passing that under modern world conditions the various social and economic trends that I have discussed have a tendency to result in more and more inflation although I believe that there has been a definite exaggeration of the inflationary threat in the United States in the last few years.

An Under-Supply of Institutional Stocks

The final point that I shall make regarding the general long term investment background concerns the extraordinary change that has occurred in the source of funds for common stock investment. This change is also closely related to the general social and economic changes of recent decades. Today the speculator and the "general public" are unimportant in shaping the trend of common stock prices. The speculator has been relegated to a minor position by legislation and the "general public" is investing primarily through mutual funds managed by high quality professional investment experts. New sources of common stock funds have developed. These are of tremendous scope and importance, including institutions such as pension funds, life insurance companies and trust funds. There is hardly any doubt that the potential demand for common stocks of a certain quality and character is greater than the present or prospective supply of these stocks.

The most important part of the answer to the question about the outlook for common stock prices in 1958 is implied in the investment background that I have already painted for you. This background strongly suggests that prices of common stocks are unlikely to be available on a bargain counter in relation to earnings and dividends during this period of business decline. To repeat, I doubt that the business decline will become serious enough to reduce earnings and dividends by the proportions often experienced in past depressions. I believe that the improving longer range social and economic trends and the vast increase in the funds available for common stock investments makes it unlikely that earnings and dividends will be capitalized on the very conservative basis which prevailed during the years immediately following the second world war.

The Immediate Outlook

Now, I turn to the more immediate outlook in some detail. I believe that the present business de-

cline will continue for some months and that no significant improvement will occur until late this year at the earliest and possibly not until sometime in 1959. The decline in capital investment by industry, the inventory readjustments in raw materials and finished goods and the decline in consumption of consumers durable goods are of sufficient magnitude to suggest that this readjustment will last longer than the mild recessions of 1949 and 1954. Furthermore, at this time our economy will not have the support of the feverish activity that characterized Western Europe during the earlier postwar recessions and moreover South America is adversely affected by the decline in raw material prices.

It is obviously impossible to make any accurate estimate as to the probable level to which the volume of production may decline. In order to convey my general attitude in this regard, I may say that I believe that the Federal Reserve Board Index of Production has probably already completed most of its decline at its estimated March level of about 128 or 130 and that this index in any case should not go below 120 during this business decline. This means that the period of sharpest decline has already taken place and that during summer and fall the decline should slow up markedly. There is a possibility of a slight improvement for at least a short period if the metal fabricating industries should need to replenish inventories of steel and non-ferrous metals. Any improvement, however, is likely to be unimportant until the decline in capital investments by industry is arrested and these investments begin to rise.

The Current "Interlude"

In order to place the present business decline in its proper perspective against the long term trend, let me say that I believe that a "normal" level of the Federal Reserve Board Index this year is in excess of 140 and that this "normal" level three years from now in 1961 is likely to be about 160. In other words, I regard the present period of readjustment even if it should last into 1959 as an interlude out of which we will go forward at a rapid pace. In this setting this interlude has its compensating advantages because it places both management and labor under a certain amount of discipline and pressure to perform more efficiently and it arrests the inflationary tendencies at least temporarily.

If commodity prices do not decline sharply but remain at about present levels, corporate profits should hold up relatively well during this recession. During 1958 the earnings per share of the stocks in the Dow-Jones Industrial Average should be about \$32 as against \$37.50 in 1957. Dividends per share should be just under \$20 compared with a little more than \$20 last year. These earnings and dividends are moderately below the "normal" level for 1953 based on the long term trends of the volume of business and the commodity price level. If industrial production should recover to the estimated "normal" of about 160 by 1961 and if commodity prices at that time should be unchanged or moderately higher, the "normal" earnings for the Dow-Jones Industrial Average should be about \$44 per share or more than one-third greater than the estimated earnings for this year and dividend payments should be about \$25 per share or about one-quarter greater than those likely to be paid in 1958.

Present Yields Normal

If we attempt to translate these earnings and dividends into the likely level of prices, we find that at the present time the Dow-Jones Industrial Average is just about at its long term normal which is in

Now C. H. Hunter Secs.

COEUR d'ALENE, Idaho—The firm name of Mutual Investment Funds Co., 105 North Fifth, has been changed to C. H. Hunter Securities.

Form Darius Incorporated

Darius Incorporated has been formed with offices at 90 Broad Street, New York City, to engage in a securities business. Sheldon Leighton is a principal of the firm.

With Riter & Co.

Fletcher M. Harper has joined the staff of Riter & Co., 40 Wall Street, New York City, members of the New York Stock Exchange.

Gardner Dalton Adds

(Special to THE FINANCIAL CHRONICLE)
MILWAUKEE, Wis. — John R. Fishdick has been added to the staff of Gardner F. Dalton & Co., 735 North Water Street.

sharp contrast to the 20% or 25% over-valuation that prevailed during most of 1956 and 1957. If by 1961 earnings and dividends recover as suggested, the Dow-Jones Industrial Average should approach 600 as its normal and will exceed this figure if investment psychology is optimistic.

I now come to the crucial question as to the most reasonable assumptions regarding the pattern of the stock market this year. Everything said so far has been for the purpose of building up the evidence in order better to answer this question.

My best judgment is that this evidence points to the likelihood that we have behind us most of the grief we are likely to suffer in the stock market and that from now on during the remainder of this business recession, the Dow-Jones Industrial Average is unlikely to go any lower to speak of than it was last October at about 420. This means in effect that for practical purposes we need not worry much about the market level in general and that we should concentrate on the selection of the most attractive individual stocks. Let me add right away that for the time being it will be difficult indeed for stock prices to advance very far without becoming quite out of line on the upside in relation to this year's earnings and dividends so that I doubt that we need to concern ourselves about a run-away market on the upside. There are still too many hurdles to overcome before such an eventuality. I shall mention a few.

The Hurdles

First, we have the trend of business itself which is not going to be very encouraging for some months ahead. Then, we have the very poor earnings which will be reported by many companies for at least the two or three first quarters of the year. We will also have many additional shocks and disappointments over reduced or eliminated dividends by individual companies. Then, there is the possibility of price cuts in key industries such as steel or autos which would be very bearish on earnings. Such cuts are certainly possible and in no sense would contradict the general thesis I hold that the price level should hold up relatively well in this recession.

We have ahead of us this year the makings of the most serious industrial conflict in several years as the result of the many important labor contracts coming up for renewal. Management will surely be reluctant to grant wage increases and improved fringe benefits when the trend of earnings is downward. Labor negotiations have already started in the automobile industry which will renew contracts in May and June and a number of other industries including aircraft, farm equipment, trucking, communications, longshoremen, glass and electrical equipment will renew contracts beginning in April and running through October. The settlements may easily result in another increase in the unit cost of labor in these industries which under present conditions may not be passed on by raising prices and which, therefore, will result in an additional squeeze on profit margins already lowered by reason of the decline in sales. In some industries no settlement may be arrived at without the dislocations and the loss of wages by labor and profits by industry caused by strikes.

It seems too much to hope for that the year will pass without some crisis in the Near East or elsewhere in the world to give the stock market that unexpected shock which comes from time to time out of a clear sky, and finally we must remember that there are Congressional elections coming up this Fall to bedevil both political parties. The outlook

certainly suggests that there may be many more Democratic Senators and Congressmen and this may not be too pleasing to a great many investors.

Some Offsets

There will be a number of developments of an encouraging nature to offset these potentially sobering events. The Federal Reserve Board will take additional steps to ease credit and increase the money supply and the Government will undoubtedly also continue to take counter-deflationary action. Various steps have already been taken to encourage residential construction and further ones may well be taken. Government expenditures for various purposes may be speeded up such as for military procurement or for highway construction and income taxes may be reduced. All these and other steps will certainly be helpful in tending to cushion the business decline, but

I doubt that they will be sufficient in the near future to turn our economy back to an upward trend.

Stock Market Conclusion

These considerations lead me to the conclusion that the stock market will pursue an up and down course during coming months without making much headway in either direction. This, however, is not a very important or valuable conclusion. The real conclusion which I give you is that following this period and beginning late this year or next year, the stock market will again turn upwards discounting the catching up by business with the long-term trend and that, therefore, the year 1958 is one of great opportunity to lay the foundation for the building of capital gains in future years. Furthermore that this can be done now with a relatively minor risk of temporary lower prices for the great majority of stocks.

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the heavy industries will perhaps acquire a better investment status in that the continuity of earnings will be more assured. Securities of this type have recently declined severely and many bargains are available today. In time business cycles will be reduced in severity. Cyclical securities always sell low in relation to earnings and dividends because they are subjected to sharp ups and downs in the economy. Eliminate to some extent these cycles and you have eliminated, to a large degree at least, the irregular nature of the earnings and dividends. A security which is regular in its reporting of earnings and dividends naturally sells higher in relation to these measurements than one which is irregular in the same respects. That is not a prediction on my part, but is simply another example of what I call investment reasoning, or the exercise of judgment in the light of changing conditions.

Look at what happened to the rubber industry when synthetic rubber came into being. Overnight the industry changed from one of a very speculative nature to one of investment grade. Why? Because the stable price of synthetic rubber eliminates the wide variation in inventory values resulting from sharp price changes in natural rubber. One could have profited handsomely simply by recognizing the basic economic changes taking place within that industry brought about by scientific development. One does not have to be a seer to recognize the vast potential inherent in the air-conditioning industry or in petrochemicals. Investment success is as simple as that. All one has to do is to recognize the changes which are constantly taking place and to take advantage of these changes if it can be reasonably assumed that they will benefit the industry or the company in question.

Select for investment those securities which hold promise for the future. Careful reasoning based on obvious facts and trends will do the trick. Use enthusiasm and perseverance in performing your selection just as you would in choosing a new hat or a spot for a vacation. And I think it should be said here that no cynic or pessimist has ever made a fortune in the stock market. One must be optimistic and believe in the growth of well managed companies and in the continued expansion of the United States itself. Seldom has it paid the investor to liquidate all of his securities and in any event all well-selected stocks have always attained new highs after every set-back.

So, just as I have said for you not to listen to comments on the

general market, I say to listen to comments on individual securities. Listen, but do not be stampeded into acting on purely hearsay. Check your information carefully. Make sure you have a basis in fact for expecting that particular security to do better than other securities. Once you have made up your mind, act accordingly and forget about the market. Selection, not market timing, is the key to investment success.

II

Flexibility

Investing is not an exact science and therefore one will make innumerable mistakes. It is not so much the mistakes themselves which will hamper one's successful operations as it is the human failing to correct the mistakes quickly. It just seems, though, that most human beings are not constituted for the admission of error and for the acceptance of losses. Failure to take losses has cost more investors more money than can ever be counted. And strangely enough, few people realize that the loss exists whether it is taken or not. How much better to admit an error in judgment and to take the loss in order to put the funds to better usage elsewhere. It is all very well to persevere in the holding of a security provided that security continues to do well, but to persevere in holding a security when it is performing worse than the market is financial folly. Pride of opinion is costly in financial operations. To be successful marketwise one must be flexible in changing his opinions.

Another example of flexibility is willingness to repurchase a security sold at a lower price. Here, again, human nature rears its ugly head to the detriment of investment success. I dare say there is not one person in a thousand who, having once sold a stock, can bring himself to buy back that stock at a higher price. And yet, time after time, it is necessary to take this course of action. Because one is familiar with a stock which he has once owned he perhaps can recognize the wisdom of buying it again. But few persons will take advantage of such wisdom when the cost price is higher than the selling price. How silly not to repurchase a stock just because it once was sold at a lower price! What bearing has the former transaction on the one about to be made? The stock may well be a better buy at twice its former price. Remember that changing conditions call for changing appraisals of security values. Be flexible!

For my part if I own 10 or 20 securities I look at them every day in the light of: "Are these

the best 10 or 20 securities which I can own today?" In other words, I am never satisfied that my selections are or will remain the best selections for an indefinite period. I take the attitude that there is always room for improvement. By exercising enthusiasm in seeking for better securities, and perseverance in such seeking, I keep myself on my toes. I am not wed to any security and I am open-minded regarding the merits of those securities which I do not own. This does not mean, of course, that one must make constant changes in his portfolio, but it does mean that this attitude in itself is a healthy one for maintenance of a list of securities which at all times is best adapted to changing conditions.

No Fixed Method

So many people devise a method of operation in the buying and selling of securities because that particular method may have worked for them in the past. These people lose sight of the fact that the market changes its character from time to time and that unlike the ocean, there is no regular periodicity of tides. For months the market may remain within a trading range during which time profitable buying and selling can be done for small profits. At other times the market may be in a dynamic phase of either advance or decline, at which time it may be advisable to hold on the advance or to sell on the decline. One cannot, therefore, say that he will always operate for short profits or long ones. He must be flexible. He must change his method of operation in accordance with the changes in the character of the market. He must go with the tide. He should not regard himself as a King Canute and expect the waves to stop at his command. The baseball player learns to let the ball come to him rather than to fight it; so, too, the successful investor will learn to let the market come to him rather than to attempt to impose his method of operations on the market.

To be flexible does not mean to lose one's perspective or to be swayed by either temporary fluctuations or opinions gathered from others. If one has taken a position based on sound judgment he should hold to that position provided he is not confronted with compelling reasons for changing his judgment. Too often we hear a person say that if only he had stayed with such and such a stock, or if only he had done this, that or the other thing, he would today be a wealthy man. That person has no one to blame but himself, because either through luck or the exercise of good judgment, he took a position but failed to adhere to it. Of course, all of us are going to make mistakes and perhaps the best motto to cope with this inevitable factor in market operations is the saying: "He who looks back in the market dies of remorse." Look back, yes, to gain from experience, but look primarily forward because only the future will bring successful operations.

There are fashions in stocks just as in dresses and therefore one must be flexible to the extent of recognizing these style changes. Fashion enters our everyday lives whether it be in clothes, automobiles, houses or the fad of gold-fish swallowing. So, too, does the investor follow certain fashions in the purchase of securities representing various industries. At one time it will be the natural gas stocks; at another the aviation, the oils or some other group. One must therefore be quick to recognize the changes in stock styles and to take advantage of such changes. Unless he is flexible to this extent he will miss out on many important moves which prove extremely profitable to those who get aboard at an early stage. Fashion is first recognized, as a rule, by increased activity on the tape in the securities of that

particular industry. It is closely followed thereafter by comments on the industry by financial writers.

I do not mean to say that movements in the stocks of a particular industry are based solely on fashion, but rather that basic changes taking place within that industry are reflected by increased activity and higher prices in the securities representative of that industry, and that that movement serves to be recognized as a fashion. Follow, don't buck the trend.

Unduly Depressed Stocks

Fashion works in reverse as well. Oftentimes an industry will become overly depressed as a result of widespread publication of bad news affecting that industry. When an industry becomes overly depressed and its securities fully reflect the set of circumstances prevailing at that time, purchases can be made provided one foresees a basic improvement in the not too distant future. In any operation such as this, one requires flexibility and courage for the reason that he is buying securities which at that moment are extremely unpopular. To the extent, however, that they are unpopular, they are also probably on the bargain counter. From a technical standpoint such securities usually reach a bottom after a protracted decline and after they have traded within a narrow range on or about the low point for a long period of time. Such action is usually indicative of long range accumulation, and if one possesses the courage of his convictions he can often make advantageous purchases within that depressed industry at such times. At a later date when the securities of that industry again come into favor and once more are fashionable with security buyers, it will be time to dispose of them in order to take advantage perhaps of other situations depressed at that time.

It is difficult to gauge when fashion is at a peak, but here again, it will probably be reached after securities have had a protracted advance and after they have flattened out within a narrow range at about the top of the move. The opportunities in depressed securities are many, but one must be flexible in his thinking in order to take advantage of these opportunities because it goes against human nature to buy into an industry when the news surrounding it is bad.

By all means be flexible. Learn to accept losses. Learn to repurchase a security at a higher price. Watch for changes in fashions. Learn to seek improvement in your securities position and look back only for the purpose of profiting by past mistakes. Above all, look to the future. Learn to take advantage of depressed situations. Flexibility is a keynote to success.

III

Tailored Securities

Our economic lives are dependent upon investment. Everything we use and consume requires investment before it can be produced. All workers must have tools with which to work and securities are the means of raising funds for the purchase of these tools. The opportunities for investment, therefore, are as many as the products and services which are available to us. For this reason investment selection knows virtually no limitation. It is important that the individual should select those investments which best fit his needs.

Perhaps the simplest analogy might be to say that steak and potatoes are good for the young and healthy, and poached eggs and toast are best for the old and feeble. In other words, the young and gainfully employed can afford to buy securities carrying some degree of risk in the hope of future growth and therefore the building of an estate for later years. They

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can eat steak and potatoes. The old and not gainfully employed who are dependent upon investment income must take a different tack and purchase only those securities which afford a high degree of safety together with adequate income. Their days of looking for growth are past and therefore their diet should be one of poached eggs and toast.

Investments, like shoes, must fit the individual. There are all types and gradations, and one must be careful to select only those securities which represent calculated risks in accordance with his ability to assume such risks. Yes, everyone wants three things out of investment: (1) safety of principal; (2) income; and (3) appreciation. He cannot, however, have all three in the same proportion. This is an important principle to learn just as it is important to know that one cannot time the stock market. If you will decide which of the three factors is most important to you and buy securities accordingly, you will attain investment contentment.

No Rigid Formula

The three factors are to be found in varying degrees in bonds, preferred stocks and common stocks, and everything else being equal the factor of safety of principal will be in that order. The factors of income and appreciation will be in inverse order. But everything is not always equal and it is important, therefore, to consider the merits and demerits of the individual security regardless in what classification it may fall. The old days of setting up a rigid formula for investment are past. Then the formula used to be one-third of one's money in each of the three categories. Today it is altogether possible to obtain the three important factors through an all-common-stock portfolio. This is accomplished by buying different types of common stocks which can be called defensive, growth and cyclical.

Defensive stocks are those which represent companies possessing a more or less static demand for the products or services, such as the utilities, tobaccos, foods and drugs. During good times and bad, we must use the products and services of these industries and, therefore, their sales will tend to hold steady and income and dividends for the same reason are apt to be fairly stable. By the same token these industries, while possessing, of course, a degree of growth with expanding population, do not possess the dynamic growth possible in faster expanding industries.

Growth stocks are designed primarily for those seeking appreciation over the years. This class perhaps is best represented by the chemical group, followed by such industries as electronics, oils, airlines, etc. Because companies operating in this category indulge in intensive research activities, they are constantly producing better products for existing markets and developing new products for new markets with the result that sales tend to expand faster than the normal secular growth of the nation. The financial rewards, therefore, tend to keep pace with this type of research. The risk lies in failure on the part of any one company to keep abreast of its competition.

Cyclical stocks are those representing industries which tend to fluctuate in wider swings than the economy as a whole. These are typified by steel, rail equipment, mining, building and railroads. It is well in selecting securities of this type to be sure that one is not buying at a time when the cycle is about ready to reach a peak. Oftentimes cyclical securities will

prove extremely profitable speculations when bought at or near the low point of the cycle.

From this brief enumeration of the various kinds and types of securities it is possible to realize the many possibilities which are available to the investor. Again I say that he must select the kinds and types which fit his needs, as only by so doing will he be following sound investment practice.

Diversification

One way in which to guard against unsound selection is to include many different securities in order to obtain diversification. Almost all of us have been taught that in diversification lies safety. To a degree that statement is true. Like any other principle, however, it can be overworked. Too much diversification in order to obtain safety often leads one away from careful selection. If he leans too heavily on diversification and too little on selection of individual securities, he may wind up with a long list of mediocre stocks. For my part I should much rather limit diversification because by so doing one is more careful in each individual selection for the reason, of course, that his stake is greater in each particular security. Fewer securities are also easier to watch.

If you will be just as careful in selecting securities as you are in buying the clothes which you wear or the food which you eat or the house in which you live, then you will attain a sound investment program. Remember that your securities must fit your needs, and remember, too, that you must carefully analyze your needs from an objective viewpoint.

IV

For the Uninitiated

What I have said thus far has been directed primarily to those who possess at least an understanding of the securities markets and the fundamentals of investment. What about those who do not have such a background or feel that they are not prepared to lay stress on selection rather than timing of the market, to adopt an extremely flexible attitude toward securities and to select those which fit their needs? There is still another answer for you. This answer or solution is to be found in the acquisition of investment company shares. You can purchase either what is called the closed-end or the open-end investment companies. The closed-end investment company has a specified number of shares outstanding and these shares sell at a price determined by supply and demand, just as the shares of any other corporation. Such shares are usually available at a discount from asset value and while this in itself may appear attractive, nevertheless the discount may be of little advantage to the investor for the reason that the discount may prevail for the indefinite future. Nevertheless it is reassuring to be able to buy securities at a price which is below their true asset values. There are several large, well known investment companies in this category, some of which are listed on the New York Stock Exchange.

The Open-End Investment Company is more commonly called a Mutual Fund and the number of shares outstanding of each such fund at any one time depends entirely upon the number of buyers and sellers for that particular fund. In this case the shares always sell at net asset value. You do, however, pay what is called a "load" factor or sales charge when purchasing these funds, amounting to somewhere between 6% and 8%. The charge in itself is not large provided it is amortized

over a period of years. Mutual Funds have grown in popularity tremendously in recent years, the total amount of money so invested having risen from virtually nothing 25 years ago to over 9 billion today.

In both types of investment companies the investor has his financial managing done for him. In other words, the financial experts who control the pooled resources buy and sell in accordance with their best judgment as determined through their research activities. The investor need take no thought for the individual security if he buys investment company shares as all the principles I have enumerated and many others are followed by the investment management of the trust. The history of most investment companies is good. They tend to do a superior job and the shares for the most part have reflected this performance over the years.

Mutual Profit

Every man, woman and child in the United States possesses an inherent right to participate in the growth of this country. Perhaps the easiest means of participating in such growth is through the acquisition of securities. It makes little difference whether you buy individual securities or investment company shares, but whatever you do, be sure to start an investment program and to adhere to it. By so doing you will be playing a part in the capitalistic system of America, which system is by far the best which has yet been devised. Your rewards over the years should be large and unless you do participate in the growth of America through the purchase of securities you will find that inflation, which is always with us, will cause a deterioration of your savings. Securities representing private property tend to advance with increasing prices in the economy. With the exception of the 19th Century the history of mankind has been one of inflation and most certainly today there is no indication to the contrary. There exists, therefore, a two-fold purpose for buying securities: (1) to participate in the natural growth of our country, and (2) to guard against the ravages of inflation.

One of the finest lectures ever given, and it was delivered over 6,000 times, is called "Acres of Diamonds" by Russell Conwell. The message contained in the lecture is that opportunities for making money abound within our own backyards and that the making of money is a good thing in that money is a power for good within the family and in the outside world. "Acres of Diamonds" are to be found within the financial pages of our large newspapers, in financial periodicals and in the offices of New York Stock Exchange members and other security dealers. It is all there within our own backyards. We need only take advantage of what is offered us.

It is a pity that so many people do not get started on an investment program, particularly at an early age. The primary reason, perhaps, for failure to do so lies in the fear of the unknown. Of course, anything will remain unknown unless one looks into the matter. Then, too, many people have good intentions about starting an investment program but fail to act because they are waiting for so-called "normal" times. If you will think about it, you will realize that if you had waited for normal times you would not have made any investment for the past 50 years, and think of the fortunes that have been made during that period!

During this time we had the panic of 1907, the recovery to 1914 and then the First World War. We had inflation and the silk-shirt year of 1919, followed by a short depression, and then the great Bull Market of 1924 to 1929. Everyone knows about the depres-

sion of the early thirties, and the recovery to 1939, followed by a readjustment and still another recovery up to 1941 when we were struck by the Second World War. This was followed by a readjustment and then the postwar inflation era, and Korea and still more inflation. Recently another recession has made an appearance. That history is not one of "normal" times, but rather one of changing times. There is no such thing as normalcy. Any time is a good time to invest, provided you select securities rather than time the market, remain flexible in your attitude toward securities and carefully determine which kinds and types of securities fit your needs.

If you aspire to a sound investment program, my final advice to you is to follow this procedure: First, determine your investment requirements with a clear and impartial objective viewpoint. That is to say, think out for yourself the order in which you should seek the prime investment objectives of safety of principal, income and appreciation. Once having done this, then select the types of securities—bonds, preferred stocks and common stocks—and the industries which best fulfill your requirements. Thereafter select the best comparative values in the securities of those types and industries. At that stage you will have finished the initial program, but forever afterward be prepared to make changes in order to take advantage of changing conditions and to adhere to your investment program as you have devised it. If there is any question in your mind about your ability to formulate this program, or else to find someone to do it for you, then revert to the purchase of investment company shares.

Good investing to you!

Two With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Shane H. Brady and Richard C. Casey are now with Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

E. C. Werle in N. Y. Fund Campaign

Edward C. Werle, Vice-Chairman of the Board of Governors of the New York Stock Exchange, and a partner in Johnson and Wood, is a Section Chairman for Stock Exchange firms in the 1958 Greater New York Fund Campaign.



Edward C. Werle

New York Fund Campaign

Freeman With Hogle

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Carl H. Freeman has become associated with J. A. Hogle & Co., Equitable Building. Mr. Freeman was formerly Denver manager for Central Republic Company and Dean Witter & Co.

With Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard L. Beverly is now connected with Dean Witter & Co., 50 West Adams St. He was previously with A. C. Allyn and Co.

With Gregg, Storer

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—William O. Rowand is now with Gregg, Storer & Co., Inc., 30 Federal St., members of the Boston Stock Exch.

Two With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Thomas A. Belshe and Sigmund L. Milford have become affiliated with E. F. Hutton & Company, 160 Montgomery Street.

Stock and Bond Yields Analyzed

Cleveland Trust Company study compares stock and bond yields, and stock yields as multiples of bond yields. Finds recent spread between respective yields has widened considerably

The March monthly "Business Bulletin" published by The Cleveland Trust Company contains a study of stock and bond yields from 1908 through February, 1958.

The Bulletin notes that "last summer the spread between common stock and bond yields was the narrowest in more than 20 years. Since then common stock prices in general have declined and their yields have moved up. On the other hand, during the past few months high-grade bond prices have had one of the sharpest advances on record, with a corresponding drop in yields (at market price). Consequently the spread between the respective yields has widened considerably."

Changes in stock and bond yields beginning with 1908 are shown in table below. For stocks, the column represents the average yield of all dividend-paying common stocks regularly traded on the New York Stock Exchange. The yield for any given month is obtained by dividing the sum of all the cash dividends paid per share during the latest 12 months, by the sum of all the prices. The column for bonds represents the average yield to maturity of highest grade corporate bonds (A1+ rating), based on the series of Standard and Poor's Corporation.

The table also shows the average yield of the common stocks as a multiple of the average yield of the bonds, with the series used being the same as in the upper chart. For any given month, the multiple is obtained by dividing the stock yield by the bond yield. Thus if the former is 6%, and the latter is 3%, the multiple is 2. The data are computed for third month in each quarter.

For February of 1958, the stock yield was 5.18% and the bond yield was 3.60%. The table below gives comparisons by decades and for certain recent periods.

	Yields on Common Stocks	Yields on Corporate Bonds (A1+)	Stock Yields as Multiples of Bond Yields
1908-17 Average.....	5.83%	4.71%	1.24
1918-27 Average.....	6.89	5.30	1.30
1928-37 Average.....	5.62	4.31	1.30
1938-47 Average.....	5.77	2.81	2.05
1947-57 Average.....	5.72	3.02	1.89
July, 1957.....	4.56	4.01	1.14
Feb., 1958.....	5.18	3.60	1.44
Average 1908-57.....	5.97	4.03	1.48

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creates a substantial risk that underwriters or dealers, in circulating the bulletins, would, where such opinion material is favorable, be held to have violated the Act through their participation in a recommendation of the security for purchase."

A Problem of Long Standing

I have dwelt at some length on these releases for two purposes. In the first place, they show that the problem of determining what constitutes pre-effective or pre-filing offerings of securities has always been with us. I think further that this history shows that, in publishing Release No. 3844, we have not embarked upon some new adventure in statutory construction or of administrative policy, and that the present concern of the trade ought not to be ascribed entirely to any recent pronouncements of the Commission. These early releases were published for the same purpose for which we published Release No. 3844, namely, to make generally public the Commission's views concerning the type of activity which, in its opinion, might constitute a violation of the statutory prohibitions against pre-filing offerings by issuers and underwriters.

The Securities Act was amended in October, 1954, in an attempt to remove the confusion and the artificial distinctions which arose from the apparent inconsistency to which I have referred between the prohibitions against offers during the waiting period and the expressed policy of encouraging the dissemination of the information in a registration statement. As amended, the statute still prohibits sales and contracts to sell³ before the effective date of a registration statement but permits the making of offers to sell and the solicitation of offers to buy by issuers and underwriters immediately upon the filing of a registration statement by means of prospectuses authorized by the statute or the Commission's rules.⁴ The prohibition against engaging in a sales campaign prior to the filing of a registration statement remained unaffected. In other words, the statute today, as it has since 1933, prohibits any attempt to dispose of a non-exempt security prior to the filing of a registration statement.

This prohibition is none of the Commission's making. It reflects a Congressional policy expressed in the original Act and reaffirmed in 1954 that the offering of a security for sale or the solicitation of offers to buy a security as to which registration is required may not legally begin prior to the filing of a registration statement. We cannot ignore the clear intent of that policy which, while requiring fair and adequate disclosures in a registration statement and prospectus, also circumscribes the freedom of the prospective seller to use other types of information and to distribute other types of literature at certain times and under certain circumstances. It is my purpose today to try to explain how we feel that this statutory policy affects or should affect the conduct of issuers, underwriters and dealers in some of the situations which arise in the ordinary course of business.

Semantics

Lawyers have repeatedly observed that many business problems would cease to be problems

³ Excepting contracts between issuers and underwriters and among underwriters.

⁴ See Rules 433, 434, 434A. It also permits oral offers with certain limitations.

were it possible to give precise meaning to certain words. For example, how much life would be simplified if we had nice, neat definitions of universal application for such words as "control," "material," "underwriter," "fraud," "misleading," "adequate," "reasonable," or "prudent man." But these terms have a significance which affects conduct only in relation to the particular facts and circumstances of a given situation and such relevant facts and circumstances may present themselves in infinite variety.

The problem before us today stems from the definitions of "sale" and "offer" found in subsection 3 of Section 2 of the Act. Section 5 relates to sales, contracts of sale and to "offers"; i.e., to every attempt or offer to dispose of, or solicitation of an offer to buy, a security for value. In this context, it is obvious that the term "offer" is far from limited to an express and overt offer. Whether a given activity would fall within this definition therefore can be determined only by a consideration of all the facts and circumstances surrounding a particular case. Factors such as intent, knowledge and time would be important considerations in determining whether a person must be regarded in a particular situation as being involved in an attempt to dispose of a security within the intent and meaning of the Act. For these reasons, the Commission has never believed it appropriate to attempt to formulate a rule-of-thumb definition in this area and has endeavored to deal with the problem on a case-by-case basis. But as this body of case history has evolved, I think that certain principles or guides have become apparent which might be of help in this difficult but important field.

The provisions of Section 5 of the Securities Act apply in general to three classes of persons, that is, to issuers, to underwriters and to dealers. An issuer or its officials or employees cannot legally begin to offer a security to the public prior to the filing of a registration statement, nor, as we see it, can they engage in a publicity campaign prior to the filing which is part of an effort or plan having for its purpose the sale to the public of a non-exempt security. This does not mean, of course, that a corporation which is planning to bring an issue to market must close its advertising department, dismiss its public relations people and gag its officials and employees. Most certainly an issuer may continue the normal conduct of its business and may communicate with its security holders and customers prior to the filing of a registration statement or during the so-called "waiting period." Thus, it may continue to publish advertisements of its products and services without interruption. It may send out its quarterly, annual and other periodic reports to its security holders. It may publish its proxy statements, send out its dividend notices and make routine announcements to the public press and to employees without objection from the Commission. Indeed, we do not normally regard these activities as any of our business nor do we wish to be concerned with them. But when, shortly before the filing of a registration statement or during the pre-effective period, public communications of various sorts begin to appear which discuss such aspects of a business as its finances, its earnings or its growth prospects in glowing and optimistic terms, stressing the favorable over the unfavorable, I

think we may be pardoned if we are so unkind as to suspect that this activity may not be entirely concerned with the sale of soap or machine tools or what have you.

Recalls Montgomery Ward 1954 Case

It was clearly indicated in Release No. 3844 that the publication by an issuer of its annual report at the usual time and with the usual content though coincidental or approximately so with the filing of a registration statement would not appear to be in violation of Section 5. On the other hand, it takes no great imagination to visualize the annual report which contains puffing statements becoming the vehicle for a message to stockholders who are about to receive warrants to subscribe to a new issue of common stock of the issuer, which might raise serious questions whether the issuer was not in fact beginning the offering of the common stock by this means. Nor is such a course of action beyond the ingenuity of corporate officials or counsel. Chicago investment bankers may recall that the annual report of Montgomery Ward for the year 1954 was published while Mr. Wolfson was attempting to gain control of the company. Under our proxy rules as they then stood, the annual report was defined not to be proxy soliciting material. The inclusion in this annual report of comments upon Mr. Wolfson's activities was clearly a part of the management's campaign in the solicitation of proxies. That incident was in part responsible for an amendment to our rules in 1956, bringing that portion of an annual report commenting upon the opposition participants in a proxy fight within the purview of the proxy rules.

The questions relating to issuers which are most frequently presented concern press releases and speeches by corporate officials during the pre-filing or pre-effective periods. A press release by a corporation announcing some event in its business would not seem to us to present any particular problem. The announcement of a dividend, the receipt of a contract, the settlement of a strike, the opening of a plant or any similar event of interest to the community in which the business operates have never been looked upon with askance. However, that does not mean that purported news items which tout the companies' securities or which dwell upon the financial aspects of the business ordinarily associated with the sale of securities shall be viewed in the same light.

Rights — Notification

Many are familiar with a practice of long-standing followed by many companies in preparation for a rights offering. Corporate officials know from experience that a certain percentage of rights are not exercised by security holders for various reasons. Accordingly, they have felt it desirable in order to prevent loss to the stockholders and underwriting expense to the corporation to notify their stockholders prior to the filing of a registration statement that the proposed offering would be made in order that the stockholders might be prepared to act when the subscription rights were issued. Such advance notice was, however, recognized as being an offer or at least a step in the offering taken prior to filing and therefore as a possible violation of Section 5. As a practical matter, the Commission has consistently agreed that such advance notice for this limited purpose was permissible under the spirit of the Act, if possibly not under its letter, so long as the content of the notice was limited to notice and was not embellished with material of a sales character. In this connection I refer you to Rule 135 under the 1933 Act.

Speaking Before Analysts

Fairly frequent inquiry is made to us concerning the status of speeches by corporate officials before groups of financial analysts or similar trade organizations. We understand that such an address is usually scheduled by the societies some time in advance at a time when there may be no contemplation of an offering. It sometimes happens that the date so scheduled for the speech is sufficiently close to a proposed filing of a registration statement as to cause some concern to counsel for the issuer or underwriter. I do not believe that the Commission has ever expressed the view that such a speaking engagement made in advance with a financial analysts' society should be cancelled or even rescheduled. We think it is incumbent upon the executive, however, not to phrase his talk in such a manner as to constitute a selling effort, and we have from time to time expressed the view that any public distribution of the speech and of the material sometimes employed in connection therewith might well raise a serious problem under Section 5. Perhaps I can point up the latter observation to some extent. An issuer or an official of an issuer could not properly distribute to the public, or to a group of people who might redistribute to the public, copies of a draft of a Securities Act prospectus with the old red-herring legend prior to the filing of a registration statement. The parallel is, to my mind, perfectly clear. And it is generally conceded, I hope, that a person should not be permitted in this field to do indirectly that which he should not do directly.

The problem which faces the broker-dealer in this respect differs in some measure from that facing the issuer. On the other hand, we believe that a managing underwriter, or a sole underwriter, has a duty and responsibility somewhat different from that of other broker-dealers who may or may not become participating underwriters.

Broker-Dealer

The broker-dealer is in the business of selling securities and advising customers in securities matters and, in a sense, it could be said that all of his activities have as their ultimate objective the purchase or sale of securities. It is obvious, however, that the ordinary course of the business of a broker-dealer, and the business of a broker-dealer as a participant in a distribution of securities by or for the account of an issuer or a controlling person under the Securities Act, are two separate and distinct functions. Basically, I suppose, it is only when these two functions by inadvertence or deliberate design collide or merge, depending upon how you view the matter, that any problem arises.

A ready-made analogy and another aspect of this same fundamental problem is found in the limitations placed on the trading activity of a broker-dealer during the period preceding the marketing of a registered issue. In substance, Rule 10(b)6 of the Commission's rules under the Exchange Act provides that an issuer, an underwriter or prospective underwriter, or any other person who has agreed to participate in a distribution may not bid for or purchase securities of the class and series being or to be distributed or attempt to induce any other person to purchase such securities prior to completion of his participation in the distribution.⁵ A pros-

⁵ The Rule contains a number of exceptions for transactions of a character not likely to effect the market price, or conducted in conformity with other Commission rules, as well as a special exception permitting certain over-the-counter purchases up to 10 days before the proposed commencement of the distribution. This latter exception is designed to meet certain peculiar problems in the over-the-counter market where prospective underwriters may include those firms who normally make the market.

pective underwriter is defined as a person who has agreed to submit or who has submitted a bid to become an underwriter where the securities are offered at competitive bidding, or who has reached an understanding with the issuer, or other persons on whose behalf a distribution is to be made, that he will become an underwriter, whether or not the terms and conditions of the underwriting have been agreed upon. The rationale underlying this rule is clear. An underwriter who is going to participate in a public distribution of a security ought not to be free to effect transactions in the security under circumstances which might affect the free play of the market place so as to benefit those preparing for the distribution.

Now, the Commission is fully conversant with the power of the public press, the printed word and the technique of radio and television. We are not unaware that a nice piece of publicity properly timed and skillfully executed can be just as effective in affecting the free play of the market place as is a series of securities transactions. The principles which concern us here are essentially the same as those applicable to securities trading. We do not believe that a managing underwriter should engage in any publicity activities with respect to an issuer, or the securities of an issuer which is planning a public offering of a registered security which would be improper if done by the issuer. Further, we believe that a managing underwriter should certainly not engage in publicity activities at a time when, under Rule 10(b)6, he would consider that it would be inappropriate for him to effect transactions in the company's securities. It might be well to keep in mind in this connection that most of the illustrative cases cited in Release No. 3844 involving conduct by underwriters were cases in which the underwriting firm was a managing underwriter or the sole underwriter.

Two Situations

It has been pointed out that in many cases the firm, which has traditionally been a managing underwriter for an issuer, is aware that the issuer's plans will require the public sale of additional issues of securities periodically in the future and has every reason to assume that the traditional business relationship will be continued. The question has been asked whether the Commission considers that under these circumstances the firm, in order to obviate the risk of violation of Section 5, must avoid giving out any comment or advice to its customers and others concerning that issuer and its securities. We do not take that position. Further, the Commission believes that the firm ought to discharge what it considers to be its duty and obligation to its customers as a broker-dealer by reporting on and advising concerning events of significance in the business of the issuer. When the firm knows, however, that a particular financing has been determined upon and that the firm will be a managing underwriter, it seems equally obvious that the timing and content of the advice thereafter given its customers through reports and brochures will determine how these documents must be viewed in relation to the forthcoming offering and the provisions of the Securities Act. If the firm has published a report on the business of the issuer and the issuer thereafter should, due to market conditions, unexpectedly file a registration statement, the fact that the proposed offering was not in contemplation at the time of publication of the brochure would seem to be persuasive that the firm was not engaging in a sales effort with respect to the forthcoming issue.

The second type of situation

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which seems to have concerned several firms is presented when the firm publishes periodically and in the usual course of its business, either in accordance with a prearranged schedule or from time to time, reports and analyses of industries, i.e., the so-called industry surveys or reports which deal with selected companies in a particular industry. This problem has been presented not only by firms who from time to time may be managing underwriters but also by firms who in the past have been and in the future expect to be invited to join underwriting groups marketing issues of companies in such industries. As I have already explained, the Commission believes that after a broker-dealer firm knows that a particular financing is being prepared for market and that it will be a managing underwriter, the publication of an industry report on that industry prior to the effective date of the registration statement should, as a general rule, be avoided. However, it is conceivable that there could be a form of industry report which was so statistical in character or so devoid of material of a sales nature as to raise no question. The types of report so far considered by the Commission in the questions presented to it have not been so limited and have usually contained specific or implied recommendations.

The broker-dealer firm which is not customarily a manager for the issuer but which may from time to time be invited to participate in an underwriting has, as we see it, a problem different at least in degree. As we understand it, these firms are less likely to know in advance that particular issuers have determined to bring a particular issue to market at a particular time. Many of them learn of a forthcoming offering only when they are approached as prospective underwriters shortly before the filing of a registration statement. They then frequently discover that they have distributed brochures, recommendations and opinions to their clients just prior to receiving an invitation to join the group or they may have spent considerable sums and much time in the preparation of a report which is scheduled for release on a date which is just after the firm has received such an invitation or just at or about the time it learns that a filing will be made in which it anticipates that it will receive an offer of a participation. These firms are quite naturally and reasonably concerned lest the work of their research departments will in effect prejudice their position and their opportunities to participate as underwriters or lest the expense and time spent on research must be wasted.

I do not believe that the Commission knowingly has penalized any broker-dealer firm caught in this predicament. When the publication is scheduled for distribution after the firm has received information as to its participation, we have suggested that the report might be modified so as to delete material specifically discussing or recommending the particular issuer, or to limit the presentation concerning that company to previously published statistical data. We do not intend to prejudice the normal routine activities of a firm in the conduct of its broker-dealer business, nor the relationships between that firm and its customers in situations where the firm, without knowledge of a prospective participation in a distribution, has sent to its customers the type of communication normally sent in the conduct of its business. The

Commission does believe very strongly, however, that the research and new business departments of broker-dealer firms should be on speaking terms with each other and that a businessman's judgment ought to be examined in these situations with an awareness that he has a responsibility for a certain amount of self-discipline under the statute.

SEC Merely Renders Opinions

The Commission does not desire to interfere with the financial plans of issuers. It derives no pleasure in taking disciplinary action against brokers and dealers. It would much prefer to see the industry recognize the problem and deal with it on a sensible basis. At the same time, I think you should remember that the so-called clearance of the Commission is no guarantee of the point of law or fact which is passed on. Under the Securities Act, every participant in a distribution takes certain risks. We can tell you that the Commission would not feel impelled to interfere with a proposed transaction under a given state of facts, but we cannot tell you whether a judge and jury would decide that the same actions are part of the selling effort, hence constitute a violation of the Act and hence impose certain civil liabilities. It is the duty of the issuer and the underwriters and their counsel to determine for themselves the nature and extent of the risk and be governed accordingly. We are perfectly willing to give our opinions in these matters, though I think that it should not be necessary to seek our advice in every situation of the character I have been discussing here.

The fact is that all through the history of the rulings of the Commission in dealing with this question runs a consistent and simple logic. If the material submitted is reasonably to be considered as a part of the selling effort, it comes within the purview of the statute. If not, then it is none of our business. The ultimate determination must be made on an *ad hoc* basis, and must involve the exercise of judgment in evaluating matters of degree. One firm observes another's practices and enlarges on them a little bit. A little firm observes the conduct of a big firm and the little firm rightfully concludes that the type of conduct followed by the big firm is equally permissible for it. Bit by bit a practice spreads and in the words of a former Chairman of the Commission: "I think there is a kind of unadmitted subconscious feeling, even on the part of those familiar with the business, that if the SEC does not move in to thwart a particular practice of doubtful integrity, the practice becomes *ipso facto* validated." I do not understand that this result follows.

The sole purpose of Release No. 3844 was to remind everyone that the primary responsibility for the observance of Section 5, which hasn't been talked about very much since the 1954 amendments, remains in the industry's hands. The Commission has in mind preparing a further release which may serve in some measure to clarify Release No. 3844 along the lines we have been discussing. I would like to hear reactions to this discussion which may give us some help in this rather difficult task.

With Goodbody & Co.

DETROIT, MICH. — Richard G. Harvie has become affiliated with Goodbody & Co., Penobscot Bldg.

Page Named Pres. of ASE Clearing Corp.

David U. Page, an American Stock Exchange member whose Wall Street career spans more than half a century, has been appointed President of the American Stock Exchange Clearing Corporation, Edward T. McCormick, Exchange President, announced. Mr. Page served as President of the old New York Curb Market, predecessor to the present American



David U. Page

Stock Exchange, from 1925 to 1928. He began working in the financial district more than fifty years ago as a runner in the outdoor Curb Market. Mr. Page became a member of the New York Curb Agency in 1905 and was a Governor for 25 years.

Appointed as Clearing Corporation officers for the first time were Edward W. Kraebel, second Vice-President; Leonard C. Greene, Secretary & Treasurer; and Townsend E. Allen, Assistant Treasurer. William A. Hoffman and C. E. Sheridan, who have served before, were appointed Vice-President and Assistant Secretary, respectively. Robert J. Humphrey and Charles J. Kershaw were elected to the board of directors with Mr. Kraebel.

Now With Goldman, Sachs

CHICAGO, Ill. — William S. Finerman has become associated with Goldman, Sachs & Co., 208 South La Salle Street. He was formerly with Cruttenberg, Podesta & Co. Prior thereto he was in the investment business in California.

Joins Illinois Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Dick P. Skaer II has joined the staff of the Illinois Company Incorporated, 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With L. F. Rothschild

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Patricia M. Howe has become associated with L. F. Rothschild & Co., 231 South La Salle Street.

With Robert Conolly

(Special to THE FINANCIAL CHRONICLE)

WAUKEGAN, Ill. — M. Anita Hawthorne has joined the staff of Robert C. Conolly, 223 Washington Street.

With H. H. Butterfield

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich. — James C. Butterfield has become affiliated with H. H. Butterfield & Co., City Bank Building.

A. G. Becker Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Marshall Bogard has become associated with A. G. Becker & Co. Incorporated, 120 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Bogard was formerly with B. C. Morton & Co. in Boston.

With W. E. Hutton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — David W. Stump has joined the staff of W. E. Hutton & Co., 75 Federal St.

With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

MEDFORD, Ore. — James C. Nistler is now affiliated with Walston & Co., Inc., 127 East Sixth St.

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The State of Trade and Industry

grammed the past week at 84,622 units compared to 86,447 in the previous week and 138,646 cars in the same week of 1957.

A schedule of 16,604 trucks was on order last week, paralleling 16,952 units the week before. In the same week last year, production stood at 23,219 units.

The rate of manufacturing during the first three weeks of March, "Ward's" observed, indicates this month's yield will approximate 360,000 cars and 72,000 trucks. January totaled 489,357 cars and 81,802 trucks, while February provided 392,112 cars and 72,891 trucks.

Through the past week, car production in calendar year 1958 stands 32% below the corresponding 1957 period or 1,137,480 units compared to 1,661,353 units. Truck output is 19% under a year ago or 207,553 units contrasted to 255,715 units.

In the steel industry the steel mills overall earned more money in 1957 than they did in 1956 despite lower production and shipments. But the overall figures are misleading. "The Iron Age," national metalworking weekly, stated on Wednesday last.

In its annual financial analysis of the steel industry, this trade weekly pointed out that not all steel companies fared as well as the aggregate returns indicated. In fact, 21 of the 29 major mills surveyed made less money last year than in the year previous.

"Overall gains in sales and earnings last year reflect higher prices rather than more prosperous operations," continued "The Iron Age." Actual shipping tonnages fell 4% from 1956 to 1957. In relation to sales dollars, profit percentages increased less than 1%. In relation to investment, they declined nearly 5%.

"Moreover, total earnings for the industry were beefed up by the good showing of the two biggest mills. U. S. Steel's net income jumped more than 20% from 1956 to 1957, while Bethlehem Steel had an 18% gain. If you take out the increases of these two, steel earnings are down from 1956."

Meanwhile, the mills are still bumping along the bottom of the recession trough. As yet, there is no sign of even a moderate pickup for the second quarter. Nearly all the news is still bad. Due to the virtual absence of backlogs, production schedules are closely tied to the low incoming order volume.

"The Iron Age" observed that steel companies are taking unusual steps in an effort to minimize their production costs. Some firms have taken to accumulating orders at various mills and then bunching them as economically as possible on rolling mills. They also are shuffling orders to their most efficient mills, curtailing operations at the least efficient.

The week-to-week fluctuation in steel orders, this trade paper commented, reflects the uncertainty and hand-to-mouth inventory policies of steel users. It is just about impossible for the mills to pinpoint even a glimmer of a trend. Some buyers are holding up or canceling out orders that have reached the shipping docks.

"The Iron Age" further reported that steel salesmen are painting a dismal picture of the automotive order situation. One sheet producer stated that "steel buyers for the automotive industry are still playing Dixie with their orders. The same order will be pushed back two or three times."

Steel sales offices are working harder than ever, with less to show for their efforts. They are handling as much paper as ever, but tonnage is small. Most office clerical workers are on four-day weeks. Salesmen are making up to 25% more calls. Yet early April orders show no significant improvement over March.

"The Iron Age" reported that one glimmer of hope is that customer inventories are down to bedrock and missing a delivery by a week causes crises and threats. If business did pick up it would probably snowball because of minimum inventories.

Steel Production This Week Placed at 50.5% of Ignorant Capacity

Re-evaluation of automotive requirements for steel indicates this year's output may be as low as 90,000,000 to 95,000,000 tons, "Steel" magazine reported on Monday of the current week.

The steel mills are finding that the auto industry has been replaced by construction as their leading customer this year, the metalworking weekly added, and noted that the mills are looking for a gradual uptrend all year in steel production.

Producers think there is little likelihood of the mills working at capacity (equal to a 140-million-ton output) for some time. The industry could be forced into near-capacity operations as early as the first or second quarter of 1959. Then, customers may be worried about a steel strike and will rebuild inventories for protection.

Automakers are trying to hold cold-rolled sheet inventories down to 15 days, but few are successful. Most supplies range from 18 to 20 days to more than a month.

Steelmakers are still awaiting the spring upturn, but production is having trouble getting off the bottom. Steelworkers have been operating at 52.5% of capacity for three consecutive weeks and output at that level comes to about 1,415,000 net tons of ingots for steel and castings.

"Steel's" price composite on the prime grade of steel scrap slipped to \$36.33 a gross ton last week, off 50 cents. This was the second week of decline. Steel mill interest in offerings is lagging, but foundry buying of cast grades is moderately active.

The American Iron and Steel Institute announced that the operating rate of steel companies will average 51.8% of steel capacity for the week beginning March 24, 1958, equivalent to 1,363,000 tons of ingot and steel for castings (based on average weekly production for 1917-1949) as compared with an actual rate of 58.2% of capacity, and 1,417,000 tons a week ago.

Output for the week beginning March 24, 1958 is equal to about 50.5% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 52.5% the week before.

For the like week a month ago the rate was 51.8% and pro-

duction 1,475,000 tons. A year ago, the actual weekly production was placed at 2,364,000 tons, or 147.2%.

*Index of production is based on average weekly production for 1947-1949.

Electric Output Tapered Off Moderately the Past Week Following an Increase in the Previous Period

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 22, 1958, was estimated at 11,756,000,000 kwh., according to the Edison Electric Institute. Output declined during the week following an increase in the prior period.

For the week ended March 22, 1958, output decreased by 104,000,000 kwh. below that of the previous week, but increased 33,000,000 kwh. or 0.3% above that of the comparable 1957 week, and 622,000,000 kwh. above that of the week ended March 24, 1956.

Car Loadings Declined 0.9% in Latest Week and 21.8% Below a Year Ago

Loadings of revenue freight for the week ended March 15, 1958, were 5,116 cars or 0.9% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended March 15, 1958, totaled 539,057 cars, a decrease of 150,169 cars or 21.8% below the corresponding 1957 week, and a decrease of 146,926 cars, or 21.4% below the corresponding week in 1956.

Automotive Output Last Week Declined 37.5% Below Previous Week's Volume

Automotive production for the week ended March 21, 1958, according to "Ward's Automotive Reports," declined the past week by 37.5% under the level of the prior period, marking a low for the year thus far.

Last week's car output totaled 84,622 units and compared with 86,447 (revised) in the previous week. The past week's production total of cars and trucks amounted to 101,226 units, or a decrease of 2,173 units under that of the previous week's output, states "Ward's."

Last week's car output decreased below that of the previous week by 1,825 cars, while truck output eased by 348 vehicles during the week. In the corresponding week last year 138,646 cars and 23,219 trucks were assembled.

Last week the agency reported there were 16,604 trucks made in the United States. This compared with 16,952 in the previous week and 23,219 a year ago.

Canadian output last week was placed at 7,080 cars and 1,165 trucks. In the previous week Dominion plants built 7,154 cars and 1,219 trucks and for the comparable 1957 week 9,211 cars and 1,632 trucks.

Lumber Shipments Dropped 5.3% Below Output in Week Ended March 15, 1958

Lumber shipments of 489 reporting mills in the week ended March 15, 1958, were 5.3% below production, according to the National Lumber Trade Barometer. In the same period new orders were 3.3% above production. Unfilled orders amounted to 29% of stocks. Production was 2.5% above; shipments 2.0% below and new orders were 7.6% above the previous week and 5.3% below the like week in 1957.

Business Failures Spurt Upward in Week Ended March 20

Commercial and industrial failures rebounded to 357 in the week ended March 20 from 336 in the preceding week, Dun & Bradstreet, Inc., reports. This increase brought casualties close to the postwar record, established two weeks ago and lifted them considerably above the 317 in the comparable week of last year and 208 in 1956. Failures were 2% more numerous than in the corresponding week of prewar 1939 when 350 occurred.

Casualties involving liabilities of \$5,000 or more edged to 305 from 303 in the previous week and exceeded the 282 of this size a year ago. Most of the week's rise came from small failures with liabilities under \$5,000, which climbed to 52 from 33 last week and 36 in 1957. Thirty-seven of the failing businesses had liabilities in excess of \$100,000, as against 45 in the preceding week.

Wholesale Food Price Index Eased Slightly in Latest Week

The Dun & Bradstreet wholesale food price index dropped 0.2% from this year's high of \$6.68 to stand at \$6.67 on March 18. The present index figure is 7.6% higher than the \$6.20 of March 19, 1957.

Up in price the past week were hogs, lambs, bellies, beef, steers, potatoes, wheat, corn, cottonseed oil, sugar and barley. Lower in price were flour, butter, coffee, eggs, cocoa, rye, oats and hams.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Edged Slightly Downward From Its 1958 High of Previous Week

The general commodity price level declined slightly in the latest week, reflecting price declines on steel scrap, cocoa, some grains, and livestock. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., slipped to 281.46 on March 17 from 282.10 a week earlier, the 1958 high. It was moderately below the 289.40 of the corresponding date a year ago.

Reports showing larger than expected amounts of grains under Government loan in the price support program somewhat discouraged grain trading during the week and futures prices dipped somewhat. Although a decline in supplies of wheat in free commercial positions occurred, transactions in wheat slackened and prices were down fractionally from a week earlier. There was a moderate dip in corn futures prices as buying slipped. While oats prices were close to those of the prior week, rye prices climbed somewhat.

Wholesalers reported a moderate dip in purchases of soybeans, causing prices to fall slightly. Although the amount of soybeans inspected for overseas export in the week ended March 7

decreased moderately from the previous week, it noticeably exceeded that of the comparable period last year.

The buying of flour improved during the week and prices were sustained close to those of a week earlier. Flour receipts at New York railroad terminals on Friday totaled 29,503 sacks, including 27,598 for export and 1,905 for domestic use.

There was an increased call for rice and futures prices were steady. Rice supplies at wholesale were limited. Volume in raw sugar expanded and prices climbed slightly. Prices on refined sugar were unchanged from the prior week.

While coffee prices fell noticeably at the beginning of the week, they recovered somewhat at the end of the period and finished slightly below those of the prior week. A decline in cocoa futures prices was reported as trading lagged at the end of the week.

Although hog receipts in Chicago dipped slightly below those of the preceding week, they were moderately higher than a year ago. Hog trading equalled that of a week earlier, but prices slipped fractionally. A slight rise in steer prices occurred and purchases were steady. A moderate gain occurred in lamb receipts, but trading was limited. Lamb prices fell moderately below those of a week earlier. Wholesalers reported a further rise in lard futures prices.

Reports that the Government may freeze price supports on most major crops at not less than last year's levels, somewhat stimulated cotton transactions on the New York Cotton Exchange. Prices, however, remained at week earlier levels. United States exports of cotton in the week ended March 18th were estimated at 102,000 bales compared with 94,000 in the prior week and 131,000 in the comparable year ago period.

Prices on cotton gray goods were unchanged the past week as trading continued to lag. Transactions in cotton yarns were again sluggish. Interest in woollens and worsteds sagged and some wholesalers reported price reductions.

Trade Volume Compared Favorably With That of a Week Ago and Slightly Exceeded Last Year's Level

Although many disappointed retailers reported that snowy and rainy weather on the week-end slowed up expected advances in Easter shopping during the past week, over-all volume was close to that of the prior week and slightly exceeded that of a year ago. Best-sellers were women's apparel, small electric housewares, and some lines of furniture. While spot reports indicate that sales of new passenger cars improved slightly, volume remained below a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was unchanged to 4% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: Middle Atlantic States +6 to +10%; South Atlantic +5 to +9; East South Central -1 to +3; West North Central and West South Central -2 to +2; New England -3 to +1; East North Central, Mountain and Pacific Coast States -4 to 0%.

Women's traditional Easter merchandise sold well the past week, with principal gains in millinery, fashion accessories and suits. Sales of dresses were sustained at the level of a week earlier. Despite slight week-to-week advances in men's furnishings, especially neckwear and dress shirts, total volume in men's apparel slipped slightly below that of a year ago. There were substantial year-to-year increases in children's clothing.

Moderate increases in the call for furniture and small electrical housewares were not enough to boost over-all home furnishings volume over that of last year. The buying of major appliances and floor coverings lagged. Interest in linens climbed appreciably during the week, equaling that of the similar 1957 period.

Retail food sales matched those of a week earlier, with interest centering primarily on baked goods, fresh fish, dairy products, and canned fruit and vegetables.

Despite extensive sales promotions, volume in major appliances in Chicago and Detroit still remained below that of a year ago. The most noticeable year-to-year gains in women's clothing occurred in New York and Minneapolis.

Although wholesalers reported that orders for summer outdoor furniture continued close to those of a week earlier with sales down somewhat from a year ago. Volume in air conditioners, fans and hi-fi sets rose slightly from the prior week, while the call for refrigerators and automatic laundry equipment remained unchanged. There was a slight rise in interest in garden implements, hardware, building materials and barbecue goods.

Retailers somewhat stepped up their buying of women's spring fashion accessories, millinery, dresses and coats as increased Easter shopping reduced stocks. Orders for women's summer sportswear and dresses slackened somewhat from the prior week. A moderate gain in purchases of men's lightweight suits and summer sportswear occurred.

Although some textile wholesalers reported fractional gains in trading in cotton print cloths, over-all volume in cotton gray goods lagged again. Transactions in woollens and worsteds were sluggish, and bookings in carpet wool declined again. Another dip was reported in incoming orders at Mid-Atlantic dyeing and finishing plants.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended March 15, 1958, decreased 1% below the like period last year. In the preceding week March 8, 1958 an increase of 7% was reported. For the four weeks ended March 15, 1958 a decrease of 3% was reported. For the period Jan. 1, 1958 to March 15, 1958 a decrease of 2% was recorded below that of 1957.

Retail trade sales volume in New York City the past week declined 5 to 10% below the comparable 1957 level as a result of a snow storm which impeded travel and caused heavy damage to electric power and telephone lines in the suburbs.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended March 15, 1958 increased 9% above that of the like period last year. In the preceding week, March 8, 1958 an increase of 15% was reported. For the four weeks ended March 15, 1958, an increase of 1% was registered. For the period Jan. 1, 1958 to March 15, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

Indianapolis Bond Club Elects Officers

INDIANAPOLIS, Ind.—The Indianapolis Bond Club has elected the following officers for the 1958-59 year:

President: John E. Hollett, Jr., Blyth & Co., Inc.

Vice-President: Louis S. Hensley, Jr., Indianapolis Bond & Share Co.

Secretary-Treasurer: Meredith Nicholson III, American Fletcher National Bank & Trust Co.

Other directors are: Ronald B. Woodward, Raffensperger, Hughes & Co.; Arthur A. Browne, F. S. Moseley & Co.; Gordon K. Cohn, Kiser, Cohn & Shumaker, Inc.; Earl A. Taylor, Thomson & McKinnon; G. Dana Chandler, Indiana National Bank.

Wayne Hummer Partner

CHICAGO, Ill. — William B. Hummer has been admitted as a general partner of Wayne Hummer & Co., 105 West Adams Street, members of the New York and Midwest Stock Exchanges and other exchanges.

Mr. Hummer, who joined Wayne Hummer & Co. in 1952, previously had been on the staff of the Chicago Journal of Commerce and the Washington, D. C., Times-Herald.

He is a director of the La Salle National Bank of La Salle, Illinois, and since 1955 has been Editor, Investment Survey of Bankers Monthly Magazine. Mr. Hummer is a member of the Bond, Street and Economic Clubs of Chicago and the National Press Club of Washington.

Joins Kalman Staff

ST. PAUL, MINN.—Daniel E. Murphy has joined the staff of Kalman & Co., Inc., Endicott Bldg.

With Smith, LaHue

ST. PAUL, Minn. — Charles Christiansen is now with Smith, LaHue & Co., Pioneer Building.

B. C. Christopher Adds

KANSAS CITY, Mo.—Forrest C. Wells is now with B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange.

do you know

THE FACTS OF LIFE

about cancer?

It's time you did! Last year cancer claimed the lives of 250,000 Americans; 75,000 of them lost their lives needlessly because they didn't know the facts of life about cancer. 800,000 Americans are alive today . . . cured of cancer . . . because they went to their doctors in time. They knew that a health checkup once a year is the best insurance against cancer. Make an appointment right now for a checkup . . . and make it a habit for life.

AMERICAN CANCER SOCIETY

Continued from page 15

Federal Financing And the Debt Limit

That is a big job in itself, but the dollar amount is by no means a real measure of the considerations the Treasury will have to face.

Unlike other borrowers, the Treasury is not free to make the best deal it can and let other considerations ride. The Treasury must consider the impact of its financing on the credit markets; it also must weigh whether its financing will be broadly consistent with Federal Reserve credit policy objectives, and, it must take into account the economic consequences that will flow from its financing—on a contemporary and future basis. Finally, it must continuously strive to measure the degree by which current debt operations may hinder or facilitate those that will have to be undertaken over the near term and throughout a period of some years.

Restore Profit Incentive

I think most of you will agree that in this day and age of high taxation, our tax structure and incidence tend to encourage borrowings, while they also discourage the habit of saving and act as a deterrent to much entrepreneurial activity.

At this point, I cannot avoid the temptation to inject a somewhat extraneous thought. This is, the true source of a sound and enduring prosperity in a free society such as ours depends, in some measurable degree, on our determination to join the initiative and enterprise of individuals with maximum profit incentives. During the postwar period, we made little progress in restoring the kinds of profit incentive that have stood us in such good stead throughout much of our national life.

In any event, one of the overall results has been that in our endeavors to evolve flexible, national credit policies we have had to place a greater reliance on decreasing the availability of money during periods of boom and we have found it necessary to reduce our reliance on the capacity of increases in interest rates (brought about by the increased preference to borrow money)—to deter such borrowings.

This being the case, when business activity is declining or is at a subnormal level, we also must place an increased reliance on enlarging the availability of money for lending, because decreases in interest rates, although a helpful factor in certain lines of business activity, are unapt to be a dominant factor in creating a desire to borrow, or jobs.

I think we also may agree that changes in the availability of money or credit are apt to be reflected, these days, in changes in the amounts of secondary reserves that are held by the banking system, by other financial institutions, by businesses, by state and local governments, and by the public as a whole, and, that short-term Treasury securities rank large in the composition of these secondary reserves. This was not always true, but it is a fact today—one that cannot be changed overnight even if the Treasury wished it could be.

Counter-Cyclical Floating Debt

Such being the case it has become almost axiomatic that in periods of boom the liquidity of the economy should be reduced; in periods of prosperity the liquidity of the economy might better be maintained, and in periods of declining business or of subnormal business activity, the liquidity of the economy should be increased. Since such liquidity is based

largely on holdings of cash and short-term Treasury securities, it follows that most students of debt management have come to believe that—during a period of boom the Treasury should be in a position to decrease the amount of its floating debt, while in a period of prosperity it should be in a position perhaps to maintain the amount of floating debt outstanding and during a period of business recession or subnormal business activity, it is desirable that the floating debt be increased.

When it comes to the mechanics of handling the debt in these ways, we find there are two ways of contracting a government's floating debt during a boom. One is by retiring debt—that is, debt held by the public—and the other is by funding—that is, by selling securities of intermediate or longer term and using the proceeds to redeem maturing debt. Experience has demonstrated, however, that the ability of a government to fund its debt during a business boom is closely dependent on its ability to retire debt in the first place. This is to say the Treasury has found it cannot sell many securities of an intermediate or longer term during a business boom except as it first has been able to create a demand for such securities by an appropriate amount of debt redemption.

During the middle 1920s the Treasury was in such a position, and people came to prefer the purchase of intermediate and longer term securities because of the prospect these might not be readily available, indefinitely, in the amounts they desired.

During the last several years the hope of finding the Treasury in the similar position—a somewhat newly born hope, I might add—began to evaporate. At the present time there certainly is little, if any prospect of Federal finances becoming such that we will be able to look forward to a steady and permanent debt reduction. In this background, the desirability of Treasury securities of intermediate and longer term appears in a quite different light, and these are sought after for altogether different reasons than would prevail were Federal finances in proper shape.

For example, longer maturities of Treasury notes and Treasury bonds are preferred when and while the prospects for easier money—lower interest rates and higher bond prices—are bright. These also are sought after—up to a point—by banks and others when and as a decline in investment income is in prospect. And, as a decreased availability of other higher-yielding investments becomes pronounced, intermediate and longer-term Treasury securities may be sought after as a haven of last resort.

During a period of business boom marked by an inability on the part of the Treasury to retire appropriate amounts of debt, little incentive to purchase intermediate and long-term Government securities exists, because the justifications or incentives I have just mentioned are apt to be lacking—except toward the tailend of the boom, when most investors may find they have no funds for such purposes anyway. Hence, in this background any endeavor on the part of the Government to "compete" with private borrowers is destined to be pretty much of a failure or to accentuate the degree of credit restraint that happens to prevail at the time. The latter may prove to be more detrimental than helpful to the economy as a whole.

In a period of sustained prosperity—a condition wherein the exuberances of a boom are lacking—it is possible that a debt funding program can be effected successfully without being fortified by having the Treasury in a position to retire appropriate amounts of debt. But, the probabilities are not high. At the same time, if the Treasury is in a position to retire an appropriate amount of debt during a prosperous period, it has to be careful that the coupling of a funding program with debt retirement does not unduly reduce the liquidity of banks and others. The Treasury also must use care to see that the amount of funding undertaken does not produce a deficiency in the availability of long-term credit, relative to the demands for such credit.

In a period of business decline or of subnormal business activity, funding may be easily accomplished, but many limiting factors will exist. For example, if the Government has demonstrated an inability to steadily reduce its debt during prior periods of boom or prosperity, the bulk of the Treasury's funding offers will be taken for the reasons I have mentioned—as temporary holdings that offer a prospect for capital appreciation, as insurance against a prospective decline in investment income, or as a haven of last resort when other, preferred media become hard to acquire. In such circumstances, the bulk of the newly offered (funding) securities will be lodged with holders who view these as temporary investments—regardless of their maturity. This fact is apt to be self-evident the minute that the demand for private credit shows signs of catching up with the available supply of investment funds.

No Treasury Oversales

The point is that, although the Treasury can afford to sell an excess of such securities (relative to the bona fide demand as of the moment)—it can ill afford to oversell by any large amount for several reasons.

Such oversales may detract from the funds that will be available to private and other governmental borrowers and may obstruct the effectiveness of easy money objectives adopted by the Federal Reserve.

If the Treasury oversells its market by any large amount, the consequences may include some firming of long term interest rates when an opposite condition is desired.

If the Treasury oversells to banks, it may so decrease their need to bid for the intermediate and longer-term holdings of non-bank investors that the advent of low interest rates for short-term securities will lack its characteristically pervasive effect on the long-term credit sectors.

And, if the Treasury sells too many intermediate and long-term securities simply because market conditions appear to be favorable, the rebuilding of the liquidity of commercial banks and the rest of the economy may proceed at an undesirably slow rate. This may tend to protract the duration of the business decline and perhaps to accelerate the pace of the decline.

There are additional complications, but debt management is more of an art than a science, and it is not desirable to deal with these on a basis that "this is black and that is white."

Corporate vs. Treasury Debt Policies

Perhaps five or six years ago, it became popular to compare the handling of the public debt with that of a business corporation. Good corporate management would not think of having its debt pile up at short term; therefore, it was said that neither should the Treasury. Good corporate management sees to it that its

"permanent" indebtedness is arranged, if possible, on a long-term basis; so, it was said, should the Treasury. On both scores, the Treasury should "lengthen the maturities of its debt" as a matter of policy.

This sort of simple deduction lacked appeal to me. A private corporation can borrow on a caveat emptor basis; it can afford to drive to obtain the best terms available. A private corporation need not concern itself with whether its skill at borrowing "long" decreases the money supply, or lowers the liquidity of those from whom it borrows, or takes long term credit away from a competitor or anyone else. Moreover, a private corporation usually succeeds in preserving a desirable degree of mobility for its debt structure. It inserts call features that permit it—if it chooses—to redeem its long-term debt at some near date on the payment of a modest penalty in the call price, either to take advantage of more favorable borrowing conditions or because it preferred to borrow at short term for various reasons.

The Treasury has never tried, and might find it both difficult and expensive, to obtain comparable freedom of action to restructure its debt structure once it has sold long term bonds. In a way, this may be because the Treasury has tried so hard to shape its offerings to meet the demands of its investors. It nonetheless is clear that when the Treasury sells a 40-year 3% bond, or a 30-year 3½%, or a 17-year 4%—it forecloses any opportunity to refinance these at more advantageous terms (to the Treasury) or to refund this long debt should the latter ever appear to be desirable.

The sale of such long bonds is the fashion at the moment. And it may prove to be a good one, but I think its desirability depends on how important it is to sell debt with a term long enough that the Treasury won't have to bother with it for some time while, conversely, insuring that the Treasury will not be able to get its hands on such debt for an equally long time, however convenient or desirable this latter might appear to be.

Personally, I have thought it was somewhat fallacious to assume that advantages accrue from having long term Treasury bonds outstanding so that these will serve as a "marker" for the pure "going rate" for long-term credits. It has been my experience that once a long-term Treasury issue gets salted away, it no longer enjoys a real market—insufficient trading activity takes place to provide one. And, until such an issue is salted away—for example, the 3½s of 1990 are not—the price action of the bond is more likely to be misleading, than to be indicative.

Questions Deficit Financing Forever

In addition, I am inherently unable to accept the premise that the handling of Federal finances over the next 28 years will be as improvident as appears to have been true of the past 28. When this fiscal year comes to a close, the Government will have rung up 23 deficits in 28 years. I don't believe this can go on forever. In fact, I think that the need to assure that Federal finances will be repaired has become imperative. If, however, the state of Federal finances is not to improve, I can't see that it will make much difference whether the Treasury has or has not been able to sell a few isolated billions of long-term bonds every few years, predominantly when business activity was declining. It seems to me that the consequences are likely to be confined to those that will evolve for the purchasers. They will be the poorer for it.

Before concluding, I would like to point out briefly that the con-

sequences of an unsatisfactory state of Federal finances have been accumulative and that debt management has not been immune to this. For example, by January 1954 the actual and prospective amount of debt due within one year had become so large that the desirability of seizing upon the opportunity to lengthen debt (which had ensued from the decline in business activity that was then going on) had become unquestionable. The economic consequences of debt funding during a business decline had to be ignored, or shelved for at least a while. The Treasury lengthened the maturities of its debt with something of a vengeance.

By mid-1955, the lack of a surplus of Treasury receipts, large enough to be appropriate for the boom conditions then existing, made it more or less impractical and impossible to sell other than short-term Treasury securities in worthwhile amounts. The Treasury tried hard to achieve sound objectives of debt management in circumstances that were altogether disadvantageous. It may be claimed that the Treasury's endeavors to lengthen its debt, particularly during the first half of 1957, were fortuitous in one way. They served to heighten the degree of existing credit restraint at a time when the boom was still running fairly strong. Thus, Treasury debt management was consistent with Federal Reserve credit policy even though, in the process, its debt operations served to bring about a level of interest rates that was much higher than some people had anticipated.

Nonetheless, the floating debt of the Treasury again had become considerable by mid-summer of last year. This undoubtedly has served to develop a debt management policy of striving to lengthen the debt when, and as opportunities present themselves. The question at the moment is—has the time come to revise that policy, and to cause debt management to be more consistent with the changing economic considerations that now should prevail?

Market Almost "Oversold"

All things considered, it appears that the absorptive capacity of the market for Treasury securities with a term of five years and longer has been about exhausted—for the time being. The debt-lengthening offers have been absorbed largely—not entirely, of course—by those who view these holdings as temporary, in one or another degree. The Treasury may have almost "oversold" its market. This means time is needed during which the "captive" investors—those who must still stick exclusively to Governments—will accumulate funds and take over some of the heavy floating supply that sits somewhat like that Thanksgiving Day dinner that was eaten with too much gusto by a small boy. Time, also, is needed during which the impact of the decline in bank loans can sink in. When this happens some of the newly acquired "temporary" holdings of banks and others may appear more desirable as a "permanent" part of their portfolios. The appetite of the market, thereupon, will be improved.

It is of importance to note, too, that while the liquidity of businesses, et cetera, may have improved it is to be doubted that this is true of the banking system. A tremendous increase in the time deposits of banks has occurred. A good portion of this may be viewed as "hot money," because when the rate of return on Treasury bills and other short-term Governments again exceeds the rates of interest banks are willing to pay on time money—poof! many of these deposits will disappear into direct investments. If this were to occur while bank liquidity was low, the tightening effects could be dramatic.

Within the next 30 days the

Treasury will reduce the amount of its short-term securities outstanding by about \$4 billion. It seems reasonable to expect that the economic requirements of debt management then should be permitted to come to the fore in the determination of the type of securities the Treasury will offer to raise cash next month. If so, the Treasury may elect to confine its offer to maturities of one year, and in no event longer than two years.

Cites Glass and Mellon

The objectives of Carter Glass and Andrew Mellon seem best suited to today's requirements despite the possibility that some rekindling of the inflation fires may later occur. In July 1919 Carter Glass addressed a letter to the Chairman of the House Ways and Means Committee. In it he explained "... it may be desirable to fund ... in moderate amounts at convenient intervals, when market conditions are favorable, and upon terms that are advantageous to the Government."

Andrew Mellon, in his Annual Report as Secretary of the Treasury for the year ending June 30, 1923, observed that the Treasury's floating debt finally had been "... distributed uniformly over a five year period. These maturities are arranged so as to permit their refinancing with a minimum of disturbance to business and industry, and, with the Government balancing its budget each year, it should be possible, through the application of the sinking fund and any surplus revenues, to retire them gradually in time to avoid embarrassment to the heavy refinancing that will be necessary ..." in connection with the refinancing of a large liberty loan.

Altogether, some new priorities seem to be evolving that may command the Treasury's consideration. It is of importance that the liquidity of the banking system be increased forthwith, and that the liquidity of the rest of the economy continue to improve simultaneously. And, as the table to which I have referred will show, the Treasury faces some fairly heavy refinancing requirements. If the next cash offer is confined to short-term securities, the chances of embarrassment to the June refinancing will be reduced. This refunding operation will become a market factor quite soon; it may be a dominant factor as early as the beginning of May. Another left jab — such as one more attempt to lengthen the debt in connection with the Treasury's cash offer—could have disturbing and unfruitful consequences.

It also seems proper to inquire whether the time has come for the Treasury to recognize the limitations that have prescribed a policy of "lengthening the maturities of the debt" via offerings of long-term bonds. An objective of distributing the floating debt more uniformly over a five-year period should be a desirable alternative. To the extent this is accomplished, the way is smoothed for such longer funding (into the 5- to 10-year range) as seems suitable when and as it also would be consistent with economic considerations. Little seems to be gained by attempting to sell long-term bonds while Federal finances remain beyond control.

Outlook for Government Bond Prices

As to the outlook for Government security prices:

If the Treasury stays "short" when it raises its cash next month, the tone of the market generally will improve. This would enhance the prospects for a successful funding offer early in June.

If the Treasury tries to inch out a bit more when it sells for cash, it is possible that the market will be thrown off balance once again. If so, this could occur at an unpropitious moment, on several counts. The market has excep-

tional recuperative powers, however and we expect the Federal Reserve to be handy with the smelling salts, when and as these appear needed.

If you are premising your investment policy on a belief that the prices of fixed-income securities will continue to improve over the months ahead, I think you are on the right track. This doesn't mean you should expect a straight line advance. There will be zigs

and zags. Treasury debt operations will have a lot to do with whether these will prove to be large or small.

It is usual, however, for movements of the kind we are in now, to carry further than is expected. It is usual, too, for a major advance (or decline, as the case may be) to continue until it reaches what sometimes is termed "the silly stage." We are a long way from that.

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The Risk Taker: His Capital Needs a Living Wage

risks of investing—as well as the rewards.

Capital, Too, Must Earn a Living Wage: Profits Declined Since 1950; Investors' Share of Growing National Income Has Been Reduced

Our real problem, however, is more complex than developing a broader ownership base. It calls for translating investment potential into reality. And the only way a free society can accomplish it is by providing adequate incentives for a people willing to take risks.

This means recognizing that risk capital, too, must earn a living wage, and that tax laws must encourage such capital to form. Today, in the world's leading capitalist nation we recognize neither requirement adequately. Both points deserve brief comment—particularly because the public is more alert to these problems than is generally realized. Opinion polls, for example, show that the general public believes that for each dollar of sales, 10 cents seems a fair profit. Well, the actual figure is much less than that. For every dollar of goods sold, the profit last year averaged only three-and-a-half cents.

Let me say quickly that when talking about the somewhat different concept of a "return on investment," I have no easy formula for determining just what a living wage should be for risk capital. Certainly, I have no statistic that could be applied across the board—from industry to industry, or company to company. But when the nation's manufacturers—generally considered to be the most profitable industrial group—find they are earning some 32% less on their stockholders' equity today than they were in 1950, it is clear we are not providing adequate incentives to attract enough new risk capital. In some industries, like the airlines, the decline has been even more startling. And in the railroad industry the return on stockholders' equity has fallen to less than 5½%.

Even so, I believe we need not be concerned with specific figures so much as with a national state of mind. It is one of the strange paradoxes of our time that, during a period of extraordinary growth, the individual we have tended to forget is the risk-taker—the investor—the man who must expect a fair return for venturing his money in the first place.

The fate of the risk-taker, in fact, has been obscured over the past several years by what risk-taking itself has created—the biggest boom in history. The picture today ought to be set in perspective. There are too few people speaking up for the millions of American investors. There are too many who still have the disquieting tendency to forget that risk capital is the stuff of which jobs, products and a sound economy are made. Nothing else explains our living standards so well. Invested dollars have put people to work—and profits have kept them there. However, in recent years we have achieved the dubious distinction of driving down the rewards of investing. And, unless we are able

to restore the profit motive as a strong incentive for investing, we will not be able to raise tomorrow's growth capital.

You may wonder, what has the fate of risk capital been?

In the period since 1950 we have seen our dollars of national income rise nearly 50%. Labor's income jumped 65%. Corporate profits after taxes, however, actually dropped 7%. Indeed, corporate profits as a percentage of national income have declined more than one-third since 1950.

Even this record, however, fails to dramatize the squeeze on the risk-taker. Corporations found it necessary to plow back about half their earnings. This left shareholders last year with "take home profits" of 3.4% of our national income. This is well below the 1950 rate. It is, I submit, not much of a reward for risk-taking.

There are some people who claim that, as our living standards climb, Americans are losing their willingness to venture. While there may be some truth in this, a more basic reason is that investors and potential investors are being deprived of a gain commensurate with their risks. Reverse this trend ... increase the potential reward, and venture money in adequate volume will be forthcoming.

Consider for a moment the problem of the average shareowner or the man considering his first investment. He must estimate his risks — and shrinking profits are in themselves measurable. But how does he cope with other factors behind the profit pinch? How much dare he risk, for example, on companies in the transportation and utility fields whose rates are regulated by government—particularly when he sees some regulatory bodies rather fearful of profits, and often indifferent to the needs of raising growth money.

This problem ought to concern us increasingly. The New York Stock Exchange, for example, lists 1,100 companies whose shares have a market value of \$200 billion. About 200 of these companies — whose shares are worth about \$40 billion—are in regulated industries. Their rates are set by government. To this degree their possible profits — although not their losses—are limited.

In these essential industries the public's present and future needs will have to be met. This places an extraordinary responsibility on regulatory agencies. Yet, we have seen the spectacle, as one editor noted last month, "of the U. S. Government, widely regarded as a supporter of free enterprise, negligently smothering the efforts of American free enterprise." Regulated companies—like all others—must be permitted a level of earnings that will attract sufficient private capital for them to modernize and to expand. The unwelcome alternative will be government financing and then ownership—a course that in the long view of history has yet to prove either healthy or rewarding.

Other Nations Lack U. S. Capital Resources, But Few Treat Capital With Such Indifference; Tax Reforms Needed to Stimulate Willingness to Save

A final comment concerns taxes. It is always a bad time to bring the subject up, but in many ways it is long past time.

Our views on the tax structure have been expressed often. They don't require detailing again. But there is one observation I would make, prompted by my recent trips to Europe and to South America. It is that of all the nations in the free world, none owes more to invested capital than the United States does. Yet, few countries treat capital as shabbily, or with such indifferent contempt, as the United States.

West Germany's record provides a striking example of what an enlightened tax policy can achieve in stimulating investments and spurring economic growth. And even the world's welfare states have afforded venture money a place of honor—acknowledging in their laws that such capital makes a special contribution to economic growth and stability.

You would not think the United States could afford to treat capital differently. Yet over the years, our tax structure has been built up as though its special intent is to punish savings and limit productivity. Tax laws have encouraged corporations to go further into debt, by making it more expensive to raise equity money than to borrow. And then, as if to discourage individual risk-taking, we have created such levies as the capital gains tax and the double tax on dividends, which are not a spur to growth, but an invitation to paralysis. While we tax all capital gains on securities, we allow only partial credit for capital losses—a case of the government tossing the coin and saying: "heads I win, tails you lose." Our archaic tax structure has been labeled, with great accuracy, as "a formula for destruction (that will) quietly pull us to pieces."

We have reached the point, I believe, where if we are really intent on space age superiority, and determined to remain a free people and not cut our living standards, we will have to start with

a positive program that unmistakably shows the saver he's important ... that his funds are needed ... and that his risks will be rewarded. In these terms, the reductions we have urged in the capital gains tax and the double tax on dividends will be steps in the right direction. And they will serve to unlock venture capital in the process.

These moves, as I have indicated, would be a start. But they would be only that. The recent fable about the Russians who knocked at the gates of Heaven serves to put our long-range problems into perspective. They were told there was some question about their admittance. And they replied: "We don't want to come in. We just want our ball back!"

In summary:— We have been jolted into the space age. We have the job not only of keeping ahead—but of retaining our freedoms as well.

We face demands for capital—for tools and equipment—that surpass anything we have considered before. This includes a new equity capital goal averaging \$7 billion a year between now and 1965. Acquiring the money we need, on a sound basis, is absolutely essential.

To achieve our projected growth we must turn to the accumulated savings of millions of potential investors. But to induce them to venture we will have to reward their risks—certainly more generously than in the recent past. This will mean acknowledging the simple truth that venture capital—like labor and materials—must command a fair price.

Finally, our areas of greatest immediate opportunity lie in a new approach by government—one that recognizes in both taxation and regulatory matters—that there are risks enough in investing, without compounding them unnecessarily.

Even granted all this, I might add, we are not likely to provide anyone with a quiet life in the 20th Century. But the age in which man has opened up the universe has added another dimension to the American dream. And our performance must match that dream — bigger, bolder and more rewarding than ever before.

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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 Can Co. (4/9-10)

March 21 filed \$80,000,000 of 30-year debentures due 1988. Price—To be supplied by amendment. Proceeds—To redeem \$40,000,000 of its outstanding debt and for working capital. Underwriters—Morgan Stanley & Co. and Clark Dodge & Co., both of 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. (4/1)

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.

★ American Pipe & Construction Co.

March 17 (letter of notification) 10,451 shares of common stock (par \$1) to be offered to employees under one of two stock option plans. Price—\$14.88 per share. Proceeds—For working capital. Office—390 South Atlantic Blvd., Monterey Park, Calif. Underwriter—None.

Anderson Electric Corp.

Dec. 23 (letter of notification) 14,700 shares of class B common stock (par \$1). Price—\$12 per share. Proceeds—To go to selling stockholders. Office—700 N. 44th Street, Birmingham, Ala. Underwriters—Crutenden, 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.

★ Apache Oil Corp., Minneapolis, Minn.

March 26 filed 220 participating units in Apache Oil Program 1959. Price—\$10,000 per unit. Proceeds—To evaluate, acquire, hold, test, develop and operate oil and gas leaseholds, to pay all costs reasonably necessary to accomplish these purposes and to pay the corporation the compensation due it under the program contract. Underwriters—Apache Oil Corp. and its wholly-owned subsidiary, APA, Inc., on a best efforts basis.

★ Artesian Water Co.

March 11 (letter of notification) 2,000 shares of class A common stock (no par) to be offered to employees under an Employee Stock Purchase Plan. Price—95% of the mean between closing bid and asked prices on the local market on the date of subscription or in the absence of the asked price, 95% of bid plus \$2. Proceeds—For improvement and expansion of water distribution and working capital. Office—501 Newport and Gap Pike, Newport, Del. Underwriter—None.

★ Astor Associates, New York

March 25 filed 94 limited partnership interests. Price—\$50,000 per unit. Proceeds—Together with \$300,000 contributed by general partners, to be applied to purchase of hotel and for a loan to Zeckendorf Hotels Corp. Underwriter—None.

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); Lee Higginson Corp.; Kuhn, Loeb & Co.; American Securities Corp. and Wood, Struthers & Co. (jointly). Bids—Tentatively expected to be received on April 23.

★ Atlantic City Electric Co. (4/16)

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. (4/16)

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.

★ Avionics Corp. of America (4/7)

March 14 (letter of notification) 99,125 shares of common stock (par 25 cents). Price—\$3 per share. Proceeds—For repayment of construction loan and for working capital. Office—Belfield & Wister Sts., Philadelphia, Pa. Underwriter—Milton D. Blauner & Co., New York, N. Y.

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. (4/17)

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.

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. Offering—Has been deferred.

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.

Brunswick-Balke-Collender Co. (4/2)

March 11 filed \$8,593,200 of 15-year convertible subordinated 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 on April 16. Price—To be supplied by amendment. Proceeds—For working capital. Underwriters—Lehman Brothers and Goldman, Sachs & Co., both of New York.

★ Bureau of National Affairs, Inc.

March 10 (letter of notification) 500 shares of common stock (no par). Price—\$35 per share. Proceeds—For cash reserve. Office—1231—24th St., N. W., Washington 7, D. C. Underwriter—None.

Campbell Chibougama 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. Statement effective March 12.

★ Champion Ventures, Inc.

March 19 (letter of notification) 2,950,000 shares of common stock (par two cents). Price—10 cents per share. Proceeds—For acquisition and development of various ventures. Office—1742 Sherman St., Denver, Colo. Underwriter—None.

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.

Commerce Oil Refining Corp.

Dec. 16 filed \$25,000,000 of first mortgage bonds due Sept. 1, 1968. \$20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be

offered in units as follows: \$1,000 of bonds and 48 shares of stock and \$100 of debentures and nine shares of stock. Price—To be supplied by amendment. Proceeds—To construct refinery. Underwriter—Lehman Brothers, New York. Offering—Indefinite.

★ Commodity Investment Corp.

March 13 (letter of notification) 75,000 shares of common stock (par \$1). Price—\$1.25 per share. Proceeds—For working capital. Office—Room 836, 717—17th St., Denver, Colo. Underwriter—None.

★ Commonwealth Edison Co. (4/15)

March 20 filed \$50,000,000 of first mortgage bonds, series T, due March 1, 1988. Proceeds—For construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glorie, Forgan & Co. Bids—To be received up to 10:30 a.m. (CST) on April 15 at 72 West Adams St., Chicago 90, Ill.

Commonwealth Telephone Co., Dallas, Pa.

Feb. 28 filed 71,200 shares of common stock (par \$10) being offered for subscription by common stockholders or record-warens 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.

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.

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.

★ Diamond Gardner Corp. (4/16)

March 25 filed \$25,000,000 of sinking fund debentures due 1983. Price—To be supplied by amendment. Proceeds—To retire a \$12,000,000 bank loan and for expansion and working capital. Underwriter—Blyth & Co., Inc., New York.

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 Robins & 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.

★ **Douglas Aircraft Co., Inc. (4/10)**

March 21 filed \$60,000,000 of sinking fund debentures, due April 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for working capital and expansion program. **Underwriters**—Merrill Lynch, Pierce, Fenner & Smith, and Kuhn, Loeb & Co., both of New York.

★ **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 up to 11 a.m. (EST) on April 9.

★ **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.

★ **Elfun Trusts, New York**

March 25 filed 150,000 units in this fund. **Price**—At market. **Proceeds**—For investment.

★ **Equity Fund, Inc., Seattle, Wash.**

March 25 filed (by amendment) an additional 300,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

★ **Ethodont Laboratories, Berkeley, Calif.**

Feb. 20 filed 300,000 shares of common stock. **Price**—At par (\$5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

★ **Ex-Cell-O Corp., Detroit, Mich.**

Nov. 25 filed 88,000 shares of common stock (par \$3) to be offered in exchange for common stock of Bryant Chucking Grinder Co. of Springfield, Va., at rate of four-tenths of an Ex-Cell-O share for each full Bryant share. Offer will become effective upon acceptance by holders of not less than 209,000 shares (95%) of all common stock of Bryant outstanding. **Underwriter**—None.

★ **Expanded Shale Products, Inc., Denver, Colo.**

Jan. 29 filed 60,000 shares of common stock (par \$1) and \$180,000 of 6% callable unsubordinated unsecured debenture notes due 1960-1964 to be offered in units of \$600 of notes 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.

★ **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 (par \$1), 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. Statement effective March 19.

★ **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. Statement effective March 19.

★ **First International Fire Insurance Co.**

Aug. 26 (letter of notification) 100,000 shares of common stock (par \$1). **Price**—\$3 per share. **Proceeds**—For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter**—American Underwriters, Inc., Englewood, Colo.

★ **First Leaseback Corp., Washington, D. C.**

Nov. 27 filed 500,000 shares of class A common stock (par five cents). **Price**—\$5 per share. **Proceeds**—To purchase properties. **Underwriter**—Whitmore, Bruce & Co., Washington, D. C.

★ **Fluorspar Corp. of America**

Dec. 26 filed 470,000 shares of common stock (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.

★ **Four Corners Oil & Gas Co., Denver, Colo. (4/21-25)**

March 25 filed 400,000 shares of common stock. **Price**—\$3 per share. **Proceeds**—To pay off debts and for drilling and exploration costs. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; and Campbell, McCarty & Co., Inc., Detroit, Mich.

★ **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.

NEW ISSUE CALENDAR

March 27 (Thursday)

Louisville & Nashville RR. Equip. Trust Cifs.
(Bids noon EST) \$7,695,000

March 28 (Friday)

Northwest Bancorporation Preferred
(The First Boston Corp. and Blyth & Co., Inc.) \$10,643,000

March 31 (Monday)

Wisconsin Electric Power Co. Bonds
(Bids 11 a.m. EST) \$30,000,000

April 1 (Tuesday)

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

General Telephone Corp. Common
(Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Jones & Templeton) 500,000 shares

Idaho Power Co. Bonds
(Bids 11 a.m. EST) \$10,000,000

Idaho Power Co. Debentures
(Bids 11 a.m. EST) \$10,000,000

Puerto Rico (Commonwealth of) Bonds
(Bids 11 a.m. EST) \$18,300,000

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. Cifs.
(Kuhn, Loeb & Co.) \$20,000,000

Ontario (Province of) Debentures
(Harriman Ripley & Co. Inc., and Wood, Gundy & Co.) \$75,000,000

April 3 (Thursday)

Edmonton (City of), Alberta Debentures
(The First Boston Corp. and The Dominion Securities Corp.) \$20,000,000

Parnat Business Machines Corp. Common
(Darius Inc.) \$300,000

April 7 (Monday)

Avionics Corp. of America Common
(Milton D. Blauner & Co.) \$297,375

April 8 (Tuesday)

Citizens & Sou. Natl. Bank of Savannah, Ga. Com.
(Offering to stockholders—no underwriting) \$3,000,000

April 9 (Wednesday)

American Can Co. Debentures
(Morgan, Stanley & Co. and Clark Dodge & Co.) \$80,000,000

Duquesne Light Co. Bonds
(Bids 11 a.m. EST) \$15,000,000

Food Fair Stores, Inc. Common
(Eastman Dillon, Union Securities & Co.) 100,000 shares

Heller (Walter E.) & Co. Common
(F. Eberstadt & Co. and Dean Witter & Co.) 125,000 shares

Pacific Petroleum Ltd. Debentures
(Eastman Dillon, Union Securities & Co.) \$30,000,000

Seagram (Joseph E.) & Sons, Inc. Debentures
(Harriman Ripley & Co. Inc.) \$40,000,000

April 10 (Thursday)

Douglas Aircraft Co., Inc. Debentures
(Merrill Lynch, Pierce, Fenner & Smith, and Kuhn, Loeb & Co.) \$60,000,000

Foxboro Co. Common
(Paine, Webber, Jackson & Curtis) 120,000 shares

General Time Corp. Common
(Kladder, Peabody & Co. Inc.) 33,000 shares

April 11 (Friday)

Aluminum Co. of America Debentures
(The First Boston Corp.) \$125,000,000

April 14 (Monday)

Industro Transistor Corp. Common
(S. D. Fuller & Co.) 150,000 shares

New England Telephone & Telegraph Co. Debens.
(Bids 11:30 a.m. EST) \$45,000,000

April 15 (Tuesday)

Commonwealth Edison Co. Bonds
(Bids 10:30 a.m. CST) \$50,000,000

New England Electric System Common
(Offering to stockholders—bids 11 a.m. EST) 958,549 shares

Northern Pacific Ry. Equip. Trust Cifs.
(Bids to be invited) about \$7,600,000

April 16 (Wednesday)

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

Diamond Gardner Corp. Debentures
(Blyth & Co., Inc.) \$25,000,000

Kennedy (D. S.) & Co. Common
(W. C. Langley & Co.) 100,000 shares

Mississippi Power & Light Co. Bonds
(Bids 11:30 a.m. EST) \$15,000,000

Sierra Pacific Power Co. Common
(Offering to stockholders) 57,382 shares

April 17 (Thursday)

Bankers Management Corp. Common
(McDonald, Holman & Co., Inc.) \$400,000

April 21 (Monday)

Four Corners Oil & Gas Co. Common
(Paine, Webber, Jackson & Curtis, and Campbell, McCarty & Co. Inc.) \$1,200,000

Southern Pacific Co. Equip. Trust Cifs.
(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

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 noon EDT) \$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) 240,000 shares

May 20 (Tuesday)

Illinois Power Co. Bonds
(Bids to be invited) \$25,000,000

May 21 (Wednesday)

Brooklyn Union Gas Co. Bonds
(Bids 11 a.m. EDT) \$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

June 17 (Tuesday)

Community Public Service Co. Debentures
(Bids to be invited) \$3,000,000

Public Service Electric & Gas Co. Debentures
(Bids to be invited)

July 1 (Tuesday)

Florida Power Corp. Bonds
(Bids to be invited) \$25,000,000

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Freeman Electric Construction Co., Inc.
Nov. 27 (letter of notification) 100,000 shares of common stock (par 10 cents). Price—\$3 per share. Proceeds—To reduce accounts payable, etc., and for working capital and general corporate purposes. Office—New York. Underwriter—Harris Securities Corp., New York City.

General 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 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 Corp. (4/1)
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.

General Time Corp., New York (4/10)
March 21 filed 33,000 shares common stock (par \$10). Price—To be supplied by amendment. Proceeds—To selling stockholder. Underwriter—Kidder, Peabody & Co., Inc., New York.

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 6% convertible subordinated debentures due April 1, 1973, of which \$1,000,000 principal amount will be offered for subscription by stockholders of record March 14, 1958 at the rate of \$100 of debentures for each 35 shares held (with an over-subscription privilege); \$100,000 of debentures will be offered to employees; and \$150,000 to others. Subscription rights will expire about April 4. 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. Statement effective March 21.

Heller (Walter E.) & Co. (4/9)
March 19 filed 125,000 shares of common stock (par \$1). Price—To be supplied by amendment. Proceeds—For working capital and to reduce bank borrowings. Underwriters—F. Eberstadt & Co., New York, and Dean Witter & Co., Chicago, Ill.

Hicks-C. Q. S. Photo Service, Inc.
March 12 (letter of notification) 747 shares of cumulative first preferred stock (no par) to be offered to the public and eligible employees under a stock purchase plan. Price—\$50 per share. Proceeds—For cash reserve. Office—1054—31st St., N. W., Washington, D. C. Underwriter—None.

Hines (Edward) Lumber Co., Chicago, Ill.
March 25 filed 25,508 shares of common stock (par \$10) to be offered to company's employees under stock options or for outright purchase.

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 116,368 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 Manufacturing Co., Inc., Boise, Idaho
March 17 (letter of notification) \$19,125 of 6% debentures due Oct. 1, 1960 and 225 shares of class B common stock (par \$15) to be offered in units of one share of stock and \$85 principal amount of debentures. Price—\$100 per unit. Proceeds—For working capital. Underwriter—None.

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 up to 11 a.m. (EST) on April 1 at Bankers Trust Co., 16 Wall St., New York 15, N. Y.

Industro Transistor Corp., (N. Y.) (4/14-18)
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.

Investors Syndicate of America Inc.
March 21 filed (by amendment) \$20,000,000 of "series 20" installment face amount certificates. Proceeds—For investment. Office—Investors Building, Minneapolis 2, Minn.

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. (4/16)
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. Office—Cohasset, Mass. Underwriter—W. C. Langley & Co., Boston and New York.

Kohnstam (H.) & Co., Inc.
March 19 (letter of notification) 5,350 shares of common stock (par \$25) to be offered to employees of company, pursuant to an employee stock purchase plan. Price—\$56 per share. Proceeds—For increasing working capital. Office—83-93 Park Place, New York, N. Y. Underwriter—None.

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.

Linair Engineering, Inc., Inglewood, Calif.
March 24 filed \$200,000 of 6% convertible subordinated debentures, due April 1, 1973, and 100,000 shares of capital stock (par \$1) to be offered in units consisting of \$500 of debentures and 250 shares of stock. Price—\$750 per unit. Proceeds—To finance increased inventories and the cost of engineering new products, to acquire new machinery and equipment, and for working capital. Underwriter—Dempsey-Tegeler & Co., St. Louis, Mo.

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.

Maine Fidelity Life Insurance Co.
March 26 filed 50,000 shares of capital stock (par \$4) to be offered for subscription by stockholders at the rate of one new share for each share held. Price—To be supplied by amendment. Proceeds—For working capital. Office—Portland, Maine. Underwriter—P. W. Brooks & Co., Inc., New York.

Massachusetts Hospital Life Insurance Co.
March 24 filed (by amendment) 400,000 units of beneficial interest in the Massachusetts Life Fund, Boston, Mass. Price—At market. Proceeds—For investment.

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 5½% 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 1988. 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 Americane, 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.

National Lead Co., New York
March 20 filed 250,000 shares common stock (par \$5), which are to be reserved for issuance under "the stock option incentive plan," pursuant to options to be offered to certain of the officers and other key employees of the company and its subsidiaries. Price—95% of the fair market at the date of the option.

National Securities & Research Corp., New York
March 18 filed (by amendment) an additional 5,000,000 shares in National Securities Series. Price—At market. Proceeds—For investment.

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. Proceeds—For construction and general corporate purposes. 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 England Telephone & Telegraph Co. (4/14)
March 20 filed \$45,000,000 of 35-year debentures, due April 1, 1993. Proceeds—To redeem \$35,000,000 of 4½% 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—To be received up to 11:30 a.m. (EST) on April 14 at Room 2315, 195 Broadway, New York, N. Y.

• **New Jersey Bell Telephone Co.**
Feb. 28 filed \$30,000,000 of 35-year debentures due April 1, 1993. **Proceeds**—To redeem a like amount of 4½% 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—Were to have been received up to 11 a.m. (EST) on March 25, at Room 2315, 195 Broadway, New York, N. Y. Offering—Postponed indefinitely.

• **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, 1953, 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.

• **Nucleonics, Chemistry & Electronics Shares Inc.**
March 17 filed (by amendment) 100,000 shares of capital stock (par \$1). **Price**—At market. **Proceeds**—For investment. **Office**—Englewood, N. J.

• **Ocean Drilling & Exploration Co.**
March 6 filed 104,575 shares of cumulative preferred stock (par \$50) being offered for subscription by common stockholders of record March 25, 1953, at the rate of one preferred share for each 14 common shares held; rights to expire April 9. **Price**—\$50 per share. **Proceeds**—To repay bank loans; construction of a new drilling barge, and for other general corporate purposes. **Office**—New Orleans, La. **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 Petroleum Ltd., Calgary, Canada (4/9)**
March 12 filed \$30,000,000 of 15-year sinking fund debentures due 1973 (with common stock purchase warrants). **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. (4/3)**
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.

• **Piedmont Natural Gas Co., Inc., Charlotte, N. C.**
March 26 filed 51,183 shares of common stock (par \$1) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—Together with funds from private sale of \$3,500,000 5½% first mortgage bonds due Feb. 1, 1983, to be used to repay bank loans and to finance construction program. **Underwriter**—White, Weld & Co., New York.

• **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.

• **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.

• **Puget Sound Power & Light Co. (4/28)**
March 21 filed \$30,000,000 of first mortgage bonds due May 1, 1988. **Proceeds**—To redeem \$20,000,000 of 6¼% first mortgage bonds due 1987 and to retire bank loans. **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—To be received at 90 Broad St., New York, N. Y., up to noon (EDT) on April 28.

• **Putnam (George) Fund of Boston**
March 24 filed (by amendment) an additional 1,500,000 shares of beneficial interest (par \$1). **Price**—At market. **Proceeds**—For investment.

• **Resolute 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.**
March 6 filed \$50,000,000 of 4¾% convertible subordinated debentures, due April 15, 1983, to be offered for subscription by common stockholders of record Mar. 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.

• **Rock Oil Co.**
March 14 (letter of notification) 96,800 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—To purchase a working interest in oil and/or gas leases. **Office**—503 G Pepper Bldg., Winston-Salem, N. C. **Underwriter**—None.

• **Rocky Mountain Quarter Racing Association**
Oct. 31 (letter of notification) 300,000 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

• **Samedan Associates, Inc., Ardmore, Okla.**
March 24 filed 98,613 shares of common stock (par \$10). **Price**—\$14.25 per share. **Proceeds**—For working capital, acquisition, development, and exploration of oil and gas properties. **Underwriter**—None.

• **Scherer 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 Scherer 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. Statement effective March 18.

• **Sierra Pacific Power Co. (4/16)**
March 25 filed 57,362 shares of common stock (par \$7.50) to be offered for subscription by common stockholders of record April 14, 1958 on the basis of one new share for each 12 shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Kidder, Peabody & Co., New York.

• **Sierra Pacific Power Co., Reno, Nev. (4/23)**
March 25 filed \$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—Temporarily scheduled to be received on April 23.

• **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 Counties Gas Co. of California (4/23)**
March 26 filed \$15,000,000 first mortgage bonds, series C, due 1983. **Proceeds**—To repay short-term indebtedness to Pacific Lighting Corp. and for construction program. **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 Discount Co.**
March 12 (letter of notification) \$95,000 of subordinated 5% debentures, series "G," to be offered in denominations of \$500 and \$1,000. **Price**—At par. **Proceeds**—For refunding series "D" and series "E" or series "F" debentures. **Office**—919 West Peachtree St., N. E., Atlanta, Ga. **Underwriter**—None.

• **Southern Electric Steel Co.**
Dec. 23 (letter of notification) \$300,000 of 6% second mortgage serial bonds (with common stock purchase warrants). **Price**—At par (in denominations of \$1,000 each). **Proceeds**—For payment of demand notes payable and working capital. **Office**—2301 Huntsville Road, Birmingham, Ala. **Underwriter**—None.

• **Southwest Oil Corp.**
March 13 (letter of notification) an undetermined number of shares of common stock (par 10 cents). **Proceeds**—For mining expenses (\$265,000). **Office**—51 E. 42nd St., New York 17, N. Y. **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.

• **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. Statement effective.

• **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.

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& Co., St. Louis, Mo., on a best-efforts basis. Statement to be withdrawn.

★ United Aircraft Corp., East Hartford, Conn.
March 21 filed 132,000 shares of common stock (par \$5) to be offered to certain of the company's officers and key personnel pursuant to a stock option plan adopted on May 13, 1957.

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 10 cents). **Price**—To be supplied by amendment (expected to be \$1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. **Graham Albert Griswold** of Portland, Ore., is President.

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 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. **Price**—\$7.15 per share. **Proceeds**—For general corporate purposes. **Office**—214 W. 39th St., New York, N. Y. **Underwriter**—None. **Offering**—Temporarily deferred.

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**—To be received up to 11 a.m. (EST) on March 31 at Room 1306, 48 Wall St., New York 5, N. Y.

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

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.
Bids had been expected to be received by company on March 27 for the purchase from it of \$3,435,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. Sale has been cancelled.

Boston Edison Co.
Jan. 27 it was reported company may issue and sell in the Summer of this year some additional first mortgage bonds and preferred stock (about \$25,000,000). **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 to be received up to 11 a.m. (EDT) on 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 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.

★ Community Public Service Co. (6/17)
March 10 it was reported that this company plans to issue and sell \$3,000,000 of sinking fund debentures due 1973. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., Inc. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on June 17. **Registration**—Expected May 15.

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 4% 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. (jointly). **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.

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 Line 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 & 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 in near future. **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 240,000 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 500,000 additional shares of common stock 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.

★ Indiana Gas & Water Co., Inc.
March 25 it was announced that the company plans to issue and sell \$3,000,000 of first mortgage bonds. May be placed privately. **Proceeds**—To repay bank loans and for new construction.

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. E. 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.

Louisville & Nashville RR. (3/27)

March 18 it was announced that the road plans to sell \$7,695,000 of equipment trust certificates, series S, to be dated April 15, 1958 and to mature \$513,000 each April 15, 1959, to 1973, inclusive. **Proceeds**—To finance 80% of estimated cost of \$9,625,077 for 1,100 new cars. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. **Bids**—To be received up to noon (EST) on March 27 at 71 Broadway, New York, N. Y.

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.

Moorer-McCormack Lines, Inc.

March 24 it was announced company plans to issue and sell \$24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brazil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering**—Expected this Summer.

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.

Naxon Telesign Corp.

March 19 it was announced by this corporation that it plans to issue and sell 120,000 shares common stock (par \$1). **Price**—\$5 per share. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C. **Offering**—Expected late in April.

New England Power Co. (6/11)

March 3 it was announced this company, a subsidiary of New England Electric System, proposes to file \$10,000,000 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 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. **Offering**—Expected in May.

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.; Morgan Stanley & Co.

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 Gas & Electric Co.

March 20 the company announced it plans a common stock offering about the middle of this year, first to present stockholders and then to public. **Underwriter**—Blyth & Co., Inc., New York.

Penn Dairies Inc.

March 7 it was reported a secondary offering of 50,000 shares of class A non-voting common stock is planned. **Price**—About \$3.37½ per share. **Proceeds**—To selling stockholders. **Office**—572 N. Queen St., Lancaster, Pa. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

Pennsylvania Power Co.

March 7 it was announced company plans to sell later in 1958 \$6,000,000 of additional securities. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder Peabody & Co., White, Weld & Co., Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Merrill Lynch, Pierce, Fenner and Smith, and Dean Witter & Co. (jointly).

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.

Potomac Electric Power Co.

March 20 it was reported that the company plans to offer about \$20,000,000 of convertible debentures for subscription first by common stockholders and then to public. **Proceeds**—For construction program. **Underwriter**—Johnston, Lemon & Co., Washington, D. C., and Dillon Read & Co. Inc., New York.

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.

Public Service Electric & Gas Co. (6/17)

March 20 it was reported that the company plans to issue and sell some additional debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly). **Bids**—Tentatively scheduled to be received on June 17. **Registration**—Expected on May 21.

Puerto Rico (Commonwealth of) (4/1)

Bids will be received by the fiscal agent for the Commonwealth, 37 Wall St., New York, N. Y., up to 11 a.m. (EST) on April 1 for \$18,300,000 public improvement bonds (\$10,000,000 of series A and \$8,300,000 of series B) to mature annually on July 1, 1959-1973, inclusive.

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.

Southern Railway Co.

March 20 it was reported that the company plans to issue about \$20,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder Peabody & Co., Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Morgan Stanley & Co.; Eastman Dillon, Union Securities & Co., and Salomon Bros. & Hutzler (jointly).

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 Co.

March 20 it was announced that the company will issue \$150,000,000 of 25-year debentures. **Proceeds**—To retire bank loans—and for other corporate purposes. **Underwriter**—Dillon, Read & Co. Inc., New York. **Registration**—Expected shortly.

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. and Drexel & Co. (jointly); Blair & Co., Inc.; 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.; 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.

Virginian Railway Co.

March 20 it was reported that the company plans an offering of \$15,000,000 of bonds, subject to ICC approval. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., Inc., and White, Weld & Co. (jointly); Shields & Co.

Washington Gas Light Co.

March 24 it was announced company plans to issue and sell about \$7,000,000 of new securities, which may include some preferred stock. **Proceeds**—For construction program. **Underwriters**—Johnston, Lemon & Co., Alex. Brown & Sons, Auchincloss, Parker & Redpath and Folger, Nolan Inc. **Offering**—May be early in Summer.

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.

F. G. Steiner Withdraws

F. G. Steiner, head of the international department of Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, will retire from active association with the firm effective May 31. He will remain connected with Lazard Freres & Co. in a consultative capacity, however.

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Mutual Funds

By ROBERT R. RICH

Canada Funds' Holdings Up \$70 Million

The eight registered Canadian mutual investment companies whose shares are qualified for sale to U. S. investors added approximately \$70,000,000 to their holdings of Canadian securities during 1957, it was reported here by William F. Shelley, Co-Chairman of The Committee of Canadian Investment Companies.

Last year's flow of U. S. private investment into Canada continued to reflect the basic confidence of U. S. investors in the long-term future of Canada's resource-rich economy despite a transitory re-adjustment which affected securities prices during the late months of 1957, it was stated.

Mr. Shelley, Vice-President of Canada General Fund, Limited, pointed out that 1957 new investment by the eight registered Canadian companies in behalf of their 129,000 U. S. shareholders accounted for about 13% of the total new U. S. portfolio investment in Canada last year.

He noted that 1957 U. S. and other foreign portfolio investments in Canadian securities constituted by far the major segment of non-resident capital movement into Canada. According to preliminary estimates by the Dominion Bureau of Statistics, last year's portfolio investments by residents of the U. S. totalled \$529,000,000 of the total \$731,000,000 foreign portfolio investment in Canadian securities. The net movement of foreign capital to Canada for direct investment, as distinct from portfolio investment, was placed by the Dominion Bureau of Statistics at about \$525,000,000.

Mr. Shelley pointed out that the continued high level of U. S. portfolio investment in Canada was "particularly welcome in Canada because it supplies needed capital in a form that does not arouse Canadian concern over domination of her key industries by outside policy-making." He emphasized that the U. S. portfolio investor in Canada is seeking only realization of possible long-term growth opportunities and not in employing his invested capital to exercise control of Canadian economic policies or business management.

The eight registered Canadian portfolio investment companies currently manage in excess of \$300,000,000 representing broadly diversified investments in industries reflecting contributions to Canada's long-range economic growth.

Chemical Industry To Spend \$17 Billion

"The demand for chemicals should increase 80% and require an expenditure of about \$17 billion for new plants, equipment and improvements over the next ten years."

John Van Deventer, Vice-President of Chemical Fund, Inc., made this statement at the Scientific Industries Forum at the Biltmore Hotel in New York City. The estimate was recently prepared by Chemical Fund's technical consultant, Arthur D. Little, Inc. of Cambridge, Mass.

Mr. Van Deventer underscored several areas of chemical science which should be in the forefront of the industry's growth over the next ten years: "semi-conductor metals including silicon; special metals such as niobium and tantalum; the high energy fuels; new synthetic fibers and films . . . some of the new plastic materials . . . pharmaceuticals; and petrochemicals and synthetic rubber, including the synthetic natural rubber."

In discussing the industry's growth, Mr. Van Deventer noted that: "the chemical and allied industries account for some 20% of the \$5 billion expended by total industry for research and development." The industry's emphasis on research, he said, "justifies the

expectation that the chemical industry's growth rate will be maintained, possibly even accelerated, over the years to come."

Tri-Cons. Asset Value \$37.97

The most recent estimate of assets per share of common stock of Tri-Continental Corporation, the nation's largest diversified closed-end investment company, was \$37.97 on shares outstanding and \$34.29, assuming the exercise of all warrants, Francis F. Randolph Chairman and President, reported March 25 at the annual meeting of stockholders. These amounts were up from \$36.42 and \$32.82, respectively, at the start of 1958, according to Mr. Randolph. There were, he noted, 6,812,971 shares of common stock and 1,193,399 warrants outstanding on March 21, 1958. These compared with 6,721,220 shares of common stock and 1,265,660 warrants outstanding at Dec. 31, 1957.

More than 79% of the preferred and common shares combined, the Chairman stated, were represented at the meeting of stockholders. Re-elected directors were: Lewis A. Lapham, President of Grace Line, Inc., and Cyril J. C. Quinn, Vice-Chairman of the Board of Directors and Vice-President of Tri-Continental Corporation.



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Calvin Bullock Reports on Electric Industry

To stay abreast with the increasing demands for service, the electric industry spent a record total of \$4.7 billion on new facilities during 1957, more than 25% greater than in the previous year, according to the March issue of "Perspective," published by Calvin Bullock, Ltd., managers of mutual funds with assets in excess of \$40,000,000. The industry's 1958 spending program is budgeted for \$5.2 billion, of which 50% will be expended for power plant capacity.

New generating capacity of 16.5 million kw. is scheduled to be placed in service during 1958, and represents about the same amount of capacity added by the industry in the ten years 1937-47. Planned additions to generating facilities for 1959 amount to 13.7 million kw., and for 1960 total 12.1 million kw., the publication said. During 1957, a total of over 8.5 million kw. of new facilities were added, bringing the industry total to more than 128 million kw. at the year end.

While 93% of all homes in the country are now connected for electric service, "Perspective" pointed out, the favorable growth trend in population and in new family formations are strong indicators that a high level of new residential customers will be added to the lines. The movement of population to the suburbs creates new markets for commercial establishments, requiring new outlets to fill the needs of the new suburbanites.

One of the most remarkable aspects of the postwar growth of the electric industry, the publication said, has been the steadily increasing average usage of electric service. Residential users, availing themselves of the labor-saving and pleasure-giving appliances, have enlarged their average consumption by 73% in the past seven years, while the commercial customer has upped his average usage by 66%.

Once the principal use of electricity in the home, lighting represents less than one-third of the present residential load. Of the homes wired for electric service, 97.3% have refrigerators, 96.8% have radios, 88.5% have washers, and 86% have television. The greater use of service by commercial establishments is augmented by a wide use of modern lighting, air-conditioning and a wide variety of computers and other office equipment.

Industrial customers, the report said, in an endeavor to improve the declining rate of productivity are turning more and more to automation and mechanization.

"The electric industry over the years has demonstrated not only its strong growth characteristics, but also its stability in times of economic reversals," the publication said. "These two qualities have provided a solid base for the securities of the investor-owned component of the industry. Thus, the importance of the industry in the overall economic picture is derived, not solely from its service functions, but from its financial aspects as well."

"Investor-owned companies have an invested capital position in excess of \$33 billion. The major portion of the securities outstanding are owned by institutional investors such as insurance companies, savings banks, pension funds, and investment companies. Therefore, the many millions of holders of insurance policies, every savings bank depositor, every pensioner, as well as millions of individual investors who are dependent on the secured income from the securities of electric companies, have a vital interest in the continued growth of the electric industry."

Delaware Fund Reports on Portfolio Changes

If the aphorism, "There is none so bearish as a sold-out bull," works in reverse, a large proportion of the financial fraternity are probably long-term optimists wishing for a market decline to let them get back in, reasons D. Mureau Barringer of Delaware Company, Investment Manager of Delaware Fund and Delaware Income Fund.

At least, he writes in his latest semi-monthly Directors' Letter, this offers one explanation of the almost universal pessimism despite a market which, on the whole, has acted fairly optimistically, in seeming disregard of continuously worsening business figures.

Delaware Fund, he reports, has utilized this period of strength to eliminate several stocks and begin positions in new ones. The Fund has sold its holdings of Mesta Machines, Timken Roller Bearing and American Viscose. Also eliminated from Delaware's portfolio were Flintkote and Pacific Power and Light whose rising prices decreased their relative attractiveness. Niagara Mohawk was substituted for the latter.

Other purchases recently completed include Royal Dutch Petroleum, Brunswick-Balke-Coller and Burroughs Corporation. Mr. Barringer pointed out that while Royal Dutch's dividend yield is not impressive, its stock represents, probably, the greatest value in reserves and refining and marketing capacity of any of the major companies.

He described Brunswick-Balke, a leading manufacturer of auto-

matic pinsetting machinery for bowling alleys, as "an attractive opportunity" in a specialized field. Commenting on Burroughs, he observed that with the increasingly intricate world of business and science, a continually growing use of mechanical office equipment seems inevitable.

M.I.T. Growth Fund Assets \$136 Million

Massachusetts Investors Growth Stock Fund for the three months ended Feb. 28, 1958 reports total net assets of \$135,672,666, compared with \$111,788,291 a year ago.

Net assets were equal to \$9.05 per share, which, together with a capital gain distribution of 21 cents per share in December, 1957, totals \$9.26 per share, compared with \$10.04 a year earlier.

Shareholders at the end of the quarter totaled 55,631, an increase of 55% over the 35,797 a year ago. Shares outstanding totaled 14,996,469, against 11,135,547. Both figures were record highs.

In the past three months, the fund purchased investment securities, other than U. S. Government bonds, totaling \$8,510,427, against sales of \$1,329,983. Initial investments were made in Royal Dutch Petroleum Co. (47,400 shares) and Texas Utilities Company (29,400 shares).

In the past 12 months, the percentage of investment in industries in technological development and research (companies in such enterprises as chemicals, drugs and electronics, which maintain extensive research facilities) has increased from 36.8 to 39.9% of

total portfolio; investments in expansion of markets or services (industries such as life insurance and finance and producers of consumer goods and services basic to the economy) has increased from 21.5 to 23%. The balance of the portfolio is in securities of companies in the natural resources field.

Group Securities' Sales

Total sales of Group Securities, Inc. for the first two months of 1958 at \$4,978,325 were up 114.5% over last year's volume for the same period, according to John L. Ahbe, Vice-President and director of sales.

Mr. Ahbe divided the record sales figures into three groups. The Common Stock Fund with sales of \$2,234,732 had 45% of the total, while 20% of sales were chalked up by Group Securities industry growth funds (Aviation, Chemical, Petroleum, and Electronics). The remaining Group Securities Funds accounted for 35% of sales.

Personal Progress

William C. Hurter, former Vice-President and director of Standish, Ayer & McKay, Inc., has joined the Bond Department of Keystone Custodian Funds, according to an announcement by Ora C. Roehl, Keystone's Vice-President in charge of research. The Keystone Bond Funds, with net assets of more than \$125 million, are the largest of their kind in the country.

Hurter was associated with the investment banking firm of R. L. Day & Co., for six years prior to joining Standish, Ayer & McKay, Inc., in 1953.

A graduate of Boston University, Hurter taught courses on investments for three years at the B. U. Evening College. He was a much-decorated bomber pilot in World War II, flying 57 missions in the European Theater.

President Gerald S. Jeremias of Empire Planning Corp., 570 Seventh Avenue, New York City, announces the election of Marvin L. Madeson as Vice-President in charge of sales. Empire, one of the largest independent mutual fund dealers, sells shares of leading mutual funds. The company specializes in one of the prominent contractual plans which have recently become so popular with the investing public.

Mr. Madeson, an attorney, was formerly New York and New Jersey Division Manager of Heritage Securities, Inc., an associate of Nationwide Insurance. Prior to that he was Sales Supervisor of First Investors Corp.

S. Chadwick Reed, Vice-President of Hare's Ltd., has announced the appointment of Phil K. Reily as Resident Representative for the firm in the State of Florida. Hare's Ltd. is the national distributor of Institutional Funds and the Canadian International Growth Fund. These funds have assets of over \$70,000,000 and more than 35,000 shareholders.

Mr. Reily, who was formerly Mutual Fund Department Manager of the New York Stock Exchange member firm of Jones, Kreeger & Hewitt, Washington, D. C., has had many years of experience in the investment business. He will make his headquarters in Fort Lauderdale, Fla.

Robert A. Bonner has been appointed as Assistant Treasurer of Delaware Fund and Delaware Income Fund by W. Linton Nelson, President. Mr. Bonner first joined the Delaware organization in 1954. He has spent many years in the field of finance and was at one time assistant head of the Bureau of Internal Revenue's Salary Stabilization Unit. He is also Assistant Treasurer of Delaware Distributors, Inc., the fund's national distributor.

Railroad Securities

Atchison, Topeka & Santa Fe Railway

Atchison, Topeka & Santa Fe Railway Co. continues to be one of the outstanding carriers of the country. Last year capital expenditures amounted to \$59,900,000. This amount included \$41,900,000 for 3,243 freight cars, 21 baggage and mail cars and 30 new diesel locomotive units. For roadway and structures some \$18 million was expended. Currently, it is believed expenditures will be considerably less in 1958 than in 1957 due to a lower volume of traffic and also weather conditions on the West Coast which has hampered the movement of traffic.

Last year Santa Fe reported earnings equivalent to \$2.30 a common share after taxes and charges and preferred dividend requirements as compared with \$2.64 a share in 1956. It is interesting to note that in view of gross capital expenditures last year of close to \$60 million, the par value of funded debt showed an increase of only \$8,036,563.

For the most part Santa Fe has followed a policy of purchasing new equipment for cash rather than through the issuance of equipment trust obligations. Even though earnings showed a decline last year, the road continues to be in a strong financial condition. Net current assets at the close of 1957 totaled \$93,171,524, an increase of \$4,961,271 as compared with the end of 1956. Exclusive of materials and supplies the net current assets at the end of last year amounted to \$45,765,840.

At the end of 1957 the outstanding debt in the hands of the public aggregated \$197,167,563. Of this amount \$187,653,000 was represented by General Mortgage Bonds and Adjustment Bonds, both due in 1995, and \$9,514,564 in equipment purchase contracts. The latter contracts were in the form of conditional sales agreements, repayable in quarterly installments over a five-year term, or earlier at the option of the railroad. These contracts covered the full cost of the new freight cars required. Altogether such conditional sales agreements consummated in 1957 approximated \$21 million. However, the greater part of this represents additional freight cars scheduled for delivery this year.

One of the most interesting financial aspects of the Santa Fe outside of its paying for new equipment with cash for the most part, is the voluntary bond retirement fund. At Dec. 31, 1957, the Voluntary Bond Retirement Fund amounted to \$13,595,252. The fund is made up of the carrier's 4% bonds, government securities, municipal tax-exempt securities, cash and interest receivable from holdings.

Santa Fe in its annual report comments on the "inadequacy of depreciation accruals." The report observes: "A continued capital improvement program is not just a desirable thing—it is an essential element in a railroad's survival." The road states depreciation accruals, based as they are on original costs, do not come anywhere near providing the money for replacements alone. The road claims the depreciation accruals are unrealistic, as they disregard "what should be the first essential of any business concern, that is, it should recover its full cost of merely perpetuating the business before it can be considered to have made a profit or to have a taxable income."

The wholly-owned affiliated companies of the Santa Fe last year had an aggregate net income, after taxes, of \$10,456,942, princi-

pally derived from oil production, uranium mining and land transactions. Of this total amount \$9,700,000 was received by the railway company as dividends as compared with \$9,000,000 received in 1956.

Included in last year's net income was approximately \$10,700,000 as a temporary inflation of net income which results from the application of prescribed ac-

LETTER TO THE EDITOR:

New Haven Inquirer Questions Philip Cortney's Gold Proposal

Reader Shull inquires whether Mr. Philip Cortney — in his article appearing in *Chronicle*, Feb. 13 — would only favor devaluation of the dollar to one-seventieth of an ounce of gold so long as such a step would be taken to stop inflation in principal trading countries and to bring about free convertibility of sterling pound. Concludes communication by appending a request for firmly fixing the "value of the American dollar at \$35 an ounce, redeemable . . . on demand" to Mr. Cortney's appeal to God with which he otherwise concurs.

Editor, *Commercial and Financial Chronicle*:

The address by Mr. Philip Cortney, carried in your issue of Feb. 13, leaves me in doubt as to just where Mr. Cortney stands on the question of whether the United States should, or should not, firmly fix the value of the American dollar at \$35 a fine ounce of gold, and, of course, restore redeemability, on demand, at that fixed value. In your foreword to his published address you say that this "noted international business leader claims that should the U. S. A. and Great Britain decide to stop inflation and restore sterling convertibility it will be desirable and necessary to devalue gold to \$70 an ounce"—from which I assume you mean "devalue the Dollar to one-seventieth of an ounce of gold"; for, fortunately gold is a commodity that cannot be devalued—it possesses, and will always continue to hold, its God-given value. As Andrew Carnegie told the Economic Club of New York, in 1908: "There is only one substance in the world which cannot fall in value, because it is in itself the world's standard of value, and that is gold, which the banks of civilized nations have as their reserve." And, thus far, we do regard ourselves as a "civilized nation."

Frederick G. Shull

Charges Hedging

In that address Mr. Cortney somewhat hedges on this question by saying: "I am personally opposed to a change in the price of gold," and then immediately spoils it by continuing, "unless it is part of a comprehensive plan and commitment to stop inflation in the important trading countries and restore free convertibility of the pound sterling." Are we to infer that Mr. Cortney is more interested in the convertibility of the pound sterling than he is in the honesty of the American dollar? That might be a reasonable view to be held by a British subject, but hardly suitable for espousal by an American citizen.

counting rules in connection with the amortization of emergency facilities for which Necessity Certificates were granted authorizing a five-year write-off for tax purposes. Tax accruals are credited with the full amount of income tax reduction obtained from amortizing the facilities over a five-year period, however, the annual depreciation charges against income must be computed at the much lower normal rate applicable to the various facilities involved. The peak of this temporary inflation of income was reached in 1957 and in the future there is expected to be a rather rapid year-to-year decline in this inflationary effect which will be felt through 1961.

believers in honest money should demand that the new Secretary of the Treasury be as forthright as respects maintaining the value of the Dollar.

As Andrew W. Mellon says in his book, "Taxation: The People's Business," his policy was "to keep our own house in order; to maintain the gold standard unimpaired; . . ." That is still sound policy, and should never have been violated in 1933. Why should our citizens spend their time worrying about Britain's policy as respects the pound sterling? If she wants to debase her currency, that is her business; but we may well hope that she will have the wisdom to firmly fix the value of her currency on a firm gold basis, and never again tamper with that value. Such forthrightness on her part will solve her problem of "convertibility" as respects its relationship to the American dollar, which seems to be causing Mr. Cortney so much concern.

Appends Appeal to Deity

Like many important addresses, Mr. Cortney calls on deity in the following closing words of his talk: "May God give us the wisdom, unselfishness and fortitude to solve our military and economic problems without sacrificing human freedom." And, to that, I should like to add: "May He also give us the honesty and wisdom to firmly fix the value of the American dollar at \$35 an ounce of fine gold, redeemable as such, on demand."

FREDERICK G. SHULL,

2009 Chapel Street
New Haven 15, Conn.
March 6, 1958

Continued from page 5

Licensing Agreements Accelerated

since World War II, according to the NICB. The majority of the survey cooperators had had no experience with licensing prior to 1945. Since then, many of them have added new agreements at the rate of three or more a year.

However, some 8% of the reporting firms made their first licensing agreement 40 or more years ago.

The geographic spread of the licensing agreements reported is very wide, with approximately 51% of the licensees located in Europe and the United Kingdom, 17% in Latin America, 12% in Asia, 9% in Australia and New Zealand, 6% in Canada, and 5% in Africa.

Few Firms Have Licensing Units

Relatively few companies participating in the study have separate licensing units or even full-time licensing directors. The Conference Board finds. Policy determinations and contract negotiations are usually handled by top management officers and committees, with administrative responsibility delegated to the export manager or to a director of overseas operations.

Centralized direction and control over licensing and other foreign operations is generally advised by cooperators in this study, as is close cooperation with the domestic production and technical divisions.

Because various restrictive and exclusive provisions in licensing contracts can lead to anti-trust difficulties, cooperators believe competent legal counsel is a "must" before concluding any agreement, the NICB reports. Currently, the consensus seems to be that it is safe to give a licensee exclusive manufacturing rights within a given territory but that it is advisable to grant distributions and use rights on a non-exclusive basis.

Good licensing decisions, in the opinion of the cooperating executives, can be made only in the light of the company's own situation and marketing objectives.

Many Plan Increase in Licensing

Approximately 60% of the licensing companies cooperating in the NICB study are planning to increase their licensing operations. Another 20% anticipate no change in their existing level of activity, and 20% expect licensing to decline in relative importance or to remain very limited in scope. A number of respondents say they will negotiate new licensing arrangements only with wholly or partially-owned subsidiaries. Other future trends, as suggested by company comments and announced plans, include:

Increasing interest in equity participation, with majority control or ownership the eventual goal for many companies.

A gradual shift from the existing licensors' market to one in which the foreign licensees will have an improved bargaining position, and American licensors will face increasing competition from European and other foreign licensors.

The portion of the NICB licensing study which was released March 21 deals with evaluating and planning foreign licensing arrangements. A second phase of this study will be completed later this year and will discuss contract negotiations and administration, and describe prevailing practices, with respect to royalties, quality and marketing controls, and other aspects of licensing operations.

With Southern States

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Jack L. Odum has become affiliated with Southern States Securities Corporation, 64 Ponce de Leon Avenue.

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		Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					CONSUMER PRICE INDEX — 1947-49 = 100—			
Indicated steel operations (per cent capacity).....	Mar. 30				Month of January:			
Equivalent to—					All items.....	122.3	121.6	118.2
Steel ingots and castings (net tons).....	Mar. 30	\$1,363,000	\$1,417,000	1,475,000	Food.....	118.2	116.1	112.8
AMERICAN PETROLEUM INSTITUTE:					Food at home.....	116.7	114.3	111.1
Crude oil and condensate output—daily average (bbls. of 42 gallons each).....	Mar. 14	6,256,985	6,327,735	6,851,985	Cereals and bakery products.....	132.5	131.8	128.0
Crude runs to stills—daily average (bbls.).....	Mar. 14	17,479,000	7,488,000	7,520,000	Meats, poultry and fish.....	110.2	106.0	99.0
Gasoline output (bbls.).....	Mar. 14	25,647,000	25,294,000	26,559,000	Dairy products.....	114.6	114.6	111.2
Kerosene output (bbls.).....	Mar. 14	2,693,000	2,896,000	2,619,000	Fruits and vegetables.....	121.9	113.9	116.9
Distillate fuel oil output (bbls.).....	Mar. 14	11,891,000	12,136,000	11,961,000	Other foods at home.....	113.1	114.9	112.7
Residual fuel oil output (bbls.).....	Mar. 14	7,161,000	8,001,000	7,615,000	Housing.....	127.1	127.0	123.8
Stocks at refineries, bulk terminals, in transit, in pipe lines.....	Mar. 14	216,525,000	215,409,000	210,560,000	Rent.....	135.8	136.7	134.2
Finished and unfinished gasoline (bbls.) at.....	Mar. 14	17,459,000	17,622,000	19,701,000	Gas and electricity.....	115.7	114.3	112.3
Kerosene (bbls.) at.....	Mar. 14	81,853,000	84,018,000	108,417,000	Solid fuels and fuel oil.....	138.4	138.3	138.9
Distillate fuel oil (bbls.) at.....	Mar. 14	55,061,000	54,803,000	57,134,000	Household operation.....	104.2	104.9	104.0
Residual fuel oil (bbls.) at.....	Mar. 14				Household operation.....	129.7	129.6	125.4
ASSOCIATION OF AMERICAN RAILROADS:					Apparel.....	106.9	107.6	106.4
Revenue freight loaded (number of cars).....	Mar. 15	539,057	544,173	533,237	Men's and boys'.....	109.0	109.5	108.4
Revenue freight received from connections (no. of cars).....	Mar. 15	529,025	550,095	510,999	Women's and girls'.....	98.6	100.1	98.9
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					Footwear.....	129.3	129.1	126.7
Total U. S. construction.....	Mar. 20	\$278,262,000	\$313,098,000	\$338,506,000	Other apparel.....	91.9	92.3	91.9
Private construction.....	Mar. 20	132,318,000	120,897,000	204,191,000	Transportation.....	138.7	138.9	133.6
Public construction.....	Mar. 20	145,944,000	192,201,000	134,315,000	Public.....	182.4	182.4	174.9
State and municipal.....	Mar. 20	113,411,000	153,761,000	96,966,000	Private.....	128.4	128.6	123.8
Federal.....	Mar. 20	32,533,000	38,440,000	37,349,000	Medical care.....	141.7	140.8	135.3
COAL OUTPUT (U. S. BUREAU OF MINES):					Personal care.....	127.8	127.0	122.1
Bituminous coal and lignite (tons).....	Mar. 15	7,550,000	8,100,000	7,965,000	Reading and recreation.....	116.6	114.6	109.9
Pennsylvania anthracite (tons).....	Mar. 15	322,000	417,000	379,000	Other goods and services.....	127.0	126.8	123.8
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100					COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of January:			
Edison Electric Institute:	Mar. 22	11,756,000	11,860,000	12,338,000	Cotton Seed.....	272,511	925,266	114,299
Electric output (in 000 kwh.).....	Mar. 22				Received at mills (tons).....	521,545	542,035	612,886
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.					Crushed (tons).....	1,367,412	1,616,446	1,624,274
Finished steel (per lb.).....	Mar. 18	5.967c	5.967c	5.967c	Stocks (tons) Jan. 31.....	129,699,000	124,341,000	170,536,000
Pig iron (per gross ton).....	Mar. 18	\$66.49	\$67.49	\$66.49	Produced (pounds).....	174,440,000	180,635,000	207,691,000
Scrap steel (per gross ton).....	Mar. 18	\$36.33	\$37.33	\$37.33	Shipped (pounds).....	154,029,000	144,856,000	175,185,000
METAL PRICES (E. & M. J. QUOTATIONS):					Refined Oil.....	151,546,000	132,316,000	266,693,000
Electrolytic copper.....	Mar. 19	23.650c	23.825c	24.450c	Stocks (pounds) Jan. 31.....	138,290,000	131,698,000	163,893,000
Domestic refinery at.....	Mar. 19	20.925c	20.475c	19.825c	Consumption (pounds).....	115,273,000	107,956,000	131,666,000
Export refinery at.....	Mar. 19	13.000c	13.000c	13.000c	Cake and Meal.....	241,455	246,341	194,737
Lead (New York) at.....	Mar. 19	12.800c	12.800c	12.800c	Stocks (tons) Jan. 31.....	238,031	246,686	293,321
Lead (St. Louis) at.....	Mar. 19	10.500c	10.500c	10.500c	Produced (tons).....	242,917	261,923	286,403
Zinc (delivered) at.....	Mar. 19	10.000c	10.000c	10.000c	Shipped (tons).....	123,746	109,344	57,371
Zinc (East St. Louis) at.....	Mar. 19	26.000c	26.000c	26.000c	Produced (tons).....	122,326	120,111	131,233
Aluminum (primary pig 99%) at.....	Mar. 19	93.625c	95.125c	94.375c	Shipped (tons).....	107,924	107,015	130,931
Strait tin (New York) at.....	Mar. 19				Linters (running bales).....	326,192	302,749	221,461
MOODY'S BOND PRICES DAILY AVERAGES:					Stocks Jan. 31.....	155,925	155,611	187,312
U. S. Government Bonds.....	Mar. 25	94.94	94.48	94.52	Produced.....	132,482	147,495	187,762
Average corporate.....	Mar. 25	101.80	102.12	102.63	Shipped.....	657	730	577
AAA.....	Mar. 25	99.36	99.36	99.36	Stocks Jan. 31.....	289	654	869
AA.....	Mar. 25	95.01	95.16	95.92	Produced.....	362	773	805
A.....	Mar. 25	86.24	86.51	86.78	Shipped.....	3,495	2,908	3,122
Baa.....	Mar. 25	91.34	91.62	91.77	Stocks Jan. 31.....	1,449	1,200	1,635
Railroad Group.....	Mar. 25	96.85	96.85	98.09	Produced.....	862	656	1,345
Public Utilities Group.....	Mar. 25	98.09	98.25	98.41	Shipped.....			
Industrials Group.....	Mar. 25				DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 AVERAGE = 100—Month of January:			
MOODY'S BOND YIELD DAILY AVERAGES:					Sales (average monthly), unadjusted.....	101	222	*101
U. S. Government Bonds.....	Mar. 25	2.93	2.97	2.97	Sales (average daily), unadjusted.....	100	220	99
Average corporate.....	Mar. 25	4.05	4.04	4.00	Sales (average daily), seasonally adjusted.....	125	126	123
AAA.....	Mar. 25	3.64	3.62	3.59	Stocks, unadjusted.....	122	127	123
AA.....	Mar. 25	3.79	3.79	3.75	Stocks, seasonally adjusted.....	137	136	138
A.....	Mar. 25	4.07	4.06	4.01	EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of January:			
Baa.....	Mar. 25	4.69	4.67	4.65	All manufacturing (production workers).....	12,048,000	*12,477,000	13,150,000
Railroad Group.....	Mar. 25	4.32	4.30	4.29	Durable goods.....	6,865,000	*7,152,000	7,740,000
Public Utilities Group.....	Mar. 25	3.95	3.95	3.87	Nondurable goods.....	5,183,000	*5,325,000	5,410,000
Industrials Group.....	Mar. 25	3.87	3.86	3.85	Employment indexes (1947-49 Ave. = 100).....	97.4	*100.9	106.3
MOODY'S COMMODITY INDEX					All manufacturing.....	149.5	*157.7	165.5
NATIONAL PAPERBOARD ASSOCIATION:	Mar. 15	249,513	321,182	238,539	Payroll indexes (1947-49 Average = 100).....			
Orders received (tons).....	Mar. 15	272,450	265,719	259,233	Estimated number of employees in manufacturing industries.....	15,880,000	*16,325,000	16,959,000
Production (tons).....	Mar. 15	88	87	86	All manufacturing.....	9,113,000	*9,414,000	9,990,000
Percentage of activity.....	Mar. 15	393,182	418,353	373,522	Durable goods.....	6,767,000	*6,911,000	6,969,000
Unfilled orders (tons) at end of period.....	Mar. 15				Nondurable goods.....			
PAINT AND DRUG REPORTER PRICE INDEX—1948 AVERAGE = 100					PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of January (in billions):			
Round-lot transactions for account of members, except odd-lot dealers and specialists:	Mar. 1	1,060,210	1,098,570	1,327,890	Total personal income.....	\$343.6	*\$343.6	\$334.8
Transactions of specialists in stocks in which registered:	Mar. 1	247,030	259,680	268,750	Total personal income.....	236.7	238.8	235.3
Total purchases.....	Mar. 1	779,330	897,000	1,068,890	Commodity and salary receipts, total.....	97.7	*99.8	102.7
Short sales.....	Mar. 1	1,026,360	1,156,680	1,327,640	Commodity producing industries.....	64.6	*64.4	61.6
Other sales.....	Mar. 1				Distributing industries.....	34.1	*34.2	32.2
Other transactions initiated on the floor:	Mar. 1				Service industries.....	40.3	*40.4	38.8
Total purchases.....	Mar. 1	278,400	283,000	346,640	Government.....	7.9	*8.0	7.7
Short sales.....	Mar. 1	29,100	60,000	29,520	Other labor income.....	50.8	*50.9	50.2
Other sales.....	Mar. 1	219,300	282,420	349,720	Proprietors and rental income.....	31.7	29.7	28.5
Total sales.....	Mar. 1	248,450	342,420	379,240	Personal interest income and dividends.....	23.3	23.0	19.0
Other transactions initiated off the floor:	Mar. 1				Total transfer payments.....	6.8	6.8	5.9
Total purchases.....	Mar. 1	337,350	440,030	435,037	Less employees' contribution for special insurance.....	327.7	*327.6	319.6
Short sales.....	Mar. 1	94,360	122,900	115,810	PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1911 = 100—As of Jan. 15:			
Other sales.....	Mar. 1	388,815	506,256	637,415	All farm products.....	247	242	238
Total sales.....	Mar. 1	483,175	629,156	768,035	Crops.....	225	218	238
Total round-lot transactions for account of members:	Mar. 1	1,675,960	1,821,600	2,109,567	Commercial vegetables, fresh.....	234	240	237
Total purchases.....	Mar. 1	370,490	442,580	428,890	Cotton.....	232	239	256
Short sales.....	Mar. 1	1,387,495	1,685,076	2,046,025	Feed, grains and hay.....	146	152	187
Other sales.....	Mar. 1	1,757,985	2,128,256	2,474,915	Food grains.....	217	221	236
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					Oil-bearing crops.....	183	180	227
Odd-lot sales by dealers (customers' purchases).....	Mar. 1	933,532	989,612	1,128,809	Potatoes.....	233	237	266
Number of shares.....	Mar. 1	\$40,936,390	\$42,744,976	\$49,083,683	Tobacco.....	178	171	162
Dollar value.....	Mar. 1	799,683	840,783	879,804	Tobacco.....	474	466	457
Number of orders—Customers' total sales.....	Mar. 1	22,443	24,098	19,496	Livestock.....	267	264	238
Customers' short sales.....	Mar. 1	777,240	816,685	860,308	Dairy products.....	269	275	270
Customers' other sales.....	Mar. 1	\$33,864,833	\$36,482,829	\$37,945,510	Meat animals.....	308	294	254
Dollar value.....	Mar. 1				Poultry and eggs.....	174	185	155
Round-lot sales by dealers:	Mar. 1				Wool.....	254	261	265
Number of shares—Total sales.....	Mar. 1	236,360	248,180	250,160	U. S. GOVT. STATUTORY DEBT LIMITATION			
Short sales.....	Mar. 1	236,360	248,180	250,160	As of Feb. 28 (000's omitted):			
Other sales.....	Mar. 1				Total face amount that may be outstanding at any time.....	\$280,000,000	\$275,000,000	\$278,000,000
Round-lot purchases by dealers:	Mar. 1				Outstanding.....			
Number of shares.....	Mar. 1	364,360	386,360	504,600	Total gross public debt.....	274,678,784	274,554,825	276,269,160
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					Guaranteed obligations not owned by the Treasury.....	102,764	100,964	108,794
Total round-lot sales.....	Mar. 1	693,290	784,570	774,230	Total gross public debt and guaranteed obligations.....	\$274,781,548	\$274,655,790	\$276,377,955
Short sales.....	Mar. 1	8,379,320	8,935,380	10,684,080	Deduct—other outstanding public debt obligations not subject to debt limitation.....	435,205	436,358	451,958
Other sales.....	Mar. 1	9,072,610	9,719,950	11,458,310	Grand total outstanding.....	\$274,346,343	\$274,219,431	\$275,925,997
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-48 = 100):					Balance face amount of obligations, issuable under above authority.....	5,653,656	780,568	1,074,002
Commodity Group.....	Mar. 18	119.7	*119.5	119.1				
All commodities.....	Mar. 18	98.8	*98.8	96.9				
Farm products.....	Mar. 18	109.9	*109.5	103.9				
Processed foods.....	Mar. 18	106.1	*104.6	102.7				
Meats.....	Mar. 18	125.9	*125.9	125.3				
All commodities other than farm and foods.....	Mar. 18							

*Revised figure. †Includes 890,000 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.

Continued from page 8

Time to Speak Out on Certain National Issues

sources for investment would be tremendous.

Pension plans now available for corporations are a major factor in our economy. On Dec. 31, 1957, there were 16,500,000 employees covered by private company pension or retirement plans. In addition to those actually working, there were 1,350,000 former employees now retired, who were enjoying the lifetime security of these plans. These retired employees receive more than \$1 billion a year, or an average of \$810 per person, per year. This is in addition to the amount they receive from Federal Social Security.

Employers are paying into these funds some \$3.4 billion a year, and the reserves behind these funds are over \$34 billion.

The greater part of these reserves are invested in the securities of growing American industry. This differs from Social Security money, which is immediately spent by the Government. Further, these funds will grow and could reach staggering proportions if employed individuals (the doctor, lawyer, broker, accountant, and others) are permitted to establish pension plans, whereby the funds accumulated under such plans may be invested by the custodian in any investment legal for trust funds under local law, in restricted retirement annuity contracts, or in stock or securities of any publicly held corporation.

These are the sort of policies on which this Association is competent to express an opinion and on which our voice should be heard. To that end, I have submitted to the Executive Committee a recommendation which will provide for the Board of Governors to set up a procedure, through which our Executive Committee, backed by action at board meetings, or by written polls between meetings, can officially represent our Association's position.

Asserting the Facts

During the past 25 years there has been a political tendency to attack big business as the root of all evil. We in the investment banking industry probably have been most reluctant to fight back, because of our own time of travail in the 30's, when some stigma was attached to the word "banker." Nevertheless, we share the responsibility of justifying the existence of big business by demonstrating the economic benefits which flow to this entire country and to the world from the efficiency of big business. Certainly we need not be apologetic about an economic system which had the inherent strength to win two world wars within a generation's

time, and then to shoulder a major share of the cost of reconstruction. On the contrary, we should be proud and aggressive to help keep it sound. Capital investment is the essential of economic expansion, and our role is to facilitate and direct the investment function. The amount of investment, in turn, is related to incentives for savings, which are heavily influenced by taxation and monetary policies. For that reason, I have singled out these areas as prime examples of the fields in which we should make our opinions known.

Demand for Capital

A reflective look at the present situation of our economy prompts me to observe that our unprecedented plant and equipment investment boom of 1955-1957 has definitely climaxed and the total of such use of capital will probably continue to decline for at least another year. This means, in general, that we are not likely to experience for some time a resumption of the capital scarcity squeeze that racked our bond market last year through October. There will still be plenty of grist for our mill, with state and local borrowing probably increasing in volume, if anything, while private borrowing tends to recede. This should produce somewhat more stable and favorable conditions for our underwriting activities and at least temporarily diminish the sometimes desperate risks we took in 1956 and 1957.

In conclusion, I want to say that, as I interpret the Constitution of our Association, it was intended that our Association be primarily a service organization, to serve our nation and to serve our industry. If we are to adhere to the principles upon which our Association was established, we must actively campaign for those issues which we believe are in the interest of our industry, and for the betterment of our nation.

We must stand up and be counted!

Two With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—George P. Martin and Harold E. Sodekoff are now with Bache & Co., 140 South Dearborn Street. Mr. Sodekoff was formerly with H. Hentz & Co.

With Daugherty, Butchart

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Robert L. Wilson is now associated with Daugherty, Butchart & Cole, Inc., 729 Southwest Alder Street. He was formerly with Walston & Co., Inc. and Zilka, Smither & Co., Inc.

Our Reporter's Report

Institutional investors evidently still are not of a mind to be stampeded by what has developed in the money market since late last year. Portfolio men for major insurance companies, and now their counterparts in the big pension funds have joined them, are evidently still determined to seek yields along lines of their own thinking.

In spite of the changes that have taken place in the money picture, the situation in the corporate new issue field continues far from what could be termed a "sellers' market." True; yields offered have come down from the peak of last October-November, but there has been some rebound from the low returns afforded by new issues a month or so back.

Market observers are a bit perplexed by the situation which holds forth in some areas of the money market. They point out for instance that while short term money rates are the lowest in 15 to 20 years, and the rediscount rate has been brought down abruptly to 2 1/4%, banks still hold their prime rate at 4%.

Feeling is that if the apparent abnormal spread between these latter rates could be narrowed the effect on the new capital market would be strengthening.

As things stand those who raised new money at coupon rates of 4% and 5% four or five months ago, find themselves anxious but unable to refinance such obligations at lower interest cost in the prevailing market.

Must Try Later

A couple of weeks ago Merrimack-Essex Electric Co. had to call off its projected effort at refinancing a bond sold early last November with a 5% interest rate.

The company had scheduled a \$20 million refunding issue but found itself forced to postpone the attempt because of market conditions. Yields had recovered considerably from the year's early low levels.

Now New Jersey Bell Telephone finds itself in much the same situation. It had slated a \$30 million offering this week, with a view to refinancing an issue of 4 1/2% debentures brought to market in September. But as the time approached the company decided to put the operation off until a later date.

Industrials to Fore

For the moment projected financing by industrial corporations is having the effect of applying a bit of pressure to the public utility industry which has had things pretty much to itself for long periods of time.

Potential investors are always disposed to look favorably on the opportunity to diversify their portfolios a bit provided the overall situation makes it attractive.

And now with such old time companies as American Can Co. and Aluminum Co. of American slated to market vast issues, and Douglas Aircraft and Joseph E.

Seagram & Sons, Inc., coming in for substantial chunks of capital, prospective buyers naturally feel that they can sit back and wait for a look at this merchandise.

Keep Pot Boiling

Next week's calendar of new issues foots up to something more than \$175 million and promises the investor better than the usual degree of diversification.

Largest offering on schedule is the Province of Ontario's \$75 million of debentures due out on Wednesday. On Monday the Wisconsin Electric Power Co. will open bids for \$30 million of bonds and on Tuesday Idaho Power will have two issues, \$10 million of bonds, plus \$10 million of debentures up for bids.

On Wednesday, General American Transportation Co. will market \$20 million of debentures. Closing out the week on Thursday the City of Edmonton, Alberta, will be offering \$20 million of debentures.

DIVIDEND NOTICES

LONG ISLAND LIGHTING COMPANY



QUARTERLY DIVIDEND

COMMON STOCK

The Board of Directors has declared a quarterly dividend of 30 cents per share payable on the Common Stock of the Company on May 1, 1958, to shareholders of record at the close of business on April 11, 1958.

VINCENT T. MILES
Treasurer

March 26, 1958



PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

On March 18, 1958, the Board of Directors declared regular quarterly dividends on Preferred Stock of this corporation, payable to stockholders of record April 15, 1958, as follows:

	Date Payable	Rate Per Share
Preferred Stock, \$100 par value		
5% Series	5-1-58	\$1.25
Preferred Stock, \$25 par value		
4 1/4% Sinking Fund Series	5-1-58	\$0.29 1/4

Ed Reynolds
R. C. REYNOLDS, Secretary

Forms James Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

WARRINGTON, Fla. — Donnie A. James is engaging in a securities business from offices at 401 Lakewood Drive under the firm name of James Securities & Investment Company.

F. R. Lushas Co. Merges With Hans Utsch & Co.

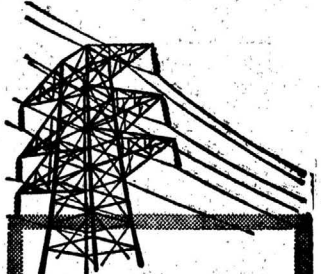
The firm of F. R. Lushas & Co., Inc., has been consolidated with Hans Utsch & Co., Inc., 89 Broadway, New York City. Franz R. Lushas has been elected Vice-President of Hans Utsch & Co.

DIVIDEND NOTICES

LEHIGH VALLEY COAL CORPORATION

March 21, 1958
The Board of Directors of Lehigh Valley Coal Corporation today declared dividend of \$1.00 per share on its \$3 Non-Cumulative First Preferred Stock out of its net income for 1957 to the extent of approximately \$.51 and out of net income for 1954 to the extent of the balance, payable April 18, 1958 to holders of stock of record at the close of business on April 4, 1958.

EUGENE SCHOENER
Secretary & Treasurer



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

COMMON STOCK Dividend No. 193 60 cents per share;	PREFERENCE STOCK, 4.48% CONVERTIBLE SERIES Dividend No. 44 28 cents per share;
PREFERENCE STOCK, 4.56% CONVERTIBLE SERIES Dividend No. 40 28 1/2 cents per share;	

The above dividends are payable April 30, 1958 to stockholders of record April 5. Checks will be mailed from the Company's office in Los Angeles, April 30.

P. C. HALE, Treasurer

March 20, 1958



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The Board of Directors of The Fluor Corporation, Ltd., has declared a regular quarterly dividend of 30 cents per share on capital stock, payable April 25, 1958, to stockholders of record April 9, 1958.



Francis E. Fischer
Secretary-Treasurer

Los Angeles, Calif.
March 10, 1958



Washington . . . And You

Behind-the-Scene Interpretations
from the Nation's Capital

WASHINGTON, D. C.—Although the odds are still against a tax cut, it will probably be two or three months before Congress decides whether or not there should be a reduction.

Indications at this time are that Congress will continue excise and corporation taxes at present levels. However, if they are to be continued, Congress must act before June 30, the date the present excise and corporation levies expire.

The present recession is unquestionably the best publicized one the country has had in a long time. Some Democrats are hoping that it will last at least until after the November 4 general election, while Republicans are hoping that the sag will be tightened up sharply before election day.

Governments, be it local, state or Federal, usually do a better all-around job in non-election years. Last year, with a "grass roots" drive, Congress trimmed President Eisenhower's record-breaking budget by some \$5 billion. It was mostly fat, and certainly no harm was done to any of the Federal services, and that goes for the military and all the other huge spenders.

Balanced Budget "Unpopular"

Once a balanced budget was a popular thing, or so it seemed on Capitol Hill. Now there is little mention of it. The demands to check the spenders who come to Washington from over the country last year are no longer heard. A sound fiscal policy has been tossed to the winds by strong influences in both political parties. Neither party has a monopoly on free-wheeling spending, but the Democrats have the reputation of being the freest spenders.

However, it probably would surprise a lot of people to know that during the five years that President Eisenhower has been in office, his Administration, with the approval of Congress of course, has spent a few billion dollars more than President Truman's Administration spent during the last five years of the "Fair Deal."

A Democratic Southern Congressman, Representative Thomas G. Abernethy, in his weekly news letter directed to his Mississippi constituents this week, said: "... Both Republicans and Democrats are feverishly prying away with their legislative crowbars on such as remains of the Nation's treasure chest. Like bears to a honey tree, they are attracting to Washington thousands of people suffering from chronic 'gimmies.' Even our foreign friends, who for years have had their long handle spoons in the Washington gravy pan, have abandoned the spoons for the scoops. . . . Already it is freely predicted that Federal spending will exceed income by \$7 billion, maybe \$10 billion. That is bad enough, but it is only the beginning."

The central government in Washington can help stimulate economic activities to a certain point. But anything it can do is certainly no panacea for a sagging economy. The Roosevelt New Deal Administration with its huge spending programs during the depression proved that there is no panacea to prevent

big rises and falls in economic conditions.

Byrd and Baruch

People in government as well as economists everywhere will be interested in the hearings that will begin next week (April 1) on the financial condition of the United States. The hearings will be conducted by one of the most respected men in Congress, Senator Harry Flood Byrd, Chairman of the Senate Finance Committee. Bernard M. Baruch, adviser of Presidents, will be the first witness.

While the hearings will not be on the sensational side—Senator Byrd is not that type—they will prove to be good for the country. Senator Byrd does not need any sensationalism to be re-elected in Virginia this year. The hearings will be a continuation of the hearings conducted by the Committee in 1957.

The Committee will make a complete study of the financial condition of the United States, including the revenues, bonded indebtedness, and interest rates on all public obligations, including contingent liabilities. They will inquire into the policies and procedures employed in the management of the public debt and the effect thereof upon credit, interest rates and the nation's economy and welfare. Still another phase will involve factors which influence the availability and distribution of credit and the interest rates as they apply to public and private debt.

Hearings before Congressional committees this year and last, plus continued layoffs, have pointed out for months the serious plight of most of the country's railroads. It certainly is of concern to the country.

Rails' Serious Problems

During World War II the railroads—the mass transportation carriers—moved about 90% of the heavy freight in this country. The last time the passenger trains made money was during the gasoline and tire rationing period of World War II. Last year only one railroad line in the country reported a profit on passenger service. That was a commuter line from New York to Long Island.

As a matter of fact most of the railroads have been going down the economic grade ever since Japan surrendered in 1945. Traffic on the lines dropped sharply in 1957, and it continues to drop this year. The cold, hard facts are the truck lines, with more and more paved highways, which the autoist helps to build, is greatly responsible for the railway economic deterioration. However, there are whole series of reasons causing the trouble and there is no single simple answer.

The American Association of Railroads, here in the Nation's Capital, has been telling Congress for a long time that the railroads were in trouble. They have said they cannot compete with subsidized transportation facilities. To offset subsidies that waterways, air lines and the highways have been getting through Federal grants, some railway officials contend that Congress should provide them with certain tax credits and benefits.

BUSINESS BUZZ



"—On the other hand, enlarging my allowance could mean increased purchasing power, and although minor, might nevertheless constitute an indirect aid to the nation's economy!"

Crux of the Problem

Next to Chicago the St. Louis-East St. Louis district is the foremost railway center in the Nation. Prior to the current decline, more than 52,000 persons in the eastern half of Missouri and Southern Illinois were employed. Because of the great importance to that region, the "St. Louis Globe-Democrat" has published a series of thought-provoking articles on "What's Wrecking the Railroads?" Two members of the staff experienced in the field of transportation, published the series after interviewing railroad and union officers and government officials in Washington and other cities.

In a nutshell the railroads are in trouble, the articles pointed out, because they do not have sufficient volume of freight or passenger business to support an industry that must have mass volume to prosper. They are a mass production industry because of two related characteristics. One is the high percentage of their costs are "fixed" costs (tracks, stations, etc.) that do not fluctuate much with the rise and fall of traffic and revenues. The other is that additional cars can be hooked onto trains with very little additional costs.

The Interstate Commerce Commission was created in 1887 to regulate the railroads. Subsequently, the theory of regulation was extended to airlines, interstate truck lines and some other modes of transportation. Today practically the entire field of transportation is under government regulation of some type. It could very well be that government regulation and government red tape have been a deterrent to the railroads.

[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.]

B. A. Warner in Greater N. Y. Fd. Drive



Bradford A. Warner

Bradford A. Warner, Vice-President of Manufacturers Trust Company in charge of business development, is a Manufacturing Section Chairman in the private firms division of the 1958 Greater

New York Fund Campaign

COMING EVENTS

In Investment Field

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.

May 16, 1958 (Baltimore, Md.)
Baltimore Security Traders Association annual spring outing at Country Club of Maryland.

May 22-23, 1958 (Nashville Tenn.)
Nashville Security Traders Association dinner at Hillwood Club, May 22, outing at Belle Meade Country Club May 23.

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

June 13, 1958 (New York City)
Municipal Bond Club of New York 25th annual field day at Westchester Country Club, Rye, N. Y.

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

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

June 27, 1958 (Philadelphia, Pa.)
Philadelphia Securities Association annual outing at the Overbrook Golf Club, Bryn Mawr, Pa.

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

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

Oct. 6-7, 1958 (Boston, Mass.)
Association of Stock Exchange Firms Board of Governors meeting at Somerset Hotel.

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

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