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EDITORIAL

As We See It

"Modernist stuff gone sour and silly." With these words Lord Keynes in his later years—no longer very much of a Keynesian himself—characterized some of the thinking and the schemes of those who regarded themselves as his followers. The advent of the current recession with a national election in the offing has made it clear enough that his Lordship has not been as successful in debunking some of the notions he started during the great depression as he unfortunately was in starting the politicians—and a good many others, too—off on intellectual wild goose chases two and a half decades ago. We gladly leave to others the task of guessing which of the programs and which of the theories now so prominent in the day-to-day columns of the press would receive the approval of the author of "The General Theory of Employment, Interest and Money."

Certain facts would, in any event, appear to be self-evident. One of them is that at least some of the fallacies being preached today come direct from the master himself. Another is that whatever we may do in times of recession or depression we have never distinguished ourselves in following the precepts of Lord Keynes in periods of boom. Perhaps we should add another to the effect that at least some of the propaganda and some of the programs of this day and time—often more inspired by a desire to get something for nothing than for sincere interest in the general public welfare—would without doubt be labeled

Continued on page 36

Let's Not Judge the Climate by the Weather

By MARCUS J. AURELIUS*
Administrative Vice-President, U. S. Steel Corp.

U. S. Steel executive predicts moderate summer gains in economy and steel industry during the summer, followed by a further rise during the year's final quarter. Based on his firm's research studies, Mr. Aurelius outlines encouraging positive factors and individual industry estimates which are said to indicate 1958 overall will only be moderately below 1957. In summing up, the author places a great deal of stress on importance of inventory factors and procurement criteria, and expects steel demand upturn during second half of 1958 leaving steel requirements in 1958 down about 12% from 1957 which, nevertheless, will be slightly above 1954 total.

The economy is not nearly so weak as some believe, and there are strong underlying forces that will sustain it. I believe we have reached the bottom of that much-discussed saucer in industrial activity, and total economic activity should show a modest gain during the summer, and then record a further rise during the fourth quarter.

Marcus J. Aurelius

Cites Positive Factors

There are several valid reasons for anticipating this improvement. First, personal income has remained relatively strong and is still above the level of a year ago. Although spending has fallen in recent months, the potential is there, and the increase in liquidity evidenced by the rising level of savings accounts will make possible a definite gain in spending levels. Here confidence in the economy's future is a vital ele-

Continued on page 38

*An address by Mr. Aurelius before the 42nd Annual Meeting, American Home Laundry Manufacturers' Association, Boca Raton, Fla., April 22, 1958.

A Number of Elements in Current Economic Situation

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

Country's public finance chief expects early resumption of economic growth; cautions against pursuit of popular expediential policies that furthers a political party and not the welfare of the people; and anticipates a $3 billion fiscal deficit for 1958 and intimates a much larger deficit for fiscal 1959. Treasurer Anderson enunciates 10 basic economic postulates, list questions to test soundness of economic proposals, and poses what should be first considered to avoid undertaking precipitous, unsound tax changes. Avers proper tax reform changes "receive our daily consideration" but casts doubt that a single dramatic action will of itself assure business recovery.

There are some postulates which I hold are basic to thinking about economic affairs in this great country of ours.

Robert B. Anderson

(1) There is every reason to believe in the economic future of the United States.

(2) A dynamic economy should encourage competition but should seek to minimize fluctuations and dislocations.

(3) During periods of adjustment, such as the present one, we should remember that no one has all the blame but no one is blameless.

(4) The continued operation of a free society presupposes a growing sense of responsibility on the part of all who participate commensurate with the growing complexity in our economic system.

(5) The employment act is a challenge and demand for our best effort but cannot be regarded as a government guarantee of no fluctuations or of no unemployment in the absence of rigid controls.

Continued on page 32

*An address by Mr. Anderson before the American Society of Newspaper Editors, Washington, D. C., April 18, 1958.

PICTURES IN THIS ISSUE—Candid photos taken at the 26th Annual Dinner of the TORONTO BOND TRADERS ASSOCIATION at the King Edward Hotel, Toronto, appear in today's Pictorial Section.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Republic National Bank of Dallas —James C. McCormick, Investment Research Dept., Eppler, Guerin & Turner, Inc., Dallas, Texas. (Page 2)

Philadelphia Life Insurance Co.—Walter A. Schmidt, Partner, Schmidt, Poole, Roberts & Parke, Philadelphia, Pa. (Page 2)

JAMES C. McCORMICK

Investment Research Department
Eppler, Guerin & Turner, Inc., Dallas
Members New York Stock Exchange & American Stock Exchange (Assoc.)

Republic National Bank of Dallas

The very word . . . TEXAS . . . has become a synonym for bigness and vitality. Texas, along with the rest of the Southwest, has grown at an explosive rate over the past 25 years. The area has prospered in an atmosphere of economic transition that began in the early 'thirties. The new TEXAS bears little resemblance to the TEXAS of three decades ago. Agriculture, primarily cotton, was its economic lifeblood until the prodigious East Texas oil discovery early in the depression made Texas the oil center of the world. Today, while still of real importance, agriculture is only a part of the strength of the hybrid Southwestern economy. Oil, finance, insurance, and widely diversified manufacturing enterprises combine to offer the economy a stability that has made it practically immune to the ups and downs that characterize the economies of many other regions.

James C. McCormick

Indicative of the growth of the area is the mushrooming City of Dallas. "Big D" has a bright, scrubbed look that relects its youth and its vigor. In the past 10 years alone, its population has increased by more than a quarter of a million, which is more than the total present population of Des Moines, Spokane or South Bend. Greater Dallas is shooting hard for a million people by 1960 . . . an ambitious goal for a town that had only 294,000 citizens in the 1940 census. The clean skyline of Dallas has a Manhattan-like profile that has been created largely in the few short years since the end of World War II. Dallas has erected 33 multi-story office buildings since 1947, and currently has eight more under construction, including the 44-story Southland Center, tallest building west of Chicago. Republic National Bank's own home is a 40-story glass and aluminum tower that was completed in 1954. Dallas has built more new office space since the end of World War II than any city outside New York. The area is comparatively untouched by the current economic readjustment. In most fields, there are still more jobs than there are takers.

No one questions the brilliant future of the area. The men who built Dallas believe that their city is in its infancy.

It would be difficult to find a business in a better position to benefit from the continuing dramatic growth of this area than **The Republic National Bank of Dallas.**

Following are some of the reasons why we like the stock:

REPUBLIC has grown even faster than Dallas. Started in 1920 with a capital structure of only $100,000, Republic in 1957 passed the $90 million mark to become the 17th largest bank in the Nation. In 1941, REPUBLIC ranked 89th in the Nation.

REPUBLIC is now the largest in capital funds of any bank south of a line from New York to Los Angeles.

REPUBLIC'S capital and surplus has increased since 1930 by more than 1400%, compared to an average increase of less than 100% by the Nation's other 16 largest banks.

REPUBLIC has a youthful and imaginative management philosophy. The President, James W. Aston, is only 46.

THE HOWARD CORPORATION is wholly-owned by trustees for the benefit of the shareholders of the Republic National Bank of Dallas as they exist from time to time. The Howard Corporation's investments consist largely of oil and gas reserves, diversified as to areas. The Howard Corporation does not operate oil properties, but its oil properties are operated largely by major oil companies. At the beginning of 1957 management indicated that The Howard Corporation and other companies whose shares are wholly-owned for the benefit of shareholders of Republic had a combined conservative net worth in excess of $15 million. In fact, management has made the same statement for three consecutive years, despite the payment of several millions to the Bank during this period in dividends. The valuable assets which these companies represent are not included in the statement of the Republic National Bank.

REPUBLIC became a $102 million institution in capital and surplus and reserves in 37 years. Management believes it can be a $200 million institution in 12 to 15 years.

In the past 10 years, REPUBLIC has become a banking institution of national and international significance. The Bank's activities providing interim financing for construction projects is nationwide in scope.

Since 1954, REPUBLIC has supplemented payment of regular cash dividends to shareholders by issuance of stock dividends. These stock dividends have varied from 3% to 8½%.

In summary, we can think of few investments that combine downside resistance and long-term dramatic growth potential in such attractive proportions. Republic National Bank of Dallas common stock is traded in the Over-the-Counter Market.

WALTER A. SCHMIDT

Partner, Schmidt, Poole, Roberts & Parke
Philadelphia, Pa.

Philadelphia Life Insurance Company

When one thinks in terms of the "Security I Like Best," many factors have to be taken into consideration. Fundamental long range prospects for the specific industry is your first thought and then what company within that industry meets most of your requirements.

Walter A. Schmidt

The Life Insurance industry is the number one in my book for various reasons.

(1) Its product is an essential one which has provided protection in the past and will continue to do so in the years to come.

(2) It "trades" in dollars, regardless of what kind of a dollar we might consider.

(3) Its margin of profit has enabled companies to meet their contracts and to establish healthy reserves and surpluses for future growth.

(4) New drugs and modern science spells longevity, which will directly help life insurance companies.

(5) Growth of population will provide greater markets and increase the overall need of protection over the years.

The only questionable factor seems to be the possibility of a changed tax formula which is being considered, which could raise taxes to a variable degree among the companies.

If one looks at the increased value of stocks of almost any life insurance company over the last generation, the results are almost unbelievable. Relatively small amounts of money invested in Travelers, Lincoln Life, Franklin Life, Jefferson Standard, Aetna, Connecticut General and others have produced young fortunes.

What about the next 20 years? It seems to me well chosen smaller companies with excellent management provides the best present day opportunities. Among the new crop are companies such as U. S. Life, Quarker City Life, Gulf Life, Republic National and Philadelphia Life.

Philadelphia Life rings the bell with me. Their Chairman of the Board, William Elliott, has built up a strong management team and a fine agency plant. It is unusual that all top level production executives are experienced field men. The company has sound investment principles and their results prove it.

Profits of their insurance underwriting business are used to expand their insurance business and the benefits of the investment portfolio are passed on to their stockholders.

Following are a few comparative figures:

Taking into consideration the cost of placing their greatly increasing new business in force on their books, the strengthened capital position reflects the conservative management.

Stock dividends during the last eight years were: March 1953, 10%; November 1953, 6⅔%;

Continued on page 8

(In Millions)	1951	1955	1956	1957	Gain
Admitted assets	$29.0	$42.3	$47.0	$51.6	77.8%
Life insurance in force	162.1	279.0	324.5	373.1	130.1%
Life insurance written	34.4	64.6	77.7	86.0	150.0%
Total premium income	4.0	6.1	8.1	9.2	130.0%
Capital and surplus	1.8	3.3	4.1	4.8	166.6%
Return on investments	3.34%	3.64%	3.76%	3.88%	16.1%

A Vulnerable Credit Structure

By DR. MELCHIOR PALYI

Credit *malaise* brought about by economy's credit practices is Dr. Palyi's indictment after delineating a disheartening picture showing banking was saved by recent recession from an old-fashioned financial crisis by about six months. The Chicago economist finds most vulnerable the liquidity ratio of commercial banks, which he states is comparable to standards of "easy-going Twenties" with exception of government bond holdings; terms mutual savings banks, savings and loan associations, and credit unions, "the softest link in the nation's credit chain"; holds unit banks lack risk-diversification which beclouds their higher average liquidity ratio; and assails metropolitan banks for neglecting liquidity rules since they are holders of bankers' balances.

A depression is characterized by the massive liquidation of debts; their mountainous growth constitutes an unfailing earmark of the boom. For 11 straight years, the total *net* debt, other than Federal, has been rising. The peak year of private and municipal debt - making was 1955 when $48 billion of new obligations were incurred by individuals, corporations, farms, nonincorporated businesses and local authorities. A recession of sorts got underway in 1956, with the *addition* to the outstanding volume "falling" to some $34 billion. Last year, the rate of growth declined further, and the process continues.

Dr. Melchior Palyi

How far will it go? Much depends on the strength or weakness of the credit structure, on its ability to withstand adversities—which may be in store.

Security Loans

The fact is that by mid-1957 the heart of the credit system, the commercial banking structure, was pretty much clogged. This was not due, however, to excessive security loan portfolios. They amounted to barely $3.9 billion, down by half-a-billion from their volume a year earlier. And a 70% margin requirement (until late December) provided ample protection, supposedly.

In reality, the requirement applies only to shares and bonds quoted on the Exchanges; loans on over-the-counter securities—a major item—are exempt. Then, too, there are security credits hidden under other titles of the banking statistics. In both of these instances, 20% is the customary margin. At any rate, the decline of the stock market since August has caused a fair amount of "heartburn" to the banks, but does not seem to have instigated a great deal of forced liquidation. The reduction, in December, of the margin requirement to 50% may have been helpful too. What it will accomplish—if and when the stock market should suffer another major break—remains to be seen. Judged by past experience, lowering the margin rule is conducive sooner or later to speculative operations in an undesirable volume.

Consumer Debt and the Commercial Banks

Potentially far more dangerous is the commercial banks' entanglement in instalment credit to the tune of $12.5 billion at the end of last July, and $12¾ billion three months later. Not before November did any decline occur, and then a very slight one only. The expansion seems to have stopped, but liquidation has barely started.

Again, there is nothing wrong about this situation — provided that nothing much goes awry. It would not take a great increase in unemployment, however, to bring about a glut on the second-hand car market, with substantial losses to the commercial banks. Other creditors, such as sales finance and consumer finance companies, credit unions, to some extent also automobile dealers, would be equally affected. They, in turn, are debtors of the commercial banks, more or less, which are exposed to losses both ways: on their own automobile loans as well as on their "commercial" loans used by the debtors to finance the sale of automobiles.

The same considerations apply, if to a lesser degree, to single-payment loans. The banks entered the recession with a $3 billion "bag" of this type; other financial institutions and businesses were holding $6.6 billion or more. And many among the latter group are in turn debtors of the banks.

The total of all kinds of consumer loans has been growing year after year (by $2.7 billion in 1957, as against $3.4 billion in the previous year, and a record $6.4 billion in '55). Presently, commercial banks shoulder, directly or by indirection, the bulk of the burden of an estimated $45 billion in consumer debt. Unless business turns up before long, difficulties are almost certain to arise in areas with more than average unemployment.

The Over-All Liquidity

Banking statistics, elaborate as they are, leave many questions unanswered. One of them is the amount of loans extended by the *commercial banks* to finance companies and other creditors to consumers. They are included among "commercial and industrial loans" which have more than doubled in ten years, reaching a record $40 billion by October, 1957. These

Continued on page 20

INDEX

Articles and News — Page

A Number of Elements in Current Economic Situation —Hon. Robert B. Anderson — Cover

Let's Not Judge the Climate by the Weather —Marcus J. Aurelius — Cover

A Vulnerable Credit Structure—Melchior Palyi — 3

Solid Gold—Ira U. Cobleigh — 4

What's What With the Casualty and Fire Insurance Business —William T. Harper — 5

Some Problems and Potentials in the 1958 Automobile Market Byron J. Nichols — 6

The Commercial Banker's Role in Financing Foreign Operations—Francis X. Scafuro — 9

Should American Firms Manufacture in Europe? —Jean A. Tilot — 10

U. S. Economy: Present Conditions and a Glance Into the Future—Roger F. Murray — 11

Business Prospects and the Impact on Mortgage Financing —Beryl W. Sprinkel — 12

A Look at the Present and Future Economy —Milford A. Vieser — 12

Housing Industry Conditions: A Year Ago and Today —Norman P. Mason — 13

Foreign Trade in Our Changing World—Leland I. Doan — 14

Financing a Foreign Plant—Ray G. Craerin — 15

Outlook for Municipal Financing—Arthur R. Guastella — 17

* * *

Allan Kline Hits Farm Policies as One of Three Dangers to U. S. — 10

Minus Eight Billion! (Boxed) — 16

Cut Taxes and Increase Federal Spending, Urges Marriner S. Eccles — 18

Class Members of 1958 Institute of Invesment Banking, Sponsored by IBA and Wharton School of Finance — 28

Outlook for Gas Industry Found Favorable in Two Reports — 36

Regular Features

As We See It (Editorial) — Cover

Bank and Insurance Stocks — 26

Business Man's Bookshelf — 40

Coming Events in the Investment Field — 48

Dealer-Broker Investment Recommendations — 8

Einzig: "Recent Foreboding Developments in British Political-Economy" — 18

From Washington Ahead of the News—Carlisle Bargeron — 7

Indications of Current Business Activity — 37

Mutual Funds — 30

News About Banks and Bankers — 20

Observations—A. Wilfred May — 5

Our Reporter on Governments — 33

Our Reporter's Report — 8

Public Utility Securities — 22

Railroad Securities — 29

Securities Now in Registration — 41

Prospective Security Offerings — 45

Securities Salesman's Corner — 29

The Market . . . and You—By Wallace Streete — 16

The Security I Like Best — 2

The State of Trade and Industry — 4

Washington and You — 48

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Solid Gold

By DR. IRA U. COBLEIGH

Enterprise Economist

Containing some rambling comment on the pricing of this mystic metal with particular emphasis on Canadian production and producers.

Copper prices are bouncing off bottom, zinc and lead are near their lows, aluminum, a more "administered price" metal, is off 2c a pound, but gold, the daddy of them all, goes along in its own unique way, without any official price variation for 24 years. And even back then, when the monetary master minds of the New Deal boosted the price of gold from $20.67 an ounce to $35, they gave it a new sacredness by making it illegal for ordinary citizens, like you and me, to own it in coins, bars, or certificates convertible into it. From a golden calf, it had grown into a Sacred Cow!

Ira U. Cobleigh

From the miners' standpoint this inviolate and inflexible price has been a decidedly mixed blessing. At first it was a golden boon with gold mine shares soaring, and even marginal mines producing profitably. It seemed to be a wonderful deal—an unfluctuating price for an unlimited quantity, guaranteed by the largest and strongest buyer in the world—the United States Government.

The "Gilt Wore Off"

As the years wore on, however, the gilt began to wear off. While the bid price was there, solid as ever, costs rose steadily—of mining equipment and supplies, but especially of labor which constitutes roughly 55% to 60% of the cost of mining. And so in recent years, and due to this cost squeeze, we have seen hundreds of mines close down, labor forces attracted to the more rewarding mining of other metals, and gold shares dragging along in the market unable to attract any sort of lively following. All of which has led to a considerable clamor in many parts of the world for a rise in the official price of gold. Such a rise would of course benefit the U. S. gold mining industry, but it would be particularly favorable to South Africa, Australia, Canada, large producers; and to Russia (which is reported to have sold about $250 million in gold to Europe in 1957 against $80 million in 1956).

No Price Rise

The hopes and enthusiasms of the mining fraternity for a price rise in gold were aroused by what looked like a broad depression coming on, last September. (And, as you know, a respected gimmick for combatting economic depression is raising the gold price.) So golden optimism grew, gold share prices advanced, especially in the last six months, mostly based on the hope that gold might swiftly become worth $50 or $60 an ounce. But it probably won't, for some time to come, and especially if business activity resumes its postwar forward motion.

So while it might seem logical to argue that the gold price should be raised, at least to offset the higher costs of its production, other more powerful factors, political and fiscal, will, no doubt, prevail. Thus we shall comment today on gold mining under its existing price / cost structure, rather than conjecture upon a future price rise, which no one can accurately predict.

In the United States there are relatively few gold mining companies whose shares are actively traded. The big one is, of course, **Homestake.** If you were only to own one gold stock, it might well be this one.

Canadian Producers

In Canada, however, there are hundreds of publicly owned gold mining companies with actively traded shares, mostly on the Toronto Exchange. These companies fall into three categories. (1) Those that can earn money on $35 gold without government subsidy, (2) Those that are today operating and (in most cases) making a profit with subsidy, and (3) Those that are not producing at all (though they still may be exploring and developing).

The companies in the first category are few. They have very rich ore bodies and most efficient mining operations. **Kerr-Addison** and **Campbell Red Lake** are among the leading unsubsidized mines.

To encourage gold mining, and in an attempt to keep the industry going, Canada has had in operation a subsidy program which, in 1956, resulted in the payment of about $98 million to the mines. The subsidy works this way. If a mine's audited operating costs are more than $26.50 an ounce, the mine can get a government subsidy on two-thirds of its output. You take this part of output, and multiply it by two-thirds of the amount by which average cost exceeds $26.50, and arrive at the annual subsidy for each mine. Nearly all operating Canadian gold mines now receive some subsidy. (The Emergency Gold Mining Assistance Act of 1948 expires at the end of 1958.)

Marginal Enterprises

The third classification, the closed or non-operating mines, are made up of the marginal producers. Their ore bodies are low grade, or expensive to mine due to depth, rock structure or thinness of veins. The value inherent in these non-operators lies in their reserves (of three sorts, proven, probable or indicated) and in the ore quality of same. In general terms, ore must assay at least 0.20% ounces of gold to the ton, to be commercial, with some good mines running 0.50% or better. (**Leitch Gold Mines** recently reported a very rich strike running 4.0 ounces to the ton.)

As an example (but in no possible manner any recommendation) **Donalda Mines** stopped milling in July 1955 with a shaft drilled to 1,860 feet. It continued drilling and exploration until November 1956 when all operations were suspended. The mine shares are still regularly traded in Toronto, however. There are 6,350,000 shares selling when this was written, at 12c. The value here is represented by 520,000 indicated tons of ore averaging 0.26% ounces of gold per ton. Obviously the people who pay 12c a share for Donalda do so in the hope that, some day, this ore body can be mined at a profit. (It could be, if gold were worth $50 an ounce.)

This Donalda, which was picked entirely at random, is one of dozens of suspended mines, whose shares are still active Canadian speculation. Others would include such romantic titles as Obaska Lake, Lake Osu, Crestaurum, Nodulama and Pandora Cadillac (possibly the original "Solid Gold Cadillac!"). In the whole area of long-shot speculation, issues such as these appear the most bizarre. All of them seem to have millions of shares outstanding and the least whisper about the possibility of a rise in gold sends them churning on the Toronto Exchange.

But we should not place major accent on these marginal or speculative mines whose hopes and earning power depend entirely on developments in the future. Rather we should look at some of the solid producers, especially those which are not only earning now and paying dividends, but are constantly expanding and developing their ore reserves for the future.

The "Blue Chip"

The authentic Canadian blue chip in gold is **Kerr-Addison.** There are 4,730,000 common shares outstanding, the earnings are running a little over $1 a year. Dividends on Kerr-Addison have been paid for 18 years in a row. The present rate is 80c which at 17¼ affords a yield of 4.63%. Kerr-Addison has magnificent reserves (enough for more than 10 years at present operating rates) and is finding rich ore as the drilling deepens (down 1,900 feet now).

Another good one appears to be **Leitch Gold Mines,** an Ontario producer, which has paid dividends for 20 years, earns about 12c and pays 6c on the 2,912,000 shares outstanding. Picture here is brightened by 5-year ore reserves, and remarkably rich ore bodies recently located. Stock sells in Toronto at $1.42. **Teck-Hughes Gold Mines Ltd.** has paid dividends for 32 years, pays a 10c dividend now, and earns around 20c on 4,807,144 shares. Current quote, $1.46. **Cochenour-Willans** has been very active on favorable recent drillings. 2,961,655 shares are outstanding selling at $2.78. Others worthy of your inspection might include Campbell Red Lake, Dome and New Dickinson.

Actually there doesn't seem to be any particular hurry about buying gold stocks, although some of the ones above mentioned, because of aggressive management, tight cost controls and rich and rising ore reserves, may work to considerably higher prices during the year. It is of course nice to know that you can sell all you can ever produce of anything, and especially so if you can make a profit at it!

The State of Trade and Industry

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

Steps were taken by the government last week to ease the country's growing employment problems with the signing by President Eisenhower on Wednesday (April 16) of the Democratic-sponsored roadbuilding bill which will entail an outlay of $1,800,000,000 in government funds. The President signed the bill with "serious misgivings," in the hope of increasing employment.

At the same time, he again promised that he will recommend a tax cut whenever he is convinced it is necessary as an anti-recession weapon, but expressed the belief that the time has not yet come for such action. The President, in signing the highway construction bill, said that he was motivated by the desirability of speeding up construction of our badly needed system of interstate highways with the hope that in the acceleration of work on this system and on the other Federal-aid highway programs some impetus may promptly be given to public and private efforts to increase employment.

While the President was reluctant to endorse a tax cut at this time, Marriner S. Eccles, former Chairman of the Federal Reserve Board on the same day testifying before the Senate Finance Committee called for an immediate $7,000,000,000 tax cut to reverse the current recession.

He stated that this is the best course of government action and far preferable to big public works projects. Failure to act soon might bring a real depression, he declared, requiring far more substantial Federal intervention and even larger budget deficits.

Mr. Eccles warned that once the economy turns up again, the government must act to bring labor unions under the antitrust laws and otherwise curb the powers of unions. Blaming organized labor's ability to get wage boosts without corresponding increases in productivity as a major cause of the recent inflation and by pricing goods out of the reach of many buyers, he declared, unions must bear heavy responsibility for the current downturn.

Latest available figures on employment in the week ended April 5, show that initial claims for unemployment insurance climbed 19%, reflecting more temporary layoffs in the automobile, metals, construction and electrical machinery industries. Much of the rise was also attributed to the availability of a new quarter's wage credits in most states. Claims rose most noticeably in Michigan, Pennsylvania, New York and Minnesota.

With respect to total personal income for the month of March, at a seasonally adjusted annual rate of $34,014,000,000 it closely approximated that of February and was fractionally higher than the similar 1957 level, according to the United States Department of Commerce. A decline in total wage and salary disbursements was offset by higher government payments for unemployment insurance.

Private housing starts in March fell slightly to a seasonally adjusted rate of 880,000, the lowest rate since early 1949. Some government officials attributed the decline to the continuation of bad weather conditions. The actual number of starts during March was 9% below that of the similar 1957 month.

In the automotive industry manufacturers were encouraged by a report that dealers' inventories fell somewhat during March. There were some more plant shutdowns and temporary layoffs during the week ended April 12, with the total output of passenger cars from Jan. 1 to April 12 of this year 33% below that of the similar 1957 level.

New business incorporations in March rose seasonally from February, but remained below those of a year ago for the sixth consecutive month, Dun & Bradstreet, Inc., states. New concerns chartered in March totaled 11,670, up 11.5% from the 10,466 of February and 3.2% less than the 12,049 of March 1957.

During the first three months of this year, there were 35,216 new incorporations, a decline of 2.8% from the total of 36,227 from the first quarter of 1957.

Steel output this year is expected to drop some 20% below last year's production, and about 23% from the record output of 1955, according to "The Iron Age," national metalworking weekly.

Steel men estimate that 1958 production will be in a range of 88 to 90 million ingot tons. This is quite a comedown from last year's 112.7 million tons, and a far cry from the record of 117 million tons set in 1955. Furthermore, it's less than 64% of the industry's 140.7 million ingot ton capacity.

"Iron Age", in its report dated April 23, says industry sales executives are mildly optimistic this week on the basis of orders received in April. The month started slow, but gained momentum. It now looks as though April, with one less day, will equal or top March in shipments.

"The market has a little better tone," asserts one sales executive. "We're more optimistic."

Says another: "Nobody's talking about it. We're afraid of putting a hex on the streak."

The metalworking magazine says the mills' biggest problem is still inventory cutbacks. Steel users apparently are still content to live largely off their inventories. And this is tending to offset any seasonal gains in demand.

On inventories, steel men are raising the flag of caution to their customers. The warning: Don't overdo it. The mills are pointing out that they can't raise or lower their finished steel output by just turning a valve. What they mean is that a substantial pickup in orders will be reflected quickly in a lengthening of delivery schedules. Some steel users were caught short following the 1954 inventory retrenchment.

"Iron Age" says the steel market would be considerably brighter but for the bleak outlook in the auto industry. Latest reports from Detroit indicate the automakers will be buying only

Continued on page 39

Observations . . .

By A. WILFRED MAY

THE PUBLIC'S GETTING SMART

Significantly revealing the trend toward more mature behavior on the part of the investor are two currently released surveys of "consumer attitudes." One of these, the New York Stock Exchange's latest Public Transactions Study, embodying a detailed analysis of the more than 85,000 buy and sell orders, round lots as well as odd lots, that were executed on two days selected in advance, Oct. 9 and 16, 1957. Its findings importantly underscore the increasing investment tenor of the market. Two-thirds (66.7%) of all volume by individuals was for retention for six months or more—which proportion constituted a full 10% rise since March, 1956, the time of the previous study. The speculative category of margin transactions declined substantially to 18% of total volume from 22% in March 1956.

A. Wilfred May

Also evidencing the trend toward long-term market activities is the finding that 30 out of every 100 shares bought and sold by the public (including public individuals, institutions and intermediaries) were either for, or through, the account of institutional investors such as investment companies, or intermediaries including commercial banks and trust companies.

Another survey confirming the public's swing-to-sense is by way of the response to a poll of its 300,000 customers just completed by the brokerage firm of Merrill Lynch, Pierce, Fenner & Smith. Only 56% of those replying buy stocks for the main purpose of achieving capital gains, over any interval. The balance, a surprisingly large proportion, report the good sense to be seeking safety of principal and liberal dividends.

Constructive Impact of Higher Trading Expense

Also pushing the long-term attitude is the cost of doing the trading business. Now added to the inroads on possible profits coming from the capital gains tax is the latest hike in brokerage commission rates. Effective May 1st, it will cost $98.10 per 100 shares, or almost a full point, to complete a buy-sell transaction on a stock selling at 50. Presently, the cost is $90.10. The "bargain rate" on a 30-day or less round-trip, now $72.60, will be raised to $81.10, with the holding period maximum reduced to 14 days. (In the case of a mutual fund, the pressure against short-term activity from trading cost, of course, remains greater. With the "load," or buying commission, at 7-to-9%, the fund buyer must wait for some two years of income alone to compensate him for his investing expense.)

This Year's Market Performance Significant

Also showing the growing tendency to gear investing decisions to long-pull value considerations, is the price performance in the market—of both stocks as a whole and relative groups—since the beginning of this year. This is reflected in the substantial rises of "the market" in the face of the adverse "recession" news; and in the contra-slump advances of 16% and more in the depressed textile group, of 14% in the harassed airlines, of 12% to all-time highs by the consumer-durables affected instalment finance companies, with a rise of 7% registered even by the extra-hit steel industry's issues. And this week the messed-up petroleum industry's shares are hitting new highs for the year.

Logic Entering the Capitalization Of Current Earnings

In his capitalization of earnings determining the market price, the investor midst this recession is sensibly indicating abandonment of one of his important traditional foibles. I refer to his illogical proclivity, because of prevalent pessimism, to capitalize earnings at below the average ratio after they have declined midst business depression—thus effecting a double reflection of the depressed conditions (the converse of the correspondingly illogical procedure during a boom).

Following is a historical demonstration of this manic-depressive under- and over-capitalization of fluctuating per-share earnings during past periods, taken from a graphic presentation by Francis I. du Pont & Co., members of the New York Stock Exchange.

Year and Mkt. Status	Dow-Jones Ind. Avg.	Earnings	Price-Times Earngs. Ratio
1937 High	196	$11	18
1938 Low	97	10	10
1939 High	158	9	17
1942 Low	93	11	9
1946 High	213	10	21
1949 Low	161	24	7

Recent performance is in sharp contrast to these completely illogical fluctuations of the price-earnings ratio in the past. At the 1957 top of our recent bull market the investment community restrained its capitalization of the $34.86 earnings on the D. J. Average to the moderate multiplier of 15; and during the ensuing Recession has been exercising sobriety sufficient to limit the decline in the price-earnings ratio of 12.6.

Should the present turn to good sense continue, the only sufferer will be the smart contingent which will no longer find available the misguided folk who have been enabling them to follow the "Greater Fool"** technique—that is, exploiting the short-sightedness of the foolish crowd.

**For this most apt term we gratefully acknowledge our indebtedness to Mr. Bradbury Thurlow of J. R. Williston & Co.

Joins Fahnestock Staff

(Special to The Financial Chronicle)

BATTLE CREEK, Mich.—Robert H. Regan has joined the staff of Fahnestock & Co., Security National Bank Building.

Lionel M. Alanson

Lionel M. Alanson passed away April 19 at the age of 77. Mr. Alanson was a partner in Alanson Bros. & Co. and served in the past as president of the San Francisco Stock Exchange.

R. C. Scheible Opens

ROCHESTER, N. Y.—Raymond C. Scheible is conducting a securities business from offices at 199 Hartsdale Road.

Samuel B. Lewis

Samuel Bunting Lewis passed away April 19 at the age of 82. Mr. Lewis had been with J. W. Sparks & Co. of Philadelphia.

What's What With the Casualty And Fire Insurance Business

By WILLIAM T. HARPER*

Chairman of the Board and President, Maryland Casualty Co.

Prior to expressing reasons for confidence that the worst is over for the casualty and fire insurance industry and that continued upward improvement lies ahead, Mr. Harper does not neglect to recount causes of industry's recent worst years and problems yet to be solved—including successful transition from class to a mass market in insurance sales. The insurance head singles out inflation, inadequate rates and high jury awards for industry's recent ills, and explains plans to overcome portentous development in the increasing—in some cases spectacular—competition between specialty (direct writing mutuals) and bureau stock companies. Calls attention to larger income source stemming from investments, rather than underwriting, and describes bond-stock portfolio composition in reviewing why the industry over the years has been one of the leading growth industries for those seeking long-term capital gains as well as a fair annual income.

It seems to me that beginning about the middle of last December, when the sudden rise in our stocks began, some investment analysts had, or thought they had, some clue to the future prospects of our business which was not known to me. At least, that is the only way I can account for the sudden and to me quite unexpected rally in the market for our shares.

William T. Harper

There is one theory which may offer a tenable explanation. I believe the results of the November operations of some of the companies became known at just about the time the rally began, and it is quite likely that some analysts interpreted the favorable results of the November operations as signaling the long-awaited turn of the tide in our industry.

Now, they may have been quite right. But what I believe they overlooked in their calculations is the fact that the last two months of the calendar year are traditionally good ones in our industry, and that the underwriting results usually show some improvement over the previous part of the year. If this is the case, and future events do in fact justify the rise in our stock values, then it would seem that the fraternity was right, but for the wrong reasons.

Also, there is the well known fact that the investment fraternity is by nature an optimistic group which tends to see the bright side of everything.

Immediate Question

The immediate question of common interest confronting us is naturally concerned with what the future may hold for us. I believe all know what the immediate past held for us, and are aware of the fact that the casualty and fire insurance industries have just concluded two of the worst years in their long history.

I am not a prophet, and I long ago disposed of my crystal ball to one of the market advisory services.

However, there are certain definite facts concerning our industry which may be of some interest, but many of them are subject to diverse interpretations and that, as in most everything else in the market, personal judgment must be the final controlling factor in appraising the situation.

Last year the majority of the casualty and fire companies suffered not only heavy underwriting losses but many also sustained net operating losses, which is an exceedingly rare thing in our experience. In practically all the previous years when we had underwriting losses, our income from investments was sufficient to bail us out and permit us to show an over-all net profit for the year.

When our loss experience first began to turn sour, as reflected in our figures in late 1955 and in 1956, we were naturally concerned but not too greatly alarmed. It is well known to all of us that our industry is generally regarded as a "cyclical" one, in that every five years or so it is not unusual for us to suffer a year of diminishing profits or actual underwriting losses.

Two Bad Years

Many expected that such a year as 1956 would be followed by a few years of renewed prosperity. As in Mr. Hoover's day, this prosperity was presumed to be "just around the corner," but also as in Mr. Hoover's day, we didn't turn the corner. For the first time in many, many years, and for some companies indeed for the first time in their entire histories, two bad years followed in succession. And the second year was even worse than the first.

At this point, it was apparent to us all that we were up against something more serious than the normal cyclical fluctuation. Something was definitely not prefumery in the State of Denmark. As the year wore on and our losses continued to mount, it became increasingly clear that we were facing a radical alteration in some of the aspects of our business.

Ours is one of the so-called regulated businesses, similar in many ways to a public utility in that the rates we may charge for our product are subject to control by State authorities. The laws of the various states stipulate that our rates must be adequate to enable us to pay our losses and expenses and have enough left to produce a reasonable profit. How, then, is it possible, many people ask, for the industry to suffer such staggering losses? In the vernacular, that is indeed the $64,000 question. In many ways, it is just as difficult to answer, despite the fact that we appear to have dozens of experts in isolation booths, so to speak, that have sprung up like telephone poles along the highways and byways of our industry.

Two Basic Causes

However, by common consent, it is generally agreed that the difficulties encountered by our industry in the last two years can be traced basically to two connected roots — one being that old devil inflation and the second being the consequent inadequacy of rates, particularly in the various fire and automobile lines.

Since automobile accounts for

Continued on page 34

*An address by Mr. Harper before The Bond Club of Baltimore, April 9, 1958.

Some Problems and Potentials In the 1958 Automobile Market

By BYRON J. NICHOLS*

General Manager, Group Marketing, Chrysler Corporation

Favorable and unfavorable factors in today's automobile market and latest plans apt to be helpful to the industry are reviewed by Chrysler marketing expert. The small foreign car in the $2,000 price class, Mr. Nichols states, does not offer as much value as a $1,000 used, low-mileage, 1958 completely equipped American car and would take many years to save in gas economy the difference in price, let alone comfort, utility, safety and ease of operation. Mr. Nichols sees a great opportunity for finance companies and bankers to help stimulate a more active used car market by some changes in instalment financing of such cars, and by a sounder partnership between the dealer and his financing organization.

Well—it's a lot more fun to discuss your own business when it's booming than when it's down. But you can't always have it that way. It's no secret that the present condition of the automobile market is somewhat less than satisfactory. There's no way to gloss over the facts—and there wouldn't be much point in trying to do so.


Byron J. Nichols

The one thing nobody can afford to do these days is to kid himself into believing that unfavorable realities just don't exist. Maybe the ostrich doesn't mind getting sand in his ears and eyes, but I do. Moreover, the automobile business was built by looking at reality and making the most of it—not hiding from it. We pride ourselves in finding our potentials and our opportunities in facts, and in meeting our problems head on.

Nothing would please me more than to be able to predict an upward surge in the automobile market sometime soon. I can't do that. But I can say this. Many conditions are right for making possible a recovery in automobile sales. The potential in the market is very real—and we who spend our time on the marketing side of the business are doing what we can to see that this potential is realized.

Outlines Favorable Prospects

Let me outline a few of the favorable possibilities in today's automobile market.

First, let's remember the often repeated but fundamentally important fact that we are just three years this side of the biggest year in the history of the business. That fact has several important meanings for anyone selling cars in 1958.

For one thing, it means there is a very large number of cars of exactly the right age—three years old—available for trade in on new cars. One of our own market studies shows that in 1957, 30% of the cars of all makes traded in on new cars of all makes were 1955 models, and we estimate that in 1956 somewhere between 10 and 15% of the cars traded in on new cars were 1955 models. Those percentages are enough in themselves to indicate that there are millions of 1955 cars still waiting to be traded in on 1958 models—but the question is how many millions.

We estimate that in 1956 about 4,300,000 used cars were traded for new cars. Fifteen per cent of that number, approximately two-thirds of a million, were 1955 models. In 1957 about 4,500,000 used cars were traded for new cars. Thirty per cent of that number, or one and a third million, were 1955 models. So it would appear that in the past two years approximately two-million 1955 model cars have been traded in on new cars; and with close to seven-million 1955 cars now in use, that means there are still nearly five-million 1955 cars that have not as yet been traded for new cars!

Of course, no one expects that all or even half of those five-million 1955 cars will be traded for new cars this year. But those 1955 models do present the industry with an opportunity. According to our figures, in 1957 the average age of used cars traded in on new cars was just a shade over three years. That means that those five-million 1955 cars are the perfect candidates for trade-in purposes. When you add to those five-million cars the sixteen-million cars built in 1954, 1956 and 1957—which are also very likely candidates for trade in—you begin to get some idea of the potential that faces the industry.

Consider also the fact that a very big portion of the automotive instalment credit contracts signed in 1955 will be paid off sometime this year, and that those paying up their obligations will be in a position to take on new instalment contracts if they wish to do so. In this connection, it is important to remember that 57% of the cars sold on instalment credit in 1955 carried contracts for periods of from 30 to 36 months.

These facts about the cars available for trade in 1958, and the maturing of millions of 1955 instalment credit contracts are central in any assessment of the 1958 market situation; but there are other important facts to consider.

One of the most notable of these additional considerations is the very large amount of liquid savings in the hands of individuals. Government figures show, for instance, that time deposits in banks are now at the highest level in history. People have plenty of money in the bank to make the automobile business and every other kind of business hum, if they can be persuaded to buy.

Another big plus in the present situation is the freeing up of money as the result of recent actions by the Federal Reserve System. I'm sure this has already affected your own operations; and it could have a stimulating effect on the automobile business, on construction, and on every other section of the economy. But government action has not been limited to the Federal Reserve. Among the moves that have been taken are the speeding up of the highway program, the relaxation of FHA requirements on mortgages, the reduction of stock margin requirements, the releasing of sizable amounts of money for new post office equipment, and new Federal buildings and housing projects.

On top of all these things, there is a general stir and commotion in Washington that should convince people throughout the country that the Administration and the Congress are watching business conditions very closely, and that further action will be taken as economic developments make it advisable.

The present emphasis in Washington appears to be on alertness and action—not on talk. This is all to the good. In my opinion, it is action and action alone that generates confidence. At the Detroit Economic Club a few weeks ago, the publisher of "Business Week" got a real chuckle out of his audience when he said that trying to build up confidence when business is down by talking confidence is about as effective as pushing on the end of a string. The harder you push the worse the situation gets.

The Administration has stated that it will take action to stimulate the economy when action appears necessary; and from all indications, the month of decision as to what and how much action is going to be needed is at hand.

Asks for Excise Tax Repeal

From our standpoint, one of the most useful contributions Washington could make to stimulating the automobile market would be the repeal or substantial reduction of the Federal excise tax of 10% on new cars and trucks. This action would be felt in every part of the economy. It would benefit the one out of every six businesses and the one out of every seven workers in the country that are directly dependent upon the manufacture, distribution, servicing, and use of motor vehicles. It would also benefit the steel, textile, rubber, glass, and machine tool industries, which sell a large portion of their products to the automobile manufacturers.

It is of the greatest importance in our opinion, that the reduction of this tax be made on all new cars now in dealers' stocks and that protection be given to new-car purchasers between now and the enactment date of a new excise-tax law.

We in the automobile business are doing what we can to produce a turnaround in our part of the economy. We are keeping our eyes on the big potentials in our market situation that I outlined. We know the curve of sales is going to start up sometime and that when it does, it's going to climb fast. It's our job to do what we can to make it start climbing soon.

All over the industry there is an emphasis on selling that we haven't seen at any time since before World War II. Old techniques are being dusted off and new ones are being developed.

One of the most interesting new selling ideas to hit the industry this year was developed in Cleveland. In January, the Cleveland Automobile Dealers Association decided it was time to let the people of the community know that automobile sales can help to generate employment and business activity of all kinds. The idea was to capitalize on the recession instead of crying about it. So, during the last week of February, people began to hear on all sides that they "auto buy" a car. They were told why—by way of television, radio and the newspapers. They were told how many jobs are generated in the national economy by the automobile industry. They were told in plain terms what increased car sales would do to generate jobs in the Cleveland area; and along with this somewhat altruistic talk, they were told about the financial and other advantages to them personally in buying a car immediately.

In that last week of February, the Cleveland dealers sold as many new and used cars as they had sold in the previous three weeks. Banks and finance companies had their hands full taking care of automobile credit applications. Other communities seeing this kind of action getting results took the cue and laid plans for their own "auto buy" promotions.

Five Auto Firms Cooperate

Right now the five automobile manufacturers are cooperating in a plan to hit twenty-five cities with a similar campaign during the next few weeks. This nationwide promotion, hitting all the major markets in April, certainly ought to help generate a real pick-up in sales.

None of us would claim that this type of sales drive is the whole answer to the industry's present marketing problems. We all know the limitations of this kind of approach, but it does serve some very useful purposes. Above all, it shows that the industry is not sitting around waiting for a demand to develop. Now as in the past the automobile industry is responding to adversity with action. It is meeting trouble head-on with imagination and energy, and there is a fair chance that this aggressive attitude could be contagious and spread to many other sectors of the economy.

The automobile market is a total market—involving in recent years the sale of somewhere between 15 and 20 million new and used cars a year. As you know, used car sales outnumber new car sales two to one. And what happens to used car demand and used car prices has enormous importance to the new car market. In recent months, according to the Bureau of Labor Statistics, used car prices have turned down. This has presented a real problem to the new car salesman, because when used car prices are soft, he can't make the kind of trade-in allowances he would like to make.

There have been some recent indications that sales of used cars are relatively stronger than new car sales. If that trend continues, the demand is bound to put pressure on the supply of used cars, with the result that prices will improve. Better used car prices will mean, in effect, lower new car prices as the result of better trade-in values. So, it is clear that anything we can do to sell more used cars will be good for the new car market.

The Foreign Car

In this connection, it is interesting to consider the relative financial and driving advantages of the used American-built car over the small foreign car. The recent rise in the sales of the small foreign car has been the subject of a lot of conversation; and at times, it appears that some people lose their sense of proportion when talking about this subject. They tend to forget that the American car has been developed to meet American needs and driving conditions and that the small foreign car will never fill the bill. The average family in this country will need and want an all-purpose car that will take them to the theater, carry a heavy topload, cruise the superhighways in comfort, or pull a house-trailer.

All of this has an important bearing on the used car market. The value to be found in used American-built cars is nothing short of phenomenal. For example, the going price for a low-mileage 1955 popularly low-priced four-door sedan equipped with V-8 engine, automatic transmission, power brakes, radio, and heater on Detroit's Livernois Avenue is in the neighborhood of $1,000. How can anyone claim that a small foreign car bought new in Detroit at a price in the neighborhood of $2,000 offers anything like the same value as a comparable American car? People who talk about the gas economy of the small foreign car should take a sharp pencil and figure how many years it would take them to save that thousand-dollar difference in price. That big difference in initial outlay is entirely apart from the difference in comfort, utility, safety, and ease of operation.

In the entire economic history of the world, it would be hard to find an industry that has created value on such an enormous scale as the American automobile industry—and in some ways, the spreading of value through the operation of the used car market is its most impressive accomplishment.

Stimulating the whole industry through a more active used car market is one of the important lines of action being taken by companies and dealers. It is just possible that automobile finance companies and bankers can assist in this activity.

It has occurred to many of us in the business, for instance, that some changes may be due in the instalment financing of used car purchases. Let me suggest that there may be too wide a difference between the kind of terms a customer can obtain on the purchase of a used 1958 or 1957 car and a new 1958 car. We have noticed, for example, that a majority of banks have been reluctant to write instalment contracts with maturities over 24 months on used 1957 or 1958 model cars. It is difficult to understand this position. The mere fact that a virtually new car has had another owner would not seem sufficient reason for cutting down drastically on the liberality of the terms.

I might suggest that the older attitudes of mild distrust toward used cars has been undergoing a drastic change in recent years. One reason for this change is the development of used car warranty contracts. It would seem to me that if financing organizations could tie in such a contract with an instalment credit agreement, the result might be a liberalization of terms—with the even more important effect to all of us of stimulating the whole market.

Our experience of the last few years has confirmed us in the belief that the dealer's understanding of his own financing problems and his effective working relations with his finance connections can literally make the difference between success and failure. Some dealers—usually the less successful—regard the bank or the finance company merely as a source of funds that enables them to maintain an inventory of cars and as a way of making it possible for their customers to buy cars on a monthly payment basis within their means. They sometimes fail to recognize all the other business-building advantages of a sound partnership between the dealer and a financing organization.

The wide range of body styles, colors, and equipment options in the modern car has brought with it a greatly increased need on the dealer's part for credit. This situation puts heavy new demands upon financing organizations.

We have become so convinced of the fundamental importance to the dealer of a sound working relationship with his finance connections that we have set up a special staff of highly experienced men to devote themselves full time to this matter. These men are located in New York, Detroit and Chicago and are free to move quickly to any region where there is a need for their counsel.

Their principal duty is to maintain constant and effective liaison between finance organizations and our dealers. They have the understanding of the dealer's problems and of your problems that enables them to help in working out practical solutions. We urge bankers to get acquainted with these men and call on them for their assistance.

I have tried to give you a brief look at some of the practical lines of action that are being followed in the automobile business at the present time. We are attempting to help stimulate the all-important confidence needed by the country at the present time by means of doing things rather than just talking confidence. Above all,

*From a talk by Mr. Nichols before the National Instalment Credit Conference sponsored by American Bankers Association, Chicago, March 25, 1958.

we are relying on the fundamentals of sound and solid selling and avoiding the gimmicks. We are emphatic in telling our dealers that gimmick advertising, tricky come-ons, and misrepresentations of price are the wrong way to stimulate good business and good customer relations. We are emphasizing sound business management on the part of our dealers. We are stressing the importance of balanced operations, and especially the basic worth of good used car and service activities. We believe this course of action is helping our business and putting us in the right position to capitalize on the upturn when it comes.

We know that a great potential demand for our product is waiting right now to be filled. We are doing what we can to turn that potential into sales and bring about an upturn in our business at the earliest possible date. By so doing, we can best serve our own business interests; but we take considerable satisfaction in knowing that whatever we can do to generate sales in our business will have beneficial effects in all other parts of the economy. Let's hope we'll get the results we're working for—and soon.

Invest in America Week: April 27-May 3

Mayor Robert F. Wagner has proclaimed the week of April 27 through May 3 as "Invest in America Week." He was presented with a specially designed flag which will be flown over City Hall during the week.

Young Men's Board of Trade, Inc., the Junior Chamber of Commerce of New York City is the co-ordinating group. The New York and American Stock Exchanges, as well as other financial, industrial, and commercial firms are sponsoring the week.

Robert Cornelius Maher of Merrill Lynch, Pierce, Fenner & Smith, is chairman of this year's committee, and was appointed by John J. Wiseman, President of the Y.M.B.T. Other members serving on the committee include Walter Edwin Trent of Chemical Corn Exchange Bank, Charles Halpern of Fahnestock & Co., David Haskell of Chase Manhattan Bank, Dick Horley of Merrill Lynch, Pierce, Fenner & Smith, and Michael Robbins of Eastman Dillon, Union Securities & Co.

Activities planned to promote the observance include gong ringing ceremonies at the American Stock Exchange, tours and speeches at the New York Stock Exchange, banks, insurance companies, realty concerns, and other financial points of interest. The parties involved will consist of high school students and various civic and professional representatives.

The underlying principles of Invest in America is that the American competitive enterprise system was founded on the work and savings of the people and has produced the highest standard of living in history. The idea of savings and investment needs to be brought home to all men and women. In order to preserve our economic, religious, and political freedom, we must win the battle in the field of ideas as well as on the battlefield.

With Armstrong, Jones

(Special to The Financial Chronicle)

DETROIT, Mich.—Lionel Fishman has become affiliated with Armstrong, Jones, Lawson & White, Incorporated, members of the Detroit Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

It is becoming apparent that aside from entertaining the country over a period of months, nothing is to come of the investigation of the labor rackets committee headed by Senator McClellan of Arkansas. The committee has rendered an interim report and the Senator has proposed reform legislation designed to curb corruption in organized labor such as was shown in the teamsters and other organizations, also to proscribe many practices now indulged in under the guise of picketing.

Carlisle Bargeron

As if the committee findings are not still fresh in the public's mind, the committee report recounts the outrageous goings-on which it unearthed. But there seems to be no disposition to press for corrective legislation. A few months ago the committee had built up such a terrible story of what a large part of the organized labor movement lends itself to that there seemed no question that there would be drastic legislation at this session. It is not now in the cards. McClellan's proposed remedy goes to the Senate Labor Committee, heavily loaded with pro-labor members. They have shown no disposition to move. As matters stand, Dave Beck who built up the teamsters' organization, will stand as the only victim or accomplishment of the great labor racketeering investigation.

It strikes me as a good defense for those who took the Fifth Amendment and are facing trial for contempt to ask just what legislation the committee had in mind when they were asked the incriminating questions. Congressional investigations are justified on the ground they are needed for the purpose of legislation. This Congress has no present intention of legislating on labor.

On another subject entirely, the voting public should take notice of the quackery of the Democrats in the matter of the recession. A few weeks ago they passed, with Republican support, of course, a public works or so-called pork barrel bill authorizing more than $1\frac{1}{2}$ billion for new pubic works projects. This was paraded as an example of their taking the leadership from an Administration that thinks more of dollars than of public distress. President Eisenhower vetoed the bill. Now to make political hay the Senate Democratic leadership has set up a special committee to study the President's veto. The vetoed bill should go back to the Public Works Committee.

The plan, however, is for this special committee to call before it Democratic governors and mayors to tell how many projects the bill provided for their states or communities and how much unemployment it would have relieved.

The plain fact is that the bill would not have given a single job. It was a bill to authorize projects. An appropriation bill would have had to be passed before any of the work could have been undertaken and on this score there is a backlog of some $5 billion public works projects, long authorized which need only appropriations to be undertaken. The business of getting a project authorized is an old political trick. The Congressman who sponsored it can take credit and the local chamber of commerce will give him a pat on the back for his devotion to his community. But in about 90% of the cases that is as far as the project ever gets.

There is a degree of quackery, indeed, in the stepped up roadbuilding program which the President reluctantly accepted. This was advertised as an anti-recession move in that more money was provided to accelerate the $50 billion highway program. In it the states were given $400,000,000 which they have to match at only 25 cents on the dollar and they are permitted to borrow from the Federal Government 90% of this amount. This applies to the primary and secondary roads which under the existing program the states had to match 50-50.

Information is already at hand that the states, instead of stepping up their program, merely plan to switch to the new deal whereby they put up 25 cents on the dollar and get most of the money from Washington. There will be little or no additional roadbuilding and no increase in employment by Congress' action. The voting public should add this, too, to the Democratic Congress' aggressive leadership.

Cashiers to Hear Hager on Underwriting

A. B. Hager, Jr., Vice-President and Syndicate Manager of Halsey, Stuart & Co. Inc., will be the guest speaker at a special dinner meeting of The Cashiers Association of Wall Street, Inc. which will be held at Whyte's Restaurant, 145 Fulton Street, on Tuesday evening, May 6, 1958.

Mr. Hager will discuss certain phases of the underwriting of corporate bonds issue.

With Sutro Bros.

John Seletti has become associated with Sutro Bros. & Co. in their office at 625 Madison Avenue, New York City.

Lloyd Arnold Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Anthony P. Villone has been added to the staff of Lloyd Arnold & Co., 364 North Camden Drive.

S. J. Gorlitz Opens

WASHINGTON, D. C.—Samuel J. Gorlitz is engaging in a securities business under the name of Investor Service from offices at 1835 Jefferson Place, N. W.

Dealer-Broker Investment Recommendations & Literature

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

American Distilling Co. — Memorandum — Mellott, Pitney, Rowan & Co., 29 Broadway, New York 6, N. Y.

Annual Reports — An examination and interpretation of outlook—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

Atomic Letter (No. 36) with comments on British uranium purchases from Canada, growing atomic navy, atomic equipment market, **Preston East Dome Mines** and **Algom Uranium Mines**—Atomic Development Mutual Fund, Inc., 1033 30th Street, N. W., Washington 7, D. C.

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Our Reporter's Report

Experienced observers find the situation in the corporate new issue field undergoing a far-reaching change in the wake of the Federal Reserve Board's latest determined moves to expand the credit basis and reduce the cost of borrowing.

The observation now is that you "can't buy as easily as you can sell". This is a bit in contrast with conditions of a fortnight, or a month ago. The buyers were in the saddle and it wasn't too easy to sell them.

But portfolio managers for big institutional investment units are realistic to say the least. They can recognize the handwriting on the wall now quite as readily as they did when the Federal Reserve, about two years ago, began to turn down the screws in a move to curb inflationary tendencies.

Right now investment funds are piling up and corporate new issues, of suitable quality, and offering a reasonable rate of return, are moving out readily.

And quite obviously, judging by comments in tax exempt bond quarters, much the same may be said for things in that part of the investment market. Buyers are stepping up for their share of municipals these days, too.

Perhaps those who see things undergoing a rapid change tend to overemphasize a little. But the fact remains that potential buyers who miss a current offering are reported pressing to be given consideration in forthcoming offerings.

Shifting Sentiment

The extent to which views around the market place have been changing recently may be gleaned from some of the forecasts which are being made.

The high-grade market is now moving in a price area in which the average rate of return on such issues is calculated around a 3.70% basis. This compares with an average return (on the same type of issues) of about 4.35% at the turn of the year.

Now some people are disposed to look for a continuation of the adjustment in bond prices to a point, perhaps six months hence, where the average yields will be in the neighborhood of 3.40%.

$150 Million Texas Co.

The Texas Co.'s huge undertaking now tentatively set to reach market the middle of next week, will swell the total of offerings for the period. Without this big one it would have been a dull week from a corporate standpoint.

But Texas Co.'s $150 million of 25-year bonds, slated to come to market via the negotiated route, will give the situation a bit of flavor. It's quite a while since investors were offered a debt obligation of an oil company.

Puget Sound Power & Light has $30 million of bonds up for bids on Monday and on Tuesday Philadelphia Electric will open tenders for $40 million of bonds. The following day the City of Montreal has $35 million of debentures headed for market.

Looking Ahead

The rank and file in the investment world will be keeping a keen eye on industrial developments over the next little while to discern whether or not the rush back toward ultra-ease in money causes any real reconsideration of expansion plans by corporations.

There was considerable trimming of such programs through the final half of last year with the result that the 1958 budgets for new plant and equipment are down considerably from the record levels.

Meantime, New Jersey Bell Telephone Co., has rescheduled its $30 million of 35-year debentures for bidding on or about May 5 next. This issue had been set for late March, to provide for retirement of outstanding 4⅞% debentures, due in 1993. It looks like delay will have paid off in this case.

Continued from page 2

The Security I Like Best

March 1955, 15%; March 1956, 20%; February 1957, two for one split followed in March 1957 by 25%; and March 1958, 20%. No cash dividends are paid. No change in their dividend policy is anticipated. If 100 shares of stock had been purchased in January 1954 at 40 ($4,000) it would now be 414 shares with a market value (at about 56) of $23,185—an increase of 579.6%. The stock is traded in the Over-the-Counter Market.

Their growth pattern is pointed in the direction of increased premium dollars per policy through greater sales of pension plans and annuities. As of Dec. 31, 1957 premium income from their ordinary insurance in force was 96.9% of their total premium income.

Their investment policy is conservative and well diversified as follows: U. S. Government and Municipal Bonds—14.0%; Corporate Bonds — 28.7%; Mortgages—40.9%; Preferred and Common stocks were 1.8%; and Real Estate, Policy Loans and other assets totalled 14.6%.

Life insurance analysts have various formulas of figuring earnings per share. Based upon the number of shares outstanding on Dec. 31, 1957 (345,073 shares), their earnings for 1957 were $2.09 per share. Some analysts include as earnings the value of their new insurance, which in the case of Philadelphia Life would be an additional $1.98. This would produce a total of $4.07 per share. There are now 414,087 shares outstanding after the 20% stock dividend paid in March 1958.

For the investor who does not require cash dividend income, I think a realistic stock dividend program, such as is paid to the stockholders of Philadelphia Life, is an outstanding situation. This performance is taking place in these years of uncertain market conditions. It is hard to beat compounding of interest working for you.

The Commercial Banker's Role in Financing Foreign Operations

By FRANCIS X. SCAFURO*
Vice-President, Bank of America (International), N. Y. City

Mr. Scafuro presents a primer on commercial banker's role in financing foreign operations in all its manifold aspects, and calls for creation of a private export credit insurance or guarantee corporation with recourse to the Government only for disaster loans. The Bank of America official discusses specific financing and growing functions now required, and advises that today's unusual foreign financing—not the routine, traditional procedures—will become the familiar pattern of tomorrow. Banker states that the increasing demands for intermediate term credit is most critical problem in export financing.

Mark Twain once said a banker is a man who lends you his umbrella when the sun is shining and wants it back the minute it begins to rain.

Francis X. Scafuro

I disagree. The responsible international banker will not only attend to his clients during fair weather but will supply him with raincoat and rubbers to survive in good health the intermittent climatic changes in world political, economic and financial events which affect not only trade and investments abroad but also the way in which a commercial banker may play his role in financing such foreign operations.

In presenting the subject of "The Commercial Banker's Role in Financing Foreign Operations," it is natural that I should discuss how the Bank of America is discharging this role. I am not eulogizing or advertising the Bank of America's approach or operations. Each banking institution has to determine for itself the particular conditions it will apply and out of such considerations evolve an international banking philosophy appropriate to its institution. I can only speak to you from where I sit.

The International Banker's Responsibility Is Very Broad

In financing foreign operations the commercial banker's responsibility extends beyond his individual clients. He has a serious obligation to the combined business community and to the nation to play his part in a way which will assist in continuously expanding our world markets. Our national security and economic growth depend on world markets. It is the commercial banker's role to provide and to safeguard adequate credit for the development and maintenance of these overseas markets.

Imagination and initiative are required in facing up to present day problems in financing foreign operations. However, this spirit of innovation and courageousness in dealing with new situations is, for the commercial banker, circumscribed by laws governing the use of depositors' funds and by other governmental regulations. The commercial banker uses largely private deposit funds in contrast to the investment banker who uses equity or borrowed money. Nevertheless, the commercial banker has a much broader and continuing relationship with his clients whose varying needs are served through the banker's numerous overseas offices and closely related foreign correspondent banks all over the globe.

*An address by Mr. Scafuro before the International Management Association, New York City, April 2, 1958.

The International Banker Has the Task of Building Confidence in Overseas Operations

Life in our modern business world is possible only in so far as every businessman can rely to some extent on what a number of other businessmen in many countries are going to do. To create and preserve this mutual reliance, the international banker must, first of all, know the laws and customs of the people to whom credit is extended. He finds that character ranks above laws. Nature has written a letter of credit upon some men's faces that is honored wherever presented. There is a "promise to pay" in their faces which inspires trust and you prefer it to another man's endorsement. Character is basic to all credit extension. The effective international banker has the capacity to discern the character of the peoples with whom he deals abroad.

Usual or Normal Commercial Credit Risks Are Assessed More Adequately by the International Banker

The usual or normal commercial credit risk that an overseas buyer will become bankrupt or will refuse to pay is a risk that can be measured much as we measure domestic credit risks. The financial factors in any given foreign credit situation may frequently be more difficult to analyze because of the generally greater reluctance of overseas buyers and borrowers to make full and complete disclosure of balance sheet and profit and loss figures. By gaining the confidence of the overseas credit seeker and his banker, the American international bank can usually develop a more adequate commercial credit appraisal.

Abnormal or Non-Commercial Credit Risks Are Unique in Overseas Credit

In practically all foreign financing operations there exist in varying degrees non-commercial, abnormal, or catastrophe risks which are to a large extent unmeasureable and unpredictable.

Even the most alert and far seeing international commercial banker is not a crystal ball gazer. True, he possesses the means, the staff and the worldwide contacts at highest business, banking and governmental levels to maintain a perpetual survey of current events and conditions that enable him to discern, weigh and minimize these risks for his bank and its clients.

The Organization of an International Commercial Bank is an Intricate Job

Not every commercial bank is equipped to play a role in financing foreign operations. The size of the domestic bank and the breadth and effectiveness of its service to local domestic business is no guide to the bank's ability to carry out transactions abroad. Specialized executive leadership, technical skills, plus a world-wide chain of branches and correspondent relationships are indispensable ingredients for a bank to play a successful role in overseas finance.

The Staff Requirements of an International Bank are Unique

The executives must be equipped with a nimbleness of faculty to grasp widely divergent situations and needs.

The varying demands of clients at home and abroad in far flung commercial centers, having differing method of trading and finance require the international commercial banker to become an expert in commerce with all nations. Only when thus prepared can the international banker give sound advice and assistance to his clients.

The bank must have a first hand knowledge of the trade and financial customs and practices of many lands. The Bank of America's international organization has drawn its official staff from among those thoroughly grounded in American domestic banking and business procedures but it has also reached out to bring in, from abroad, many able, university trained men who have served in executive capacities in overseas banks. There is, thus, a first hand knowledge of the customs and practices in many lands.

Technical Skills are Required to Process International Business

The most brilliant and effective group of foreign banking executives can function productively, and to the client's satisfaction, only if backed by an adequate operating staff possessed of all the required skills necessary to process international transactions.

Expert selection of new employees, a well defined program of staff training, clear cut and complete manuals of operations, wide awake and intelligent supervision—all consciously focused toward effective business building service—are the indispensable attributes of a smooth functioning international banking operation. In general, the staff should possess a broad educational foundation. The ability to handle fluently and skillfully all the modern languages is a great asset. Our staff consists of over fifty national origins. Every modern language is spoken, including Arabic, Russian, Hebrew, Chinese, Japanese, Turkish, as well as the more commonly spoken, Spanish, French, Italian, etc. Breaking the language barrier is a major psychological factor in making stronger friends and creating firmer business bonds with our overseas contacts.

Possession of a Well Informed Opinion in International Matters is Essential for the International Banker

With the proper education and ethnical backgrounds, the international bank is equipped to keep itself and its clients up-to-date on economic, social and political trends abroad. The flow of such knowledge comes from many official, public and private sources. Hundreds of foreign banks, many overseas representatives and branches, all funnel information to our bank to be analyzed, interpreted and digested by those of us who must keep abreast of conditions in order to handle intelligently our positions as consultants to our clients.

World-Wide Relationships With Overseas Banking Organizations are Indispensable

Through its own branch offices or correspondent banks in every commercial town and city abroad, the international bank is constantly building these necessary links in its organization. The development of the overall Bank of America international organization provides a good example. The past 10 years have seen the material expansion of our international banking operations as reflected in a staff growth from less than 200 to more than 2,000, with about 600 of these in New York.

To begin with, the Bank of America (International) with its Home Office in New York, is a wholly owned international banking subsidiary of the Bank of America N. T. & S. A. with headquarters in San Francisco. International banking departments are operated in San Francisco and Los Angeles, with foreign branches in Tokyo, Kobe, Yokohama, Osaka, Manila, Bangkok, Guam and London. These branches also serve the needs of Bank of America, New York, which now has branches of its own in Paris, Duesseldorf, Beirut, Singapore and Guatemala. In addition, representative offices are maintained in other world financial capitals such as Paris, Milan, Zurich, Havana, Mexico City, Rio de Janeiro, Montevideo, and New Delhi.

Recently Bank of America, New York acquired control of Banca d'America e d'Italia, one of the largest privately owned banks in Italy, with headquarters in Milan

Continued on page 26

Should American Firms Manufacture in Europe?

By JEAN A. TILOT*
Belgian Consul in New York City
Director, Belgian Industrial Information Service

Practical considerations that business should know regarding opportunities in Europe for American business expansion are briefly reviewed by Belgian Consular official who advises "if you are not there, you may be sure that your competitors—either American or European—will be there." Mr. Tilot suggests plant location factors to consider as well as organizational forms under which a U. S. firm could manufacture in Europe ranging from licensing agreements to branch operations

It is my belief that the European Common Market is here to stay, despite the attitude of skeptics who are inclined to wait for more evidence of its lasting reality. Let me say at the outset that the Common Market should not be considered a purely political instrument created under the pressures of circumstances. Rather it is a spontaneous answer to a definite economic need. Europe cannot continue to grow economically if its markets are not unified. The European Common Market—which was encouraged by the United States—was evolved through a tide of opinion. It originated in European political, business and labor circles and was not the outcome of diplomatic intrigues.

Jean A. Tilot

The Common Market evidences the trend toward greater integration. It is a clear illustration of a characteristic of this century: the gradual unification of the highly industrialized Western World. This is exemplified by regional efforts, such as Benelux, the European Payments Union, and the Coal and Steel Community, the European Common Market. It is unthinkable that such a trend can ever be reversed.

An objective of the European Common Market is to develop international trade. Article 18 of the Common Market Treaty stresses this point. This excludes the intent of discriminating against outsiders, and in particular against exports from America. In fact, the Common Market should increase trade with the United States. Certainly the United States will find in the Common Market a partner whose own development will be the guaranty of its ability not only to sell but to buy.

Enlarges Trade

American firms will find in Europe a market of a size to which they are accustomed at home. No longer is it a conglomeration of local markets to be approached each on the basis of different and unstable conditions. As classical economists like John Stuart Mill did in the past, today businessmen realize that the economic strengthening of trading nations increases inevitably their mutual and global commerce.

As an example, let us consider Benelux. From its beginning in 1948 up to 1956, Belgium trebled her exports to the Netherlands and vice versa. But, at the same time, both nations doubled their trade with the outside world.

The same general results have been observed since the creation of the European Payments Union. Between 1950 and 1956 internal trade between the European members nearly doubled. But, at the same time, transactions with outside countries increased by 63%. What's more, exports from the United States to European Payments Union members increased by 80%.

I would say that these facts clearly demonstrate how groundless were the fears of some that regional European agreements like E.P.U. would weaken Europe's trading with the dollar zone.

Now a word about the time schedule for the completion of the European Common Market. The Treaty provides for a period of 12 to 15 years to eventually abolish tariffs and quotas among member countries and to create a common external tariff. However, a provision of the Treaty, that is often overlooked, states that members can accelerate that process. It is probable that the same factors which hastened the creation of the Common Market will also hasten its completion.

Suggests Active Presence

It is my opinion that the European Common Market necessitates an active presence. In other words, if you are not there, you may be sure that your competitors—either European or American—will be there. Conditions similar to those prevailing in this country will certainly exist in a mass market of 170 million consumers. And similar conditions will determine similar effects. In this way, non-European "members of the club" will benefit by the same conditions as European manufacturers in respect to production costs, direct accessibility to the Common Market and so on. In addition, however, American manufacturers could there capitalize on their experience with large markets—experience which most European firms have yet to acquire.

A related observation regards the level of consumption in the newly created mass market. One of its expected results is an increase in individual purchasing power in Europe to a level closer to that of America. The average income per head in the six member nations of the Common Market is now about $750 compared with $2,300 in the U. S. This gives some idea of the margin for possible increase.

We must not forget, however, that the industrial activity characterizing the Common Market will exert an influence not only inside the community, but also on trade relations with third markets such as Africa, the Middle East, some parts of Asia, and Latin America. In those third markets, increased competition would exist between products manufactured in Europe and those manufactured in the United States. In this connection, factors of cost and easier accessibility could be decisive ones.

Where to Locate

I now come to the second point of my discussion: evaluating the location. Recent surveys show that a majority of companies presently exporting to Europe are considering the establishment of manufacturing operations there to strengthen or to expand their position. Should they contemplate a subsidiary or a manufacturing agreement with a local concern, all are faced with the problem of determining where to locate. In appraising the respective advantages of the six member countries, certain factors can be rather easily compared. This is the case with taxation, exchange regulations, repatriation of earnings and capital, available labor and supplies, free port warehousing and assembling, special inducements to investment, available industrial sites, etc.

But besides such basic factors, there are other elements of a more general nature which may often be overlooked.

A first element consists in various limitations which may exist in a particular country in regard to the freedom of action of American companies. Are these allowed to set up wholly-owned subsidiaries? Is there any restriction on their financial control? Does a regulation require that nationals be on the Board of Directors or on the managing staff? Such regulations not only limit unpleasantly the scope of a company"s activities, but may later lead to interference with its policies.

Governmental assistance could ease the task of a company considering a new plant or a manufacturing agreement. Government agencies could facilitate gathering essential data on economic conditions and on matters relating to specific operations. Government officials could also arrange contacts with local communities, business associations and even local manufacturers, if requested. They also advise on how specific projects can benefit from existing regulations.

Another element to consider is an understanding of the economic pattern of a particular country. Economic conditions existing today gain by being appraised in the light of what they were, say 10 to 20 years ago. This may give an idea of what they may become later. Indeed, a set of conditions may be arbitrarily created today to attract foreign investors and to stimulate a temporary movement of investments into a country which may later return to an economic pattern far less advantageous to foreign industry.

In addition, one should not always take countries data and statistics at their face value to arrive at an exact estimate of costs. Looking into the situation on the spot or consulting with businessmen already established there, is better than relying on abstract figures. For instance, comparing statistics on average wages may lead to a wrong determination of labor costs if you do not take into account other factors such as productivity and actual availability of labor at the official wage.

This reminds me of the story told by Lord Keynes about a man who got drowned. He had fallen into a pool which showed an average of one inch of water.

Last but not least, one should not overlook an important psychological factor which may influence the degree of success of a company's activities. It is the attitude of the country, regarded as a community where the company would be established, since operating in an understanding and cooperative atmosphere will greatly contribute to success. Go where you are welcome and can feel at home.

Manufacturing Agreement

I intended to comment on the several forms under which an American company could manufacture in Europe, from licensing agreements to branch operations. This is a very broad subject indeed. I would like to concentrate on some variations on the theme "manufacturing agreement," since the establishment of a wholly-owned subsidiary or branch is pretty much a clear-cut case.

Manufacturing agreements, as you know, do not involve significant capital investment. Besides, they enable the American company to benefit from the experience of local associates.

Let us have a look at a few actual cases in which advantages resulting from that experience can be enjoyed while meeting successfully such problems as control of local production and, in particular, of products quality, control of distribution and possible adjustment of profit sharing.

One important American manufacturer of light construction equipment was not in a position to set up a manufacturing subsidiary in Belgium. He decided in favor of a manufacturing agreement but wanted at the same time to retain a control over its products quality, production schedule and distribution operations. Therefore, he simultaneously licensed a manufacturer in Belgium, subcontracted locally in regard to some components but also set up a wholly-owned branch office to supervise supplying and assembling operations, and to integrate distribution of those products into its world marketing setup.

Another mixed solution is illustrated by the agreement between an American automotive manufacturer and an important Belgian metalworking company. Both recognize the need of a close association. A completed merger was not considered, for the Belgian firm was active and successful in a number of other manufacturing lines. How to solve this problem? Part of the facilities of the Belgian company was set aside to create jointly a new corporation, in which the American firm could then have a majority participation and fully benefit, for instance, from existing plant, technical staff, specialized labor, and knowledge of sources of supplies.

Another example is the case of an American firm in the electronic field which integrated itself in the manufacturing setup of an American company, long established in Belgium in the electric field. Its operations became a special division of the latter. Thus, it did not lose its individuality and retains its own distribution operations.

A fourth example—and we could mention many more—consists in the case of an American manufacturer of hydraulic equipment which wanted to manufacture progressively its products in Europe and thus get better acquainted with a new market and local manufacturing conditions. He set up a free port warehousing operation which included assembling components imported from the U. S. as well as supplied by local manufacturers. This operation was run under the responsibility of an associated Belgian firm which was itself specialized in the production and distribution of hydraulic equipment.

To sum up, there may be no absolute need for American firms, which traditionally export to Europe, to start some form of manufacturing there. But I wish to emphasize the fact that if they do so the Common Market offers for them exceptional possibilities of expansion. I feel sure that you can find somewhere in Europe manufacturing conditions which come very close to those with which you are familiar in this country.

*From a talk by Mr. Tilot before Overseas Automotive Club, New York City.

Allan Kline Hits Farm Policies As One of Three Dangers to U. S. A.

Former Farm Bureau head warns three domestic dangers peril our freedom.

Dangers on the farm, labor, and business fronts threaten the freedom of America, Allan Kline, past President of the American Farm Bureau Federation, said Tuesday, Apr. 15, at Urbana-Champaign, Ill.

Allan B. Kline

Speaking at the annual Illinois Bankers Conference at the University of Illinois, Mr. Kline challenged citizens to combat these threats by taking a renewed and courageous interest in politics, starting at the community level.

Nearly 200 bank farm managers and agricultural economists attended the 12th annual Bankers Agricultural Conference, conducted by the U. of I. College of Agriculture and Division of University Extension, with cooperation from the Illinois Bankers' Association.

Farm Problem's Key Root

Mr. Kline said the "farm problem" can be defined as "too many farmers dividing up a relatively fixed income." This trouble is increased, he added, by price-depressing government surplus holdings, and by technological advances which add to overproduction.

To correct the problem, the government must be restrained as much as possible in its dictation over individual farming operations, Mr. Kline said.

He warned the bankers of consequences arising from the government's consistent trend toward inflation.

Government Spending

"Every dollar spent by the Federal Government is a tax dollar and only serves to dilute the supply of hard money," he said.

"The government seems to know just one way to maintain purchasing power—by using tax dollars to buy up surplus production, whether it be labor or goods."

Labor Concentration

He said a third threat is in the concentration of power by organized labor.

"Correcting labor abuses without controlling its power will just allow new abuses to crop up," he said. "We must do some fundamental thinking about proper restraints upon labor's monopoly."

All three dangers have political aspects, Mr. Kline admitted.

"To solve them successfully, Americans must become re-interested in politics, the art of self-government," he urged.

"We face a magnificent challenge for the future if we can encourage critical thinkers to join at the precinct level to select good and courageous candidates, and provide support for 'unpopular' legislation."

Rejoins Hill Richards

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Alonzo G. Foreman has rejoined Hill Richards & Co., 621 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Foreman has recently been with Walston & Co., Inc.

Paine, Webber Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Felicia Miller has been added to the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street. Miss Miller was previously with First California Company.

Wm. Cohen Opens

CROTON-ON-HUDSON, N. Y.—William Cohen is engaging in a securities business from offices at 17 Wells Avenue.

U.S. Economy—Present Conditions And a Glance Into the Future

By DR. ROGER F. MURRAY*
Associate Dean, Graduate School of Business, Columbia University

The business signposts to bank economic-consultant indicate we are in a plain garden variety recession. Dr. Murray agrees it is more severe than previous one, but surmises we have completed the first phase and are entering the more difficult second phase which, though less self-correcting and amenable to treatment, not untypically seems to offer no indication of recovery ahead. Convinced, however, that there are "strong indications" to suggest a period of stability is ahead rather than continued downward economic trend, the Columbia University business dean foresees by the end of the year a bottoming out not much lower than present level, and cautions that clear signs of an upturn may not be discernible prior to spring of 1959.

The Present Situation

In my opinion there is little doubt about the kind of a situation in which we find the economy of the United States. We are in the 10th month of a recession of the plain garden variety The decline in the important economic indicators establish this fact beyond question.

Roger F. Murray

Just where we are in the recession is the matter in dispute. Are we on the verge of recovery in accordance with the tmetable of the 1953-1954 correction? Or has the present readjustment longer to run? Time alone will tell the correct answers, but in the meantime each one of us must take a position on these questions in the course of daily business decisions. Neither wishful thinking nor gloomy foreboding will serve as a useful alternative to facing the facts as they are made known to us.

Some of the salient facts for us to weigh are these:

(1) Business is still liquidating inventories at a very high rate, with production cut back accordingly.

(2) Business is still cutting back investment in new plant and equipment.

(3) The consumer is in a cautious mood, less eager to go into debt, and not disposed to rescue the situation by a sudden spending spree.

(4) Prices of finished goods and services are holding stubbornly firm in the face of declining demand and ample capacity.

(5) Expenditures at all levels of government are in a rising trend, slow moving but persistent.

(6) The Federal Government has taken steps to stimulate highway construction, residential housing, and defense orders.

(7) The Federal Reserve System has greatly eased the credit situation.

(8) Government officials and legislators are making faces at the recession, threatening to take action if conditions do not improve this month or next.

Some may wish to add to this list, but to me these are the eight key facts. What kind of a situation do they reflect? What kind of a picture emerges from putting in place these pieces of the economic puzzle? I suggest that we find ourselves completing phase one of the recession, the period of aggressive inventory liquidation by business. We are entering phase two, in which government expenditures are cushioning the contraction in economic activity caused by the receding tide of the fading business investment boom. The consumer is essentially passive, receiving neither the stimulus of price reductions nor the assurance of a favorable outlook. Easier credit conditions reflect the removal of any active restraint on debt expansion, but as usual are having little positive effect.

The debate in the Administration and in the Congress over what the Federal Government should do now or later is a legitimate one. Is the situation serious enough now, or will it be soon, to justify taking the risks of strengthening inflationary pressures two or three years hence? Can we simply threaten these intractable recessionary tendencies or must we actually take steps, even massive steps, to counteract them? So imprecise are our diagnostics skills that we shall know the correct answers only in the clear light of hindsight.

This is not a cheerful view of the present situation. It suggests that we are entering a second phase of the recession which is less self-correcting than an inventory cycle and which may be less responsive to treatment. Thus far the news is bad and likely to continue so. But this is not extraordinary. In the midst of a recession, even one of the plain garden variety, there is seldom anything to cheer about and the signs of eventual recovery seem completely obscured by the daily quota of bad tidings.

A Basis for Optimism

Nevertheless, I am convinced that there is a solid basis for confidence in the outlook beyond the trying period immediately ahead. I do not point to specific measures which have been taken or may be taken in the coming weeks. Rather my case for a constructive view rests on the very general proposition that we have no great distortions or maladjustments to correct thanks to the sobriety of the boom and the restraining influence of Federal Reserve policy.

We came up to July 1957, the customarily accepted start of the recession, with basic raw material prices in a protracted downtrend, with the housing and automobile booms of 1955 in the history books, with the stock market having shown no real life for almost a year, with the pace of business investment stabilized, and with the rate of bank credit expansion more moderate than in 1956. Instead of a blowoff, instead of hectic or frenzied speculation at the peak, the boom ground slowly to a halt after a plateau type of structure on the charts to the formation of which many individual readjustments had contributed.

Despite brief outbursts of rampant optimism and "new era" thinking, sanity and sobriety prevailed as they have during the whole of the postwar period. This may be attributable to the traumatic experience of the Great Depression, the greater availability of economic information, and the increased maturity of our collective approach to problems of growth and stability. Whatever the reasons, the facts are not in dispute.

But we should not underestimate the contribution of the Federal Reserve System to this result. Courageous adherence to a consistent policy of exercising restraint on the expansion of the money supply from 1955 through the middle of last November contributed not only to the moderation of the strong inflationary pressures but also to the general atmosphere of sobriety. Precision in the timing and impact of a restrictive credit policy is not attainable in the world of reality. But all participants in the field of business or real estate finance can testify to the fact that there is a real effectiveness in the persistent application of restraining influences on an unsustainable rate of expansion.

The crucial contribution to moderating the size and duration of the current recession was made, then, during the preceding boom, the best time by far to work toward this objective. In Biblical terms, we are not reaping the whirlwind because we do not sow the wind.

Corroborative Evidence

In case this sounds like the ivory tower musings of a college professor on business cycle theory, let us turn to some factual evidence for this constructive view of the outlook. There are strong indications that this position is correct in the facts before us. (I use the phrase "strong indications" rather than "conclusive evidence" quite deliberately.)

The behavior of the economy through the first nine months of the recession appears to indicate that we did not face a seriously vulnerable situaton. The declines in production and employment are within the range of expectations for a plain garden variety of a recession. In these nine months, we have not seen a cumulative downward spiral. The fact that a sharp contraction did not develop before the end of 1957 suggests that one is not going to develop. If history, experience, and logic can help us at all, they suggest that we should be looking for a period of stability in the months ahead, rather than a continuation of the downward trend of economic activity.

The figures seem to show that a decelerating rather than an accelerating rate of decline should be anticipated. This suggests that possibly in the third quarter of the year but more probably in the fourth quarter of 1958, there will be a bottoming out of economic activity not much below present levels. In retrospect we would then recognize the 1957-1959 recession as deeper, more protracted than the 1953-1954 correction, but still within the range of the historical pattern of recessions of the plain garden variety.

A Glance Into the Future

Taking a glance into the future in this way produces nothing very conclusive. We know that what actually happens will depend upon a host of decisions to be made in the light of an array of facts not yet available. There is nothing inevitable or predetermined about the future course of events.

The situation in residential housing is a good illustration. An entirely adequate supply of funds seems to be in sight for loans on easier terms to finance 1,000,000 of slightly more housing starts in 1958. If attained, this volume of activity would be an important element of strength in the economy. But it is generally recognized that new housing is priced too high in relation to the real demand. This is a stubborn fact to contend with. I certainly have no pat answers or easy solutions. But the extent to which this pricing problem is alleviated will determine whether starts turn out to be nearer 900,000 or 1,100,000. In this industry as in others, the problems of product improvement and of overcoming the stubborn resistance of high, rigid costs are the principal obstacles to an early recovery in sales volume.

This process takes time and travail. The decline in business investment in new plant and equipment is not likely to be reversed within the next 12 months. As a consequence, it is difficult for me to believe that there will be clear signs of an upturn prior to the spring of 1959. Whether I underestimate or overestimate the responsiveness of a profit and loss economy to the present recession remains to be seen. But I am sure that I could not entertain with conviction the notion that we have already seen the lows in most economic series. On the contrary, considerable ingenuity and a balanced approach on many fronts will be needed to achieve an early 1959 recovery. This means more severe recession than the 1953-1954 episode, but a recession of the plain garden variety, nevertheless.

*An address by Dr. Murray before the Eastern Mortgage Conference of the Mortgage Bankers Association of America, New York City, April 14, 1958.

Gardner Chairman of United Fruit Co.

George P. Gardner, Jr., has been elected Chairman by the board of directors of United Fruit Company at their organizational meeting. Mr. Gardner, a partner of Paine, Webber, Jackson and Curtis, Boston, has been a member of the UF board since 1953. He succeeds T. Jefferson Coolidge, who did not stand for reelection after serving as board chairman for more than 20 years, but who will continue to serve on the board and the executive committee.

G. P. Gardner, Jr.

Toledo Bond Club Annual Outing

TOLEDO, Ohio — The annual outing of the Toledo Bond Club will be held at the Invernes Country Club on Friday, June 6.

Business Prospects and the Impact on Mortgage Financing

By DR. BERYL W. SPRINKEL*

Economist, Harris Trust and Savings Bank, Chicago, Ill.

Chicago bank economist expects easier money supply and monetary policy to offset increased state-local and Federal demands for money in the coming months. Dr. Sprinkel, however, doubts downward drifting interest rates will continue as the economy resumes its upward trend. The economist sees little evidence at present that private spending decline is becoming cumulative and is certain monetary-fiscal policies would be utilized to offset this should it occur. Expresses confidence rising money supply will help precipitate business upturn with a six to twelve month lag, and avers fiscal stimulative action would be pursued should upturn not come about.

Since late last summer the American economy has descended into the third postwar recession. Total spending has declined; industrial output has sagged sharply; and unemployment is now at a postwar high. Currently we hear predictions ranging from statements that the economy will turn up in March to more bearish statements that we are entering a prolonged depression with little prospects of growth for the next two or three years. An analysis of current business trends and recent policy actions for restoring full employment lends little support to either of these prospects.

Dr. B. W. Sprinkel

Sensitive indicators, which typically indicate a change in business trend several months in advance of the actual turn, continue pointing downward. A rise in monetary growth has consistently preceded a business recovery by several months in each recession or depression in the last 50 years. Due to the payoff of bank loans in excess of the expansion in bank investments, the money supply continues to drop up to the present. Also, the National Bureau of Economic Research's "leading indicators" currently portend a further drop in the economy. Furthermore, a review of the actual sales and production trends in many major industries provides little hope for an upturn in the nearby future. Also cutback in private spending may well exceed the prospective rise in Government outlays for several more months. Therefore, available evidence indicates that at least for the next several months, there is little prospect for an upturn.

Private Spending

However, one should avoid hastily concluding that the economy is currently entering a severe depression or that a period of stagnation is in prospect for the next several years. Clearly, a depression is a possibility if private spending were to begin a cumulative contraction and nothing was done at the governmental level to prevent such a process. However, up to the present time, there is little evidence that the downturn in private spending is becoming cumulative and there is considerable evidence that proper monetary-fiscal policies are being adopted to prevent such an occurrence. Also, the oft touted "built-in stabilizers" are now quietly, but none the less effectively, coming into play.

Although the Federal Reserve Board did not reverse its monetary policy as promptly during this recession as in 1953-54, in recent weeks substantial action has been taken. The rediscount rate has been reduced three times; margin requirements have been lowered; reserve requirements have been reduced twice; and since the turn of the year, open market operations have been considerably easier. Many contend that monetary policy cannot play an important role in bringing about an upturn, but I believe such statements are not supported by the facts. Although more money may not immediately stimulate increased borrowing, historical evidence strongly suggests that a rising money supply plays an extremely important role in improving the liquidity position of consumers and business and in precipitating an upturn in business activity. It is certainly theoretically possible that a rising money supply would not stimulate spending, but the facts are that during each of the nine recessions or depressions since 1910, business activity turned upward shortly after monetary expansion began. Recent and prospective action by the Federal Reserve Board during the current recession strongly suggest that monetary expansion will occur shortly and, if history repeats as expected, the business trend should turn up six to twelve months thereafter.

Fiscal Action

Furthermore, it appears probable that further stimulating action will be taken in the fiscal area. Federal spending is scheduled to rise moderately this year and a tax cut seems likely. Although some analysts question the stimulating effect of a tax cut, again neither history nor economic theory provides little support for such a contention. Taxes were reduced in both the 1948-49 recession and in the 1953-54 recession. The evidence from these two periods strongly suggests that this fiscal action had a stimulating effect. Consumers increased their spending in both recessions. In talking about a prospective $5 billion cut in taxes, we should recognize that it could lead to more than a $5 billion stimulation of total spending. Money spent by those whose tax bills are reduced becomes income to others who will in turn spend a portion of the money. It is conceivable that a $5 billion tax cut could lead to a $10 or $15 billion stimulation of total spending during a period of one year and, hence, have a multiple effect toward restoring production and employment.

Others contend that a tax cut would be stimulating but is unnecessary under present conditions. This viewpoint may be a reasonable one, but unless the trend of business turns up shortly, which I do not expect, further delay in cutting taxes would well elongate the period of recession. If monetary policy continues easier and if taxes are cut as appears probable, it seems reasonable to expect an upturn in business before a year from now, even though current prospects indicate a further decline is likely in nearby months.

Mortgage Funds' Prospect

If the above analysis is correct, what is in prospect for mortgage funds? Business is currently demanding less short-term money because of inventory liquidation and a lesser expansion in accounts receivable. Also, the demand for longer term money is declining because of the current downward trend in plant and equipment spending. Although the demand for money by state and local governments as well as the Federal Government will be up in coming months, it seems almost certain that an easier monetary policy will offset these effects. So long as business trends downward, reduced demands for funds plus a greater availability of bank funds insures a ready availability of mortgage money. There is some reason to believe that more money for housing will lead to an upturn in housing starts as the year progresses; but up to the present time, there is little evidence that this upturn is underway.

In conclusion, it is unlikely that business will turn up in the next several months; but it is also highly improbable that we are entering either a deep depression or an elongated period of stagnation. Long-term growth forces are in abeyance at present, but are real none the less, and they will come to the forefront as the current cyclical downturn reaches its trough. Although interest rates are likely to drift downward in nearby months, it is unlikely that this condition will last long; for, as the economy resumes its upward trend, demands for money will become strong and the Federal Reserve must again wage the battle for stopping inflation. Some say that battle is a hopeless one, but the record since 1951, when flexible money was first adopted, provides considerable reason for believing that substantial inflation can be avoided. Since 1951, the average annual rise in the cost of living has been only 1.3%. As experience is gained in using the monetary tool, it is not unreasonable to hope that an even better record can be compiled in future years.

*An address by Dr. Sprinkel before Chicago Mortgage Bankers Assn., Chicago, Ill., March 25, 1958.

A Look at the Present And the Future Economy

By MILFORD A. VIESER*

Financial Vice-President, The Mutual Benefit Life Insurance Co. Newark, New Jersey

Life insurance officer expects current lag in the economy to continue for several months before there is any indication that an upturn is at hand. Mr. Vieser dismisses possibility of a depression such as the one in the 1930's and, though confident that the economy's long-term forces will be bullish, is fearful of a long-run inflationary future.

During the past year business activity reached the most prosperous level of all time. The total output of goods and services set a new record, amounting to $434 billion, —$20 billion higher than the previous year. In dollar terms this was an increase of almost 5 per cent. However, when adjusted for the increase in prices which continued throughout the year, the real increase was more of the order of 1%. Personal income reached a new peak and employment was higher than ever before for almost the entire year. The total expenditures for new construction topped all previous years. The year was particularly characterized by the continuation of the great wave of expansion in capital expenditures for plant and equipment which was first felt in 1956. Although this expansion was tapering off by the end of the year, its force was still sufficient to offset the decline in home building. The financing of the latter was made especially difficult by the unwise policy of Congress in setting unrealistic interest rates on insured and guaranteed loans at a time when investment yields generally were on a sharp rise.

Milford A. Vieser

* * *

This is a period of great economic change. The pace of business activity which had been in a constantly rising trend for the past few years reached a peak about July, 1957, and showed definite signs of decline by the year-end. In the last quarter the seasonally adjusted annual rate of personal consumption expenditures dropped. In the same period gross private domestic investment fell some $5 billion. Net foreign investment has fallen steadily throughout the year. The rate of federal expenditures for goods and services has dropped.

Early in November these shifts began to produce an easing of credit which is nearly always a sign of sagging business, as it may always be a source of stimulus for recovery. The changing credit situation was officially recognized and encouraged by the Federal Reserve by its first decrease in its discount rate nad by increasing bank reserves through open market operations to a somewhat greater extent than was called for by purely seasonal requirements. The second drop in the discount rate in January and the ½% reduction of reserve requirements in February, carried the change in policy a step farther, and additional moves were taken this month.

Worst May Not Be Over

Now, nearly nine months after the crest of the boom at a time when many were hopeful of signs of an upturn, we do not discern that the worst of the current phase is over. It appears that it will be several months at least before we know whether the upturn is on hand or whether there will be a deeper, more painful, and protracted recession.

* * *

The economy itself has been preserved from the more serious impact it would certainly have experienced except for the restraints put upon it by the Federal Reserve System from the end of 1955 to the fourth quarter of 1957.

We must always bear in mind that a free economy such as ours is bound to have its ups and downs. The fluctuations in business activity reflect the thinking of free human beings, particularly Americans who are inclined to go from optimism to pessimism and back again. Business conditions in a free economy are largely determined by the decisions of millions of people and by the management of thousands and thousands of enterprises, this in sharp contrast as what prevails in communistic countries where the decisions are imposed regardless of the desires of the individual.

Healthy Catharsis

There is no question that the economy was due for a period of rather serious readjustment. Since World War II inflationary pressures have been dominant, causing the purchasing power of the dollar to lose close to 50% of its value. There is no question, at least in my mind, that painful as the situation must unfortunately be for many people and business firms, it is healthy for the country as a whole as catharsis is sometimes healthy for the body. The boom in industrial expansion, which was growing excessive, has been slowed and with that the demand for capital goods has been brought into better balance with savings. The rise in interest rates has been reversed. The two or three year rise in prices has at least been temporarily arrested. The further danger of rapid or wild inflation has in this country, at the moment, passed. We have been given another chance. If we choose to take it to put our economic house in order and make the readjustment a corrective one, then it will assure us a strong and enduring expansion in the years to come.

We need have no fear of a depression such as we suffered during the 'thirties. We, as a nation, are much more sophisticated in economic matters. Just as man has largely cured the world of one of its greatest scourges, the plague, and just as famine by crop failure has largely been eliminated, so today man can no longer blame natural forces for economic calamity. Regardless of the problems the present time of adjustment must necessarily bring to us, I am confident that the long-term forces of our economy are bullish, but indeed I am fearful that they will also be inflationary.

*From a talk by Mr. Vieser before the General Agents Association of the Mutual Benefit Life Insurance Company, Miami Beach, Fla.

Allan Kadell Forms Own Inv. Firm in N. Y.

Allan Kadell has formed Allan Kadell & Co. with offices at 120 Broadway, New York City, to engage in the securities business. Mr. Kadell was formerly manager of the trading department for Homer O'Connell & Co., Inc.

Allan Kadell

With Illinois Mid Continent

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Paul J. Maxquelier has been added to the staff of Illinois Mid Continent Investment Co., 676 St. Clair St.

Joins Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles V. Dodds has been associated with Lee Higginson Corporation, 231 South La Salle Street. Mr. Dodds was formerly with Dean Witter & Co. and Central Republic Company.

Housing Industry Conditions —A Year Ago and Today

By NORMAN P. MASON*
Commissioner, Federal Housing Administration

Encouraging increase in number of FHA applications and overall gain of 150,000 extra housing starts between now and year's end—bringing total starts for 1958 to about 1,200,000 —are envisioned by Mr. Mason. The FHA commissioner strongly entreats the housing industry to overcome the problem of providing low cost homes without sacrifice of quality. Describes latest FHA financing idea, the Certified Agency Program, which is said to have had an encouraging experimental start since its inception six months ago.

We talk a lot in this country about private enterprise. It is the system under which we have always operated, the system under which our country has grown great and powerful. Private enterprise has given us the highest living standard in the world.

Norman P. Mason

It is our way of life. We like it and we are inclined to take for granted that we will always go on in pretty much the same way. There are people looking at us from other parts of the world, even some people in our own country, who would like to see things changed. They don't believe that private enterprise can provide the good things of life for all the people. They say our system favors a limited group and exploits the rest.

Private enterprise is on trial before the world. If we believe in it, it is up to us to prove that it can do more than its opponents admit it can do.

President Eisenhower said recently, "The real mainspring of our kind of economy is not government, but the built-in thrust and vigor of private enterprise."

That is certainly true of the housing industry. Those who build, who sell, who finance homes have gone ahead with vision and energy to provide American families with the housing they need. They have joined together in associations for mutual help in solving problems. And have accepted the Federal Housing Administration for what it is and what it is meant to be—not a prop, not a substitute for your own effort, but a working tool to help you to bring about higher standards of housing and make home ownership possible for more families.

We all know that housing is a complicated business. It seems to me that two of the qualities most needed by us in the industry are foresight and adaptability. We need to know not only what is happening but what is going to happen—when a trend is going to change its direction and what the change is going to mean to us. And we need the ability to adjust our thinking on short notice to meet new conditions.

Take the contrast between conditions in the industry as they were a year ago and as they are today. Last year the problem of tight money seemed to overshadow everything else. This year mortgage money is more plentiful and other problems, just as critical, are in the foreground. One of the most critical is the problem of housing costs.

The Real Culprit

Looking back now on 1957, I wonder whether tight money actually was to blame for all our troubles.

I don't for a minute underrate the seriousness of the situation it caused; but I do think other factors had something to do with it, too. The high cost of credit tended to price mortgages out of the market, but at the same time the high cost of housing tended to price many buyers out of the market. If the buyer with limited means couldn't find what he needed in a house at a price he could pay, he could spend his money on other things and hope for housing prices to come down.

So we had fewer homes built in 1957 than we needed.

This year I believe our most worthwhile objective, the best thing we can do for the home buyer and the industry alike, is to find ways of bringing down construction costs. By doing that we can help ourselves, help home seekers, and give a lift to the national economy at the same time, because no other industry reaches out in so many directions, touches so many lives, as housing.

Increased FHA Applications

There is a large unsatisfied market for homes. It lies in the low and moderate price ranges. People who need these homes usually don't have money saved for large down payments and often have trouble meeting the other terms of conventional loans.

That has shown up recently in FHA applications. As more money has become available for home financing on FHA terms, mortgage insurance applications have increased steadily. In February they came in at a rate 70% above the rate for February of last year.

I know the problems of building homes at lower cost. I know it's going to take all the resourcefulness, all the imagination, all the skill that the building industry can focus on those problems to overcome them. I know, too, that they must be solved; and I know the industry can do it.

That is the way of private enterprise — to serve its own best interests by serving the public interest.

Need for Low Cost Homes

It isn't just a question of cutting costs, of course. That could be done by cutting down on quality. It wouldn't help anybody. The problem is to provide good housing at low cost—good planning, good construction, space enough for families to grow in.

I don't want to sound as though I thought the industry was not aware of the need to build for the lower-price market. I know that builders are working to find cost-saving techniques, lenders are ready to finance homes on FHA terms, realtors are trying to find homes to fit the needs of clients who have to make every dollar count.

One out of every 10 new homes financed with FHA mortgages last year was valued at less than $10,000, and another 16% were valued at between $10,000 and $12,000. This is a substantial proportion, but not nearly enough.

The demand for lower-cost housing grows more insistent as the problems increase—land problems, tax problems, utility problems, all the rest. This whole thing is something that will take the efforts of everybody connected with the housing industry to solve.

The Federal Housing Administration doesn't build homes and doesn't finance them. We can help in various ways to provide the kind of homes that are most needed, and we want to do everything we can.

Homes can be financed now through the FHA on more liberal terms than ever before. Congress has lowered the downpayment requirement so that the 3% minimum applies to homes valued as high as $13,500. In other words, a $13,500 home can be bought today with a down payment of only $450 instead of $850.

Financing Costs

We in FHA are doing our part in helping to reduce the amount a borrower must pay. He no longer has to pay the first year's mortgage insurance premium in advance. His mortgage may be in multiples of $50 instead of $100. Closing costs can be included in the mortgage if the valuation is high enough.

I am glad to say that Congress has relieved the FHA of the responsibility for discount controls on insured mortgages.

We have made our credit requirements more flexible, so that families who are willing to devote a greater than average part of their income to housing expense can do so.

We are studying a lot of things like slab-on-ground construction, soil classification, air conditioning, sewage disposal systems, and so on, to find out how to get better performance at lower cost.

And now, most important of all, we are speeding up our processing of applications so that home-building will not be held up by delays in our offices. Congress has authorized us to spend more of our money so we can employ extra people for this purpose. We are also setting up panels of fee appraisers in each office. Our aim is not just to get processing time down to normal but to make the normal time shorter.

Certified Agency Program

We are trying out a new idea to bring the benefits of FHA financing to more people. We call it the Certified Agency Program—CAP. It has had an initial half-year's trial in seven of our insuring areas in different parts of the country —North Carolina, Kansas, Arizona, upstate New York, eastern Pennsylvania, the upper peninsula of Michigan, and downstate Illinois. In those areas the plan is limited to towns of less than 15,000 population located at least 30 miles from an insuring office, and to builders who build not more than five houses at a time. Mortgagees in those towns can be named certified agents of the FHA and do all the processing of applications usually done by the FHA, including the issuance of commitments. After this the papers are sent on to the FHA for review and endorsement.

The system cuts down radically on processing time and headaches. Our forms have been streamlined and as many as possible have been eliminated. Commitments can be issued in days instead of weeks.

The way the program is working out has encouraged us to experiment further with it. Besides adding small communities in the rest of Illinois and Michigan and in two new States, Alabama and Maine, we are putting it into operation in all Oregon cities except Portland, all cities in eastern Pennsylvania except Philadelphia, and everywhere in Montana and Colorado.

What happens under the new set-up will determine the next steps we take.

I think I have discussed enough about what we are doing in the FHA and our efforts to help provide more homes and better homes at lower cost. We welcome suggestions from industry about further ways in which we can help.

Predicts 150,000 More Starts

We have been reviewing the housing legislation that the President has just signed, to estimate its probable effects. Our conclusion is that over all it will mean 150,000 extra housing starts before the end of the year—that is, between now and Dec. 31. This should bring total starts for 1958 to about 1,200,000.

In arriving at this figure we believe that starts under the FHA program will be at about the rate we had previously estimated, rather than at the sharply increased rate the FHA is now experiencing because of the switch last year from VA loans. It looks as though the rate of starts financed with conventional loans will decrease, and that the large increase in starts will be under the VA program and under the special assistance programs.

I cannot conceive that private enterprise will let the present opportunity of showing its strength and vision slip by.

*An address by Mr. Mason before the Mid-South Meeting of the Tennessee Building Material Association, Memphis, Tenn., April 2, 1958.

N. Y. Banking Dept. "Open House Week"

The Albany and New York City offices of the Banking Department of New York State will hold "Open House Week," daily from 10 a.m. to 4 p.m. on May 5 to May 9.

Governor Harriman has designated this week as a time in which to give the citizens of New York State an opportunity to become acquainted with the operations of their government. It will also be an occasion for the public to meet the state's public servants.

With First Trust Co.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Laurence B. Lunde is with The First Trust Company of Lincoln, 10th and O Streets.

Foreign Trade in Our Changing World

By LELAND I. DOAN*
President, The Dow Chemical Company

Dow Chemical head denies holding views basically opposed to international trade in advocating, one, that trade take place between *complementary* rather than similar economies, and, two, that tariff schedules should "equalize production costs." With regard to the latter, Mr. Doan says we must consider the added costs of our Fair Labor Standards Act and other labor legislation and, with regard to the former, also states that expiration of the Reciprocal Trade Act "would do nothing to hinder the trade that is now being carried on." Calls for fresh approach to the whole problem of foreign trade; concurs with American Tariff League's proposed trade program; and wants private foreign investment encouraged to replace much of our foreign aid.

There seems to be an unfortunate misapprehension in some circles that those who defend the idea of protective tariffs are intrinsically opposed to foreign trade. This is like saying that a man refuses to sell something because he insists on making a profit . . . or that bankers are opposed to loaning money because they insist on adequate collateral and interest. My own company does a considerable amount of foreign business, so my position would be completely untenable if I were to hold views basically opposed to international trade.

Leland I. Doan

On the contrary, I cannot agree with those who seem to hold the opinion that trade *per se* is good and if we just have enough of it everything will be dandy. This is confusing the means with the end. Trade is good only insofar as it benefits the parties involved.

Let me state it very simply. It would be quite ridiculous for us to make caustic soda and sell it to Monsanto and then turn around and buy caustic soda manufactured by Monsanto. The only beneficiary would be the transportation system.

Following this reasoning, the encouragement of trade for trade's sake between nearly identical economies becomes highly questionable. Since no two economies are entirely identical there will be certain areas where exchange makes economic sense, but in areas where they coincide there is no real value in exchange other than that it may offer the consumers of both economies a wider selection.

Now, I have no basic objection to this sort of exchange, but its value is aesthetic rather than economic and thus it cannot be regarded as a very effective means of strengthening the economies involved.

Preferable Kind of Trade

The really beneficial trade is that which flows between *complementary*, rather than *similar* economies. In this way both are afforded sources of materials which they lack or products which they are unable to produce economically. This type of trade makes sound economic sense and, therefore, will flourish unless arbitrarily restricted.

Now, I realize that there are all manner of special circumstances which require consideration, but I think the difference between similar and complementary economies should be kept in mind if we are to keep our feet on the ground with respect to foreign trade policy.

Now . . . what of change? Since World War II we have seen the rise of the Soviet Union as an economic power rivaling our own. We have seen the rehabilitation of war-torn Europe to the point where her industries are again eagerly competing for world markets. And we have seen—are seeing—a rising current of nationalism evidenced by a persistent drive for industrial self-sufficiency throughout the nations of the free world—even among the less developed nations.

These newly developing nations are determined to industrialize and in a hurry to do it. They would not be content to remain raw material suppliers even if there were no trade barriers and thus, in effect, have rejected the principle of maximum world specialization.

In a sense, there is in progress a second industrial revolution aimed at elevating the world standard of living. These forces are all to the good. We have devoted a great deal of money and effort to their encouragement. We have given billions in governmental economic aid, have supplied both funds and technical assistance through the Point 4 program, and have even offered some minor encouragement to the foreign investment of private capital.

The communists too have, only recently, recognized these desires and thus we find ourselves competing with them for the allegiance of the newly developing and uncommitted nations. The competition inevitably will grow keener.

However, we must recognize the implications of such changing patterns with respect to our own economy. We are not competing with laggard nations; we are competing with rising efficiency and growing desires for industrial independence. These desires have led to postwar trade restrictions—quotas, import licensing, currency manipulation and so on—which are a greater hindrance to trade than were prewar tariffs. And this despite our own leadership toward freer trade.

Regional Trade Trend

We see also another trend which has perhaps even greater implications. We see the free world moving toward regional free trade areas. There is a growing awareness among other nations that a high standard of living depends on mass production and that mass production is possible only when there is a mass market.

Thus last December we saw the final ratification of a program which will create a common market among six European nations having a combined population of 160 million people. To this may well be added the other nations of the OEEC by means of a proposed free trade area encompassing more than 300 million people.

Similar plans are already under discussion in South America, Central America and Asia.

This is a very encouraging trend. Economic unity should be a potent force for amity. Further, the establishment of the mass markets should help to equalize and elevate living standards within these areas. Hence lasting peace, at least among the nations of the free world, becomes more probable.

But again we should take into account the probable effects of such developments on our own position as a world trader. Of our $17 billion of exports (excluding military goods), one-third goes into Western Europe. There is little question that the formation of common markets will make us less competitive, over all, in such areas because trade barriers between the participating countries are to be gradually eliminated while a common barrier will be retained against the rest of the world—which includes us.

We therefore stand to lose, within a relatively few years, a substantial portion of our European business. Furthermore, the increased efficiency of European common market will enable it to underbid us with a consequent loss of our $4 billion South American market.

It is also interesting to note that the recently formed European Common Market demonstrates very clearly some of the problems involved in trying to apply the free trade theory on a global basis in the world of today—problems which we who favor reasonable tariffs have been pointing out for a long time.

European Common Market

Note first that the common market proposal came only after NATO had become a working reality. The fact that the nations were supplying soldiers to a common army gave reasonable assurance against war between the nations involved.

Next we might note that wage rates among the nations were reasonably comparable and that such differences as there are will be cushioned by gradual tariff reductions. Moreover there is to be complete freedom for workers to move from one country to another. This will do much to distribute the labor supply and equalize wage rates.

Finally, attention was given to the foreign exchange problem. It was not considered feasible to establish a common currency, but steps were taken to reduce exchange restrictions. Trade balances are to be accounted in European Payment Union Credits and procedures have been set up to try to prevent continuing imbalances between nations of the common market.

The monetary problem proved to be a very tough one and will probably remain the most troublesome.

The free trade theory presupposes that the only differences are natural advantage or skill—that there is assurance of peace, that wage rates are relatively comparable, that there can be free movement of people, that taxes and laws governing business are reasonably uniform, and that currencies are freely convertible. When we look about the free world as a *whole*, we find none of these conditions in existence.

This is the universal problem which every good engineer and scientist faces constantly—making sure that the *assumptions* back of the theory actually fit the situation to which the theory is to be applied.

I am reminded of the aviation engineers who applied lift-drag equations to the bumblebee and found that it was impossible for him to fly. What they omitted was the factor of energy, so their theory really only demonstrated that the bumblebee cannot glide like a seagull.

Wants Reciprocity

Any discussion of foreign trade sooner or later gets around to focus on the Trade Agreements Act. This one is no exception. I might note parenthetically that, however often you may hear it, the word "reciprocal" is not in the title. Reciprocity, or mutuality, however, is in the Act in theory and we wish there were some of it in fact.

It is again being proposed by Mr. Randall and others that the Trade Agreements Act once more be extended and that the President be given considerable latitude in adjusting our tariffs. The practical effect will be a broad reduction of present tariffs with one or two minor escape clause raises.

For some reason which rather escapes me, this particular Act seems to have become a sort of sacred cow with the proponents of lower tariffs. One is given the impression that if the Act is not extended our whole foreign trade situation will be thrown into a state of chaos. Actually, failure to extend it would in no way nullify any existing agreements. It would simply mean that until some other legislation were passed our present agreements and tariff schedules would remain in status quo. Hence, I cannot quite buy the atmosphere of urgency which so often surrounds the requests for its extension.

Talk about world changes! The Trade Agreements Act was passed in 1934—24 years ago! That was the year prohibition was repealed. It was the year war first flared between Italy and Ethiopia. In that year Germany signed a non-aggression pact with Poland and, paradoxically, a few months later Hitler consolidated his power with the death of President Von Hindenburg. What a lot of water has gone over the dam since that time.

Says It Was Temporary Measure

Here, in the United States, we were in the doldrums of depression, and among other efforts to combat it President Roosevelt recommended the trade agreements program *as a temporary measure* in the hope that it would stimulate our exports. Congress passed it solely for that purpose and there is no evidence to indicate that anyone concerned thought they were setting up a program designed for perpetuity.

Anyway, its supporters contend that it has assisted our export industries. Perhaps it has, but let us look at a few facts.

In 1929, before the onset of the depression, total United States exports accounted for 5% of our gross national product. In 1956, after 24 years of trade agreements, nonmilitary exports accounted for only 4.2% of GNP.[1] Somehow this does not strike me as stimulation.

Auto Exports

I expect there are many in Detroit who believe the trade agreements program has benefited the automobile industry. Again, in 1929 our exports of motor vehicles totaled more than 544,000 units. This was 10.1% of U. S. production. In 1956 exports of motor vehicles accounted for only 368,000 units, or 5.8% of our total production.[2]

All in all I cannot convince myself that the Trade Agreements Act has been very effective in expanding our foreign markets. Even so, we are repeatedly told that we must reduce our tariffs and buy more so foreign countries will have the dollars to buy more from us.

This is the trade-for-trade's sake fallacy rearing its head. Our own Department of Commerce last October presented to the House Ways and Means Committee a paper titled, "The Role of Foreign Trade in the United States Economy." The gist of this paper was to the effect that, for the nation as a

Continued on page 22

*An address by Mr. Doan before the Economic Club of Detroit, Detroit, Mich., Feb. 24, 1958.

1 Compendium of Papers on United States Foreign Trade Policy, House Committee on Ways and Means, page 24.

2 1957 Statistical Issue, Automotive Industry, March 15, 1957, page 114.

Financing a Foreign Plant

By RAY G. CRAERIN*
White, Weld & Co., New York City

Mr. Craerin addresses himself to best possible ways to finance foreign branch plants which he believes will continue to enjoy an inexorable growth. Advantages and disadvantages of financing methods are clearly indicated as well as other suggestions dealing with advisability of using staff assistance possessing foreign loan, placement and documentation, etc., experience.

The competitive pressure for American manufacturers to establish foreign plants continues to grow and this trend is more likely to accelerate than abate.

Earlier it was sufficient to have a manufacturing facility in one or more of the European countries dominating large trading areas in order to enjoy freedom from exchange and quota restrictions and to sell in these important markets. In addition, such subsidiaries could utilize Export Credit Bank facilities to sell on four- or five-year credit terms to customers in underdeveloped countries outside of its own trading bloc. These so-called export credit banks have been established by the governments of most European countries, as well as Canada, to guarantee paper received by its nationals in payment of exports, and enables the exporter to readily discount such notes without recourse. In this connection, I understand a number of U. S. companies have diverted foreign orders that require three- to five-year terms to their Canadian subsidiaries in order to obtain the negotiability possible with the guarantee of the Canadian Export Credits Insurance Corporation.

The breakdown of the colonial system and the drive everywhere for greater economic self-sufficiency are rapidly outmoding this pattern for foreign sales.

In many countries legislation providing new manufacturing enterprises with special tax benefits and tariff protection has been enacted in order to stimulate home industry and employment, as well as to save foreign exchange. One of the major soap manufacturers has qualified several subsidiaries under these laws to establish its products in markets long dominated by a competitor. In one instance it increased its share of the detergent market from 10 to 80% before the competitor met the challenge with its own plant. In this case, even after the second plant had been in operation for a year, the first company still had 60% of the market.

This trend toward local plants enjoying special privileges is also welcomed by European manufacturers for two reasons. In the first place, it provides them with a legitimate method for exporting capital and setting up a haven in the event of another political upheaval; secondly, it offers the opportunity of establishing their position in the local market which could result in a monopoly if their competitors do not build plants qualifying for new industry benefits.

More and more this combination of desire and enticement will present American firms with the option of exploiting the competitive advantages of local manufacturing themselves or surrendering markets to others, both European and American, who are prepared to expand their overseas operations.

This choice is too frequently made unnecessarily difficult by the assumption on the part of many American managements that a foreign plant entails a direct dollar investment for the full cost of the facility. This is usually not the case at all.

Generally speaking, there are four other possible methods for financing a foreign plant: loans from U. S. Government agencies, borrowing in the local currency from private sources, loans from or sponsored by local government development banks and taking in local partners.

Four Ways to Finance

The first, U. S. Government credits needs no further comment in this paper.

The second, local currency loans from private investors, can take several forms. The most usual is a 10- to 20-year first mortgage bond issue. The amount of the issue runs from 50 to 70% of the cost of land and buildings with some allowance for equipment included in the buildings' value. Interest rates at present run roughly from 6 to 8% dependent on the currency involved. Other terms are subject to negotiation and are dictated by the requirements of both lender and borrower. An example of this type of loan is the 15-year bolivar issues we have placed for the Venezuelan subsidiaries of several prominent American companies in recent years at interest rates of 6 to 6¾%. The size of the deal at times requires us to interest three types of buyers—insurance companies, pension funds and investment trusts — with each having different requirements as to maturity, call features, and so forth. We were able to obtain the flexibility on terms desired by the borrowers and at the same time satisfy each type of buyer by making the bonds serials with 15 maturities instead of one maturity with a sinking fund.

Another type of private loan is a 10-year debenture issue with a negative pledge clause covering physical properties. The amount of such a loan can be 100% of the amount of the plant investment and on about the same terms as a mortgage issue but almost always requires a parent company guarantee and cannot be done in all markets.

A third type is five-year notes, generally issued for working capital or to avoid local legal restrictions applying to bond issues in certain countries. These too require either a bank or parent company guarantee.

Since the purchasers of all three of these securities are institutional buyers, both American and Foreign, it is generally advisable to have the sale or placement negotiated by a banking specialist familiar with the availability of these funds and the requirements of such investors.

Loans from local government development banks fall into two categories — those on which the bank advances its own funds such as Financiera in Mexico and those that the bank only guarantees such as Banco Central Hipotecario issues in Colombia. The Financiera type loan is attractive by local standards, but is difficult to obtain unless the subsidiary has influential common stock partners. The guaranteed type of loan initially is only a license to borrow and not until the borrower has sold the full amount of the issue, as evidenced by written purchase commitments, will the loan application be approved.

The job of selling the bonds is not easy as the supply is almost always greater than available investment funds. This results in buyers insisting on collateral benefits as a condition for purchase. The buyers, which are banks and insurance companies, will only purchase in direct ratio to the size balances you agree to maintain or the amount of insurance you place with them.

Frequently, ingenious schemes are devised to sell such bonds, as in the case of the Havana Tunnel. The entire cost of the project, $33,000,000, was paid for in 25-year bonds of one of the Cuban development banks. Since at the time Cuba had a surplus of sugar, the contractors were able to make a deal whereby the government agreed to use the proceeds of sugar sales arranged by the contractors to repurchase from them up to $17,000,000 of bonds. On the $16,000,000 balance, an agreement was reached with the Cuban Central Bank to repurchase these at the end of three, four and five years. This purchase agreement from the Central Bank enabled the contractors to sell the bonds to Cuban and European banks at a small discount.

The fourth method, that of taking in local partners to participate in financing the project, has both advantages and disadvantages which are accentuated by the type of business involved. Among the obvious advantages are, first, it is a practical concession to the nationalistic aspirations common everywhere; secondly, it greatly reduces the possibility of confiscation or expropriation; thirdly, it protects the enterprise from the charge of foreign exploitation. Aside from these benefits in public relations, there can be some real business advantages. Frequently local capitalists and industrialists can arrange tax advantages and monopolistic concessions for new enterprises which would not be granted to a company wholly owned by foreign interests. Foreign partners, because of their close personal contacts with government officials, can often prevent, or at least neutralize, legislation that would prove harmful to the enterprise. Foreign partners can also be utilized in some instances to insure the financial success of the business. One rayon manufacturer has successfully exploited this angle by taking in as partners the local textile mill owners who, in addition to making a financial contribution, also contracted on a long-term basis to take 70% of the plant's output, thus assuring a continuing profitable operation.

On the debit side of the picture is the difference in business philosophy between American managements and many foreign business men. We believe in mass production with a low unit profit, while many of our overseas friends practice limited production with fantastically high unit profits. In fact, many do not consider a capital investment attractive unless it promises the possibility of returning the investment in dividends within three years. Naturally, this can lead to management conflicts regarding plowing back earnings for expansion, research, and maintenance at the expense of dividends. Then, too, some companies are reluctant to share trade secrets, and they may also worry about who may be their partners in the future when stock ownership changes through sale or death. Policy on financing through the help of foreign partners should be determined on the basis of the special characteristics of the industry involved.

Use Qualified Staff

In concluding I should like to offer a few suggestions. It is generally a mistake to delegate the job of arranging long-term financing to your local treasurer. In most cases they have neither the time nor the experience to arrange these highly specialized type of loans. As a matter of fact, we find that about 90% of the time the most attractive terms can be obtained outside of the country involved. If you plan to negotiate the financing yourselves, it is essential to have it handled by one of your staff who has had actual experience in doing a private placement with institutional buyers, and the assignment should have a priority over other duties until completed.

Unless someone on your legal staff has had actual experience in preparing the documentation for a foreign loan and sufficient time to devote to the problem, it will be money well spent to employ outside counsel who have this know-how. If the loan is for a Latin American enterprise, don't depend too much on your local attorneys to develop terms and conditions, as their concepts are apt to be limited to the range of a real estate mortgage. I know of several instances where badly needed expansion was hampered and in one case prevented, due to poorly drafted instruments on previous borrowings.

*An address by Mr. Craerin before the International Management Forum, New York City, April 2, 1958.

McCormick, ASE Pres., Receives Drexel Award

Edward T. McCormick, American Stock Exchange President, in Philadelphia, received the Drexel Institute of Technology 1958 Business Administration Award. He was the unanimous selection of the 1,000 senior students of the college of business administration who named him "a distinguished representative of the securities business."


E. T. McCormick

Recent recipients of the award include General Douglas McArthur, Henry Luce, Edward R. Murrow and Earl D. Johnson.

At the convocation Mr. McCormick told the student body, "The need in this country for sound articulate business leaders is great. Business opportunities in our fast moving economy have been expanding and will continue to expand. We have only scratched the surface of the industrial revolution and are by no means in sight of our economic horizon. If you will maintain at all times, not only here at business school but thereafter as well, a lively curiosity for learning in your specialized fields and concerning events in the world around you, you have every reason for confidence."

Syracuse Bond Club Annual Outing

SYRACUSE, N. Y. — The Bond Club of Syracuse will hold its annual outing at Hinerwadel's Grove, North Syracuse, on Monday, June 2.

THE MARKET . . . AND YOU

By WALLACE STREETE

The 450 area for the industrial average, as it has on a couple of other occasions so far this year, proved troublesome for the stock market this week despite new-found strength in the railroad shares.

Hopes of legislative relief for the carriers, which had cropped up late last week, were confirmed after a fashion when the Administration proposed a $700 million railroad loan program entailing government guarantee of half a billion for cost-saving improvements to be financed by short-term private loans and the balance for guarantees on freight car equipment obligations.

Government Still Restricts Rails

Actually the high expectations of an end to transportation taxes and greater freedom from government controls were dashed a bit since these items were ignored in the proposal to the legislature except for strengthening the Interstate Commerce Commission's power to permit carriers to abandon losing services.

In bumping into profit-taking at around 450, the industrial average fell a bit short of the 453 level reached in the March rally and the 458 level achieved after the January upturn that topped out in early February. So far the action merely confirmed that the market has been confined to a rather definite trading range without any apparent intent to break out of it either way until a better picture of 1958 earnings is available.

Utilities a Bright Spot

Utilities were not immune to occasional heaviness although they, generally, were the brighter end of the list particularly after Consolidated Edison larded its dividend rate and became something of a market feature on a fat gain not too common in the staid end of the list. For the utility average its posting was the best since 1930 although there is still a wide gap between the current standing above 76 and the better than 108 posted 28 years ago when the components were holding companies against the operating company dominance of today.

Although utilities are generally regarded as defensive and anti-recession in nature, there were studies around showing, as one put it, that "the electric utility industry has not even paused in its growth while the other industries have been consolidating previous gains."

Certainly when it comes to spending for expansion as a prop for the overall economy the utilities companies currently are the bright spots since their plans call for better than $5 billion capital expenditure this year against a record $4.75 billion last year.

The beneficiaries of this large expansion, the electrical supply companies, weren't overly popular marketwise in the general gloom that prevails although General Electric was holding to what statistically is a high level. It has, however, been hovering around its 1958 low which about approximates the 1955 peak; so in that respect isn't overvalued as a blue chip of recognized growth ability. First quarter earnings did dip in reflection of the overall business slowdown, but company officers are optimistic since a strong upturn got underway in March that could improve GE's profit picture importantly if it continues.

An above-average return for a quality utility is offered by Washington Water Power which, at recent price levels, had a yield of better than 5%. Earnings projections for the company for this year are for a comfortable expansion over last year's record level. Like other utilities expansion is the keynote of Washington Water. It plans, for one, to double its hydro generating capacity by 1960 which is assurance for the future since it serves an area that has had satisfying industrial and population growth. The company has a half century dividend history without any breaks in the chain.

IBM Still Intriguing

An issue that is little of a statistical bargain but has its ardent, if not strident, followers is International Business Machines of the high price tag and fractional yield. A good part of its popularity stems from its ability to expand its operation without pause, including a fat profit increase for the first quarter of this year while other office equipment firms were experiencing an abrupt halt to their near-sensational sales growth of recent years.

Unlike some of the companies that only lately shifted to electronic computer development, IBM's electronic work is well established, profitable and a heavy contributor to overall sales. IBM's price tag of something like 40-times-earnings is ignored in the preference for an outstanding money maker with strong growth characteristics and the important prop of steady rental income immune to the abrupt sales dips of other office machinery firms.

An Outstanding Motor

Motor issues had little following, with American Motors standing out prominently as it was stepping up production while two dozen or so assembly plants of the Big Three were still shut down because of the lack of any spring pickup in sales. American, which put its reliance on the small Rambler as competition for foreign imports, seems to have hit it right.

In any event, the shares of American reached a peak not seen since the first enthusiasm of the Nash Kelvinator-Hudson Motor merger in 1954. Throughout 1956 and last year the shares held in a range of slightly above $5 and not quite $9 until the recent favoritism moved in and carried the issue to about double its low for the two years. Sales for the six months that included 1957's final quarter and this year's first jumped 70%, during which the Rambler raised it from 12th to 7th place in the production standings. Early this month sales were running nearly double those of the similar period last year.

Air Conditioners Under a Cloud

Like the television shares, which failed to come up to high expectations marketwise when severe price wars hurt the industry, the air conditioning stocks are still under something of a cloud from their own price troubles, although the season is fast approaching when they should have at least temporary following.

Carrier Corp., for one illustration, is available at an above-6% yield on a price slashed some two-fifths from last year's high, which adequately discounted the rather sharp sales decline reported in its fiscal year that ended last October.

So far in its new year Carrier sales apparently have been holding about level with those of the previous year. But this time the difference is expected to be the vigorous cost-cutting program instituted by the company. First quarter earnings were down sharply, but a bit misleading since the company has changed the previous pattern of early shipments in order to tie in more closely with actual sales. Projections for the full year indicate a modest improvement over the 1957 year and the dividend should be covered by better than a dollar a share to maintain the above-average yield.

[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.]

Joseph Nye Honored on 40 Years in Street

Joseph S. Nye, Nye & Whitehead (right), and Fred Storey, Robertson & Co. (left)

Joseph S. Nye, of Nye & Whitehead, members of the New York Stock Exchange, was the honored guest at a reception held Thursday Evening, April 17, at the Metropolitan Club. The occasion was planned by a number of Mr. Nye's old friends and associates to mark the 40th Anniversary of his work in Wall Street.

In 1918 Mr. Nye as employed by Freeman & Company as a messenger and he remained with that firm in various capacities until January, 1952, when he became a general partner of Neergaard, Miller & Co., members of the New York Stock Exchange. In the early 1920's he studied underlying bonds of the major railroad systems and eventually he opened and managed a department for Freeman & Company which specialized in that class of security. For many years he was recognized as the Street's leading authority on underlying liens and divisional bonds of the carriers. Mr. Louis H. Whitehead became acquainted with Mr. Nye during this period and they have been personal friends continuously for many years.

Mr. Nye has been associated with Neergaard, Miller & Co. and successor firms since 1952. In April, 1958, he and Louis H. Whitehead formed the firm of Nye & Whitehead, 44 Wall Street, to continue their business as members of the New York Stock Exchange and Investment Advisers. Mr. Nye is a director of a number of industrial and railroad companies including Haveg Industries, Granby Consolidated Mining and Minneapolis & St. Louis Railway.

The list of guests at the reception included some of the best known and most prominent Wall Street figures including Mr. Nye's partner, Mr. Whitehead; his son, Joseph S. Nye, Jr., a senior at Princeton University and recent recipient of a Rhoades Scholarship for study at Oxford University; Ernest Nye, his brother, who is a member of the Executive Committee of ACF Industries; Jerome Eppler, partner of Cyrus J. Lawrence & Co.; L. T. Postle, President of Granby Consolidated Mining Co.; Dr. J. H. Lux, President of Haveg Industries; Robert M. MacRae of Seattle; Raymond Stitzer, partner of White, Weld & Co.; Benjamin Prime of Auchincloss, Parker & Redpath; Carl Barshfield; Fred Storey, senior partner of Robertson & Co.; George Seager of Hayden, Stone & Co.; Leonard Horton of Aubrey G. Lanston & Co.; Al Hauser, Vice-President of the Chemical Corn Exchange Bank; Clifford Bradley; George Easley; Warner G. Cosgrove, partner of Shields & Co.; Carl N. Miller, Jr., partner of Schirmer, Atherton & Co.; Charles Hodge, partner of Glore, Forgan & Co.; Malcolm Sheldrick, Philip Ackert, James Colthup and Fred Eisele, partners of Freeman & Company and many others.

With Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert E. Jackson is now affiliated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. Mr. Jackson was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Minus Eight Billion!

"I think the deficit is likely to run $8,000,000,000 or even more. The Treasury estimated a $2,000,000,000 increase in revenues for fiscal 1959, but the indications are now that there will be a $2,000,000,000 drop instead of an increase.

"When the effects of the acceleration in spending begin to be felt, the deficit is going to mount up fast. I think the increase in spending will run to at least $4,000,000,000, which, with the drop in revenue, will make the total deficit at least $8,000,000,000." — Senator Harry F. Byrd.

Harry F. Byrd

And still there are those who insist that proposed deficits are not large enough!

Outlook for Municipal Financing

By ARTHUR R. GUASTELLA*
Associate Editor, "The Daily Bond Buyer"

Mr. Guastella perceives state and municipal financing annual volume reaching $15 billion by 1975—assuming stable international and domestic affairs. Using a straight line projection of studies consulted, the "Daily Bond Buyer" editor conservatively computes $8.7 billion for 1960, $11.2 billion for 1965 and $13.7 billion for 1970, necessitated by three basic aspects of public works, i. e., backlog, replacement and expansion. Author divines no socialism in this public works trend; explains implications for underwriters; and cautions against allowing one public agency to run multifarious projects.

In the weeks since I received the assignment to determine what the future holds for municipal financing, I have pored over statistics, analyses and projections. What do they boil down to? Simply this: The volume of state and municipal financing will reach an annual level of at least $15 billion by 1975.


Arthur R. Guastella

This is more than double the current level and probably appears startling and even visionary. But consider this: Prior to 1947 the largest annual total was $1.5 billion in 1940. I don't know, but my guess is that if someone like me had gotten up publicity at that time and stated that the volume of municipal financing would more than quadruple within 17 years, he wouldn't have been taken too seriously. So I don't feel too badly predicting a mere doubling of volume within the same period of time.

Before going into the factors behind this anticipated increase, there are a number of qualifications that should be kept in mind. All thoughts on the matter are subject, of course, to assumptions of a fair degree of stability in international relations and in our economic affairs. If the cold war gets hot, anything might happen and ordinary considerations would go by the board. If a severe depression hits or another dose of inflation develops, there will be expedients which will knock out any and all estimates.

With these necessary reservations out of the way, let's look into the crystal ball. Future volume might be considered in two parts, one statistical and the other sociological.

Statistical Factors

On the statistical side there have been a number of projections, and all of them point rather sharply upward. When the sociological approach is used, the conclusions may be even more definitely emphatic as to heavy increases in the volume of municipal financing.

It would appear from statistical projections that the rising curve will carry us to an annual figure of $10 billion before long, and perhaps up to $15 billion by 1973. As I pointed out before, the postwar rise has been fantastic—from $1.2 billion in 1946 to close of $7 billion in 1957. Even allowing for inflation, the rise has been impressive.

The start of 1958 has been extraordinary. The total for the first two months comes to $1.6 billion, which is larger than the total volume of any year prior to 1947. Some special factors plainly contributed to this year's flying start. The change of monetary policy toward ease and greater abundance unquestionably stimulated much borrowing that had been postponed in earlier months. The March total is a much more normal $450 million, but the first two months of 1958 still remain instructive.

On a straight line of projection of the figures from 1946 through 1957, we attain levels such as $8.7 billion for 1960, $11.2 billion for 1965 and $13.7 billion for 1970. Harry Severson, a financial economist who has done a great deal of work on the subject, has made similar and perhaps more balanced and better adjusted estimates. His studies indicate that the volume of state and municipal financing will rise steadily reaching a total of $8.8 billion for 1960, $13.4 billion for 1965, and $16.3 billion in 1968.

What are the factors behind these statistics? Our ideas here are naturally influenced heavily by some of the special studies made with respect to public works. Our own Municipal Forum took a bold step in 1952 and held a day-long conference on the subject of financing the $100 billion backlog of state and municipal improvements. A few years later, in 1954, the Federal Government through the Departments of Commerce and Labor commenced an intensive survey of the Nation's needs in the area of public works. The results were reported in 1955, and I believe they are worth resurrecting at this time. Before doing so, however, let's define the term "needs" as used in this survey.

Since need involves a subjective evaluation, a standard was established for the purpose of these Federal surveys. This standard of service was considerably above that provided in the poorer communities, but below that available in the more progressive areas. The "needs" of a particular community then, were defined as the amount of construction needed to bring the plant up to this standard within 10 years. The needs arise from three basic factors: backlog, replacement and expansion.

Public Works

Let's look at the backlog. As you are all aware, the Nation as a whole has lost a great deal of ground in the area of public works. In the '30s there was no money to keep them up and in the '40s the money was available but materials and manpower were lacking. A 10-year public works program to meet this backlog alone, according to the 1954 survey, would cost about $130 billion.

Then there exists a demand for replacement of facilities which are wearing out or need to be modernized. To meet this demand another $29 billion would be required. Finally, public works must be expanded to accommodate the expected growth in population. Our population is expected to increase about 30% by 1975 to a total of 228 million. Another 60 million people to be fed, clothed, housed, educated and otherwise serviced. Our population is not only increasing but it is shifting. The rural areas around cities are being rapidly developed into residential communities. A farm becomes a 700-unit development within two or three years and there is an immediate demand for provision of costly capital facilities followed closely by complaints of high taxes. Explosive growth of this nature quite often results in compromise since it takes all of the community's resources to meet just the immediate needs let alone provide for the future. The Federal survey estimated that $45 billion would have to be spent nationally in the decade following 1954 to meet this need.

To sum up then, to adequately meet the demand for public works caused by backlog, replacement and expansion would require the expenditure of $204 billion between 1954 and 1965. This is an annual rate of over $20 billion, and is roughly double the current level of construction expenditures of state and local governments.

Let me also point out that this $204 billion figure does not take into account public housing, slum clearance and urban redevelopment.

Pressure for Facilities

What is of particular concern to us here is that this survey serves to indicate the tremendous pressure which exists for increased public works. All around us there is evidence of this pressure. Schools are fearfully overcrowded, water supplies are inadequate, stream pollution is growing, mass transit is getting worse and so on. So against this background then, I think most of you will agree that a $15 billion annual level of municipal financing by 1975 is not startling or visionary but probably conservative.

There is no reason to doubt that the need exists. But it is one thing to demonstrate need, quite another to satisfy it. Many communities are now at or approaching their debt limits. The pressure remains, and so we see a rash of devices to circumvent these limitations which now are unrealistic. This pressure for more and better public works will continue to mount and long-term financing remains the major tool for the realization of any sizable program of public works.

This increase poses a special problem for underwriters. Municipal bond underwriting departments have changed radically in recent years. The multiplicity of issues has evolved the specialist.

Just how the capital market is to meet this increased demand is a special problem. Any immediate projections would suggest some tight squeezes, not only for this year but in some future periods. But the economy is flexible, and monetary policy can produce sharp diversions. The fiscal policy of the central government can produce even more explosive results. Somehow or other the accommodation will be made, if popular demand is there.

For instance, a serious economic setback will certainly bring tax cuts and deficit financing. Stepped up public works programs are already proposed in this relatively mild recession. The states and their local governments will respond, probably under stimulus from Washington. Just how this will work out is anyone's guess. Major General Bragdon, special assistant to the President for Public Works Planning, has ready an accelerated plan of Federal public works if the Administration decides to move boldly in this direction.

Sociological Aspect

So much for the statistical factors working toward an ever-increasing volume of state and local financing. Now I would like to discuss a trend which we all recognize, but which hardly anyone ever bothers to analyze. That is the trend toward public accomplishment of great tasks, the trend toward use of public agencies to meet public requirements. There is, I think, a sociological aspect of immense importance involved in this.

We are a great people for private enterprise, and it is quite right for us to talk proudly about our system as a private enterprise system. But there is a very large and handsome fringe which also adorns our system and which is so decidedly a matter of public business as to have its reflection in more than $50 billion of state and municipal securities outstanding, and a good part of the Federal debt also due to public construction for the satisfaction of public needs.

Mind you, this is not socialism or anything remotely approaching it. Mainly, it is a matter of utilizing powers which only a duly constituted agency or representative of the public interest can utilize. It is common to all countries, no matter how they may describe their own political organizations.

This is a trend which we on "The Bond Buyer" believe is growing every day, and year by year, alongside of the private sector of our economy. Which side is growing faster probably cannot now be ascertained. There have been times in this century, running to whole decades, when one side seemed to take precedence, and then a switch would occur and the other would be paramount. The Federal Government is a vital part of this process, as a matter of course, but the state and local regimes figure very largely too.

Mass Transit Problem

There is, I believe, a classic example of this trend in the field of

Continued on page 33

*An address by Mr. Guastella before the Municipal Forum of New York, March 28, 1958.

Connecticut Brevities

The Kaman Aircraft Corporation has started construction of a new engineering and administration building in Bloomfield on a 16 acre tract. The structure will contain about 34,000 square feet of floor space and will cost an estimated half-million dollars. Upon completion of the building, research and development operations will be moved out of present facilities, thereby giving more space for expanding production operations. Kaman now operates plants in five towns in Connecticut as well as its Nuclear Division with operations in Albuquerque, New Mexico.

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The Electric Boat Division of **General Dynamics Corporation** has received a Navy contract in the amount of about $200 million to build at its Groton shipyard two atomic powered submarines designed to carry and launch Polaris guided missiles. The submarines will be 380 feet long and will be the largest ever built. Up to 16 of the 1,500 mile intermediate-range missiles will be carried on each ship and it will be possible to launch missiles while submerged. The number of employees at the Groton plant has increased this year by over 500 to some 7,800, the highest level since World War II. In a recently compiled list of the 100 companies which have been the largest military contractors during the past two and one-half years General Dyamics ranked first with $2.4 billion and United Aircraft Corporation ranked second with $1.2 billion.

* * *

Employment at the **Eastern Industries, Inc.** plant in Hamden has increased from around 100 to about 200 within recent months and the company anticipates that 1958 will produce higher sales and profits than 1957, a record year for Eastern. The backlog of orders is about $6 million and was maintained about level during the first quarter of this year.

A survey of the **Danbury News-Times** indicates a potential of 1,700 new jobs becoming available in 1958 in the 14 town labor market around Danbury as a result of various industrial expansion plans. The largest part of the increase in indicated employment will result from the opening of four new plants: **Eagle Pencil Company** and **Reeves Soundcraft Corporation** in Danbury and **Kimberly-Clark Corporation** and **Scovill Manufacturing Company** in New Milford.

* * *

Announcement has been made that the **Pratt & Whitney Aircraft Division of United Aircraft Corporation** will produce the primary power source for a new Air Force air-to-surface missile to be built by North American Aviation. The missile which is called the "Hound Dog" will be capable of supersonic speeds and could be carried by and launched from planes such as the Air Force's B-52 intercontinental jet bomber.

* * *

The Gray Manufacturing Company has recently introduced a new portable dictating machine which it has called the Key-Noter and which weighs less than six pounds, the smallest and lightest disc dictating machine on the market. The instrument is compatible with present Gray Audograph dictating equipment and can be used for transcribing as well as for dictating.

* * *

Aetna Insurance Company has completed moving its main office to the nearby former **Connecticut General Life Insurance Company** building which it purchased last year and has had modernized somewhat. The three former Aetna buildings which are located next to the main offices of **Travelers Insurance Company** were purchased by Travelers for $1.25 million. No plans have yet been announced for two of the purchased buildings consisting of a five-story and a ten-story structure. The third and smaller building will be razed to make available additional parking space.

* * *

At their annual meeting stockholders of **American Hardware Corporation** were told that incoming orders in the first quarter of 1958 were 18% higher than for the same period a year earlier. A large part of the increase has been the result of the acquisition last year of the Kwik-Set Locks Division of Anaheim, California.

Recent Foreboding Developments In British Political-Economy

By PAUL EINZIG

Recent British budget's inflationary aspects and undeviating Labor Party's policy of wage increases exceeding productivity are scrutinized by Dr. Einzig who resignedly finds this state of affairs to be as foreboding as it is wanting. The British writer also criticizes new British bond issue for being unnecessarily generous and quite likely to induce higher wage demands. Praises Labor's turnabout on sterling but explains why a Socialist government would eventually bring about devaluation.

LONDON, Eng.—Any interest aroused in the country by Mr. Heathcoat Amory's first Budget on April 15 was overshadowed two days later by the disastrous rout of the Conservative Party at the London County Council election. The losing party at local elections usually argues that results at such elections are influenced by local considerations and do not reflect the country's attitude towards the Government of the day. Nevertheless, such a "landslide" as occurred in London and, to a more or less extent, in other counties, must be regarded as an indication of the political trend. It is true, the general election is not imminent. Mr. Amory's Budget is certainly not an electioneering Budget. It is evidently the Government's intention to have at least one other Budget before Parliament is dissolved, so that there will be an opportunity for making a bid for popularity by means of appropriate tax concessions.

Paul Einzig

Criticizes Profits Tax Cut

Even so, the outcome of the local elections cast gloom over business circles. The Stock Exchange boomlet resulting from the reduction of the tax on distributed profits from 30 to 10% was nipped in the bud. Which is perhaps as well, because any evidence of big profits made by investors and speculators on a rise in equities would not make it any easier to settle the wage disputes on reasonable terms. That profits tax concession was in any case a mistake—one of the many mistakes made by Mr. Amory in his very first Budget.

The replacement of the rate of 30% on distributed profits and of the rate of 3% on undistributed profits by a uniform rate of 10% would have been the correct measure in an ideal world, but it was a grave error of judgment in our existing world. Trade unions which were hoping for some face-saving device to enable them to retreat without loss of dignity regard it as an act of provocation. Since it is bound to lead to a number of dividend increases it will be much more difficult to persuade the unions to restrain wage demands.

Increases Budgetary Deficit

Another reason why the Budget is inflationary is because it deliberately increases the Budgetary deficit through various tax concessions amounting to £50 million. That amount is admittedly not excessive; indeed most people think Mr. Amory could and should have given away much more revenue. But it is a legitimate argument to say that a Government which preaches disinflation on the ground that the time has not yet arrived for a reversal of its economic policy should not have incurred an additional deficit even to the moderate amount of £50 million.

Decries New Bond Terms

Yet another mistake made by the new and inexperienced Chancellor of the Exchequer was the decision to issue new 5% Defense Bonds repayable in seven years at 103, the premium of 3% being free of tax. This new Bond gives a yield of about 5½%—even more for investors in the higher income groups—which is quite unnecessarily generous. It greatly reduced the chances of a further rise in the Gilt-edged market, and it will force local authorities to continue to pay 5¾%, and even 6% on their new loans.

The only conceivable reason for giving such expensive terms is that the Government is anxious to show a spectacular increase in the figures of savings. Yet Defense Bonds are not usually held by workers; they are favored by upper middle-class investors. The high interest will attract very little genuine new saving. All that will happen is that investors will switch into the new Bonds from other forms of Government loans they already hold. The same will happen as a result of the increase from £600 to £1,000 of the maximum permissible individual holdings of the tax-free Saving Certificates.

These measures will certainly not induce many individuals to refrain from spending in order to save more. All they will do is to increase the published figure of new savings. This may be considered useful and necessary for propaganda purposes abroad, to impress opinion overseas about the degree of improvement in the economic situation. But to the extent to which this effort is successful it will further increase the difficulty of inducing the trade unions to adopt a reasonable attitude. They are sure to argue that if such a high proportion of the increased wage incomes is neutralized by an increase in savings then wage increases could not be after all so inflationary. It will be difficult to convince them that the increased savings represent middle class money and not even new savings at that.

Examines Labor's Stand on Sterling

The outstanding event during the Budget debate was the solemn declaration made by Mr. Harold Wilson, the prospective Chancellor of the Exchequer in the next Socialist Government, that the defense of sterling would have first priority in the Labor Party's program. This is certainly a change of attitude, for until recently the official line was that full employment must be given first priority. The explanation of the change lies in the realization of the danger of a sweeping flight from the pound on the eve of the next general election, in anticipation of a Socialist victory. Remembering the experience of 1931, Socialists are doubtless aware that such a flight might induce many people to vote Conservative. It is, therefore, to the interests of the Labor Party to make an effort to discourage such a flight, even if in doing so it assists the Conservative Government in the defense of sterling.

In this instance Party considerations happen to be identical with patriotic considerations, so there is no reason to doubt the sincerity of the Socialist attitude. But its practical effect in preventing a run on the pound on the eve of the general election is likely to be negligible. After all, the Socialist Government devalued sterling in 1949, after having declared many times its determination to maintain the parities. And even if the next Socialist Government should be genuinely determined to defend sterling, its inflationary policies are bound to result in a devaluation eventually. It would be a different matter if Mr. Wilson's declaration of the prior claim for sterling's defense had been accompanied by a renunciation of the inflationary policies of the Socialist Party. But in this respect there is no change of policy.

Socialists are as strongly against credit restrictions as ever. All Socialist speakers during the debate advocated a resumption of economic expansion regardless of its inflationary effects. They all refrained from saying anything that might be interpreted as disapproval of wage demands in excess of increase in productivity. The Labor Party has not abandoned or reduced its ambitious plans for increased public expenditure, especially on capital projects. The private sector of the economy, too, would be pressed to increase investment expenditure under a Socialist Government. On the basis of such policies the Socialists' newly-found faith in sterling's priority is not likely to impress many people abroad about a Socialist Government's ability to defend sterling.

The Budget debate disclosed two conflicting attitudes. Socialists still feel that there must be full employment and expansion even at the cost of inflation. Conservatives feel that inflation must be stopped even at the cost of economic stagnation and a moderate degree of unemployment. It did not occur to any speakers on either side that there is a third alternative.

Holds Labor's Wage Policy at Fault

If only the trade unions could be persuaded to agree to the principle that the extent of wage increases in any one year must not exceed the increase in productivity during the previous year, it would be possible for the Government to remove immediately any credit restrictions and to encourage the maximum of expansion without running the risk of inflation. This is true not only for Great Britain but also for the United States and other industrial countries. It was entirely because wage increases exceeded increases in productivity that the various Governments felt impelled to resort to drastic disinflationary measures in 1957. Those measures could be safely reversed if trade unions agreed to abstrain from insisting on unearned wage increases.

The remedy is entirely in the hands of the trade unions. They could remove the danger of increased unemployment by accepting the formula of confining wage increases to within the limits set by increases in productivity. Unfortunately, trade unions are more interested in trying to increase labor's share in the output of goods than in making it possible to increase the total output. In the absence of the disinflationary measures forced on the Government by excessive wage increases, it would have been possible in Britain to raise the standard of living of the workers by at least 10% during the last two years, as a result of an increase in the output. As it is, money wages have increased by rather more than 10%, but most of it has been cancelled out by the rise in prices caused by the unearned wage increases, so that the standard of living of the workers advanced very slightly only.

No trade unionist would ever admit these obvious facts. All they are concerned with is to secure the maximum of increase in money wages at the expense of the rest of the community which has to bear the consequences of the resulting increase in prices. So long as this is the labor attitude, the alternative solution indicated above remains impossible, and the choice will continue to rest between expansion at the cost of inflation and stability at the cost of stagnation. And since the former policy is more popular the chances of the Conservative Government to survive the next general election must be regarded as negligible.

Cut Taxes & Increase Federal Spending: Eccles

Former Federal Reserve head reiterates his fiscal compensatory views wherein, during recession or depression periods, the government should promptly engage in deficit financing so as to stimulate consumer demand and purchasing power in order to increase production and employment. The reverse, Mr. Eccles points out, must be pursued during boom times. The Utah banker favors tax cut over public works program; warns against our present temporizing delay; and of the two groups blames labor more than business leadership for price inflation.

An immediate tax cut of $6 to $7 billion, which would "largely benefit the low income group," was asked on April 16 by Marriner S. Eccles, Salt Lake City, former Chairman of the Federal Reserve Board and Chairman of the Board of First Security Banking System, to bolster America's economy.

Marriner S. Eccles

"I feel very strongly that a 50% extension is essential in the number of weeks unemployed workers can draw benefits," Mr. Eccles said. "This is not only an urgent and necessary human action, but is desirable from an economic standpoint. It would be effective in helping to sustain consumer buying power and thereby reducing deflationary pressures."

Wants Tax Cut Now

Mr. Eccles told the Senate Finance Committe, in Washington, D. C., that he favored the tax cut over a public works program "because that action could be taken promptly and the effect would be more immediate." He said that if "we delay we are taking a risk of having to employ more drastic measures."

"In that case," he added, "the deficit would be greatly increased because of the loss of revenue through a prolonged recession. While both a tax reduction and a public works program will add to the Federal deficit, the tax reduction has the advantage of letting the people spend their own money instead of the government doing it for them."

Mr. Eccles said that throughout a continuous period of service with the government commencing Feb. 1, 1934, the recurrent and general theme of his economic philosophy has been this: "That in time of recession or depression the government must spend more than it collects so as to stimulate consumer demand and purchasing power, to increase production and employment. On the other hand, in times of boom conditions, except in cases of war, it must at least balance its cash budget or create a budgetary surplus, depending on the degree of existing inflationary pressures. In this conception, the government is the compensatory agent for an economy based on principles of free enterprise and private property."

The First Security leader said that the public debt is large or small in relationship to the Gross National Product. "I am not concerned about its present size," he said. "It has grown very little in the last 10 years. The growth has been approximately 7%, whereas the growth in the National Product has increased 87%."

"With the reduction of taxes the extension of unemployed workers benefits and the temporary loss of income as a result of the recession, there could be a deficit of $12-$15 billion in the next fiscal year which would be about 3% of the National Product and approximately one-sixth of the total annual budget," he added. "Such an amount would be a cheap price to pay for a quick economic recovery."

Jeopardizes World Leadership Role

Mr. Eccles said that we should bear in mind that if the recession is allowed to continue, it could seriously affect our leadership throughout the Western World, greatly impairing our moral and political influence and further building up the prestige of the Communists.

"It will always be a subject of the greatest economic and political controversy, how the National Product will be divided," he said. "Government and other public business want increasing amounts to spend, workers want more pay and fringe benefits for fewer hours of work, business wants greater profits and the increasing ranks of oldsters call for higher pensions. However, everyone wants these benefits on the basis of a stable dollar. Unfortunately, the unalterable economic facts of life are that all the economy has to divide is the goods and services which it is willing and able to produce—and not the amount of money which it could create, which is of course without limit. In our type of society, this situation poses a dilemma, especially for our Congressional representatives whose constituencies demand easy money, lower prices, higher wages, greater profits and fewer taxes."

Inflation Without Deficit Financing

"Between 1953 and the present, the cost of living has increased about 7%, with nearly all of this inflation occurring during the past two years," the Utah banker said. "This has happened, not in a period of deficit financing, but during a time when the government has collected $7 billion more in cash from the public than it has spent. Why would such inflationary developments occur despite a budgetary cash surplus?" Mr. Eccles said that this was largely due to four principal factors, all inter-related: the excessive growth of consumer credit—mostly automobiles, housing mortgages, capital expenditures for new plant and equipment, and the rapidly rising cost of labor.

He cited 1955 as a year in which our economy borrowed heavily against future production and employment. In 1955, consumer credit grew $6½ billion, of which nearly $4 billion was automobile credit. In that year, nearly eight million automobiles were sold. Easy credit and liberal mortgage terms brought about a construction of 1,400,000 new housing units in 1955, with an accompanying $13 billion growth in mortgage credit.

The housing and automobile boom in turn sparked the huge capital expenditure program for new plant and equipment, which has also occurred since 1954.

Mr. Eccles mentioned also rapid amortization privileges, tax legislation permitting accelerated depreciation, and large expenditures for mechanization undertaken to offset soaring labor costs, as other contributory factors to the five-year inflationary boom.

Business Leadership Responsibility

"Our business leadership has some responsibility for the situation which has developed," Mr. Eccles said. "But I think the record will show that the major responsibility rests squarely on the shoulders of the leaders of organized labor. Business generally has been willing to grant excessive demands of labor rather than face a strike, so long as it was able to pass on to the public the increased costs. Business did not hesitate to use every means of high pressure advertising and salesmanship and absurdly easy credit terms to induce millions of the public to buy beyond their means. As a result the consumer debt has grown from $27.4 billion at the beginning of 1953 to nearly $44.8 billion at the end of 1957."

"I believe the main cause of rising prices has been the use which labor union monopolies are making of their power to force up wages and numerous costly fringe benefits far in excess of increased productivity," Mr. Eccles said. "For some time now organized labor has demanded, and is getting, an increasingly larger share of the national income. This has been reflected in increased prices and decreasing profit margins. According to a recent study by the Twentieth Century Fund, total wages and salary disbursements were 50% of the national income in 1929 and 73% in 1955, whereas dividends decreased from 5.8% to 3.9% of that income. Labor's share of the national income since 1950 increased by 10% up to the end of 1956, whereas the business share, represented by profits of all corporations, decreased by 33%.

"It should be apparent from these figures that business cannot absorb out of profits, as labor contends, increased wages and fringe benefits, without increasing prices," Mr. Eccles said. With the combination of labor's demands added to prices, organized labor has already jeopardized its real interest by pricing many of its goods and services out of the market. We therefore have the paradoxical situation of millions of unemployed — idle facilities—surplus goods of all kinds and, at the same time, further increases in the cost of living. In the face of this situation, the only contributions of organized labor are demands for increased pay and further fringe benefits."

Regarding the proposed tax cut, Mr. Eccles said: "I do not feel that I have sufficient information to be able to present a detailed tax reduction program; however, I would recommend that the following excise taxes on what should be considered essentials, be repealed: Communication, transportation, freight, and consumer durable goods, together with a tax exemption on the first $2,000 of the cost of automobiles. I believe that the reduction of these excise taxes would be immediately reflected in prices to the benefit of all."

"The corporation tax of 52%, I understand, is higher than that of any other country in the world," Mr. Eccles said. "It should be reduced to no more than 50% with a limit of 25% on the first $25,000 in order to help small business, I am sure that prices are influenced by the high corporation taxes. A reduction would encourage business and would be passed on to the consumer in lower prices."

Lynam Coast Mgr. For Broad St. Sales

Joseph F. Lynam has been appointed Manager, Pacific Coast District, for Broad Street Sales Corporation, with headquarters in Los Angeles, it was announced by Milton Fox-Martin, President of that organization. Broad Street Sales is national distributor of shares of Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

Immediately prior to joining Broad Street Sales Corporation, Mr. Lynam operated Joseph F. Lynam & Co., a securities firm specializing in the retail distribution of mutual funds in St. Louis, Mo. Previously he was district manager for Hugh W. Long & Co. with headquarters in St. Louis.

Robt. T. Stone Opens

Robert T. Stone, member of the New York Stock Exchange, will form Robert T. Stone & Co. with offices at 14 Wall Street, New York City, as of May 2nd. A. M. Stone Stevens will be a limited partner in the firm. Mr. Stone is a partner in Schwerin, Stone & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The First National City Bank of New York will recreate 1928 as it observes the 30th anniversary of the formation of its Personal Credit Department.

As an exhibitor at the Third Annual International Home Show, commencing April 19, the Bank will feature the exterior of a typical American home of 30 years ago. In attendance at the exhibit will be two models attired in the flapper gowns of that period. A series of illuminated "before" and "after" color transparencies will show the manner in which residences can be modernized with property improvement loans.

With new home construction at a low point, the bank anticipates an increased demand for property improvement loans. "Today, more than ever," the bank said, "property owners desire to stay abreast of building design progress so as to avoid obsolescence of their homes."

During its 30 years in the consumer credit field, First National City has extended 8,900,000 low-cost loans to wage-earners and businessmen in the New York City area, totaling over $4 billion. During this same period, loans to modernize and repair homes or business properties numbered 390,537 with a dollar volume of $537 million.

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Ephriam L. Brickhouse, Vice-President of **Guaranty Trust Company of New York**, died suddenly on April 22 at the age of 63. He had been associated with the bank for more than 40 years, identified principally with the Custody Department, of which he had been officer in charge for many years.

He joined the Guaranty Trust Company in July, 1917, was appointed an Assistant Secretary in 1926, Second Vice-President in 1929, and Vice-President in 1939.

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The Central Industrial Bank, Brooklyn, N. Y., elected Harry Grunther, Treasurer.

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John J. Crimmins, Sr., retired Secretary and Director of the **First National Bank of Yonkers, N. Y.,** died April 19 at the age of 86. Mr. Crimmins was an organizer of the First National in Yonkers in 1933.

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John T. Sullivan has been elected Chairman and John A. Sheedy President of the **Marine Midland Trust Co. of Central New York.**

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By the sale of new stock, the common capital stock of the **First National Bank of Springfield, Vt.** was increased from $300,000 to $400,000 effective April 11. (Number of shares outstanding—8,000 shares, par value $50.)

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The First National Bank of Toms River, N. J. offered 6,000 shares of new common capital stock of the bank to its shareholders at $30 a share. All of the rights to subscribe were exercised by the closing time April, 15, with the exception of 13 shares, which shares were sold at public auction April 15 at $42.50 per share.

The bank now has common capital stock of $990,000, surplus of $2,250,000 and undivided profits and reserves of $953,932.01, a total capital structure of $4,193,932.01.

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Merger certificate was issued approving and making effective as of the close of business April 11, the merger of **Barclay-Westmoreland Trust Company, Greensburg, Pa.,** with common stock of $400,000, into **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** with common stock of $61,684,500. The merger was effected under the charter and title of "Mellon National Bank and Trust Company."

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Equitable Security Trust Company, Wilmington, Del., has changed its title to **Bank of Delaware.**

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The beginning of construction of the 10th branch (the Fairview Park Branch) of **Cleveland's Society for Savings and Society National Bank** has been started.

Society will build one of the most convenient and modern branch banks in Greater Cleveland to serve the people and businesses of Fairview Park.

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Melville A. Powell and Alvan E. Wilson were elected Vice-Presidents in the commercial banking department of the **Continental Illinois National Bank & Trust Co., Chicago, Ill.**

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Citizens State Bank of Park Ridge, Park Ridge, Ill., has changed its title to **Citizens Bank & Trust Company.**

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Permission has been granted by the Office of the Comptroller of the Currency to the **Southgate National Bank of Milwaukee, Milwaukee, Wis.,** to open a new bank. John L. Gruber is President and Herbert E. Rahtjen is Cashier. The bank has a capital of $300,000 and a surplus of $100,000.

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Empire National Bank of St. Paul, Minn., increased its common capital stock from $500,000 to $1,000,000 by a stock dividend effective April 11. (Number of shares outstanding—10,000 shares, par value $100.)

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By a stock dividend, the common capital stock of **The Citizens and Southern National Bank, Savannah, Ga.** was increased from $10,000,000 to $10,500,000 effective April 11. (Number of shares outstanding — 1,050,000 shares, par value $10).

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Citizens National Bank of Orlando, Fla. increased its common capital stock from $750,000 to $1,500,000 by the sale of new stock effective April 7. (Number of shares outstanding—150,000 shares par value $10.)

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The Royal Bank of Canada has announced the appointment of E. L. Nelson as Comptroller, with headquarters at Head Office, Montreal. He succeeds D. L. Witter who has occupied the position since its creation by the bank in 1955 and who now retires.

Mr. Nelson comes to his new post with a broad background of banking experience. He began his career at Great Village in Nova Scotia in 1924, thereafter serving at a number of branches in the province. In 1935 he was attached to the Supervisor's Department, Halifax, later serving at important branches in Truro and Sydney. In 1941 he was transferred to the Credits Department at Head Office, Montreal, where he has occupied a number of positions. In 1955 he was appointed an Inspector at Head Office, the post he now relinquishes to become Comptroller.

Continued from page 3

A Vulnerable Credit Structure

are not the only items on the bank balance sheets that involve risks. Their total loans—$93 billion—have risen three and one-half-fold since World War II. (There was a $42 billion increase in the last seven years of scarcely interrupted boom.) To complete the picture of risk assets, $17.2 billion in municipal and corporate bonds have to be counted, too.

These figures become meaningful in the proper context. The commercial banks as a group entered the recession with *about one-half of their deposits being used for risk assets.* Nor did all of the rest qualify fully for secondary reserve. Out of $99 billion cash items and government paper, $37.6 billion were "bonds" of more than one year maturity, presumably, and subject to price fluctuations. But even assuming that every Federal certificate of indebtedness is always worth its face value, the fact is that the average ratio of so-called quick assets to short-term liabilities fell in the 12 years to last October from 82% to 47%. The true average liquidity ratio of the commercial banking system as a whole was at the latter date scarcely above 33%!

What happened was that, despite an unprecedented rise of their own deposits and the "phenomenal" credit outpour by other institutions, an inflamed demand for credit outran the commercial banks' loaning capacity. Throughout the boom they were unloading bonds in order to find means to satisfy the demand—at more profitable rates than those on the bonds. This is the process by which an upturn gets out of hand: carried away by the bullish mass-psychology and the pressure of competition as well as of rising costs of operation, the banks neglected their liquidity in favor of higher profits.

The additional responsibility of governmental credit guarantees and central bank inducements is another chapter. Suffice it to point out that the banking system would have run out of cash much earlier, had it not been for the totally unorthodox policy of the Federal Reserve to provide them *continuously* not only with excess reserves, but even with part of the legally required reserves. Thereby, the boom was fostered and prolonged in an irresponsible fashion.

On top of the serious liquidity deterioration, the banks were faced last fall by another danger of their own making: their loan *commitments,* or credit lines (which do not appear on their balance sheets). Had they been called upon to provide the funds, this at a time then they were still deep in debt at the Federal Reserve, extreme difficulties might have risen. The banks were "saved" from their own excessive commitments—by the recession, that cut the credit demand to the bone. Another six months of boom and expansion might have brought the country to the brink of an old-fashioned financial crisis!

The Quality of Loans

Overall statistics do not tell the whole liquidity, or illiquidity, story. It is not the disproportionate growth of risk assets alone that matters; even more important is the question of their "quality." A late-1955 study by the Federal Reserve Board came to the conclusion that 34% of the "commercial" loans of the metropolitan member banks were of the term-loan variety—of more than one year (up to ten years?) maturity. This figure was based on a limited number of samples; in all likelihood, it was an underestimate. Two years of subsequent boom must have boosted further the percentage ratio of term loans to all loans.

An equally instructive survey conducted (1956) in the Fourth District, a typically industrial sector, by the Cleveland Federal Reserve brought to light a most disturbing fact, namely, that "nearly two-thirds of the dollar volume of commercial and industrial loans was outstanding to borrowers who had been continuously in debt on such loans to the same banks for one year or more."

The majority of short-term loans had been converted into long maturities by repeated prolongation. The ratio of "prolonged" to genuinely short accounts varied greatly according to industries, from over 80% for transport enterprises, public utilities and communication firms, to barely 20% for commodity dealers and sales finance companies.

Furthermore, the bulk of urban real estate loans ($22½ billion) and of "other loans" — $3.7 billion, largely to clubs, charities, churches, hospitals, etc.—was neither short nor fit for quick liquidation. Adding it all up, a picture of commercial banking on the Continental pattern emerges, though its cash-plus-quick-asset (prime liquidity) ratio was superior to that in its German or Italian counterparts. But it certainly was in a vulnerable condition.

In other words, the *average* American commercial bank is nearly back to the credit standards of the easy-going Twenties, except that brokers' loans, bankers' acceptances, etc., are replaced by government obligations. Even so, the fact is that its chief credit functions are now three: to furnish business with *capital* for medium-term investment, to provide the *consumer* with the wherewithal long before he has earned it, and to serve as repository for a substantial portion of the Federal Government's accumulated *deficits.* Surely, these are very desirable functions, but carried by the public's liquid reserves (deposits), they contribute most effectively to inflationary over-expansion, over-employment, and over-spending—and the aftermath.

From Averages to Realities

Averages for the system as a whole are half-truths. What matters is the status of individual institutions. Here is a sample of banks in two cities in Iowa, operating in very similar economic surroundings:

	June 30, 1945 (Millions)	Sept. 26, 1956 (Millions)
Major Bank in City A		
Deposits	$65.0	$84
Loans	8.3	47
Risk assets to deposits	12.7%	56%
Banks in City B		
Deposits	$107.4	$152.0
Loans	13.3	46.4
Risk assets to deposits	12.1%	30.5%

The bank in A is not the country's "worst"; the ones in B are among the "best." Some banks (in the medium-size bracket, mostly) resisted the temptation of high profits, refused to indulge in consumer and term loans and stretched-out mortgages. But a majority, including several among the largest institutions, chose the easy way.

Apologists for unorthodox policies like to point to the $50-odd billion accumulated in savings accounts in the commercial banks; they need not be covered by liquid assets, allegedly. But the public considers these accounts as equivalent to ready cash; a refusal of payment could cause critical repercussions. In fact, the velocity of turnover—withdrawal rate—of savings deposits has risen from year to year. The same is true, more or less, of deposits (or shares) in specialized thrift institutions. Yet, the postwar lending and investing practices of this group as a whole seem to have paid little attention to the responsibilities its vastly increased *de facto* short-term liabilities should impose.

The Problem Children of the Credit System

Perhaps the softest link in the nation's credit chain is constituted by the specialized savings institutions — mutual savings banks, savings and loan associations, credit unions. Here is what happened to their overall liquidity status (in terms of ratio of cash assets, plus government bonds, to deposits):

	End of 1945 (Billions)	End of Nov.,'57 (Billions)
Mutual Savings Banks		
(A) Total deposits	$15.4	$31.7
(B) Quick assets	11.3	8.4
Ratio of (B) to (A)	73.4%	26.7%
Savings and Loan Associations		
(A) Savings capital	$7.39	$42.0
(B) Quick assets	2.87	5.3
Ratio of (B) to (A)	38.3%	12.6%(!)

Even this reduced liquidity of the *savings banks* is more apparent in statistics than in reality. Their cash is less than 3% of their deposits and the rest of their "quick" assets consists largely of medium- and long-term bonds of changing market values—this in the face of deposits which are subject to unpredictable withdrawals. The aggravating fact is that the bulk of their portfolios ($21.1 billion mortgage and consumer loans and $5 billion corporate obligations) is marketable only at heavy losses, if at all.

As to the *associations'* "liquidity," they ceaselessly advertise that their $42 billion liabilities are redeemable on sight.[1] But almost 90% are invested in mortgages, the bulk maturing on the average anywhere between 5 and 25 years hence, at that confined to narrow geographic areas. And the home owners' future ability to pay is far from being generally assured.

Credit union managements successfully compete with the other institutions in flouting the well-proven traditions and precepts of banking. Their average liquidity ratio has fallen in ten years (to the end of 1955) from 74% to 20%, and keeps declining. That there were "only" some $4 billion involved, rising lately by about $0.5 billion each year, does not improve matters from the point of view of the workmen whose modest savings are being used for consumer loans, often of doubtful quality.

Lack of Diversification

Averages conceal the significant fact that a large majority among the savings institutions maintain far less than the average liquidity.

1 In 1954, according to the Chicago Federal Reserve Bank, withdrawals amounted to 60% of new savings in the associations. The corresponding ratios were 82.2% in the mutuals and 92.2% in the commercial banks. Since 1954, in all types of banks and quasi-banks, withdrawals have increased faster than did new deposits.

Many *savings and loan associations,* in particular, are down, or close, to the rockbottom 6% required ratio of quick assets to liabilities. And most of them are in the same boat, having concentrated their loans entirely, or overwhelmingly, to small areas—far too often in towns dominated by a single industry, if not by a single firm. The same applies to savings banks and, especially, to credit unions. And in all types, there are vast differences in managerial standards, ranging from very good to extremely bad.

Somewhat similar conditions obtain in commercial banking, too, as mentioned before. A widespread lack of risk diversification is a curse of the "unit" system, whatever its advantages may be otherwise. A majority of the 5,000 *country banks* can scarcely avoid trouble, though in terms of average liquidity ratio they are better off than is the typical big city bank. (The proportion of cash items and bonds to short liabilities in the country member banks still is 55%, but down from 87% 12 years ago.) However, more often than not, their loan portfolios are in "deep freeze." Naturally so, entangled as these small town banks usually are in the financial, business and civic affairs of the respective communities.

The point is that unemployment and output contraction do not spread evenly over the national economy. A "minor" depression may mean greater discrepancies, regionally and industry-wise, than is the case when the real thing hits. Hence, the great danger that massive business and consumer failures may occur in widely separated areas, affecting the portfolios not only of small, but possibly also of medium-sized credit institutions. A well-managed minority among them may be victimized by a local confidence crisis for which it is in no way responsible. The congestion is bound to be confounded by the fact that the *confreres* in the large cities are not prepared to offer help—least of all to save the savings institutions. Indeed, the metropolitan banks as a group have neglected the liquidity rules which should be imperative for institutions actually serving as "bankers' banks," a role implied in their position as holders of bankers' balances. Instead, they were relying on the Federal Government and the Reserve System as inexhaustible sources of money supply.

The "Chickens" of Liberalized Credit . . .

All banks, big and small, have been misled by a false signpost: by the idea that considerations of volume and quality of the credit they extended are secondary, if only the debts are being paid off in instalments. Was it not a chief source of distress in the great depression that all loans matured at once, as it were? Now, that term loans, mortgage and consumer loans are falling due periodically, all hazards are banned by this magic formula. In reality, "The paying record of the three categories of debt . . . has been good under the most favorable conditions—in fact, conditions perfect for monthly amortization of debt. This amortization . . . has provided needed liquidity for the banks as they have expanded their loan portfolios. . . . Under adverse business conditions, larger unemployment totals and smaller pay envelopes, amortization payments may well prove a weak reed in support of bank liquidity." (M. Baty, in *Economic Trend Line Studies,* Sept. 23, 1957.)

In plain English, instead of a banking crisis due to massive defaults on single-payment loans, we *can* have a banking crisis due to massive defaults on instalment plans. The some $130 billion in home mortgages—largely on exuberantly "liberalized" credit terms —might become a prime source of worry, nationwide at that.

It is this credit *malaise* that, for one thing, distinguishes the present setback from the previous postwar recessions. But even this one might correct itself if it is permitted to run its course. The economy is perfectly capable of growing into an over-sized credit "jacket," as it were. Expanding the "jacket" by a fresh outburst of money tinkering — deficit financing, and the rest—may relieve the pressure at the moment, but would surely fail to restore the equilibrium that has been "lost."

Fed Easing Situation

On the other hand, Federal Reserve policies of reducing member bank reserve requirements and lowering interest rates serve the purpose of easing the situation of the banks. They, in turn, need not use too much pressure on their debtors. Thus, a critical aggravation of the credit congestion will be avoided. At the same time, debt liquidation gets underway, promising to clear up the situation and to permit the resumption of a healthy upturn.

With Auchincloss, Parker

Auchincloss, Parker & Redpath, members of the New York Stock Exchange, announced that Martin J. King and Harold M. McDowell are now associated with their firm at the 52 Wall Street, New York, office, and Benjamin L. Prime has joined the organization at the mid-town office 41 East 42nd Street.

Johnson Appointed By H. M. Byllesby Co.

J. Patrick Lannan, Chairman of the Board, has announced the election of Arnold M. Johnson as Chairman of the Executive Committee of H. M. Byllesby and Company, Incorporated, one of Chicago's oldest investment banking houses.

Mr. Johnson is President and Vice-Chairman of the Board of Automatic Canteen Company of America.

Following his graduation in 1928 from the University of Chicago, where he studied business administration, Mr. Johnson spent several years in the investment banking business. In 1932 he became an officer of the newly organized City National Bank and Trust Company of Chicago; he retired as Vice-President of the bank when he became Vice-Chairman of Automatic Canteen in 1952.

Mr. Johnson is also well known as the owner of a major league baseball club — the Kansas City Athletics of the American League. And his other business interests are widespread. He is a Director of Henry Holt and Company and of Western Tablet and Stationery Corporation; Chairman of the Boards of Blakely Oswald Printing Company, Blomgren Brothers, Northwestern Terra Cotta Corporation, and Denver Terra Cotta Company; and a member of the Executive Committee of Minneapolis Moline Company.

Bond Club of NY to Hear Ezra Taft Benson

Ezra Taft Benson

Ezra Taft Benson, Secretary of Agriculture, will address members of The Bond Club of New York at a luncheon on Friday, April 25 at the Bankers Club, Sumner B. Emerson, Bond Club President, announced.

Atlantic City Elec. Co. 3⅞% Bonds Offered

Offering of $10,000,000 Atlantic City Electric Co. first mortgage 3⅞% bonds due April 1, 1988, at 102.2398% and accrued interest, to yield 3.75%, was made yesterday (April 23) by Kuhn, Loeb & Co. and American Securities Corp. The firms won award of the issue at competitive sale on April 22 on a bid of 101.61%.

Net proceeds from issuance of the bonds, together with funds received from the sale last week of 50,000 shares of preferred stock at $100 a share and 120,000 shares of common stock at $33 per share will be applied to the prepayment of $13,500,000 principal amount of bank notes issued for construction purposes, and to pay for part of the cost of the 1958 construction program.

The new bonds will be redeemable at regular redemption prices ranging from 106.12% to par, and at special redemption prices scaling from 102.24% to par, plus accrued interest in each case.

Atlantic City Electric is engaged primarily in the generation, transmission, distribution and sale of electric energy in the southern part of New Jersey. The company also furnishes hot water heating and steam service to a non-affiliated corporation. An estimated population of 564,000 is served by the company in 377 communities.

For the year 1957 the company had total operating revenues of $34,055,321 and net income of $5,150,952.

Four With Inv. Sales

(Special to The Financial Chronicle)

DENVER, Colo. — Eugene S. Fong, Donald C. Gardner, Meradith M. Guy and John D. Marks have been added to the staff of Investment Sales Inc., 532 East Alameda Avenue.

Public Utility Securities

By OWEN ELY

Rochester Gas & Electric Corporation

Rochester Gas & Electric serves the City of Rochester — the third largest city in New York State—and adjacent areas. The territory is stable and well diversified, with some 900 industries represented covering all major business classifications. Moreover, most of the local industries, including the huge Eastman Kodak Co., are makers of consumers goods. Because of this diversification and the strength and character of the industries, Rochester enjoys a stable economy resistant to extreme fluctuations. As an indication of stability, the Rochester factory employment index was only one-quarter of 1% lower in November, 1957, as compared with a year earlier, while the national index dropped 5½%. In the adjoining areas it also serves a large and prosperous farm territory, rated by the Department of Agriculture as highly productive.

The company has had an excellent growth record, 1957 revenues of $60 million being nearly three times those of 1945. The gas division has benefited by increased space-heating for all types of customers. While sales for regular residential use have increased only slightly since 1948, sales for househeating last year (despite warmer weather) were nearly six times as great as in 1948. Commercial use showed a gain of about 133% and industrial nearly 50%; the overall increase in gas sales and revenues was 167%.

Revenues are approximately 58% electric, 35% gas and 7% steam and miscellaneous. Industrial customers contribute only 23% of electric revenues and 6% gas—another indication of stability. The annual report dated Feb. 14, 1958, stated: "The territory of the company continues to show healthy growth and development. Its economic stability has been notable at a time when there has been much discussion of recession in the nation as a whole."

At the end of 1957 the company's generating capacity was as follows:

Steam	394,000 kw
Hydro	19,000
Firm power Genesee District	22,000
Total dependable capacity	435,000 kw
Peak Load	341,000
Surplus capacity about	28%

The year 1957 was the best in the company's history both as to revenues and net earnings, but share earnings showed only a slight gain over the previous year—$2.26 vs $2.23. Weather conditions were unfavorable, the amount of hydro generation being 21% less than in 1956. Some 52 million additional kwh had to be generated with steam and this cost the stockholders about 4 cents a share. Also gas and steam revenues were adversely affected by the warmer weather. On the other hand share earnings were improved by 12 cents in 1957 due to revised depreciation and amortization charges, approved by the New York Public Service Commission.

The fourth unit (83,500 kw) of the Russell Station went into operation early last year and a similar unit at the Beebee Station will be placed in service in the summer of 1959. Thereafter it is hoped that no more steam generating units will be required until power becomes available from the big Niagara Falls plant being constructed by the New York State Power Authority, which will probably be completed in 1962. The company expects to enter into a long-term contract with the Authority for purchase of firm power.

Expenditures for construction amounted to nearly $16 million in 1957, and to finance them the company sold $15 million 4⅞% bonds last July.

Rochester Gas & Electric's share earnings record has been good but not spectacular. Earnings in 1946, when the company was a subsidiary of General Public Utilities, were $1.63 a share and in 1949 (when the stock was offered to GPU stockholders at $28.50) they were $1.92. In subsequent years they have been in a range of $1.50 (1951) and $2.26 (1957). The company does not use liberalized depreciation. Interest charged to construction in 1957 was 18 cents per share, down slightly from the previous year; with construction expenditures expected to rise to around $23 million this year, the interest credit will probably be higher.

The company has asked the New York Public Service Commission for an increase in electric rates amounting to $2.5 million annually, or about 53 cents a share after income taxes.

With the stock selling recently around 33¾ (up from 26⅝ last year) the yield approximates 4¾% and the price-earnings ratio is 14.9%.

Now De Young & Co.

GRAND RAPIDS, Mich. — The firm name of DeYoung-Tornga Co., McKay Tower, has been changed to DeYoung & Company. The firm has opened two new branches, in the Seaman Building, Ironwood, under the management of J. W. Huss, and the other in Laurium at 200 Kearsarge Street under John J. Gera.

Hathaway Adds Two

(Special to The Financial Chronicle)

DENVER, Colo. — Walter F. Hamilton and Norma J. Norris have been added to the staff of Hathaway Investment Corp., 900 South Pearl Street.

M. J. Ross Branch

PHOENIX, Ariz.—M. J. Ross & Co., Inc. of Los Angeles has opened a branch office at 112 North Central Avenue under the direction of Frederick N. Berrens.

Now La Montagne, Pierce

PALO ALTO, Calif.—The firm name of La Montagne, Pierce & Kielsmeier, 422 Waverley Street, has been changed to La Montagne, Pierce & Co.

Krensky Co. Dissolved

Arthur M. Krensky & Co., Inc., Chicago, member of the New York Stock Exchange, was dissolved as of April 7th.

Continued from page 14

Foreign Trade in Our Changing World

whole, the *fundamental role of exports is that of paying for needed imports.*

It acknowledged the importance of the immediate monetary earnings of those engaged in export, but then concluded, and I quote: ". . . but what exports contribute to the economic warfare of the whole nation is an efficient means of obtaining goods which are either not available here or are producible domestically only at total higher costs, in terms of human capital and natural resources than those of the exports exchanged for them."

Claims Cart Is Before the Horse

If we can accept the validity of these economics—and I, for one, certainly can—then when we talk about importing more so we can export more, we are getting the cart before the horse and encouraging an artificial sort of exchange which, while it may profit the traders, constitutes no real economic gain.

But suppose we take the altruistic approach which is often a part of this argument—that foreign countries *need* more of our goods but lack the means to buy them. We say, "These poor people want our products but can't buy them. We must find some way for them to get the dollars."

I don't doubt this situation exists in some spots because I even know a few Americans who don't have the dollars to buy everything they want.

The records of the Department of Commerce quite clearly show that in recent years our foreign customers, in total, have had sufficient dollar balances to finance their trade with us. In the four-year period from 1953 through 1956, other countries increased their holdings of gold and dollar assets by $7 billion.[3] Even during the years 1955 and 1956, when foreign purchases of our goods were at very high levels, the annual surplus of foreign dollars receipts over expenditures was $1.5 billion.[4] While some of this increase may be in dollars we gave them, still the stubborn fact remains they preferred to retain our dollars rather than trading them for our products.

Thus, in the round, the dollar shortage seems to be more imagined than real. But what of individual countries? We must recognize that whereas, with the exception of a few quotas on agricultural products, tariffs have been our only means of attempting to equalize our labor costs with those of others, most countries of the world make use of a multiplicity of restrictive practices. Some of these have the effect of creating a sort of artificial dollar shortage. Others take an even more direct means of making the importation of American goods difficult, or even prohibitive.

Foreign Trade Barriers

For example, 62 countries require import licenses, 46 countries require export licenses, 33 countries require exchange licenses, 23 countries utilize multiple exchange rates, 16 countries have preferential exchange systems, 13 countries require advance deposits on imports—and so on and on.

Our imports from Brazil are second only to those from Canada, principally coffee and cocoa, which are on our free list. Yet since 1948 our share of the Brazilian market has receded from a little over 50% to less than 25%. Our exports to Brazil have in the meantime been falling for she has used the dollars earned for purchasing in Europe.

Brazil has multiple exchange rates ranging from 18.36 cruzieros to more than 308 cruzieros to the dollar. Further, the government levies a tax of 10% on all foreign exchange and an additional surcharge of 25 cruzieros per dollar on exchange used for importing wheat, coal and publications.

Similar discouragements to trade can be found at every turn. Britain allows only token imports of many American products. For example, the annual U. S. quota for motorcycles is only 50 units. Greece has import duties on canned goods as high as 200 and 300% of CIF value. Indonesia has import surtaxes, according to category, ranging up to 175%. To import a $2,500 American automobile into Chile the buyer must pay a duty of 200%—$5,000—and make an advance deposit with the government of $15,000. Thus the car costs him $7,500 and he has to tie up twice that amount while waiting for it.

And we complain about the price of automobiles here!

Considering all these things, plus the fact that we have reduced our tariffs on the average, by 75% since the end of the '20's I do not see how the United States can be accused of impeding world trade or that further broad reductions under trade agreements would accomplish the stimulation that seems to be desired. I do see inherent hazards to our own economy.

Let me make it clear at this point that I do not advocate tariff schedules that will protect inefficiencies in American production, nor do I advocate duties that will prevent foreign goods from competing in the American market.

Equalize Production Costs

I *do* advocate schedules that will equalize production costs so American producers will have a more even break in the competition. And I have no reticence about my conviction.

The free trade theory is based on the premise that the most efficient producer should supply the commodity. But there is a vast difference between true efficiency and *cost of production in terms of U. S. dollars.*

You cannot tell me that low wage scales are a mark of efficiency. Nor can you tell me that governmental subsidization of exports represents efficiency. Quite the opposite. One of the reasons for the foreign worker's lower wage scale, and lower standard of living, is that he is less productive. This may not be his personal fault. He may actually work harder but with inferior tools. But any way you slice it he is less productive and therefore less efficient.

The hooker is that while he may, let us say, be 50% less productive his wage may be only 25% of the American worker's. Simple arithmetic then reveals that while the product is less efficiently produced it has none-the-less been produced at half the cost of the American product in terms of U. S. dollars.

If, then, we do not equalize this imbalance by means of an appropriate import duty we are tending to drive the efficient American producer out of business while we encourage the less efficient foreign producer.

This contradicts the very essence of the free trade goal and I cannot

3 Compendium of Papers on United States Foreign Trade Policy, House Committee on Ways and Means, page 24.

4 Ibid.

for the life of me see where it makes economic sense.

Fair Labor Standards Act

In our own country we have the Fair Labor Standards Act. Among other things it denies the sale in interstate commerce of the goods of employers who pay substandard wages or provide substandard working conditions. Is it conceivably fair that we allow to foreign employers access to markets that we deny to our own nationals? The proponents of lower tariffs are, in effect, suggesting that we do just that—that while we have outlawed the sweatshop in America it is perfectly moral and businesslike to buy from the sweatshop of Europe or Asia or South America.

This leads me to note that comparative costs of production are not entirely a matter of technology, productivity and labor-management bargaining.

Since 1934 we have had the Fair Labor Standards Act, the Social Security Act, the Wagner Act, and the Walsh-Healy Act.

All of these have added to our costs of production and our productive machine has further borne a constantly rising tax burden.

I am not criticizing or complaining about these things. I *am* saying that they are economic facts of life which must be recognized as influencing our competitive position in relation to other countries. We have placed certain burdens upon ourselves because we felt it to be in the public interest. Is it unfair to ask that we be protected against those who do not bear similar burdens?

Well . . . I wonder how many of you are driving 1934 automobiles. Our government is driving one. We have been tinkering with, and patching up, this 1934 model tariff law over all these long years. And now we are being asked to put another set of retreads on it.

Would Not Jeopardize Jobs

In the asking we usually run into the unsupported assertion that four and a half million workers derive their livelihood from export, and one is left with the impression that they will lose their jobs if we do not extend the Trade Agreements Act. How? Expiration of the Act would do nothing to hinder the trade that is now being carried on. I could turn this around and argue that there might be more people working in the United States today if we were not importing a lot of things we are capable of making ourselves. But it seems rather pointless.

Instead of buying a new set of tires for a 1934 car is it not now time we went shopping for a new 1958 model? It seems to me we need to take a fresh approach to the whole problem of foreign trade — and one which takes into account the many changes that have taken place and seem likely to take place both within our own boundaries and on the international scene.

American Tariff League

Early this month the American Tariff League released a 100-page analysis of our position with regard to world trade, together with recommendations for a program for the future. I concur with those recommendations and would like to mention just a few of them.

One was that the Tariff Commission be increased from six members to seven and that it then prepare a comprehensive revision of our entire tariff and foreign trade regulatory structure. We talk about "reciprocal" trade agreements, but the study points out that because of our multilateral agreements under GATT a rate reduction in a trade agreement with one country is extended to all whether or not they have any agreements with us and whether or not they have made any reciprocal concession on our exports. One objective of the revision would be to remove these inequities.

It further recommends that consideration be given to the institution of an incentive, or sliding scale, tariff system which would recognize and reward countries which improve the living standards or wages of their workers.

In effect this would mean that we would have varying rates of duty for similar items originating from different countries. Thus imports from Canada, for example, because of her high living standards would come in duty free or at very low rates. In fact, we might well expect completely free trade with Canada within a reasonable period of years. In general, on the contrary, items originating in low-wage countries would carry higher rates of duty.

Now, someone will call this discriminatory, and I can't argue the point. But I will point out that under our present agreements through GATT, and our "most favored nation" clause, we are *now* discriminating against the *higher wage* countries.

If we are committed to an objective of raising world living standards — and I assume we are —then it seems to me we are now going about the thing backwards. A uniform duty, regardless of origin, tends to encourage the sweatshop and place the high-wage producer at a disadvantage.

In any event, this sliding scale structure would also tend to accomplish the objective of "equalizing" foreign costs with domestic costs in our marketplace.

The study also recommends that the Tariff Commission, as an agent of Congress and subject to Congressional review, should have the task of classifying, defining and setting rates of duty in accordance with basic standards set by Congress *and* with the advice of various executive departments and agencies such as the Departments of Commerce, Treasury, Interior, Labor, Defense and State.

It recommends that special provisions be made for use of the tariff to prevent dumping, to offset the use of a foreign bounty or subsidy on exports to the U. S. and as a penalty for unfair import practices. It, of course, proposes that the Tariff Commission should keep all items under review and make adjustments as necessary to meet changing situations.

There is just one more thought that I would like to throw in because it is related to the general subject.

Investment Flow

One of the reasons we do so much arguing over tariffs and trade is that we are seeking means to help other countries, and particularly the newly developing countries, to strengthen their economies. Private American capital could be a potent force in this objective and in some cases already has been. Under proper conditions it could replace much of our aid to foreign governments.

It would seem to me a good idea for some government agency to take this idea in tow and see what things can be done, internally and externally, to encourage private foreign investment. Vice-President Nixon touched on this some weeks ago in San Francisco, so perhaps something will be done. I sincerely hope so.

And, if so, this is one further reason for taking a long look at our tariff structure, because I should not like to see us encourage American producers to go abroad simply for the sake of exploiting low-wage labor and importing their production back into the United States. This is truly the exportation of jobs and it will happen as surely as the sun shines if, by our policies, we make it sufficiently attractive, or worse yet, make it necessary to business survival.

Morgan Stanley Group Offers Commonwealth Of Australia Bonds

An issue of $25,000,000 Commonwealth of Australia 15-year 4¾% bonds was offered for public sale on April 22 by an underwriting group of 70 investment firms headed by Morgan Stanley & Co. The bonds, due May 1, 1973, are priced at 99% and accrued interest, providing a yield of approximately 4.84% to maturity. Principal of and interest on the bonds, which are direct obligations of the Commonwealth, will be payable in United States money.

The last previous sale of bonds by the Commonwealth was on March 13, 1957 when $20,000,000 of 5% bonds due 1972 were marketed at 100%.

For the current issue a sinking fund has been set up providing for semi-annual payments of $485,000 commencing May 1, 1960 and calculated to retire at least 50% of the issue by maturity. The bonds are not redeemable prior to May 1, 1968, except by operation of the sinking fund. On or after May 1, 1968 they are redeemable, at the option of the Commonwealth at 101½% to and including May 1, 1970; thereafter at 101% to and including May 1, 1971 and thereafter at 100%.

The sinking fund redemption price is 100%.

The proceeds from the sale of the bonds will be used for development of electric power facilities, modernization of railroad equipment, and construction of additional water supply, irrigation, sewerage facilities and other developmental projects as part of a wide program of capital expenditures by the Commonwealth and the State Governments.

While wool production continues to be Australia's largest single industry, the industrialization of the Commonwealth, accelerated by defense requirements during World War II, has made further steady progress, affecting particularly basic industries such as steel, automotive manufacturing, oil refining and rail transportation. In 1957 production of steel ingots was approximately 3,400,000 short tons as compared with 1,500,000 in 1947. Estimated production of automobiles was the equivalent of about 140,000 units and the capacity of the manufacturing plants is being increased. Since 1954 four major overseas companies have placed in operation a number of oil refineries and the combined charging capacity of all Australian oil refineries is now 201,000 barrels per day.

Estimated population of the Commonwealth at Sept. 30, 1957 was 9,689,900 as compared with 7,579,400 on June 30, 1947, representing an increase of 28%. Since the end of World War II the Commonwealth has actively assisted immigration, particularly from Great Britain and Europe, and in the 11-year period ended Sept. 30, 1957 permanent arrivals totaled about 1,231,500 persons. The official target for immigration in 1957-58 is 115,000 persons.

Andrew Heilman Opens

LOS ANGELES, Calif.—Andrew C. Heilman is engaging in a securities business from offices at 215 West Sixth Street. He was formerly with Hill Richards & Co.

Arthur O. Jennings, Sr.

Arthur Osborne Jennings, Sr., passed away on April 18. Mr. Jennings, who had been in the investment business in Bridgeport, Conn., since 1922, was local manager for Charles W. Scranton & Co.

With Harriman Ripley

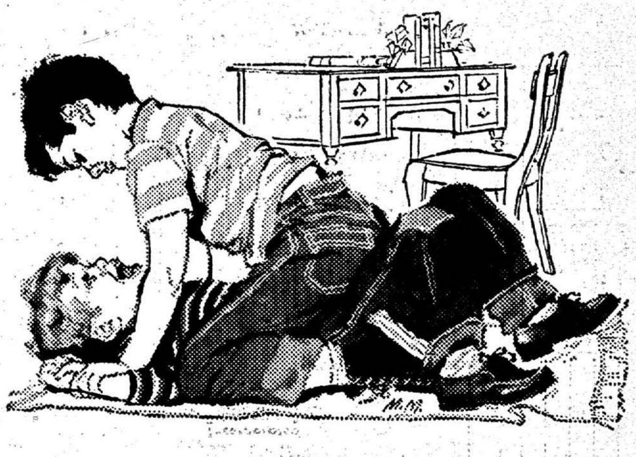
(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Jas. M. Blair is with Harriman Ripley & Co. Incorporated, 30 Federal Street.

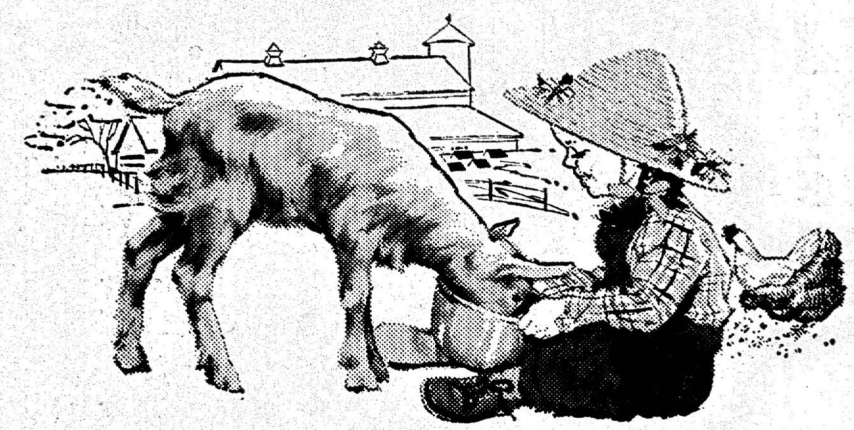
C. E. Seay Opens

DALLAS, Tex. — Charles E. Seay is engaging in a securities business from offices in the Southwestern Life Building.

BONDS TO FINANCE HOME LOANS FOR VETERANS



BONDS TO FINANCE FARM LOANS FOR VETERANS



SCHOOL BUILDING AID BONDS

New Issues

$100,000,000
STATE OF CALIFORNIA
5%, 3¾%, 3¼%, 2½%, 2¾%, 3% and 1% BONDS

VETERANS' AND SCHOOL BUILDING AID BONDS

ISSUES, AMOUNTS, RATES, MATURITIES AND YIELDS OR PRICES

(Accrued interest to be added)

$50,000,000
State School Building Aid Bonds, Series R

Dated March 1, 1958
Due September 1, 1960-84, incl.

Amount	Coupon Rate	Due	Yield or Price†
$1,600,000	5%	1960	1.15%
1,600,000	5	1961	1.40%
1,600,000	5	1962	1.60%
1,600,000	5	1963	1.85%
1,600,000	5	1964	2.00%
1,800,000	5	1965	2.15%
1,800,000	5	1966	2.25%
1,800,000	3¾	1967	2.35%
1,800,000	2½	1968	2.40%
1,800,000	2½	1969	100
2,000,000	2½	1970	2.60%
2,000,000	2¾	1971	2.70%
2,000,000	2¾	1972	2.80%
2,000,000	3	1973	2.90%
2,000,000	3	1974	2.95%
2,200,000	3	1975	100
2,200,000	3	1976	100
2,200,000	3	1977	100
2,200,000	3	1978	3.05%
2,200,000	3	1979	3.05%
2,400,000	3	1980*	3.10%
2,400,000	3	1981*	3.10%
2,400,000	3	1982*	3.10%
2,400,000	3	1983*	3.10%
2,400,000	1	1984*	not re-offered

*Bonds maturing 1980-84 subject to call at par, plus accrued interest, on and after September 1, 1979, as described herein.

†Yield to maturity.

$50,000,000
Veterans' Bonds, Act of 1956, Series Q

Dated May 1, 1958
Due October 1, 1959-83, incl.

Amount	Coupon Rate	Due	Yield or Price†
$1,300,000	5%	1959	.85%
1,300,000	5	1960	1.15%
1,300,000	5	1961	1.40%
1,500,000	5	1962	1.60%
1,500,000	5	1963	1.85%
1,500,000	5	1964	2.00%
1,600,000	5	1965	2.15%
1,600,000	5	1966	2.25%
1,600,000	5	1967	2.35%
1,700,000	3¼	1968	2.40%
1,700,000	2½	1969	100
1,700,000	2½	1970	2.60%
2,000,000	2¾	1971	2.70%
2,000,000	2¾	1972	2.80%
2,000,000	3	1973	2.90%
2,300,000	3	1974	2.95%
2,300,000	3	1975	100
2,300,000	3	1976	100
2,500,000	3	1977	100
2,500,000	3	1978	3.05%
2,500,000	3	1979*	3.05%
2,800,000	3	1980*	3.10%
2,800,000	3	1981*	3.10%
2,800,000	3	1982*	3.10%
2,900,000	1	1983*	not re-offered

*Bonds maturing 1979-83 subject to call at par, plus accrued interest, on and after October 1, 1978, as described herein.

†Yield to maturity.

Payment and Registration

Principal and semi-annual interest (April 1 and October 1) for the $50,000,000 Veterans' Bonds and (March 1 and September 1) for the $50,000,000 State School Building Aid Bonds, payable at the office of the Treasurer of the State of California, in Sacramento, California, or at the option of the holder, at the office of any duly authorized agent of the State Treasurer, including the agent of the State Treasurer in New York City. First coupon payable October 1, 1958 on the $50,000,000 Veterans' Bonds. Coupon bonds in denomination of $1,000 registerable as to both principal and interest.

Redemption Provision

Veterans' bonds maturing on and after October 1, 1979 are subject to redemption at the option of the State, as a whole or in part, on October 1, 1978 (but not prior thereto) and on any interest payment date thereafter, at the principal amount thereof and accrued interest thereon to date of redemption. State School Building Aid bonds maturing on and after September 1, 1980 are subject to redemption at the option of the State, as a whole or in part, on September 1, 1979, (but not prior thereto) and on any interest payment date thereafter, at the principal amount thereof and accrued interest thereon to date of redemption. Publication of notice of redemption shall be once a week for two weeks not less than 30 days nor more than 90 days prior to said date of redemption, in each of the Cities of San Francisco, Sacramento and Los Angeles, California. If less than all the bonds should be redeemed, they shall be called in inverse numerical order, the part so called not less than all the bonds maturing in any one year.

Tax Exemption

In the opinion of counsel, interest payable by the State upon its bonds is exempt from all present Federal and State of California personal income taxes under existing statutes, regulations and court decisions.

Legality for Investment

We believe these bonds will meet the requirements as legal investments for savings banks and trust funds in New York, California and certain other states and for savings banks in Massachusetts and Connecticut and will be eligible as security for deposits of public moneys in California.

Purpose and Security

Veterans' bonds, issued under the Veterans' Bond Act of 1956 (Article 5F, Chapter 6, Division 4, Military and Veterans Code) for Veterans purposes, in the opinion of counsel are general obligations of the State of California payable in accordance with the Veterans' Bond Act of 1956 out of the General Fund of the State. The full faith and credit of the State of California are pledged for the punctual payment of both principal and interest. The bonds are authorized for the purpose of assisting California war veterans to acquire farms and homes, the cost of which must be repaid to the State on an amortized purchase basis.

State School Building Aid bonds, issued under provisions of State School Building Aid Bond Law of 1957 (Chapter 24, Division 3, Education Code) and Section 18 of Article XVI of the Constitution of the State of California for school purposes, in the opinion of counsel are valid and legally binding general obligations of the State of California payable in accordance with their terms out of the General Fund of the State, and the full faith and credit of the State of California is pledged for the punctual payment of both principal and interest. Under the enabling statute the State is obligated to collect annually, in the same manner and at the same time as other state revenue is collected, such sum in addition to the ordinary revenue of the State as shall be required to pay principal and interest on the bonds as the same become due. The bonds were authorized by the electorate on November 6, 1956 for the purpose of providing aid for school construction in the State, the amounts thereof to be repaid, in whole or in part, by the districts receiving aid.

Legal Opinion

These bonds are offered when, as and if issued and received by us and subject to approval of legality by the Honorable Edmund G. Brown, Attorney General of the State of California and by Messrs. Orrick, Dahlquist, Herrington and Sutcliffe, Attorneys, San Francisco, California.

Bankers Trust Company The First National City Bank The Chase Manhattan Bank The First National Bank of Chicago Halsey, Stuart & Co. Inc. Blyth & Co., Inc. The First Boston Corporation

Attorney General of the State of California and by Messrs. Orrick, Dahlquist, Herrington and Sutcliffe, Attorneys, San Francisco, Calif.

Bank of America N.T. & S.A.	Bankers Trust Company	The First National City Bank of New York	The Chase Manhattan Bank	The First National Bank of Chicago	Halsey, Stuart & Co. Inc.	Blyth & Co., Inc.	The First Boston Corporation		
Harriman Ripley & Co. Incorporated	Harris Trust and Savings Bank	Smith, Barney & Co.	Lehman Brothers	American Trust Company San Francisco	Security-First National Bank of Los Angeles	California Bank Los Angeles	Drexel & Co.	Glore, Forgan & Co.	
Chemical Corn Exchange Bank	C. J. Devine & Co.	Continental Illinois National Bank and Trust Company of Chicago	The Northern Trust Company	R. H. Moulton & Company	Goldman, Sachs & Co.	Kidder, Peabody & Co.			
Eastman Dillon, Union Securities & Co.	Bear, Stearns & Co.	Merrill Lynch, Pierce, Fenner & Smith	Blair & Co. Incorporated	Weeden & Co.	The First National Bank of Boston	The First National Bank of Portland, Oregon	The Philadelphia National Bank		
Seattle-First National Bank	Equitable Securities Corporation	Stone & Webster Securities Corporation	Dean Witter & Co.	Phelps, Fenn & Co.	White, Weld & Co.	Salomon Bros. & Hutzler			
R. W. Pressprich & Co.	Paine, Webber, Jackson & Curtis	Mercantile Trust Company	Shields & Company	Reynolds & Co.	Crocker-Anglo National Bank	J. Barth & Co.	Ladenburg, Thalmann & Co.		
American Securities Corporation	A. G. Becker & Co. Incorporated	Alex. Brown & Sons	Clark, Dodge & Co.	Dick & Merle-Smith	Dominick & Dominick	Fidelity Union Trust Company Newark, N. J.	First of Michigan Corporation		
First Western Bank & Trust Co. San Francisco, Calif.	Hallgarten & Co.	Hayden, Stone & Co.	Hemphill, Noyes & Co.	Hornblower & Weeks	E. F. Hutton & Company	Laidlaw & Co.	Lee Higginson Corporation	Carl M. Loeb, Rhoades & Co.	
F. S. Moseley & Co.	National State Bank Newark, N. J.	John Nuveen & Co. (Incorporated)	L. F. Rothschild & Co.	Schoellkopf, Hutton & Pomeroy, Inc.	Shearson, Hammill & Co.	William R. Staats & Co.	Stroud & Company Incorporated	Andrews & Wells, Inc.	
Bache & Co.	Bacon, Whipple & Co.	Baxter & Company	J. C. Bradford & Co.	Branch Banking & Trust Company	Braun, Bosworth & Co. Incorporated	Coffin & Burr Incorporated	Francis I. duPont & Co.	Estabrook & Co.	Gregory & Sons
W. E. Hutton & Co.	Kean, Taylor & Co.	The Marine Trust Company of Western New York	Laurence M. Marks & Co.	W. H. Morton & Co. Incorporated	Roosevelt & Cross Incorporated	Tucker, Anthony & R. L. Day	B. J. Van Ingen & Co. Inc.	Wertheim & Co.	
Bacon, Stevenson & Co.	Barr Brothers & Co.	The Boatmen's National Bank of St. Louis	City National Bank & Trust Company Kansas City, Mo.	Commerce Trust Company Kansas City, Mo.	R. S. Dickson & Company Incorporated	Eldredge & Company Incorporated	First Southwest Company		
Fitzpatrick, Sullivan & Co.	Geo. B. Gibbons & Company Incorporated	Ira Haupt & Co.	Hirsch & Co.	The Illinois Company Incorporated	A. M. Kidder & Co., Inc.	Wm. E. Pollock & Co., Inc.	F. S. Smithers & Co.	Stone & Youngberg	
Taylor and Company	Spencer Trask & Co.	Trust Company of Georgia	Wachovia Bank and Trust Company	G. H. Walker & Co.	Robert W. Baird & Co. Incorporated	Baker, Watts & Co.	William Blair & Company	Barret, Fitch, North & Co.	
Bramhall, Falion & Co., Inc.	Dempsey-Tegeler & Co.	A. G. Edwards & Sons	King, Quirk & Co. Incorporated	Lawson, Levy, Williams & Stern	Mercantile-Safe Deposit and Trust Company	Newhard, Cook & Co.			
New York Hanseatic Corporation	The Ohio Company	Schwabacher & Co.	Stern Brothers & Co.	J. S. Strauss & Co.	Tripp & Co., Inc.	Van Alstyne, Noel & Co.	Chas. E. Weigold & Co. Incorporated	R. D. White & Company	
Robert Winthrop & Co.	Wood, Struthers & Co.	H. E. Work & Co.	Adams, McEntee & Co., Inc.	City National Bank and Trust Company of Chicago	First National Bank in Dallas	Glickenhaus & Lembo	G. C. Haas & Co.		
Hannahs, Ballin & Lee	Irving Lundborg & Co.	Model, Roland & Stone	Moore, Leonard & Lynch	The National City Bank of Cleveland	Rand & Co.	Rauscher, Pierce & Co., Inc.	Republic National Bank of Dallas	Shuman, Agnew & Co.	
Stern, Lauer & Co.	Third National Bank in Nashville	Wood, Gundy & Co., Inc.	Auchincloss, Parker & Redpath	C. F. Childs and Company Incorporated	Julien Collins & Company	Shelby Cullom Davis & Co.	Courts & Co.		
Dittmar & Company, Inc.	Elkins, Morris, Stokes & Co.	Fahey, Clark & Co.	The First National Bank of Memphis	Freeman & Company	Hayden, Miller & Co.	Kenower, MacArthur & Co.	McDonald & Company	National Bank of Commerce of Seattle	
Putnam & Co.	Raffensperger, Hughes & Co. Incorporated	Reinholdt & Gardner	Rippel & Co.	Ryan, Sutherland & Co.	Schmidt, Poole, Roberts & Parke	Malon S. Andrus, Inc.	Atkinson and Company	Blunt Ellis & Simmons	
John W. Clarke & Co.	F. W. Craigie & Co.	A. Webster Dougherty & Co.	Federation Bank and Trust Co.	Field, Richards & Co.	The First National Bank and Trust Company Oklahoma City, Okla.	Ginther & Company	Granbery, Marache & Co.		
Hill Richards & Co. Incorporated	Kalman & Company, Inc.	McCormick & Co.	McDonald-Moore & Co.	McDonnell & Co.	Mullaney, Wells & Company	W. H. Newbold's Son & Co.	Newburger, Loeb & Co.	Northwestern National Bank of Minneapolis	
Park, Ryan, Inc.	D. A. Pincus & Co.	Provident Savings Bank & Trust Company	Rockland-Atlas National Bank of Boston	Seasongood & Mayer	Singer, Deane & Scribner	Sterne, Agee & Leach	Stubbs, Smith & Lombardo, Inc.		
Talmage & Co.	Thomas & Company	Chas. N. Tripp Company	J. C. Wheat & Co.	Anderson & Strudwick	Arnold & Crane	Barrow, Leary & Co.	Allan Blair & Company	Brush, Slocumb & Co. Inc.	
Burns, Corbett & Pickard, Inc.	Coughlin and Company, Inc.	Cruttenden, Podesta & Co.	Cunningham, Schmertz & Co., Inc.	Davis, Skaggs & Co.	Ernst & Company	The First Cleveland Corporation			
Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc.	The Fort Worth National Bank	Robert Garrett & Sons	Garrett-Bromfield & Co.	Goodbody & Co.	Granger & Company	Green, Ellis & Anderson	Harrington & Co., Inc.		
Hooker & Fay	Lyons & Shafto Incorporated	A. E. Masten & Company	Wm. J. Mericka & Co., Inc.	The Milwaukee Company	J. A. Overton & Co.	Pierce, Carrison, Wulbern, Inc.	Piper, Jaffray & Hopwood		
The Robinson-Humphrey Company, Inc.	Rodman & Renshaw	Schaffer, Necker & Co.	Scott, Horner & Co.	Shaughnessy & Company, Inc.	Herbert J. Sims & Co., Inc.	John Small & Co., Inc.			
The Small-Milburn Company Incorporated	Soden Investment Company	Stein Bros. & Boyce	Stephens, Inc.	Stern, Frank, Meyer & Fox	Stix & Co.	Stranahan, Harris & Company	Thornton, Mohr and Farish		
Townsend, Dabney & Tyson	M. B. Vick & Company	Robert L. Whittaker & Co.	Winslow, Cohu & Stetson	Arthur L. Wright & Co., Inc.	Zahner and Company	Atwill and Company, Inc.	George K. Baum & Company		
Blewer, Glynn & Co.	Bosworth, Sullivan & Company, Inc.	Breed & Harrison, Inc.	Channer Securities Company	The Continental Bank and Trust Company of Salt Lake City	J. M. Dain & Company Incorporated	Dreyfus & Co.	R. J. Edwards, Inc.		
Ellis & Co.	Farwell, Chapman & Co.	Frantz Hutchinson & Co.	Fulton Reid & Co., Inc.	J. B. Hanauer & Co.	Hannaford & Talbot	Interstate Securities Corporation	Lucas, Eisen & Waeckerle Incorporated	McMaster Hutchinson & Co.	
Merrill, Turben & Co., Inc.	Mitchum, Jones & Templeton	Nongard, Showers & Murray Incorporated	Pacific Northwest Company	The Peoples National Bank of Charlottesville	Seattle Trust and Savings Bank	Suplee, Yeatman, Mosley Co. Incorporated	Sutro Bros. & Co.		
The Weil, Roth & Irving Co.	Westheimer & Company	C. N. White & Co.	The White-Phillips Company, Inc.	Woodcock, Hess, Moyer & Co., Inc.	Wulff, Hansen & Co.	Austin, Hart & Parvin	Fred D. Blake & Co.		
Boettcher and Company	I. L. Brooks Securities Co.	Doll & Isphording, Inc.	Eddleman-Pollock Co.	Clement A. Evans & Co. Incorporated	Fauset, Steele & Co.	Ferris & Company	The First of Arizona Company	Foster & Marshall	
Harkness & Hill Incorporated	Janney, Dulles & Battles, Inc.	Jones, Cosgrove & Miller	Kay, Richards & Company	Magnus & Co.	J. Earle May & Co. Incorporated	Penington, Colket & Co.	Prescott & Co.	Russ & Company Incorporated	
H. V. Sattley & Co., Inc.	Walter Stokes & Co.	Sweney, Cartwright & Co.	Wagenseller & Durst, Inc.	Walter, Woody & Heimerdinger	Wilson, Johnson & Higgins	Fridley, Hess & Frederking			

April 24, 1958

A circular relating to these bonds may be obtained from any of the above underwriters.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Notes on items of current interest in the fire-casualty field:

One underwriting credit accruing to numerous companies is the tax credit resulting from the severe statutory losses. Such have been these losses for 1956 and 1957 that many of these credits have assumed important size; and this factor ought not to be overlooked in appraising these stocks. It is of course true that the underwriting losses are still very large; but in a number of instances the offsetting tax credit is of considerable importance.

* * *

Once the 1957 winter months data was available the fire loss estimates (by months) stayed in the seventy million dollar area, September, October and November showing a modest down-trend. However, the cold weather got in its work, and January 1958 jumped the loss figure to $99,918,000, from December's $91,519,000, followed by $103,853,000 for February, a short month, but this year a cold one. Of course, it is normal for the fire loss estimate to experience a bulge in the winter months because heating facilities are worked hard, and there are more oil stoves to be upset. But 1957 was the first year in the records when fire losses went over a billion dollars ($1,023,190,000). No account is taken here of the 1906 San Francisco holocaust as it is impossible at this time distance to separate the earthquake damage from the fire loss. One of the heaviest industry losers, Fireman's Fund Insurance Company, lost all its records, and settled many claims on the say-so of property owners that they were insured.

To return, here, again, going back in the annual fire loss figures there has been a steady uptrend, this one from 1951. Let us not overlook that fact that these record five losses have been piled up in conjunction with the exceptional losses in numerous other lines, particularly in the motor vehicle categories.

* * *

Another line, allied to fire, extended coverage, has been behaving itself somewhat better. Part of the reason is that there have been no recent hurricanes to devastate the areas in the high-cost northeast. Another is that deductibles are more widely used to eliminate the small claims that require more than their share of expense to settle.

But extended coverage being a *"force majeure"* line, it can always breed trouble for the carriers. For example, the tornado and wind storm season has already arrived. The "Times," about a week ago, reported four such storms crossing Florida in one day. The line's 1957 results were the most favorable for five or six years; but with an estimated 105.0% loss and expense ratio, the line is not exactly entitled to any *encomiums*. Indeed, individual companies reported even higher combined ratios for 1957 than they had shown in 1956 (Springfield, Republic, Providence, Washington, Hanover). But for the greater part the larger companies showed better results in this line.

* * *

An official of All State was quoted recently to the effect that "claims resulting from automobile accidents in New York State have risen to the point where they are now costing $4,093,000 a month." This is nearly 12% above a year ago, and nearly 55% above two years ago. Losses in the motor vehicle lines continue to plague the carriers; and they are discussing the use of deductibles where there are now none, with higher deductibles where they are now in use.

* * *

The dead hand of bureaucracy falls more heavily on the industry. Massachusetts, long with a compulsory automobile coverage law that is no model of perfection, has a law under which insurance companies are not permitted to cancel the coverage of a bad risk. This, of course, has the makings of more trouble, as the bad risk knows he can procure coverage. As New York State now has a compulsory coverage law, are we to assume that they will borrow the noncancellation provision from Massachusetts? On the other hand, several states turned down compulsory coverage by voting this year. These are Arizona, Kentucky, Maryland and Virginia. Bills are still pending in Delaware, Michigan, Mississippi, New Jersey, Rhode Island and South Carolina.

Continued from page 9

The Commercial Banker's Role in Financing Foreign Operations

and 63 branches throughout Italy. We consider this a useful organization in a vital area of the New European Common Market. Through this subsidiary we can cooperate more fully and effectively with both American business and the local banking organizations in that part of the world.

To round out our global organization, we have a close knit chain of 800 overseas correspondent banks in 81 countries. These overseas banks include all the principal or prime commercial banks and many of the central banks in the world. Through such correspondents we provide our customers with the best obtainable banking services.

The Philosophy of Reasonable Risk Taking Is Necessary in Any Successful Foreign Banking Operation

The carefully woven international chain of branches, representative offices, close correspondent banking friends, in all corners of the earth, linked to a Home Office in the U. S. A. must be coupled with a philosophy that encompasses the inclination and the capacity to assess and take calculated, reasonable business risks, small and large transactions, short term and some long — all tending to win friends, keep and expand our customers' business. Standard international banking services must be performed with imagination. Any bank can apply the well established routine procedures, opening letters of credit, creating bankers acceptances, collecting drafts, buying and selling foreign exchange. These are the centuries old trade financing media that must be adapted to today's unusual conditions and requirements. We face the fact that the unusual foreign financing requirements of today will become the familiar patterns of tomorrow.

The Specific Functions of an International Banker Are Varied and Numerous

Let us examine how a bank performs its part in financing foreign operations:

(A) Exports are largely financed on a short term basis.

American banks usually finance exports by issuing or confirming letters of credit in favor of the exporter when requested to do so by a foreign bank correspondent at the request of their client, the foreign buyer. Thus, by maintaining liberal lines of credit at the disposal of foreign banking correspondents American banks assist the exporter who still looks to this letter of credit form of payment as the most desirable means of receiving payment for foreign sales. The overall Bank of America lines of credit in favor of foreign banks probably consist of a revolving total sum of about three quarters of a billion dollars. The length of terms of payment under letters of credit can be as varied as the parties will agree to.

(B) Pre-export Financing is often sought by American exporters.

The terms and conditions under which such financing will be arranged by an American bank will depend upon the credit standing of the particular American exporter and the relationship with his bank. If the exporter has received a letter of credit, he can assign the proceeds of that credit to his bank and borrow against his own note in order to marshall the goods for export. Where specific goods are being purchased for eventual export, are in transit domestically or stored temporarily pending export, the American bank will make loans or advances (or will accept and discount the exporter's drafts) against the particular goods, these financial obligations to be liquidated out of the proceeds of sale of such goods abroad.

(C) Bank Loans against Documentary Export Bills are another method of Financing Foreign Sales.

To meet competition of exporters from other areas abroad, American firms are obliged more and more to sell on draft terms, meaning that the exporter does not get paid for his shipment until the buyer abroad receives the shipping documents (and/or the goods). In many cases sales terms call for payment one to six months after documents are received abroad or after shipment is made. American banks assist the exporter by taking such documentary drafts for collection. The banks may advance dollars to the exporter up to 100% of the face amount of the drafts. The term of such advances will vary pending receipts of dollar remittance from the buyer.

Non-recourse financing of drawings on overseas buyers generally is not acceptable to American international banks. There are some exceptions where partial recourse is acceptable. In those cases, the American bank, after satisfactorily establishing the overseas buyer's financial and moral responsibility, may grant credit direct to the overseas buyer and/or his bank and thus releases the American exported from all or part of his liability on the drafts.

(D) Medium Term Financing of Export is the most pressing need.

The most critical problem in export financing is the ever increasing demand for intermediate term credit. In competing with the revived industrial efficiency of other nations, Americans are not only faced with sharper price and finer quality competition but also more extended payment terms. As bankers we must face this situation realistically. It is one of the most difficult problems in foreign trade because it strikes at our ability to retain and build foreign markets so vital to our national economic well being. It is a serious matter because it is related to the short supply of dollars held by the trading nations. We have to take the broader view and recognize that this dollar shortage will be corrected only if the dollar short countries are assisted in their efforts to increase their production, their exports and consequently their dollar income. Therefore, if term dollar credits are needed to acquire goods and services which will increase production and income in the importing country and if it will eventually help that debtor country's dollar balance of payment position—then term credit is justified.

Our bank frequently assists customers in promoting their export sales through loans to foreign buyers for intermediate terms with or without full recourse to seller. As a general rule, we expect the United States exporter to remain liable for at least 25% of the amount loaned by us. Transactions of this kind must first of all be satisfactory credit-wise. They must also be proportionate to our other business with the exporter and/or the foreign buyer or his local bank. In other words, there must be present sufficient added collateral benefits for the American financing bank.

Whether or not we will undertake a given term export transaction depends on a number of factors, such as:

(1) Amount.
(2) Period of financing.
(3) Our legal lending limits.
(4) Concentration of risks in a particular country.
(5) Pressure or heavy demands on our loanable funds. (If this pressure prevails, we may endeavor to develop other sources of loanable funds).

In certain situations we may advise our customers of the prospects of obtaining financial assistance from the Export-Import Bank, the World Bank or the International Finance Corporation. We will explore possibilities of cooperating with these institutions and we may arrange to take a participation in the shorter maturities.

(E) Financing Trade between other countries also falls to the American Banks.

American international commercial banks are world bankers. They not only finance two way trade between the United States and other countries, but also finance an important share of trade between other areas such as between Europe and Latin America and between Japan and Southwest Asia.

(F) Financing Overseas Affiliates of American Business Enterprises is a growing sphere for the International Banker.

The continuing expansion of American private enterprise abroad places on the American commercial bank the urgency to transfer its services overseas to guide, counsel and assist the successful establishment and growth of many global outposts of American business organizations. The ways in which the American bank plays its part varies in each situation. Here are some of the facilities the international banker can provide:

(1) Finance on a short or medium term basis the purchase and export of the capital equipment required to set up an American industrial operation abroad.

(2) Introduce the American client to a branch or subsidiary of the American bank or to a suitable local correspondent bank to discuss current deposit accounts, local currency working capital loans or possibly local currency term credit arrangements.

(3) Where necessary and feasible, the American bank will issue guarantees or standby credits in favor of a foreign bank to support credit extended to the client's foreign affiliate.

(4) Facilitate the availability of local currency working capital by arranging dollar swaps with a foreign bank. A dollar swap involves the American bank exchanging United States dollars now (i.e., spot) for an equivalent amount of foreign currency provided it is possible to conclude a future exchange contract whereby the same or some other foreign bank will agree to give back dollars at a fixed future date against surrender of the foreign currency at an agreed exchange rate. The difference between the spot and future rates, plus incidental charges, will be the interest cost to the American bank's client for borrowing the local currency until it must be repaid under the future exchange contract.

(G) Financing Cargo Vessels and Aircraft for Operation in International Commerce is a growing function of the international banker.

International transportation of people, raw materials and goods in an ever increasing volume and by the most economical and quickest means requires an unceasing addition and renovation of existing equipment in the form of aircraft and ships. The American commercial banks are playing an important part in financing the building and operation of airlines and cargo vessels. The terms and conditions for this type of financing are quite varied.

(H) Commercial Bank Credits to Foreign Governments and Their Agencies are vital to the maintenance of stability in overseas financial operations.

Financing foreign governments and/or their political subdivisions and agencies is another area of American bank financing operations of direct assistance to the American exporter. Such financing may fall into a great number of categories. For example:

(1) Loans which will, within a reasonable time, improve the balance of payments position of the particular country by increasing production of essential products now being imported.

(2) Loans to pay for importation of machinery and material essential for expansion of transportation and power.

(3) Loans to close the dollar

gap for short terms, i.e., to bridge the seasonal variation in a country's exports, such as seasonal movement of coffee from Brazil, wool from Uruguay, etc.

(4) Participation in loans arranged by such institutions as the International Monetary Fund to create standby credits to stabilize a country's currency.

(5) Participations in "Bail-out" loans by Eximbank to liquidate American exporters' accounts receivable, frozen by unforeseeable exchange restrictions due to acts of God, or faulty balance of payment management by the particular foreign government.

Financing of Imports by a Commercial Bank Also Has Many Facets

With imports hovering around the $13 billion mark, their financing also devolves upon the commercial international bank. While problems incident to such financing are simpler, the range of intervention by the American bank in the financing is nevertheless very broad. The bank may simply act as the collecting agent for a foreign correspondent bank which finances the seller of the goods.

The American bank may finance the marshalling, packing, or storage of goods abroad pending shipment to the United States.

The American importer might also seek his American bank to issue an import letter of credit as a means of making payment to the foreign shipper. This method provides the overseas shipper with a means of getting prompt payment thorugh one of the foreign correspondent banks in the shipper's locality.

Depending on his credit arrangements with his American bank, the importer may continue his import financing for the period of transit, U. S. customs clearance, temporary storage, sale and distribution in the United States. Generally speaking, this period of financing does not exceed 180 days.

Foreign Exchange Operations Are Interwined With Many International Banking Transactions

A very substantial part of the payments for goods and services we export or import are made in the currencies of other nations. The conversion of such payments into dollars is facilitated by the banks through their foreign exchange trading departments.

Approximately 100 of the nation's leading United States banks have facilities for handling foreign exchange transactions. However, most of the foreign exchange business in this country eventually finds its way to the New York market where a relatively few banks acting as "bankers' banks" make and maintain the market for their domestic correspondents as well as for the other non-banking enterprises. This handful of banks (including Bank of America) employ foreign exchange experts whose function it is to assist customers with their exchange transactions and problems. These experts, or traders as they are more commonly known, have a thorough knowledge of foreign exchange regulations. Using the most modern communications facilities, the traders have ready access to and almost constant contact with foreign exchange markets abroad.

Three principal types of transactions handled by foreign exchange traders cover:

(1) Payments in foreign currency for imports and exports.

(2) Movements of capital (repatriation or investment).

(3) Hedging operations.

The bank assists the exporter-importer in taking defensive measures against local currency risks. The bank's role is to make and maintain a foreign exchange market. Foreign currency receivables may be protected by selling forward exchange to the bank. You may wish to buy exchange to fix the cost of accounts payable or in some cases take advantage of prevailing discounts on forward transactions by anticipating payment requirements. Other market activity includes short term foreign currency loans or swapping arrangements which achieve the same result.

Deposits Are Indispensable to All Bank Lending

No discussion on the role of the commercial banker in foreign operations would be complete without due emphasis on the all important ingredient of deposits which is the commercial bank's largest source of loanable funds. In many cases, as a condition for credit accommodations we must insist on a minimum average balance of at least 10% of the credit line, or 20% of the outstanding. These supporting balances may be kept in current, i. e., demand deposit, or in time deposit accounts. Competition will not always permit our being favored with such ratios of deposits but the effort is always necessary.

The Creation of the European Common Market Calls for an Intensification in Long Forward Planning in the Field of Foreign Credit

Previously I stated that the most critical problem in financing overseas transactions is the ever increasing demand for intermediate term credit because Americans are now faced not only with keener price and quality competition but also with the longer credit terms being granted by exporters in other countries.

I have also mentioned that in financing foreign operations or transactions, on a long or short term basis, we are confronted with many abnormal, non-commercial risks arising from catastrophes and from foreign exchange and other political risks which are unpredictable, unmeasurable and at present uninsurable.

In accepting these hazards, neither the exporter nor the American international banker is as well equipped as their competitors in the other important trading nations where there is access to governmental insurance or guarantees against such non-commercial credit risks. Until we can provide an equally effective medium for coverage of such risks at reasonable premiums (for a self-supporting guarantee system) Americans stand in danger of serious loss of foreign markets.

Export Credit on Guarantee

The solution to this problem is within easy grasp. All that is needed is a joining of hands by a few leading international banks, several outstanding casualty insurance companies and a handful of far seeing American businesses with a good stake in foreign trade. Such a combination of interests could organize, with private funds, and place under private management, an export credit insurance company to underwrite both the commercial and non-commercial risks in overseas credit. This new Export Credit Insurance or Guarantee Corporation should be vested with the right and the authority to obtain from our Federal Government "Disaster Loans" at the most reasonable interest rate, and on long term, to cover those contingencies when the Corporation's funds would be insufficient to meet payment of all claims arising from the non-payment of a guaranteed or insured receivable for reasons of a non-commercial credit nature. Such "Disaster Loans" would be repayed by the guarantee corporation out of future premium income and for recovery on the "frozen" insured receivable.

This idea of forming a privately owned and privately operated Export Credit Guarantee or Insurance Corporation is my personal conception and does not necessarily bear any approval or agreement on the part of my colleagues in the Bank of America or other banks.

England, and every country in the European Common Market, is equipped with an efficient, effective, self-supporting export credit insurance scheme. If we wish to compete on an equal basis with our friends in the Common Market, we must project a similar export credit guarantee organization, American style, privately owned and operated.

In proposing this project, it is not intended to suggest that we throw credit caution to the winds. Deferred payment terms must always be consistent with the debtor's credit-worthiness. The credit terms must also be appropriate to the type of goods involved. Naturally, where a dollar shortage exists, the export sale, on deferred payment terms, should be consistent with the prevailing exchange situation and the reasonable expectation of dollar availability at maturity. The export credit guarantee or insurance coverage is intended to bridge the gap of uncertainty in the course of political, convertibility and catastrophic events which the shrewdest among us is unable to foretell. The existence and functioning of such a comprehensive export credit insurance organization would exercise a beneficial restraining influence on any unbridled increase in the extension of medium and longer term credit.

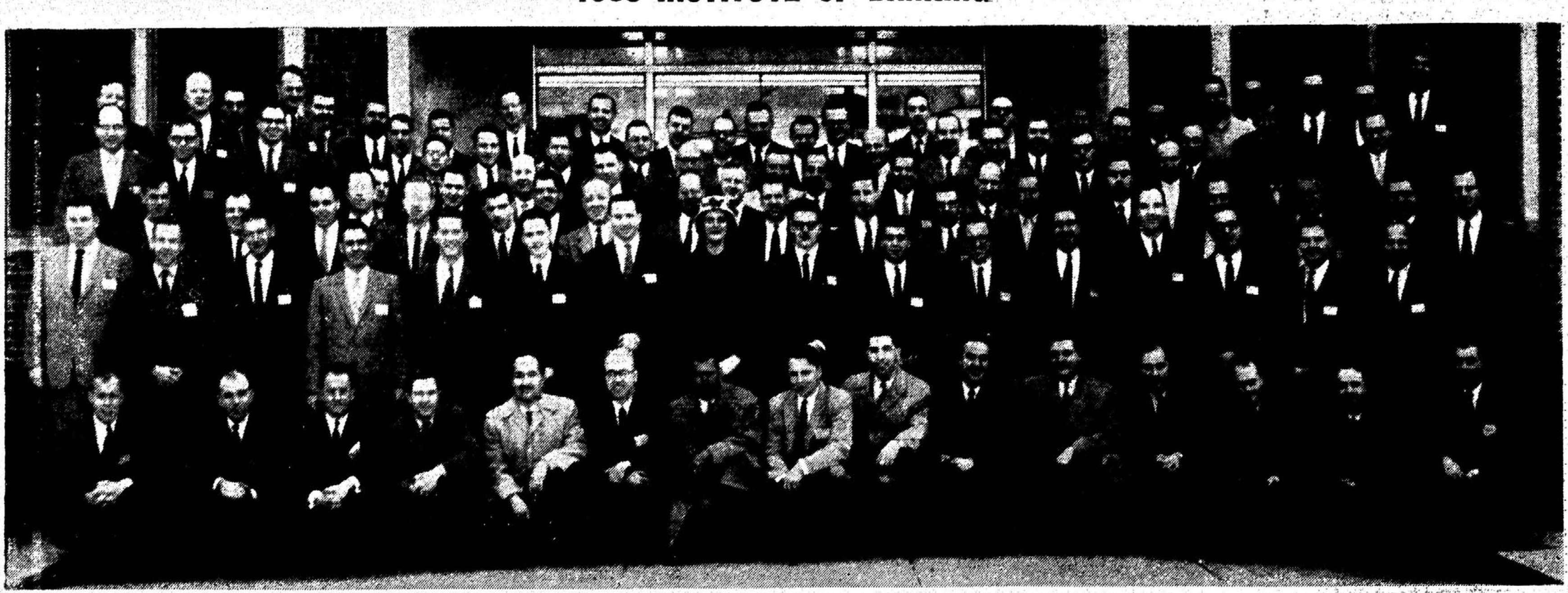
Man's economic development and prosperity can be traced in the history of credit and trade. America's tremendous progress in industry, commerce and agriculture, with its rapid rise in the standard of living, is rooted in its abundance of savings, its fine and adequate credit institutions. This is the system we must export abroad if we are to maintain and expand our export sales and thus, by helping ourselves, we, at the same time, help raise the world's living standard.

Now With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

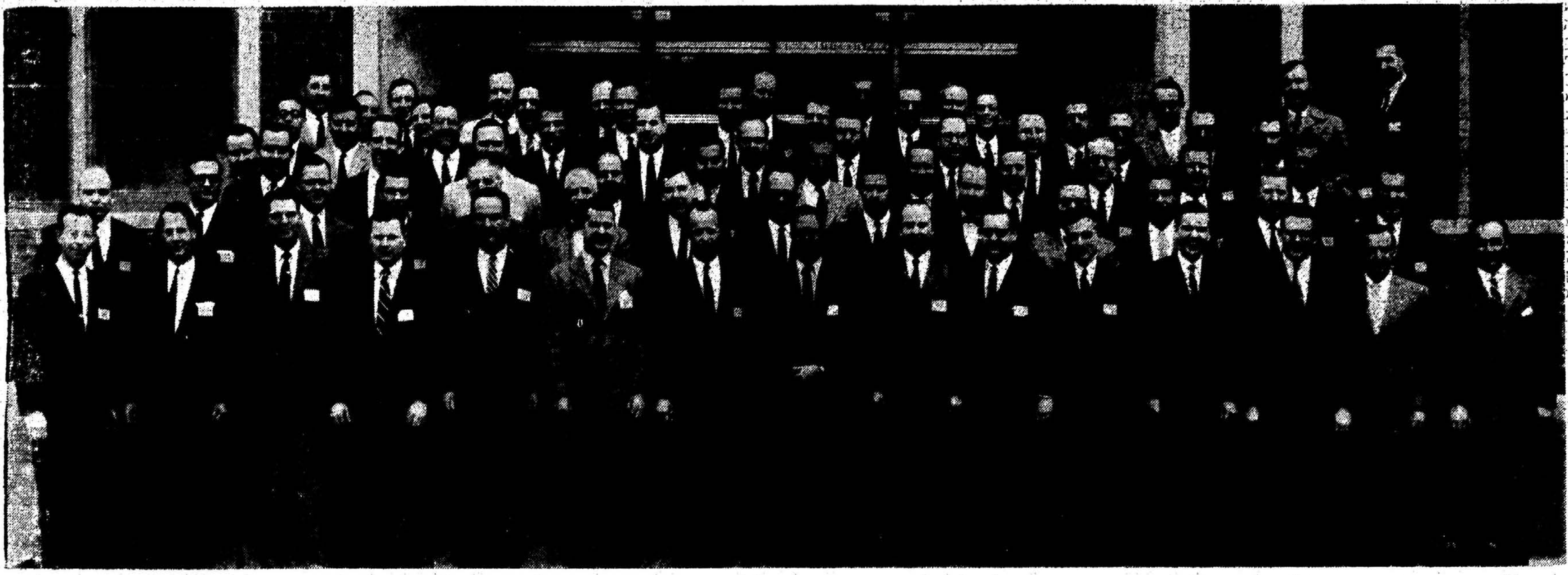
LOS ANGELES, Calif.—Robert W. Bethke and Francis G. Burlingham are with Dean Witter & Co., 632 South Spring Street. Mr. Bethke, who has been in the investment business for many years, was formerly with Walston & Co., Inc., and Akin-Lambert Co.

1958 INSTITUTE OF BANKING



First Year Class

1958 Institute of Investment Banking, sponsored by the Investment Bankers Association of America in cooperation with the Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, March 30-April 4, 1958.



Second Year Class

1958 Institute of Investment Banking, sponsored by the Investment Bankers Association of America in cooperation with the Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, March 30-April 4, 1958.

Third Year Class

1958 Institute of Investment Banking, sponsored by The Investment Bankers Association of America in cooperation with the Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, March 30-April 4, 1958.

Railroad Securities

Baltimore & Ohio Railroad Co.

Baltimore & Ohio Railroad reported a fairly sizable net income in March as compared with deficits being shown by the majority of the carriers in the Eastern District. For the month of March, B. & O. reported a net income, after taxes and charges, of $1,555,000.

While March was down from the like 1957 month when a net income of $2,628,602 was available, still it might be noted that carloadings were off substantially from last year. The answer to the good report is the large sums the road has expended on modernization of both road and equipment in the last few years. This in addition to dieselization has enabled the road to operate economically and in times of lower traffic in cut back on maintenance expenditures.

Baltimore & Ohio is one of the relatively few roads which has had a strict budget system in effect for a number of years. This system enables the road to gear its operating expenses in relation to its gross revenues and in the past has been enforced to the extent that operating and financial officials have been able to keep expenses under some semblance of control despite falling traffic.

In addition the B. & O. has developed the Port of Baltimore to greatly enlarge its facilities and make it an important factor on the East Coast in the import and export fields. Naturally this business has declined along with the general drop in shipping.

Baltimore & Ohio has been particularly hurt by the drop in operations of the steel industry since it is highly dependent on heavy industry for much of its traffic. A pickup in steel operations would be immediately reflected in the freight traffic of this road. Also, bituminous coal shipments are down, reflecting the decline in general business, although steam coal for utilities continues in good demand and should show further growth along with the trend of that industry.

As a result of the profit for the month of March, the road was able to report a net income of about $1,200,000 for the first quarter as compared with a net income of $5,390,026 in the first three months of last year. While this is sharply under a year ago, it will compare favorably with the reports of the other Eastern Trunk Lines, which likely will show sizable deficits. It will be interesting to see the results for the month of April. In the week ended April 12 its own loadings amounted to 26,902 cars as compared with 38,474 cars in the comparable 1957 week, a drop of some 30%. Total carloadings in that week, including receipts from connections totaled 41,034 cars as compared with 58,884 cars a year ago, also a drop of some 30%.

For the first two months of this year the maintenance ratio was cut to 29.5% as compared with 31.2% a year ago. The transportation ratio showed a slight rise to 45.7% against 43.5% but this was mainly accountable by the increased wages which went into effect last November. The total operating ratio was 84.1% compared with 82.7% a year ago. Further reductions in these expense items probably were accomplished in March and again in April.

The halting of passenger service between New York and Washington, D. C., and intermediate points by the end of this month should go a long way towards cutting the passenger operating deficit. The elimination of this service was considered as long ago as the early 1930s, but it is believed it was continued more for "prestige" than a necessary operation. It is believed that in the long run some of the other trunk lines might abandon service in other sections of the midwest which are served more economically and efficiently by the B. & O. This would more than make up for the revenues lost by this service. In this respect, despite negotiations between the Pennsylvania Railroad and the New York Central System, it is possible that some joint operations might develop between the Pennsylvania and the B. & O.

Halsey, Stuart Group Offers 4% Bonds of So. Counties Gas Co.

Halsey, Stuart & Co. Inc. heads a group of underwriters which was awarded $15,000,000 Southern Counties Gas Co. of California first mortgage bonds, series C, due 1983 (4%) on its bid of 101.2199%. The bonds are being reoffered today (April 24) at 102.07% and accrued interest, to yield approximately 3.87%.

Proceeds from the sale of the bonds will be used to repay short term indebtedness to its parent, representing advances made for the company's construction and expansion program, and the balance will be used to finance in part such program for the remainder of 1958.

The bonds may not be refunded at a lower interest cost to the company prior to May 1, 1963. For its sinking fund and renewal fund, the bonds are redeemable at prices scaled from 102.08% to 100%; for other purposes redemption prices begin at 107.07%.

Southern Counties Gas Co. of California is an operating public utility engaged principally in serving natural gas to an estimated population of about 2,100,000 in the southern part of California. Its territory includes a small portion of the City of Los Angeles.

Coughlin Co. Sponsor Of Invesm't Lectures

DENVER, Colo. — Coughlin and Company has been sponsoring a series of lectures on investments in the auditorium of the Farmers Union Building. Allan S. Richardson of the University of Denver discussed "Investing by Formula" at the last session.

Named Directors

Stockholders of Goodall Rubber Company, at the annual meeting held April 22, elected to the board of directors: Robert C. Bodine, partner in the brokerage firm of De Haven & Townsend, Crouter & Bodine; J. Paul Crawford, Jr., Vice-President of New York Trust Co.; and Winfield A. McGill, partner in C. A. McGill & Sons, New Hope, Pa.

With White, Weld

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Earl D. Van Keuren is now with White, Weld & Co., 523 West Sixth St. He was formerly with First California Company.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—David E. Warner has been added to the staff of Walston & Co., Inc., 265 Montgomery Street.

Securities Salesman's Corner

By JOHN DUTTON

Several excellent and informative ideas have come to my desk from Modern Security Services, which is devoted to sales training and the selling of Mutual Funds. I would like to pass along some of this material in condensed form to you and, if you are interested, possibly you could write the publishers to send you a sample copy of this material which was mailed to subscribers April 16th. It is their April Sales Training Packet; their address, Kalb, Voorhis & Co., 1037 Woodward Bldg., Washington 5, D. C.

Investment Clubs Can Be used for Tax Savings

In the past, investment clubs have been primarily confined to groups of small, neophyte investors. Many securities men have discovered that the volume of business obtained through these clubs has hardly justified the time and effort they have devoted to them. This excellent article in the April Sales Training Packet relates how it is now possible to incorporate the clubs and achieve the following benefits. A surplus up to $60,000 can be accumulated. Dividends received by one corporation from another are subject to only 15% of dividends received as far as Federal income tax is concerned. In addition, on the first $25,000 of *taxable* earnings, a corporation is taxed at the rate of 30%. On a corporation receiving $25,000 in dividend income only 15% of this amount is subject to tax, or $3,750. The 30% tax equals $1,125. Compare this with the Federal income tax of an individual who has a taxable income of $25,000 per annum, which is $8,970.

After a certain period these incorporated investment clubs can be dissolved and the income which has been accumulated at a low tax rate can be converted into a capital gain for the members. There are some restrictions as to number of individuals than can comprise such a club, also other factors which are pertinent and you should read the entire bulletin. I can see possibilities for the alert securities man to combine some of his good Doctor clients into a club, or other high bracket professionals. The idea is intriguing and it should be worth the effort if you can show substantial income beneficiaries how they can benefit tremendously. Mutual Funds make an ideal type of investment for such an incorporated club. There is continuous management, supervision, and reinvestment privileges, with instant redemption in case of need of cash for withdrawal or taxes.

Case Histories

There are two excellent stories about Mutual Fund salesmen who used their ingenuity and created a number of new accounts. I am aften reminded of the "classic" definition of a salesman as a man with a shine on his shoes, a smile on his face and a lousy territory. These true stories relate how a salesman who didn't believe this made a trip a few miles out of his way and located a house that a prospect who had called at his office said was so hard to find that he had better not try to do so. When he found the house he said, "Your home wasn't hard to locate. I know where you live now, but what is more important the mailman knows it and he is the one who will deliver a check to you every month if you invest in that combination of Mutual Funds I recommended to you when you called at my office." Their investment, plus radiation, brought this salesman $70,000 in Mutual Fund business. The people who are difficult to locate are sometimes the best prospects. These case histories are good reading because they are based upon actual work in the field.

Other Helpful Material

The Mutual Fund Selletter which accompanies this packet, Vol. 1, Number 8, is also based upon sound sales psychology that any investment man can study with confidence. How to close sales by winning agreement, why you should bestir prospects into action (when it comes to saving for the dependent years) and how to deal with secretaries is a sample of material covered. I'll give you just a hint of one of the practical tips: when telephoning and your prospect's secretary answers, say, "May I speak to Mr. Jones please?" (Then pause very briefly.) "This is Jack Evans of the Blank Investment Co." Don't say, 'This is Jack Evans of the Blank Investment Co., may I speak with Mr. Jones please? There is a very definite psychological reason why the former is better policy, and will get you to Mr. Jones more times than the latter. There is a reason why some men do more business than others; they are always learning how to work more efficiently. This April sales packet of Kalb, Voorhis is very much worth reading.

Kaiser Steel Places Preferred Stock Thru First Boston Corp.

Kaiser Steel Corp. has placed 200,000 shares of 5¾% cumulative convertible preference stock, par $100, directly with a group of insurance companies, investment trusts, pension funds, universities and other institutional investors, it was announced yesterday (April 23).

Proceeds from the sale of the stock will be applied toward the completion in 1958 of the company's $214,000,000 expansion program. The placement was negotiated by The First Boston Corp.

The new stock, which is junior to outstanding preferred stock, is convertible into common stock beginning Jan. 1, 1960 at a rate of 3 shares of common for each share of preference stock.

In addition, the company has arranged a bank credit with a group of 14 banks, lead by the Bank of America, N.T. & S. A., Mellon National Bank & Trust Co., The Chase Manhattan Bank and The First National City Bank of New York, which permits it to borrow up to $50,000,000 on a revolving basis until the end of 1960. Any such borrowings may at the company's option be converted into a term loan repayable in three equal annual installments.

Form E. W. Edwards & Son

SYRACUSE, N. Y.—E. W. Edwards and Son has been formed with offices at 200 South Salina Street to engage in a securities business.

Rejoins Goldman, Sachs

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John J. Reed has rejoined Goldman, Sachs & Co., 314 North Broadway, Mr. Reed has recently been with Straus, Blosser & McDowell.

Two With G. H. Walker

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Paul Grana and Leo A. Maginn have joined the staff of G. H. Walker & Co., 503 Locust Street.

Mutual Funds

By ROBERT R. RICH

Inventory Liquidation at Peak

Inventory liquidation has apparently passed its peak and an increase in production is seen by National Securities & Research Corp., "if the same flow of goods that consumers, business and government are absorbing right now at what appears to be near the bottom of the decline" is to be maintained.

In a specially prepared report on the economic outlook, the investment company's staff, which manages the $300,000,000 portfolio of the National Securities Series of mutual funds, declares, "Although full recovery is still some months away, the decline in production, employment and personal income appears to be levelling off."

Continuing relatively high levels of consumer expenditures are highlighted as an encouraging sign. "Even though spending for durables, mainly autos, has been in a cyclical decline," the study points out that, "total retail trade in the first quarter of 1958 almost equalled the volume achieved in the comparable period of 1957."

The report sees government spending rising with "substantial deficits in the Federal Budget for the 1958 and 1959 fiscal years even if there is no tax cut." In the event of a tax cut, National's staff believes it would be centered, "chiefly around the lower personal income bracket and various excise levies."

The inflationary implication of a tax cut, not offset by contractions elsewhere is seen as a source of concern to leaders in the Administration and Congress. "That responsible officials will regard inflation as the long-term threat is a measure of their belief in the underlying strength of the economy and the temporary character of the current readjustment."

Due to an expected drop of $5 billion in capital outlays and generally improved cash positions brought about by easier credit conditions, National's staff believes "Stockholders will get a larger share (than last year) of such corporate earnings as may be realized this year."

Total construction activity is noted as a particularly strong area of the economy and led by private and public home building and stepped-up programs for highways, schools, water systems and other public facilities, it is seen heading for a record year despite the indicated decline in industrial construction.

M.I.T. Assets, Share Value Both Gain

Massachusetts Investors Trust, the nation's oldest open-end investment trust, reports total net assets on March 31, 1958 of $1,045,828,118. The net asset value per share was $10.14. This amount, together with a special capital gain distribution of 17 cents per share in February, is equivalent to $10.31 per share compared with a per share value of $10.99 a year ago. The $10.14 net asset figure at the quarter's end compares with $9.72 per share at the end of 1957.

In their letter to shareholders, the Trustees reported that during the first three months of 1958 almost 12,000 individuals, fiduciaries and institutions became new shareholders of the Trust. Shareholders at the quarter end numbered 191,464, a 14% increase over the 167,816 on March 31 last year.

Purchases by investors of new shares of the Trust exceeded redemptions during the first quarter of 1958 by $14,066,722. During the same three months' period the Trust made purchases totalling $25,597,633 of common stocks of 24 corporations, while sales of other portfolio equity investments totalled $11,640,040. These purchases included $2,394,094 in common stocks representing new capital issues.

A new common stock (commitment was made in the first quarter in the purchase of 138,000 Royal Dutch Petroleum Co. shares.

Additional holdings were made in American Natural Gas; C.I.T.; Consolidated Natural Gas; Continental Oil; Gulf Oil; Honolulu Oil; Household Finance; International Nickel; Libbey Owens-Ford Glass; Lone Star Gas; McGraw-Edison; Mellon National Bank & Trust; Merck & Co.; Norfolk & Western Ry.; Northern Natural Gas; Parke, Davis & Co.; Republic Natural Gas; Seaboard Oil; Standard Oil Co. of Ind.; Texas Pacific Coal & Oil; Texas Utilities; Union Pacific and U. S. Steel.

Eliminated from portfolio were High Voltage Engineering; Singer Mfg. and United Shoe Machinery while positions were reduced in American Can; Douglas Aircraft; Johns-Manville; Union Carbide and Westinghouse Electric.

Berry & Company Opens Wall St. Office

Opening of a New York branch office at 37 Wall Street for Berry & Co. of Plainfield, N. J., is announced today by Robert K. Berry, President.

Kennedy Boardman, former President of the Kennedy Boardman Co. of Denver, Colo., who has been associated with the investment securities business for the past 30 years, has been named Office Manager. Ivan Israel has been named Sales Manager. He is the former senior partner of Israel & Co., investment brokers.

Mutual Fund Assets Now $9.5 Billion

Investors added substantially to their holdings of investment company shares during the first quarter of 1958 and investment companies continued to grow steadily, according to the National Association of Investment Companies.

Purchases by investors of new shares in open-end investment companies totaled $333,713,000 for the period, compared with $331,580,000 for the previous three months and $367,393,000 for the same quarter a year ago, the Association announced.

The number of new mutual fund accumulation plans started in the first three months of 1958 totaled 56,184; for the previous quarter the total was 52,757 and, a year ago, it was 54,946. The total number of plans now in force for the monthly or quarterly purchase of mutual fund shares now stands at 698,116.

Total net assets of the 168 members of the Association, both open-end investment companies (mutual funds) and closed-end companies, totaled $10,744,202,000 at the end of March 1958. At the end of the previous quarter, year-end 1957, the figure was $9,924,459,000, and a year ago it was $10,440,620,000.

Total shareholder accounts of both open-end and closed-end investment companies hit a new high figure of 3,472,329, representing investments by an estimated 1.6 million individuals and institutions.

Open-End Companies

Total net assets of the 144 open-end company members of N.A.I.C. rose to $9,462,830,000 at the end of March, up from $8,714,143,000 at year-end 1957 and $9,105,048,000 at the end of the first quarter 1957.

Monthly purchases of mutual fund shares by investors during the quarter were highest in January when they came to $131,605,000. The figure for March was $105,712,000 and, in February, investor purchases totaled $96,396,000. This was the ninth consecutive quarter in which investor purchases exceeded the $300 million mark.

Repurchases of shares (redemptions) by open-end companies amounted to $91,795,000 compared with $95,759,000 for the previous three-month period and $102,247,000 for the first three months of 1957.

Purchases of securities by open-end companies for their portfolios totaled $525,857,000 for the first quarter of 1958, up from $498,057,000 for the last three months of 1957 and lower than the $568,362,000 for the first quarter of 1957. Sale of portfolio securities for the quarter totaled $362,745,000. In the previous period portfolio sales were $304,690,000 and, for the first three months a year ago, they came to $353,257,000.

Payment of investment income dividends to shareholders for the quarter totaled $110,074,000 compared with $103,294,000 for the last quarter of 1957 and $65,032,000 for the first three months of 1957.

Net realized capital gains distributions for the previous quarter came to $154,525,000, reflecting high year-end distributions. For the first three months of 1957 net realized capital gains distribution totaled $84,944,000.

Holdings of cash, U. S. Government Bonds and short-term corporate obligations by open-end companies at the end of the first quarter amounted to $619,687,000 compared with $523,154,000 at year-end 1957 and $521,146,000 at the end of the first quarter a year ago.

Closed-End Companies

Total net assets of the 24 closed-end members of the N.A.I.C. rose to $1,281,372,000 on March 31, 1958 from $1,210,316,000 at year-end 1957. They totaled $1,335,572,000 at the close of the first quarter in 1957 when the Association had 26 closed-end company members.

Holders of common stock of closed-end investment companies received dividends from investment income during the quarter totaling $7,365,000 and capital gains distributions amounting to $5,014,000. This compares with investment income payments of $17,976,000 for the previous three months, and $6,255,000 for the same period a year ago. Capital gains distributions for the previous quarter amounted to $41,175,000, reflecting year-end distributions, and, for the first three months a year ago, $8,746,000.

Preferred stock dividends to stockholders totaled $699,000 for the period compared with $805,000 for the final three months of 1957 and $798,000 for the first quarter of 1957.

Close-end investment companies made interest payments during the first quarter of 1958 amounting to $213,000 compared with $217,000 for the last quarter of 1957 and $206,000 for the first three months of 1957.

Nuclear, Science Funds Merge

Nucleonics, Chemistry & Electronics Shares with headquarters in Englewood, N. J., announced the acquisition of Science & Nuclear Fund, a Philadelphia mutual fund, under a merger agreement previously approved by more than two thirds of the shareholders of both companies.

The acquisition, according to the announcement by John M. Templeton, President of NCE Shares, was effective at the close of business April 16 and increases NCE Shares' total net assets by approximately $1 million to $2,838,000 and its shareholders by some 900 to upwards to 3,700.

Under the merger agreement shareholders of Science & Nuclear are to receive NCE shares in the equivalent net asset value, plus cash for fractional shares. Mr. Templeton said steps have already been taken, as the merger agreement provided, to qualify NCE Shares for exemption from personal property taxes in Pennsylvania.

Eaton & Howard Funds Report

Charles F. Eaton, Jr., President of Eaton & Howard, Inc., and Chairman of the Eaton & Howard Funds, told shareholders in the March quarterly reports that "the current recessionary trends in our economy are, we believe, a temporary phase in the long-term upward trend of a dynamic economy." At the same time he advised shareholders that investment "objectives cannot be achieved overnight" and that "the true test of successful investing is achievement over a period long enough to include varied economic conditions and business fluctuations."

Looking to the future, Mr. Eaton pointed out that "research is creating a new world of new products that will produce new sales, new growth and new opportunities. Electronics, atomic energy, automation, a growing population—these are among the forces and fields of endeavor which will shape the America of tomorrow. We believe the future holds for the patient, longer-term investor opportunities for appreciation of principal and income."

Report of Eaton & Howard Stock Fund shows net assets increased from $81,180,001 to $89,120,001 during first quarter, while value per share increased 5% in the three months from $18.14 to $19.07. Common stocks totaled 83% of the fund at the quarter's end; 17% was in U. S. Government, short-term notes and cash.

Largest stock holdings by industries were oil (14.1%), power & light (9.8%), insurance (9.1%), chemical (5.0%), and natural gas (4.1%).

Common stock changes in first quarter included the addition of Parke, Davis and S. D. Warren Co. The fund's holdings of Hooker Electrochemical, National Cash Register, Panhandle Eastern Pipe Line and Zenith Radio were eliminated.

Report of Eaton & Howard Balanced Fund shows net assets increased from $161,778,741 to $170,665,101 during first quarter, while value per share increased 4½% during the three months from $19.67 to $20.56. Common stocks totaled 61.5% of the fund on March 31, 1958; 13.2% was invested in preferred stocks, 13.1% in corporate bonds, and 12.2% in U. S. Government bonds, short-term notes and cash. The largest common stock holdings by industries were oil (16.3%), power and light (11.6%), insurance (5.1%), banking (4.6%), and steel (3.1%).

Items added to the portfolio during the quarter, other than U. S. Government bonds and short-term notes, included Col. Gas System 4⅜s, 1983; Pacific Gas & Electric 3¾s, 1978; Louisiana Power & Light 4.16% pfd.; Niagara Mohawk Power 4.85% pfd.; Northern Illinois Gas 5% pfd.; Public Service Electric & Gas 5.05% pfd.; and Southern California Edison 4.78% pfd. Items eliminated were Northern Natural Gas 3⅝s, 1973; Pacific Western Oil 3½s, 1964; Winn Dixie Stores 3¼s, 1974; and Hooker Electrochemical common.

Boston Dividend Up

The directors of Boston Fund have declared an increased quarterly dividend from investment income of 12 cents a share, payable May 27, 1958 to shareholders of record April 30, 1958. This compares with a declaration of 11 cents per share paid for the corresponding period a year ago. For those shareholders who accepted the capital gains distribution paid during 1958 in additional shares, this represents an increase of more than 15% over last year in dividends from investment income.

Solar Energy Used In Satellite's Radio Transmitter

Solar power cells, which convert the sun's energy into electricity without batteries of any sort, are being used as a radio transmitter power source in the Vanguard satellite, according to "Keeping Up," monthly informational bulletin published by Television Shares Management Corp., investment managers for the $150 million Television - Electronics Fund, Inc.

Termed a "first" in world space conquest, the solar energy cells are manufactured by Hoffman Electronics Corp. and consist of wafer-thin discs of highly purified silicon diffused with tiny quantities of arsenic and boron. Installed in a special "solar converter" mounting on the space vehicle's surface skin, the solar cells trap light energy from the sun and convert it into electricity to operate one of the Vanguard's two radio transmitters.

The investment company publication quoted M. E. Paradise, executive vice-president of Hoffman's Semi-Conductor Division, as saying that the Vanguard's solar cell electrical system has a minimum life of 300 years under space conditions. The cells convert about 10% of the sun's energy directly into usable power and Mr. Paradise pointed out that above the earth's atmosphere sunlight contains roughly 1,400 watts of electrical power per square yard of solar cell collecting area.

NY Savings Banks' Fund Cites Gain In Net Asset Value

The savings banks of New York State are the shareholders of this mutual fund and now number 77 as compared with 73 at the end of 1957. The quarterly report ended March 31, announced that total net assets amounted to $34,808,137, about $7.6 million higher than a year ago and a rise of $4.8 million during the first 1958 quarter.

The net asset value per share was $163.82 at March 31, an increase of 7.11% over the $152.95 figure at Dec. 31, 1957.

The fund eliminated in the first quarter its holdings in American Metal Climax and Caterpillar Tractor and sold its American T. & T. rights.

New common stock commitments were made in Continental Casualty; Douglas Aircraft; Hartford Fire Insurance; Merck & Co.; Owens-Illinois Glass; and Peoples Gas Light & Coke.

Equity additions were made in American Chicle; Santa Fe Ry.; Beneficial Finance; Cincinnati Gas & Electric; Continental Oil; First National Stores; General American Transportation; General Electric; General Foods; Gulf States Utilities; Idaho Power; Jewel Tea; Louisiana Land & Exploration; National Dairy Products; Pennsalt Chemicals; Philadelphia Electric; Pitney-Bowes; Standard Oil of Indiana; Standard Oil of N. J.; Sterling Drug; Texas Utilities; United Aircraft; U. S. Gypsum; and Virginia Electric & Power.

Rise in Net Asset Value Reported By Lehman Corp.

A total net asset value of $208,150,837, equivalent to $21.71 per share, was announced jointly by Robert Lehman, President and Monroe C. Gutman, Chairman of the Executive Committee in the interim report of The Lehman Corporation for the first quarter of 1958. This compares with a net asset value of $20.76 per share at the end of the previous quarter.

Common stocks comprised 91.2% of the corporation's assets at Mar. 31, 1958, with government bonds and net cash items representing 6.7% of net assets. Bonds and preferred stocks made up .2% of net assets and Miscellaneous Investments, the remaining 1.9%. At the end of the preceding quarter, Dec. 31, 1957, 94.6% of the corporation's net assets were invested in common stocks and 3.8% in U. S. Government bonds and net cash items.

A total of $6,941,617 or 57.7% of the $12,029,825.60 capital gain dividend, payable Jan. 28, 1958, was paid by the issuance of 333,091 shares of capital stock. This dividend which was paid from 1957 security profits was declared in stock or cash at each stockholder's option.

Purchases of portfolio securities during the three months' period exceeded sales by a small margin. The cost of securities purchased, other than U. S. Government bonds, amounted to $3,917,546 and the proceeds from securities sold amounted to $3,624,017, a purchase balance of $293,529.

Among the purchases were: 10,000 shares of National Lead; 2,200 shares of U. S. Gypsum; 6,000 shares of Hooker Electrochemical Co.; 3,500 Minneapolis-Honeywell Regulator; 10,000 shares of MacMillan & Bloedel; 1,825 shares of International Business Machines; and $305,000 American Telephone & Telegraph Convertible 4¼% Bonds, due 1973.

Sales included: 15,400 shares of Columbia Broadcasting; 10,000 shares of West Virginia Pulp; 5,800 shares of Babcock & Wilcox; 23,800 shares Mission Development; 5,000 shares of Sinclair Oil; 6,742 Cerro de Pasco; 10,000 shares of Schering Co.; 25,000 Beckman Instruments; 20,000 Sperry Rand; and 4,000 shares of Colorado Interstate.

Oil and Gas continued to be the Corporation's largest single category of investment with $58,536,117 invested in that industry, representing 28.0% of the Corporation's net asset value. The next two largest categories were Public Utilities with $38,296,953, representing 18.3% of net assets and Metals and Mining with $16,233,555, or 7.8%.

Vice-Admiral Appointed Delaware Fund Director

Shareholders of Delaware Fund on April 15 elected Vice-Admiral E. Dorsey Foster (U.S.N., ret.), Vice-President and General Manager of RCA's Electronic Data Processing Division, a director of the Fund.

Following his retirement from the Navy in 1951, Admiral Foster joined RCA as director of mobilization planning. A year later, he was appointed vice-president and director of planning, a post which he held until late 1957 when he assumed his present position.

All other directors were elected at the meeting. In addition to Admiral Foster, they include: D. Moreau Barringer, Chairman; W. Linton Nelson, President of the Fund; Alexander Biddle, Executive Vice-President of the Philadelphia - Baltimore Stock Exchange; George S. Piper, furniture manufacturer; W. Howard Dilks, Jr., attorney; J. Ebert Butterworth, textile machinery manufacturer; and Theodore Roosevelt, III, general partner, Montgomery, Scott & Co. All hold identical posts with Delaware Fund.

Initial Offering Being Made of Worth Fund Shares

Public offering of 400,000 shares of Worth Fund, Inc. common stock at a price of $12.50 per share, is being made April 24 by Cherokee Securities Corp., 40 Worth St., New York. The offering marks the first sale of shares of Worth Fund, Inc., a closed-end non-diversified management investment company, which was organized on July 8, 1957 under the laws of the State of Delaware and maintains its principal business office at 1407 Broadway, New York. (Earlier reference to the Fund and the current offering was made in these columns on April 17.)

Initially, the company intends to invest up to 65% of its total assets in the textile and allied industries. Most of the balance of the company's available funds probably will be invested initially in securities of companies in one or more of the following industries: insurance, transportation, building, finance, retail department stores, and hotels; and the remaining portion of the balance may be held in hotel or other properties, in special situations in these and other industries, or cash.

Robert L. Huffines, Jr., is chairman, president, director and a member of the Fund's executive committee. Mr. Huffines is also at present director and employee of Textron, Inc., and Firth Carpet Co.; chairman of Frank G. Binswanger, Inc., Southern Division.

Burke M. McConnell, a director, vice-president and member of the executive committee, is also a sales executive with Burlington Industries, Inc.; John E. Massengale, secretary and assistant treasurer, is a member of the law firm of Paul, Weiss, Rifkind, Wharton & Garrison; Rosalie M. Mencher, treasurer and assistant secretary, is executive assistant to Mr. Huffines.

The capital stock of Worth Fund, Inc. consists of one class, common stock, of which 4,000,000 share are authorized, each with a par value of $1. At Jan. 31, 1958, 47,210 shares were outstanding, none being held by the company or for its account. All of the shares are equal in all respects, with each share entitled to one vote in the election of directors and on all other matters which are required by law to be submitted to a vote of stockholders.

Associated with Cherokee Securities Corp., the underwriters, is Roy Robinson, who for 25 years has been president of Textile-Shares Corp., specialists as dealers in textile securities.

Whitehall Share Value Gains 5%

The asset value of each Whitehall Fund share increased to $11.33 at March 31, for a gain of 5% from $10.79 three months earlier, it was reported by Francis F. Randolph, Chairman of the Board and President of this balanced mutual fund. At this level, Mr. Randolph pointed out, per share assets were moderately higher than the $11.55 reported at March 31, 1957, taking into account the 40 cents per share distributed last December from gain realized on investments.

Net assets totaled $8,537,266 at the end of March. Mr. Randolph said that these assets were represented by 753,201 shares of Whitehall Fund owned by 2,196 investors whose average investment had a value of $3,888.

Whitehall Fund made no change during the first quarter in the distribution of its investments, and they remained approximately 50% in cash and fixed-income senior securities and 50% in common stocks. Mr. Randolph observed that the fund's conservative balanced investment policy "appears to be well suited to the current economy and the uncertainties present in its and in securities markets."

Within the common stock category of investments, new positions were established in Arkansas Louisiana Gas and Atlantic City Electric. Continental Baking common was added to the extent of 3,000 shares by the conversion of bonds of that company. Common stock holdings were increased in United States Steel; Iowa-Illinois Gas & Electric; Kroger; Middle South Utilities.

Common stock investment positions were eliminated by the sale of 1,000 shares of National Lead and 500 shares of Shell Oil. Holdings were decreased in Bethlehem Steel and Standard Oil of New Jersey.

N. Y. State Fund Sales 2nd Highest

Residents of New York invested more than $218 million in shares of mutual funds in 1957, the second highest state in the nation and first in the three-state Middle Atlantic area, according to a special survey of regional sales released on April 21 by the National Association of Investment Companies. The actual figure was $218,039,000, an increase of 10.6% over 1956.

Their purchase of mutual fund shares in 1956 totaled $197,163,000.

Mutual fund shares represent fractional interests in a diversified portfolio of securities managed by professional investment managers. Individuals use such shares as part of their long-range financial plans to provide funds for objectives such as retirement and a better return on savings.

The survey is based on regional sales figures provided by open-end companies representing 94.8% of national sales by the industry. Total industry sales for 1957 were $1,390,557,000, an increase of 3.3% over 1956, the Association reported.

California, at the top in dollar volume, accounted for 16.0% of all sales, followed by New York with 15.7%, Pennsylvania with 6.5%, Illinois with 4.8% and Massachusetts with 4.5%. The top-five state ranking was unchanged from 1956.

Nevada led the nation in per cent increase with a rise of 140.8% for the year. The next four were New Mexico with 38.5%, Maryland with 36.8%, North Carolina with 33.6% and Delaware with 26.2%.

All regions of the nation, except the West South Central states, the Pacific area and the eight-state western mountain region, registered increases for the year. The South Atlantic area registered the highest regional increase, 10.5%. The Middle Atlantic area was second highest with a rise of 9.8%. Minor declines took place in 17 states.

The National Association of Investment Companies represents 144 open-end investment companies (mutual funds) and 24 closed-end investment companies with combined assets in excess of $10 billion.

$100,000,000 California Bonds on Market

A consolidated underwriting group managed by Bank of America N.T. & S.A., with Bankers Trust Company acting as joint manager, on April 23 purchased $100,000,000 State of California 5%, 3¾%, 3¼%, 2½%, 2¾%, 3% and 1% veterans' and school building aid bonds.

The bonds comprise $50,000,000 veterans' bonds due 1959-1983, for which the underwriting group submitted a bid resulting in a net interest cost of 2.96% to the State, and $50,000,000 state school building aid bonds due 1960-1984, for which the group bid a net interest cost of 2.959%.

The 1959-1982 maturities of the veterans' bonds were reoffered at prices to yield .85% to 3.10%; the 1983 maturity was not reoffered. The 1960-1983 maturities of the school aid bonds were priced on reoffering to yield 1.15% to 3.10%, with the 1984 maturity not reoffered.

Included in the offering group are: The First National City Bank of New York; The Chase Manhattan Bank; The First National Bank of Chicago; Halsey, Stuart & Co. Inc.; Guaranty Trust Company of New York; J. P. Morgan & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.;

Harriman Ripley & Co. Inc.; Harris Trust and Savings Bank; Smith, Barney & Co.; Lehman Brothers; Kuhn, Loeb & Co.; American Trust Company, San Francisco; Security-First National Bank of Los Angeles; California Bank, Los Angeles; Drexel & Co.; Glore, Forgan & Co.;

Chemical Corn Exchange Bank; C. J. Devine & Co.; Continental Illinois National Bank & Trust Company of Chicago; The Northern Trust Company; R. H. Moulton & Company; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Bear, Stearns & Co.; Merrill Lynch, Pierce, Fenner & Smith; Blair & Co. Incorporated;

Weeden & Co.; The First National Bank of Boston; The First National Bank of Portland, Ore.; The Philadelphia National Bank; Seattle-First National Bank; Equitable Securities Corporation; Stone & Webster Securities Corporation.

Continued from first page

A Number of Elements in Current Economic Situation

(6) Equally as important as jobs is the continuity of the job and the dollars earned in terms of real goods.

(7) There is no single doctrine or economic theory that is the *sine qua non* of growth and development in this country.

(8) Every effort to control the process of sustainable growth by a formula or a set of rules ignores the constant change that is a part of our development and minimizes judgment.

(9) So long as we are free to make our own decisions the most important single factor in our economic system is the continuity of confidence.

(10) My faith is strong—I have confidence in the determination of our people to work and plan and accomplish. We are not headed for a depression, but for new horizons of progress.

* * *

A number of elements in the current economic situation are causing concern. Human problems are involved; waste of our resources is involved. This loss of productive ability must not continue for a protracted length of time.

But at the same time we must avoid taking improvident steps which might undermine our future growth and prosperity potentials.

In a democracy, decisions of national consequence stem from the people. To do the right things as a nation, and avoid doing the wrong things, our citizens must understand the problems involved as well as the practical means for solving them. In this, editors have a great responsibility.

Intensive Economic News Coverage

No economic period has ever been so fully reported, analyzed, and interpreted by the media of this country as the present one. The distribution of this reporting to the American people has been speeded up immeasurably by the technological changes in the newspaper and broadcasting fields. This intensive coverage of our economy is right and proper and as it should be. The American people must be honestly and completely informed about everything that is going on which affects them.

With this in mind, I am sure we all recognize the importance of continuing to keep the presentation of happenings in our economy in perspective. Enlightened citizens, objectively informed, can be depended on to exercise sound judgment. Keeping our citizens so informed is a great responsibility.

We have in our country an economic system that gives the widest possible play to creative genius and technology. These forces bring about constant change and growth in our society. From the earliest days of our history, Americans have eagerly grasped the opportunities presented them for managing their own affairs. Individual responsibility — facing problems and getting things done —has kept Americans working, striving and above all improving and adding to the store of ideas and accomplishments.

These personal drives are present, as strong as ever. Keeping pace with them are the incalculable new opportunities for creative ingenuity which are being opened up constantly by modern science.

Does Not Sell Our Economy Short

Under these conditions, it would be shortsighted indeed to sell our American economy short for any protracted period.

We have what we need to keep our productive engine operating at a high level—the man-power, the skills, the managerial ability, the inventive genius.

We are a people with a strong belief in the future.

We have a willingness on the part of our people and their government to use such mechanisms as are at our command in a way which will help assure a reasonable rate of sustainable growth in our economy.

Each time that we examine a proposal, however, let us ask ourselves: Will a specific proposal increase business incentives? Will it add significantly to purchasing power? Will it foster the sort of confidence that encourages private expenditures? Will it do these things without seriously weakening the fiscal position of the government? Is it the sort of activity a prudent government would engage in? These are questions of the greatest national significance.

We must take a hard look at the particular kind of economic mechanism we have built in this country. It is an economy that last year turned out more than $430 billion of Gross National Product.

This accomplishment results primarily from the freedom of both producers and consumers to make their own decisions—decisions on markets, decisions on new products, decisions on purchases, decisions on spending versus saving, decisions on what the course of the economy may be in the future. It is these decisions—the millions of them which are made every day — which determine whether the wheels of our economy will turn at a faster or slower rate.

While the government can be helpful in providing an economic climate encouraging to competitive enterprise, we must nevertheles recognize that government action necessarily plays a secondary role in our kind of economic system. We must understand that there necessarily will be some fluctuations in economic activity from time to time. Despite heavy government spending, the Federal Government only accounts for one-eighth of the total spending for goods and services in the country; the rest is determined by private enterprise and decision.

Limitations on the power of the government to stimulate action are well illustrated in the credit field. The government and the Federal Reserve can make credit more readily available—and they have done so. But over-all measures to relax credit cannot change the fact that the initial decision to ask for a loan—to make use of available credit—is a personal or individual business matter. It depends on the judgment of the borrower with respect to a number of factors in his own situation and in the economic outlook. Only then does the lender come into the picture. This shows how the psychological element plays such an important role in our individualistic, private enterprise system.

As justification for confidence, let's look at some of the growth factors that shape our economic future.

Growth Factors Operating

Our population has doubled in 50 years. It is expanding at a rate of 3 million persons per year. The number of American workers is increasing at a rate of nearly one million per year. Family income after taxes was at an all-time high in 1957 and continues high. With our production more than doubling every 20 years millions of new workers will be needed to make, sell and distribute our goods. There is around $300 billion of savings held by individuals alone. The billions of dollars being spent annually for research in industry will mean more products, more jobs and better living. During the last 12 years we have spent $300 billion for new business plant and equipment needs, a figure which may easily be dwarfed by our expansion over the next 12 years.

Looking at even broader figures, it took the world something like 5,000 years of recorded history to have the first billion people alive on this earth at one time. This occurred in 1830. It took us only a little over 100 years to have the second billion people alive at one time on this globe. By 1970 the world will have three billion inhabitants — and those three billion are the people whose wants and demands will make the economy of our country and the economy of the world.

We must concern ourselves not only with needs and demands at home but needs and demands of the peoples of the free world. America has long passed the age of isolation. In any examination of our productive capacity we must take into account the requirements of all who belong to the future. What we should actually fear is standing still.

But we in the United States will need all thes killed manpower, all the modernized capacity, and all the managerial talents we can muster for the expanding volume of goods and services which will surely be demanded by this growing population—not in 1970, but in the very near future.

Now is the time when Americans should be striving to improve efficiency, to achieve more production per dollar of cost, to avoid inflation of cost and thus of prices. In the final anlysis real prosperity can come only from the production of goods and services at prices people are willing and able to pay. All elements of our economic life must come to this realization. The role of editors in observing and analyzing these developments is a crucial one—and never more vital than now.

Continual growth in the demand for the products of American industry is inevitable, as inevitable as the march of time. Our realists are the ones who recognize this truth.

Let us look at the role of government in our economy by examining three areas of governmental policy—monetary, spending and revenue.

Monetary and Fiscal Spending Areas

The aim of monetary policy is to foster balanced and orderly economic growth by discouraging the excessive use of credit during boom times and encouraging its use for productive purposes during recessionary periods such as the present. Anti - inflationary policies and anti - deflationary policies are inseparably linked. Most importantly the Federal Reserve System has demonstrated a flexible willingness to utilize its powers and since October, 1957, through yesterday (April 17) has taken a number of steps which have resulted in substantially increasing the volume of money and credit. The changes in the interest rate structure which have occurred during the past six months have been the most dramatic in the history of this country. The price of the credit was among the last to go up and the quickest to come down.

As for spending, the government, out of our Treasury, now spends $1,500,000,000 from Monday morning through Friday night each week. (In addition, $1,600,000,000 a month is being paid out for social benefits of various kinds by states, by municipalities, and by the Federal Government.)

When one looks at these rates of expenditure within the context of a $400 billion plus economy, who is wise enough to predict with accuracy how much the economy would be stimulated if the Federal Government should spend another $20 million a week? And yet the cost to the government of $20 million a week is $1 billion a year.

Federal spending is now higher than a year ago and it is rising steadily. Recent actions will accelerate expenditures in Federal programs such as highway, water resources and military construction. The Department of Defense in the first six months of 1958 will place contracts with private industry totaling $5½ billion more than were placed in the last six months of 1957. Whatever the cost we will defend this country. The cost will likely be more rather than less. This is not a short-run effort. It will go on until the tensions end, until the Russian rulers seek real peace and not a propaganda advantage.

When one adds direct military cost, mutual security, the atomic energy cost related to preparedness, the cost of debt that largely results from war, the cost of hospitalization, retirement and benefits to those who have and continue to defend us, we are taking about 83 cents out of each dollar collected in Federal revenue. This emphasizes the necessity to do all we can to assure economical operations in all areas for by any standard our course is a costly one. Yet all this means there will be increased spending from the Federal Treasury. It also means we have some choices to make.

1958-59 Deficit Spending

The expenditures for the current fiscal year 1958 indicate, by June 30, a level well over $73 billion. While revenue receipts are difficult to forecast because of the irregular pattern in payments, they will likely be, for 1958, in the order of magnitude of $70 billion. The sum of all programs now in being for all purposes will probably result in a rate of Federal spending for the fiscal year 1959 in the order of magnitude of $78 billion, as the Director of the Budget has said.

On the revenue side for fiscal 1959 it is even more difficult to estimate for more than a year in advance. But while we do expect early resumption of economic growth, we must be aware of the likelihood that we will fall short of our January estimate.

These figures as to deficits give us concern. They underline the fact that the Federal Government's over-all fiscal situation is something that all of us must keep in mind as we consider changes in either the spending or revenue programs of the Federal Government.

They do not warrant pessimism. We confidently believe that our present recession will not be of long duration and that sustainable growth in our economy will soon be realized. We believe that the American people want national decisions to be made in the light of careful thought with the best objective judgments as to the long-run interest of the nation.

Already our public debt amounts to a third of all our public and private debt combined. It is equal to $1,600 for each man, woman and child in this country. We must ask ourselves how much more spending we want to concentrate in the hands of government — and how much more our Federal debt can be increased without long-term adverse effects on the economic health of the nation.

Discusses Tax Law Changes

And now, let us turn for a moment to the other side of the fiscal picture — the situation with respect to possible changes in our tax laws wihch are being suggested at the present time.

This problem deserves the considered judgment and thinking of us all. It is not something to be done competitively. We must weigh the advantage and the consequences. In some respects we are dealing in imponderables. We will be trying to assess not only the results of taking less money in taxes, but the attitudes of people. What will they do with the money?

I am sure many people are thinking that during the years of high economic activity and high employment, in the absence of substantial surpluses, tax reductions are regarded as inflationary. When receipts are down from slackening economic activity and expenditures remain high, tax reductions are regarded as too costly. So the taxpayer asks when can the burden be lessened?

We all look forward to some relief from the present high burden of taxation. Whatever action should be judged as proper in this field will continue to receive our daily consideration.

Modification of taxes in an economy as complex as ours, however, must be based on a very careful review of what in fact can be accomplished—and not on the theory that a single dramatic action will automatically be all that is required to assure business recovery. The very fact that the present downturn in business developed at a time when personal income was at the highest level in history would seem to indicate many other considerations are involved.

We must, I believe, take into our account in making any decision in this area:

(1) Our present and our future fiscal position, for not only does debt, but the very management of it, weigh heavily in our economy;

(2) We must see ahead sufficiently clearly to have a reasoned plan and judgment as to how we pay for what we spend. The government is the biggest single buyer of goods and services in this country. Despite any fluctuations which have occurred, one of the reasons for increasing cost is that the things we buy are costing more. In judging our ability to pay for what we buy this fact must always be weighed in the balance.

(3) We must reasonably identify the results of our efforts in terms of the resumption of a sustained and a sustainable growth in terms of equitable distribution, in terms of what creates and maintains new job opportunities, new expansion, new incentives, real and justified continuation of confidence.

These considerations do not always coincide with the most popular. They have, however, motivated the understanding that any action in this field would be preceded by bipartisan consultation with the leaders in Congress. The welfare of the people and not any party must first be served. This country is indebted to the leaders on both sides of the aisle for an attitude of statesmanship.

Most of us, I think, have faith in our country's future. We believe tomorrow will be all right, but how about today? Above all else we must apply reasoned judgment. We are not seeking a stimulant that brings quick change and a new crisis, but a firm posture of plans, attitudes, and actions that underlie a soundly enduring prosperity with lasting jobs and lasting growth.

If this is our faith, let us take stock of the good and the bad, but act as Americans responding to a challenge and an opportunity.

Businessmen should realize that while this may well be the most competitive year since the end of World War II, there is a lot of business for those who go out for it. Spendable funds are high; personal income in America from the last report was only 1.7% lower than the all-time peak. Savings are high. Credit is available. The American people are alert to new and better ways of meeting their wants. They are ready to welcome the almost-forgotten satisfactions of dealing in a buyers' market.

A well-stocked household can "afford to wait"—but it can also be sold. New technological developments are making yesterday's products obsolete at the same time that they are creating new products, new services and new employment opportunities. Our present situation calls for courage and foresight, for a considered evaluation of all practical measures for encouraging renewed growth. At the same time it calls for understanding and the cooperative efforts of business, labor, government and individuals alike, to assure sound growth and to resist expedients which could set in motion a new round of such inflationary pressures as to leave in its wake even greater problems in the months and years ahead.

I have every confidence that the American people will be wise enough and perceptive enough to support the right kind of actions for promoting growth in our competitive economy. We have overcome challenges in the past; we are equal to the present challenge.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on April 22 offered $8,220,000 Southern Pacific Co. 3¼% equipment trust certificates, maturing annually March 1, 1959 to 1973, inclusive, at prices scaled to yield from 1.85% to 3.60%, according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by 266 box cars and 600 ore gondola cars, estimated to cost $10,284,248.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Freeman & Co.; Ira Haupt & Co.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc.; and Shearson, Hammill & Co.

FIC Banks Place Debs.

The Federal Intermediate Credit Banks on April 22 offered a new issue of approximately $124,000,000 of 1⅜% nine-month debentures maturing Feb. 2, 1959 at par through John T. Knox, fiscal agent.

It was also announced that an issue already outstanding with a maturity of Nov. 3, 1985 was reopened for $12,000,000 and sold at a premium.

Proceeds from the financing will be used to refund $73,000,000 of 4.20% debentures maturing May 1, 1958 and for lending operations.

60th Anniversary Edition of "Who's Who"

This year's opus marks the achievement of a sixty-year publishing span of this well known biographical dictionary.

The recently published 1958-59 edition of *Who's Who in America* (A. N. Marquis Co., Chicago, Ill.) is the 30th biennial volume since its founding by A. N. Marquis in 1898.

In 60 years of specialization, this widely known biographical dictionary has grown to its largest size. It now contains 3,388 pages, a total of 56,000 listings and a separately printed vocational-geographical index.

Continued from page 17

Outlook for Municipal Financing

mass transit. Mass transit operations have ceased to be profitable and yet service must be maintained. The only feasible remedy becomes public ownership and operation or at least public subsidy. Los Angeles and San Francisco have moved in this direction. I am convinced that before very long commuter railroads will have to have public subsidies in order to continue to operate. Just this month Westchester County did a virtual about-face and granted tax concessions to the New York Central and New York & New Haven Railroads.

Some activities, almost inevitably, are in the public domain. Highways, water and sewer systems, the schools which we even call "public schools" are all illustrative. Some of these activities are partly private and partly public. Our impression is that they tend more and more to become public with the passage of the years. Perhaps this is because some of them have aspects of natural monopolies.

We do not go so far as some other countries do in this direction, even in such an instance as England, whose laws and institutions we have adopted in great measure. We do not, and I hope we never will, nationalize the electric and communications systems, or the coal mines and steel mills. In some of these respects the British have realized that they went too far, and they sounded retreats.

But the trend is observable in the United States, as it is elsewhere, and we are in a fortunate heyday at the moment because the state and local governments still are regarded as the proper agencies to carry out great public enterprises. Whenever a real emergency develops, militarily or economically, the Federal Government tends to dominate. But our ingrained sense of balance of governmental powers manages to rule also as between Federal and state activities, and we seem to return steadily and properly to the state and local governments as proper agencies for public works, when the national emergency diminishes.

Long Run Trend

This trend toward public accomplishment of public works can be counted upon in the long run, we believe, to increase sharply and perhaps even sensationally the amount of business in the municipal bond field. It is a trend that pushes toward higher levels of government the burden of meeting the needs. The top layer of course is the Federal Government, and we find an avowedly conservative Administration putting forth a public roads plan, and hankering after a public schools plan. The TVA and some of the enormous dams of the West are Federal projects. In the Northwest there is a threefold conflict of Federal, municipal and private interests in the electric utilities.

Again I say, our instincts seem to warn us not to let any one public agency get out of hand and run things on anything approaching a totalitarian basis. This is reflected in the heavy and still growing requirements that the states and their local governments provide in their respective spheres for capital improvements and other facilities appropriate to their spheres.

Let us touch briefly upon some of these areas of activity. It is now accepted that the vehicle builds the roads, and we all know that the highway needs stretch far into the future and will call for many billions of borrowing. The Interstate system is mainly the financial care of the Federal Government, but city streets, local roads and rural highways still are principally in the domain of the states and their local governments and agencies.

The educational facilities are being expanded swiftly to meet the public needs at earlier school years, and a huge program will have to follow to meet the explosive requirements of what is sometimes called higher education. Just how high formal education gets I leave to individual judgments, but the facilities will have to be made available. Unfortunately, the Federal Government tends to step in here as in the road program.

Water Use Growing

Water use, as everyone knows, is growing in the United States almost on a geometrical basis, as contrasted to the arithmetical progress of our numbers. Water becomes more of a problem daily, and has extended to an active search for a practical system of desalting sea water. Financing of water systems will continue on the ordinary basis, and expand hereafter on desalting systems. Sewer systems and sewage treatment plants also will grow and need heavy financing.

These are all spheres of activity which are acknowledged to be largely governmental. There are many others. The electric utilities sometimes are intimately related to reclamation and irrigation projects, and when such is the case a turn to a governmental agency seems proper. You often see lists of private corporations in the billion-dollar class. There are some public corporations, such as the New York State Power Authority, which are destined to belong in that category on an assets basis, although profit-making is subordinated to public service.

Transportation facilities somehow seem to crop up again and again in this context. Mass transportation in our many Metropolitan regions is a problem that is staggering in its involvements and requirements. Only the smallest inroads so far have been made on the needs that stem from the outflow to suburbia from core cities. Airfields are in flux and probably will be reconstructed to meet the jet age where they already exist, and built in growing numbers where they do not.

Our public builder number one, Mr. Robert Moses, has often commented that everything around New York was planned too small. Much the same can be said of almost any Metropolitan region.

Port facilities constitute still another area where public action seems the appropriate method. Our ports need reconstruction and new facilities on an almost unimaginable scale. There are many other activities which could be touched upon, but you municipal bond men are more familiar with them than are we. All I have tried to do is to glance at them with you in a context of steadily growing use of the public power to build bridges, tunnels and other things. And when that is done, you municipal bond men had better say with Walt Whitman—"I am large. I contain multitudes!"

R. K. Lifton Opens

Robert K. Lifton is conducting a securities business from offices at 535 Fifth Avenue, New York City.

Two With Copley

(Special to The Financial Chronicle)

COLORADO SPRINGS, Colo.—James C. Jordan and William A. McQueen have become affiliated with Copley and Company, Independence Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The long expected cut in reserve requirements, as well as the reduction in the discount rates, came last week and it had a favorable influence on the money market and the Government security market. The Federal Reserve Board lowered reserve requirements for New York City and Chicago banks (Central Reserve City Banks), by ½ of 1% effective last Friday with another ½ of 1% decrease to be made today (April 24). In the reserve city banks (48 of them), the reduction in required reserves of ½ of 1% also becomes effective today. The dual action of the Federal Reserve Board in sanctioning further cuts in the reserve requirements and the discount rate brought pressure on the entire money market for lower borrowing rates. The outflow of gold (more than $600 million) since the first of the year was one of the reasons given for the recent money easing action of the powers that be.

Easy Money Policy to Continue

In this simultaneous operation last week, the Federal Reserve Board by reducing reserve requirements and the dscount rate at the same time took a double-barreled shot at the business recession. The discount rate of 1¾% is the lowest since August, 1955, when it was 1½%, and this is a definite confirmation that the easy money policy will be continued for the foreseeable future. The expected cut in the prime bank rate by leading commercal banks from the 4% level is definite proof that the recent easier money action of the monetary authorities is bearing fruit.

Demand for Treasury Issues Expanding

The demand for Government obligations is expanding because the money which would ordinarily be going into loans is being put to work in Treasury issues. These purchases of Government securities, according to advices, are being spread pretty much throughout the whole list, since the various institutions which have been making these commitments have been doing a selective kind of buying. It is evident from reports that the large banks in the big money centers have been concentrating on the shortest maturities, even though there is now a tendency to move out a bit into the note classification, with the newly offered 2⅝s being the current favorite. These institutions have also been and still are fairly avid buyers of tax-free obligations, with the shorter-term issues still very much to their liking.

However, since the return on the near-term tax protected securities has gone down to levels which takes some of the attraction away from them, there is now a tendency to extend maturities in order to get a more favorable yield. This pushing out of maturities, however, has not yet been too bold, being largely confined to a 10-year period. Also, in instances where there have been important commitments in bonds coming due in more than 10 years, these purchases have been made first in Governments, then in the best rated tax-free and corporate obligations.

The modest pushing out of maturities by commercial bank and certain other institutional investors appears to be the result of beliefs that easier money rates and more ample credit will be with us for a longer period of time than had been expected not too long ago in certain areas of the financial district.

Fed Still Fears Inflation

The recent action of the monetary authorities in making another not too substantial reduction in reserve requirements and allowing further cuts in the discount rate in order to lower interest rates and to add to the supply of credit in not too sizable a way, in the opinion of certain money market specialists, is because they are still more possessed with the fear of inflation than that of deflation. This recession in business in the judgment of some money market followers, will not be recovered from as rapidly as had been expected not so long ago. Accordingly, efforts by the monetary authorities should be much more vigorous than has been the case so far.

Argue for Addition to Money Supply

It is the prevailing opinion in not a few spots of the money market that a real out and out attempt should be made by the powers that be to bring about an increase in the money supply. The feeling that an increase in the money supply will again kindle the fires of inflation should bear some examining. The purchase of securities by the deposit banks, whether they by Governments, corporates or tax exempt obligations, does create deposits and these are purchasing power. This also adds to the money supply. However, as an offset to this, it should be remembered that there will be no overall increase in the money supply since, on the other hand, the decrease in loans continues in a sizable way.

Counteract Decline in Loans

It seems as though the only sure method by which the monetary authorities are going to make real headway in building up the money supply under existing conditions will be to make more reserves available to the commercial banks. By such action they will be in a position to make very sizable purchases of securities and therefore be able to overcome and offset the decrease in deposits and the money supply which comes about when loans are repaid. The larger reserve balances of commercial banks will bring with the easier money conditions, a more ample credit supply, as well as a favorable attitude toward the bond market.

Joins First Cleveland

(Special to The Financial Chronicle)

CLEVELAND, Ohio — John F. Ellis is now connected with The First Cleveland Corporation, National City East Sixth Building, members of the Midwest Stock Exchange.

Joins Hooker & Fay

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Keith E. Wentz has joined the staff of Hooker & Fay, 221 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Continued from page 5

What's What With the Casualty And Fire Insurance Business

some 40% of the casualty companies total writings, it is plain that our loss experience in this line exerts a profound effect on the total picture.

It is axiomatic that times of continuing inflation are peculiarly difficult for the casualty and fire insurance industries. This is primarily because of the fact that when prices generally are rising, there is an excessive lag between the time we suffer losses and the time when premium rates are subsequently adjusted upward. Also, for our industry, inflation has a double-barreled effect, for we are forced into the position of collecting premiums based on one price level and then being obliged to pay out losses on subsequently inflated values. In some instances, for example with fire insurance being written for a five-year period, we collected premiums in 1952 dollars and paid out losses at 1957 values.

Regardless of the reasons, at all events we were treated, if treated is the word to use, to the spectacle of our industry losing its shirt in the midst of a period of practically unparalleled national prosperity, while all around us the profits of nearly every other type of business were rising so fast as almost to run off the top of the chart.

The question naturally arose, and still stands as our paramount problem:

To what extent was this situation our own fault and what lessons have we learned to correct it and to prevent a repetition?

Getting Higher Rates

The general consensus of opinion is that the solution lies in the obtaining of adequate rates in those classes of business where heavy losses were suffered. But accomplishing this is not as simple as it may seem. It may be difficult for anyone not closely concerned with the insurance business to understand the obstacles we encounter in endeavoring to obtain rate increases sufficient to assure us a reasonable profit or, in fact, any profit at all.

The difficulties in the matter of obtaining adequate rates have been brought into special prominence by the situation prevailing at the present moment in New York State, where our industry's request for a modest rate increase was rejected by the Insurance Commissioner. Despite the well known fact that we have suffered staggering losses in that State for the last two years, we have been forced to institute court action in an endeavor to over-ride the insurance department and obtain the relief which is imperative if we are to continue to write our present volume of business in the State. We fully expect to win our case, as we did under similar circumstances in Massachusetts and Illinois.

Political Aspect

The plain fact is that in any matter affecting so large a segment of our voting population as the rates for automobile insurance, the element of politics is bound to be a factor considered by the regulatory authorities either elected direct or appointed by the Governor. I do not mean to imply that politics is the dominant consideration, but the fact remains and is elementary that it is impossible to ignore the political implication of increases in insurance rates. This is notably true in those few States which have compulsory automobile insurance laws, such as New York. When the public is compelled to purchase insurance of any kind, the matter of rates is clearly a matter of great public concern.

Automobile rate increases were obtained in 43 States in 1957, and further increases have been granted in 21 States in 1958 and are being sought in other States.

This brings us to an oft-repeated question which is in many ways the crux of the situation, or as the natives say, the meat in the coconut. That question is this:

Are the rate increases already obtained in the various States sufficient to provide our industry with an underwriting profit in the automobile lines for the year 1958?

Nobody can give a categorical reply. There are several variable factors which enter into the situation.

In some of the States, the rate increases already obtained are expected to be sufficient to produce a satisfactory profit in those individual States. In my opinion, however, the most that can be said is that, as a whole, the rate increases obtained in 1957 and thus far in 1958 will tend only to reduce, but not to eliminate, our over-all underwriting losses in the automobile field.

But, as the butcher says about his baloney, no matter how thin you slice it, it is still baloney; and, likewise, no matter how thin we may cut our underwriting loss, it is still a loss and no industry can do business forever on a loss basis.

Where can we look for favorable developments on which to base hopes of an underwriting profit in the automobile lines?

Three Possibilities

So far as I can detect, there are three possibilities. These are:

(1) Additional rate increases may be obtained which may prove sufficient to meet the acid test of providing an underwriting profit. Every effort is, of course, being made toward this end.

(2) There may be a slackening in the inflationary pressures which have raised our costs all along the line. It is significant, however, that the rise in automobile repair costs has in the last few years outdistanced the general level of price increases and the new 1958 models seem to be designed to force repair costs higher, regardless of the general price level.

(3) The present economic recession may curtail automobile driving to an extent which will reduce highway traffic accidents. Should this happen, the benefit to our industry would be immediate. You may recall that when gasoline rationing during World War II restricted motor traffic, our profits in the automobile lines jumped so quickly and sharply that emergency rate decreases were promulgated. Speaking for my own company, I will state here and now for the record that I will gladly accept any automobile rate reductions that are preceded by a spell of excessive underwriting profits.

These are the three alternatives as they appear to me, and I leave it to your own judgment to appraise them.

High Jury Awards

I would like to mention, in passing, one of the factors in recent years that has had the effect of adding to our losses is high jury awards in damage suits, particularly those involving personal injury cases arising from automobile accidents. The effect of such high awards transcends the matter of the amount directly involved. They have a far-reaching effect on our whole claim payment picture. Although only an extremely small percentage of claims ever reach the stage of court litigation, the amount of damages assessed by a court or jury in these cases is obviously an important element to be considered in appraising the settlement value of pending or future claims. Claimants and their attorneys are guided by such jury awards in estimating the value of their own claims.

I wish to make it clear that I do not say that jury awards, however high they may be, can be called excessive, since under our system of jurisprudence any award granted by a jury and sustained on appeal is by definition a proper one, since the jury and court are the final referees as to what constitutes a proper award.

However, the fact that such awards in recent years are much higher than those previously prevailing cannot be denied, and they necessarily have an effect on our loss ratio and consequently on the premiums which the general public pays for insurance.

I cannot help but feel that many juries are under the impression that insurance companies are possessed of almost unlimited resources. This may be largely the fault of the companies themselves, since so far as my memory goes most companies in their advertisements and other publications have always thrown the spotlight on their tremendous reserves and huge surpluses. This is easily misinterpreted by the general public, which does not understand that most of these funds are simply held in trust for policyholders and are not piled-up profits.

Mutuals' Competition

One of the major developments in our industry in recent years has been the intensive competition between the bureau stock companies and the direct writing mutuals and the specialty companies which sell their policies through so-called captive agents.

Most of the stock companies are members of the National Bureau of Casualty Underwriters and sell their policies to the public through local independent agents and brokers who are compensated wholly on a commission basis. We do not under any circumstances sell direct to the public.

Most of the direct writing mutuals, such as Liberty Mutual, sell their policies through salaried employees and deal directly with their policyholders. The specialty companies, of which Allstate is a typical example, operate for all practical purposes through agents who represent only the one company and whose activities are generally subject to control and direction by the company. On the contrary, the agents who represent the Maryland and other bureau companies are independent business men free to place their business with any company with whom they can make arrangements.

Spectacular Growth

The commissions paid by the bureau companies to their independent agents are substantially higher than those paid to the so-called captive agents and this difference in commission represents a major part of the variation in costs between our policies and those of the specialty companies. Because of this price differential, the growth of some of the specialty companies in recent years has been spectacular, one company having had a twelvefold gain in automobile premium volume in the last ten years.

Since the American public is acutely price conscious and is becoming more so every day, it is the considered opinion of most of the executives of the bureau companies that we must take steps to reduce our costs and, thus to bring the price of our policies, particularly automobile, more nearly in line with that of the specialty companies if we hope to retain our competitive position.

The bureau companies are, therefore, exploring ways and means of reducing costs and, at the same time, endeavoring to convince the general public that the services of the independent agent and broker are worth the additional price. The National Association of Insurance Agents, the official organization of the independent agents, has just launched a million dollar advertising campaign to sell the value of the independent agent to the public.

Very recently some of the bureau companies acted to reduce the automobile commissions paid to their agents in the States of New York and California, as well as Cook County, Illinois, which includes Chicago, and it is well within the realm of possibility that similar action will be taken in other areas. Because of the anti-trust laws, the bureau companies cannot act as a unit in the matter of agents' commissions. Each company must act independently and take the risk of possibly losing some business to companies which choose to maintain the existing commission level.

Needless to say, any reduction in commissions does not arouse much enthusiasm on the part of the agents affected.

There are several remedies which have been proposed as a means of reducing the margin between the price of our policies and those of our low-rate competitors. Among these are (1) the continuous policy which would eliminate the expense of annual renewals, (2) direct billing of the policyholder by the company, (3) requiring immediate premium payment at the time the policy is delivered, and (4) elimination of our present policy of allowing flat cancellation without charge for the period of from 30 to 60 days that the coverage had been in effect. This unsound practice has the effect of providing free insurance.

Portend for Future

While this matter of competition between the various types of companies is very much in the headlines nowadays, it is curious that as a practical matter the effect of such competition does not appear as yet to have seriously affected either the agents or the companies except insofar as it has potential for the future.

In fact, most agents are writing as much automobile business as they can handle and have a steady increase in premium volume year after year. Most of the companies likewise have as much volume of automobile business as they care to assume under present conditions. The plain fact is that the tremendous increase in available automobile business has provided enough for all, and it is quite likely that this condition will prevail for quite a few years.

However, regardless of the present impact, the bureau companies cannot afford to stand idly by and permit themselves to be priced out of the automobile market. Already the competition of the specialty companies is rapidly developing in the field of dwelling fire insurance, and it is quite likely that in the long run the agent who writes the automobile policy will ultimately obtain the highly desirable and profitable dwelling fire business.

I have placed special emphasis on the automobile situation, since it is these lines that accounted for the major part of our underwriting losses, both in 1956 and 1957.

Multiple-Line Co.'s

However, most of the casualty and fire companies are now multiple-line companies, writing both casualty and fire insurance, as well as in most cases fidelity and surety bonds and marine insurance.

Now, one of the theoretical advantages of being a multiple-line company is the reasonable expectation that when events produce a loss in one or two lines, the profits in other lines will be a sufficient counterbalance to provide an over-all operating profit. Particularly is it normally expected that the fire lines can be counted on to produce a profit and help offset any casualty losses.

The record shows that the loss experience in the fire and allied lines began to turn sour in late 1955, worsened in 1956, and in 1957 produced results which can only be described as dismal. The matter of obtaining adequate rate increases in the fire lines is also proving to be difficult, since the five-year loss experience is traditionally used in figuring the rate base. Every effort is being made to obtain rate increases. Also, the premium discounts allowed for three- and five-year term policies have been reduced, and in two States the writing of policies for a term of more than three years has been prohibited.

Part of the adverse experience of the fire companies is due to the fact that dwelling owners generally are under-insured. For this reason, the companies last year launched an intensive campaign, which still continues, to induce home owners to increase their limits of coverage to the actual value of their properties. Since such higher limits of coverage are not followed by a proportionate increase in losses, the effect is to enhance our profit potential. It is hoped and expected that this movement to write insurance to value will bring substantial improvement to the fire underwriting picture.

Our companies have two major sources of income. One is the underwriting side of our insurance business, the other is our investments. While there usually is a wide fluctuation in the profit, or loss, from our underwriting operations, our earnings from our investment portfolio normally increase year by year as our premium volume rises. It may surprise those who are not intimately acquainted with our operations that of the two sources of income, that from investments is normally the larger.

Investment Income

Thus in fact, the investment side of our business assumes a magnitude which, in some respects, overshadows our primary business of writing insurance. The judicious handling of the investment portfolio is, accordingly, one of the most important functions of management. The three factors of safety, liquidity and yield must all be given proper weight in considering the form of investment from which to choose. Since the major part of our assets consists of funds held in trust for our policyholders as unearned premiums or earmarked for eventual payment of losses, we cannot afford to speculate with these funds. Accordingly you will find that, for example, my company has approximately 70% of its available funds invested in bonds of various types, including governments and those of selected states, counties and municipalities. Another 5% is in high- to good-grade preferred stocks, giving us a total of about 75% in fixed-income securities. The balance is invested in common stocks.

Bond-Stock Investment

Since under normal circumstances, tax exemption is so important to us we follow a practice insofar as the bond portfolio is concerned of emphasizing the purchase of tax-free issues. In addition, for several years now we have been shifting some of our funds from taxable U. S. Government Bonds to additional tax-exempt bonds so that at the present time our municipal bonds represent the largest segment of our portfolio.

Another advantage of conservative investment in bonds is the fact that the insurance laws permit us to carry most bonds on our books at the amortized value, so that any drop in the market price does not affect our reserves or surplus position.

With respect to our common

stocks, we are sometimes asked the question why we do not invest a larger percentage of our funds in this medium and thus gear our ups and downs more directly to the general economy of the country. Some economists have, in fact, suggested that it might be well to do this, since in an inflationary period the values of common stocks would rise and provide additional surplus with which to finance the writing of the greater volume of business normally arising from such inflation. On the other hand, in a contracting economy, the drop in equity values would be expected to do no worse than parallel the drop in our surplus requirements due to a presumable slackening off in new business.

In actual practice, however, while a few companies with huge surpluses have placed as much as 50% of their investable funds in common stocks, very few others can afford to do so.

As for my company, we feel that the greater part of our assets representing the capital and surplus owned by the stockholders can appropriately be placed in common stocks and thus share in the general economy for better or worse. The greater yield afforded by common stocks coupled with the element of growth they offer, appear to provide sufficient justification for this approach.

It is one of the peculiarities of our business that dividends to stockholders are paid not from underwriting operations but rather from investment income. It is the general policy of most companies in our industry to restrict dividend payments to a portion of the investment income and I believe a fair average pay-out is roughly 60%. By retaining the balance companies have at their disposal a dependable source of additional capital on which to base a normal growth of premium volume. Since the volume of business we can write is governed by the amount of capital and surplus we have available, it is of prime importance, if we are to avoid stagnation, that we have this increase in our assets year after year.

A Leading Growth Industry

The practice of limiting dividend payments to only a portion of investment income benefits the stockholder in the long run, since this plowing back of earnings permits the compounding of profit on top of profit year after year; and, thus, in the absence of a disastrous year of losses such as 1957, provides the basis for a steady increment in the value of his stock. It is for this reason that the fire and casualty companies are regarded as one of the leading growth industries of our country. Our industry, as a whole, has for many years proved to be a most reliable outlet for investors seeking long-term capital gains, as well as a fair annual income.

I would say that in the final analysis our industry must reckon with the inflexible laws of economics. We cannot continue to conduct our business at a loss. We must make more realistic provisions for keeping our rates more closely geared to losses. We must cut our expenses.

Class to Mass Market

In the case of automobile and dwelling fire insurance, we are entangled with one of the most elementary truisms of merchandising, which is this: that when any product or service makes the transition from a class market to a mass market, some radical changes take place. The first and most significant of these changes is a diminishing of the amount of profit per unit sold. This loss is presumably recouped, and in most instances is in fact recouped, by the greater number of units sold.

For us, this situation is somewhat complicated at present by the circumstance that the value of the personal services of the independent agent or broker is now being tested in the market, to ascertain whether it has enough weight to overcome the competitive feature of lower price.

In the vernacular, business is business. Anything that runs contrary to the basic rules of good business must sooner or later give way.

I have heard it said that there are two cardinal economic sins. One is trying to get something for nothing; the other is giving something for nothing.

In certain areas of our operations, both in distribution and processing, it is possible that there are factors which may not be based on an economically sound foundation, and which cannot, therefore, in the long run endure. For example:

Insofar as we are denied the right to charge adequate rates for our product, the public is getting a free ride. This is not good business.

Insofar as any company and its producers may not be taking advantage of every feasible method of reducing costs of operation, profit margin is reduced and competitive advantage is lost. This is not good business.

Insofar as any producer is not providing service commensurate with his commissions, he is getting a free ride. This is not good business.

Insofar as juries may be granting high awards for reasons of sentiment or in the mistaken belief that insurance companies have unlimited resources, all claimants are unjustly benefited. This is not good business.

Insofar as we are permitting flat-rate cancellations without charge after a policy has been in effect for a month or two, we are giving away our product "for free." This is not good business.

The basic principle involved can be very simply illustrated by the brief anecdote about the Oriental potentate who became interested in the subject of Economics and wanted to know everything there was to know about it. He summoned his wise men and commanded them to write a comprehensive treatise on the subject. They labored for 20 years and produced a great opus in 15 fat volumes. But the King, being busy with affairs of State, or maybe with his harem, ordered it condensed into a single volume.

The wise men labored for another ten years and brought forth the book, but by that time the monarch, being older though possibly not so busy, was too lazy to read it. So he ordered that it be condensed to a single page. This took another five years and by that time the King was old, blind, bedridden and not expected to live. But he was still interested in Economics, so he commanded his wise men to boil down their findings into a single spoken sentence.

The wise men withdrew and returned a few minutes later with the single sentence, containing the sum and substance of the whole subject of Economics, which they spoke to their dying ruler.

This is what they said:

"Your Majesty, there is no such thing as a free lunch."

In conclusion, let state that the responsible executives of our companies are fully aware of the extent to which violations of this basic principle have been the cause of some of our biggest troubles. I think, therefore, that we can safely say that for us the worst is over, and that from the deep valley of 1957 the way can only be upward.

There is no doubt in my own mind that, barring any unforseen catastrophe or national emergency, our industry results in 1958 will show decided improvement over those of 1957, and that during 1959 we should be well along on the road to recovery

Morgan Stanley Group Offers Lykes Bros. SS. Common Stock

Public offering of 400,000 shares of Lykes Bros. Steamship Co., Inc., common stock ($10 par value) was made yesterday (April 23) by Morgan Stanley & Co. and 52 associated investment underwriting firms. The stock was priced at $22.50 per share.

This is the first public offering to investors of securities of the company, which was incorporated in Louisiana in 1925 as the successor to shipping interests which have been operating in foreign shipping since about 1900. The company intends to apply for the listing of the shares on the New York Stock Exchange.

Of the shares being offered, 300,000 shares are being sold for the account of the company and 100,000 shares for the account of three selling stockholders, whose holdings will amount to an aggregate of 423,187 shares after this sale.

The proceeds from the sale of the shares sold for the company will be added to its general funds for future requirements. The company has undertaken a program to replace its fleet with new vessels and the management has stated that the cost and method of financing the program is not determinable at the present time.

Lykes Bros. Steamship Co. at Dec. 31, 1957, operated one of the largest dry-cargo fleets of vessels sailing under the United States Flag. The fleet numbered 57 ships, of which 54 were owned. The 54 ships owned had an aggregate of 581,627 deadweight tons.

The company transports freight, mail and passengers in regular service between United States Gulf ports and ports in the Caribbean area, United Kingdom and Western Europe, the Mediterranean area, Far East and South and East Africa. The company owns 50% of the outstanding common stock of Gulf & South American Steamship Co., Inc., which operates five C-2 type freight vessels between Gulf ports and the West Coast of South America.

For the year 1957 the company's gross income based on terminated voyage results was $89,530,000, compared with $73,654,000 in 1956. Net income for 1957 was $15,795,000, equal to $4.51 per share on the 3,500,000 shares of common stock then outstanding, compared with $15,887,000 or $4.54 per share in the preceding year. The company has no outstanding debt.

The company has paid cash dividends in every year since 1939. On April 15, 1958, the directors declared a quarterly dividend of 25 cents per share payable June 10, 1958, to holders of record May 26.

T. F. Cassin Joins Amott, Baker Branch

WATERBURY, Conn.—Thomas F. Cassin has become associated with Amott, Baker & Co., Incorporated, members New York Stock Exchange, as a registered representative with its Waterbury, Conn., branch office, 30 West Main Street. Mr. Cassin was previously associated with the former Waterbury office of Shirmer, Atherton & Co. Prior to entering the investment business, Mr. Cassin has been a successful and prominent merchant in Waterbury for many years.

Samuel Goldschmidt

Samuel Goldschmidt, formerly in the investment business in New York City, passed away on April 9. Mr. Goldschmidt was a member of the Security Traders Association of New York.

Form Smith & Weinberg

Emile Z. Weinberg and Walter J. Smith, both members of the New York Stock Exchange, will form Smith & Weinberg with offices at 20 Broad Street, New York City, on April 25th.

Forms J. R. Steadman Co.

James R. Steadman, Jr., has formed J. R. Steadman Co. with offices in the Hotel Chelsea, New York City, to engage in a securities business.

Continued from first page

As We See It

"modernist stuff gone sour and silly" by the popularizer of the "multiplier."

There can be no doubt that Keynes planted the notion in our heads that we could, through government, spend our way out of a depression. It is equally clear that the funds at least during depressed days were not nearly all to come from taxpayers. That is to say huge government deficits was one of the chief items in the Keynesian kit of anti-depression tools. He was also plainly of the belief that lack of spending power, or lack of exercise of such power, was the real cause of unemployment and depression. With all too many of Keynes' followers, if not with the master himself, spending and saving were antithetical terms, particularly as concerned the rank and file of individuals. A man either spent or saved his income. That he might well, and as a matter of fact ordinarily does, both save and spend a part—and the same part—of his income seems for the most part to be left out of consideration. Few talk as if investment involved an expenditure of funds.

Legislators Not Economists

Of course, few economists worthy of the name would care to speak so categorically about the causes of depression as did Keynes—and that despite the enormous influence his Lordship has had upon the economic thinking of the times. But our legislators, our public officials, and our politicians are not economists for the most part, and they are dependent for continuation in office upon their ability and willingness to please the great rank and file who certainly have not great learning in the field of economics. It is hardly surprising, therefore, that so much that is "sour and silly" issues from the mouths of legislators, office holders and politicians generally — however regrettable their misconceptions and their preachments may be.

Given the fact that an election is in the offing, and that the two major political parties are locked in a tense struggle for public approval next autumn, it is in a way understandable that the Majority Leader of the Senate should seriously tell the world that "we saw a great depression brought on 30 years ago by a decline in farm income. Yet we have allowed farm income to decline once more." Of the same stripe is his further dictum to the effect that "we saw business expansion retract and crumple under the weight of burdensome money costs; yet we have deliberately sought to reimpose that burden. We saw the economy flourish under the stimulus of necessary spending for necessary public works; yet we have painstakingly deleted such works from our national program for too long." Even the President the other day went overboard with a plea to the rank and file to buy and end the depression—"buy anything" to use his own words.

Wrong-Headed

Now to our way of thinking this eternal cry to spend, spend, and spend—whether by government or by private individuals—is essentially wrong-headed. As an appeal to individuals or business it is likely to be breath wasted. Consumers and investors will keep their money in circulation when they think conditions are right, and pleas to ignore their own better judgment are not likely to be particularly effective—and it is a good thing that they are not. As to deficit spending or any other kind of reckless outlays by government, we think they are always out of order, but we should feel somewhat less disheartened by them if there were any clear evidence that we really believed—as did Lord Keynes in his later years—that deficits should be replaced by substantial surpluses when business is going well, and particularly when booms are under way—and believing it were really prepared to take action accordingly.

The record, of course, clearly demonstrates that whatever we may say during depressions, there never comes a time when we take public debt reduction seriously. Such sporadic reductions as have occurred have been more or less accidental or unpremeditated, the result of unexpectedly good tax collections—so far as they have been real at all. At the middle of 1947 after a year or somewhat more of postwar adjustment the national debt stood at $258 billion. At the middle of last year, before the current recession had got under way it was reported at $271 billion, an increase of some $13 billion in 10 years. Of course, there were a few years in between when some reduction in debt occurred, but the trend over the decade is as indicated by the figures quoted.

Not a Depressed Decade

Now as is well known this was definitely not a decade of depression. Certain mild recessions occurred, but not one that could be called a real depression even by the politicians seeking to discredit the party in power. On the contrary, it was a decade of remarkable growth and of almost incredible technical progress requiring large outlays for plant and equipment. If during such years as these public debt keeps mounting, where will it all end? Lord Keynes himself was far from sure whether there would have to be perpetual deficits in order to prevent heavy unemployment—or at least he was when the Great Depression was still with us.

But he believed as so many others did in those years that no adequate opportunity for investment could be expected in the mature economy that we had supposedly developed. The reverse has, of course, been true all through the postwar years. It is a frightening thought that we may go on indefinitely enlarging public debt until it reaches really astronomical figures.

Outlook for Gas Industry Found Favorable In Two Reports

Two encouraging reports dealing with various aspects of gas industry show, one, gas utility and pipeline industry will spend $36 billion by 1970 and, two, growing gas consumption and appliance manufacturing exists despite general recessionary downturn.

Favorable prospects for the gas industry were recently made in two different reports.

The American Gas Association announced April 16 that the gas utility and pipeline industry's construction outlay between now and 1970 will exceed $36 billion. Mr. E. J. Funk, Jr., Vice President of C. M. Kemp Mfg. Co., Baltimore, Md., examining another aspect of the gas industry, reported to the annual meeting of the Gas Manufacturers Association that growing gas consumption, particularly in manufacturing, aids the residential and commercial aspects of the gas appliance industry.

The gas utility and pipeline industry will spend more than $36 billion for construction between now and 1970, the American Gas Association forecasts in a new growth analysis. Construction expenditures will reach an annual peak of $3.6 billion in 1970 when the industry will serve 43.7 million customers.

The A. G. A. Bureau of Statistics estimates that the number of gas customers will increase by nearly 45% over the 30.3 million served last year. Sales of 153 billion therms in 1970 will be more than double last year's sales of 75.7 billion therms, and revenues received from ultimate customers will reach an annual total of $10.7 billion, up to 162% from 1957.

No major differentials in rate of growth by class of service are foreseen except that industrial sales, with a gain of 86% over the 13-year period, will increase at a slightly slower pace than will residential and commercial sales.

More than 17 million (62%) of last year's residential customers used gas for heating. A. G. A. predicts that the industry will have 33.6 milllon home heating customers on its lines by 1970, nearly 85% of all residential consumers and twice as many as last year. A substantial portion of these customers also will use gas for summer cooling.

Daniel Parson, director of the Bureau of Statistics, estimates that the gas industry's gross plant will be $49.3 billion by the end of 1970. This will be a gain of 194% over the estimated $16.7 billion worth of facilities in use at the end of last year.

The industry will be operating 858,000 miles of mains by 1970, compared with an estimated 543,000 miles in use at the end of last year. Transmission line mileage will rise from 157,000 last year to a total of 260,000. Distribution lines will increase from 336,000 to 513,000 miles during the same period.

While transmission construction expenditures will grow at a modest rate during the next 13 years, more substantial increases will be necessary for new construction and the expansion of production facilities, distribution systems, and both local and underground storage facilities.

Projecting the industry's manpower requirements, A. G. A. forecasts that employment will reach 266,000 by 1970, with a payroll of $2.6 billion that year. Approximately 205,000 employees shared payrolls totaling $1.1 billion during 1957.

Views of E. J. Funk

In addressing the recent Annual Meeting of the Gas Manufacturers Association, E. J. Funk, Jr., Vice-President, C. M. Kemp Mfg. Co., Baltimore, and Chairman, Industrial Gas Division of Gas Appliance Manufacturers Association, noted as follows:

Gas Appliance Outlook

"An analysis of total gas consumption in this country tells some of our story. Last year utilities sold over $1,100,000,000 worth of gas to industry. This represented slightly more than one-quarter of their dollar sales, but in energy content the nearly 40 billion therms going to industry represented more than half the nearly 76 billion therms sold by these distributors.

E. J. Funk, Jr.

"Even that is not the whole story, because more than 30% of the country's natural gas production is sold directly to large consumers by producers. These customers are in such fields as petroleum refining, power generating, carbon black manufacturing and petrochemicals, and some of our equipment figures there, as well as in the enormous utility gas sale total and in the smaller but important industrial applications for liquefied petroleum gas.

"The American Gas Association has announced that the volume of utility gas distributed to industry in January was 3.6% ahead of the 1957, despite a general dip of 8.9% in industrial production. February figures are not in, but are believed to be sharply higher despite diversion of gas from some industry to meet unusual residential heating needs.

"Since last December there has been a slowing up in certain types of business, including some of the big metal working centers in the Midwest, and in the steel industry. But new developments are helping fill the gap. We are developing industrial heat treating equipment to provide higher temperatures required for some rocketry items. There is swift growth in many types of material used for the chemical industry.

"We're going to keep growing so long as American Industry keeps growing, and anything else is unthinkable. The growth of use of gas in manufacturing helps the residential and commercial aspects of the industry, and vice-versa, because it's far more economical to supply them together than separately. That's one reason why use of gas grows slowly in some underdeveloped countries. The gas is there and the people need it in their homes. But lack of industrial customers is a barrier to financing transmission and distribution systems."

Potomac El. Power Co. Debentures Offered

Potomac Electric Power Co. is offering to holders of its outstanding common stock rights to subscribe for $19,700,000 of 3¾% convertible debentures, due May 1, 1973, on the basis of $100 principal amount of debentures for each 30 shares of common stock held of record April 22, 1958. The subscription price is 100%, and the subscription offer will expire at 5 p.m. (EDT) on May 6, 1958.

Dillon, Read & Co. Inc. and Johnston, Lemon & Co. head an investment banking group which is underwriting the offering.

Net proceeds from the sale of the debentures, together with $7,250,000 remaining from net proceeds of a sale in March of 300,000 shares of $2.46 serial preferred stock, will be used to reimburse the company's treasury for a portion of construction expenditures made and to be made. It is estimated that gross property additions for 1958 will aggregate approximately $60,000,000.

The debentures are convertible on and after April 1, 1959 into common stock at $25 per share and are redeemable at the option of the company on and after May 1, 1959 at prices ranging from 104½% for those redeemed on or before May 1, 1960, to 100% for those redeemed on or after May 2, 1972.

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

In 1957, operating revenue of the company was $68,639,760 and net income $10,054,308, compared with $63,756,332 and $9,521,261, respectively, in 1956.

With Prescott, Wright

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Harold E. Saunders, Jr. has become connected with Prescott, Wright, Snider Company, 916 Baltimore Avenue. He was formerly with Waddell & Reed, Inc.

With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Eugene J. English has become associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. Mr. English was previously with Dean Witter & Co. and Central Republic Company.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (per cent capacity)	April 27	§46.8	*47.6	50.6	88.7
Equivalent to—					
Steel ingots and castings (net tons)	April 27	§1,265,000	*1,285,000	1,366,000	2,269,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	April 11	6,186,885	6,250,135	6,256,985	7,442,065
Crude runs to stills—daily average (bbls.)	April 11	¶7,571,000	7,214,000	7,479,000	7,899,000
Gasoline output (bbls.)	April 11	25,817,000	25,124,000	25,647,000	26,322,000
Kerosene output (bbls.)	April 11	2,031,000	2,203,000	2,693,000	2,134,000
Distillate fuel oil output (bbls.)	April 11	11,720,000	11,506,000	11,891,000	12,451,000
Residual fuel oil output (bbls.)	April 11	7,248,000	6,785,000	7,161,000	7,828,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	April 11	213,736,000	214,754,000	216,525,000	202,904,000
Kerosene (bbls.) at	April 11	17,406,000	16,912,000	17,459,000	19,823,000
Distillate fuel oil (bbls.) at	April 11	73,727,000	74,545,000	81,853,000	74,156,000
Residual fuel oil (bbls.) at	April 11	56,962,000	54,750,000	55,061,000	36,758,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	April 12	521,035	516,225	539,057	673,944
Revenue freight received from connections (no. of cars)	April 12	486,754	497,118	529,025	610,509
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	April 17	$304,489,000	$354,588,000	$278,262,000	$394,532,000
Private construction	April 17	142,987,000	171,649,000	132,318,000	227,801,000
Public construction	April 17	161,502,000	182,939,000	145,944,000	166,731,000
State and municipal	April 17	121,755,000	142,432,000	113,411,000	140,284,000
Federal	April 17	39,747,000	40,507,000	32,533,000	26,447,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	April 12	6,960,000	*6,200,000	7,635,000	9,882,000
Pennsylvania anthracite (tons)	April 12	358,000	318,000	322,000	498,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	April 12	103	125	106	122
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	April 19	11,107,000	11,307,000	11,756,000	11,485,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	April 17	346	342	357	302
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	April 15	5.967c	5.967c	5.967c	5.670c
Pig iron (per gross ton)	April 15	$66.49	$66.49	$66.49	$64.56
Scrap steel (per gross ton)	April 15	$32.83	$33.50	$36.33	$42.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	April 16	24.600c	24.600c	28.700c	31.500c
Export refinery at	April 16	21.475c	21.425c	20.250c	29.400c
Lead (New York) at	April 16	12.000c	12.000c	13.000c	16.000c
Lead (St. Louis) at	April 16	11.800c	11.800c	12.800c	15.800c
‡Zinc (delivered) at	April 16	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	April 16	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	April 16	24.000c	24.000c	26.000c	25.000c
Straits tin (New York) at	April 16	92.875c	93.250c	95.000c	100.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	April 22	97.27	96.90	94.61	89.35
Average corporate	April 22	96.07	95.77	95.32	96.54
Aaa	April 22	102.96	102.13	101.80	101.14
Aa	April 22	99.68	99.52	99.36	99.36
A	April 22	96.07	95.92	95.16	96.69
Baa	April 22	86.65	86.65	86.24	89.64
Railroad Group	April 22	91.62	91.19	91.19	95.16
Public Utilities Group	April 22	97.78	97.78	96.85	97.62
Industrials Group	April 22	99.04	98.73	98.25	97.78
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	April 22	2.73	2.77	2.96	3.40
Average corporate	April 22	4.00	4.02	4.05	3.97
Aaa	April 22	3.57	3.62	3.64	3.68
Aa	April 22	3.77	3.78	3.79	3.79
A	April 22	4.00	4.01	4.06	3.96
Baa	April 22	4.66	4.66	4.69	4.44
Railroad Group	April 22	4.30	4.33	4.33	4.06
Public Utilities Group	April 22	3.89	3.89	3.95	3.95
Industrials Group	April 22	3.81	3.83	3.86	3.89
MOODY'S COMMODITY INDEX	April 22	390.5	395.7	398.5	409.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	April 12	236,799	335,027	249,513	259,607
Production (tons)	April 12	256,970	279,404	272,450	284,442
Percentage of activity	April 12	82	88	88	94
Unfilled orders (tons) at end of period	April 12	382,210	404,209	393,182	463,194
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	April 18	110.09	110.01	109.76	110.97
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 29	1,363,880	1,480,690	1,060,210	1,119,610
Short sales	Mar. 29	276,600	320,550	247,030	169,320
Other sales	Mar. 29	1,033,670	1,168,910	779,330	928,980
Total sales	Mar. 29	1,310,270	1,489,460	1,026,360	1,098,300
Other transactions initiated on the floor—					
Total purchases	Mar. 29	353,280	408,250	278,400	199,310
Short sales	Mar. 29	37,900	61,700	29,100	14,400
Other sales	Mar. 29	344,620	385,050	219,350	223,350
Total sales	Mar. 29	382,520	446,750	248,450	237,750
Other transactions initiated off the floor—					
Total purchases	Mar. 29	434,200	508,951	337,350	383,380
Short sales	Mar. 29	75,990	77,730	94,360	128,840
Other sales	Mar. 29	490,260	473,433	388,815	501,480
Total sales	Mar. 29	566,250	551,163	483,175	630,320
Total round-lot transactions for account of members—					
Total purchases	Mar. 29	2,151,360	2,398,161	1,675,960	1,702,300
Short sales	Mar. 29	390,490	459,980	370,490	312,560
Other sales	Mar. 29	1,868,550	2,027,393	1,387,495	1,653,810
Total sales	Mar. 29	2,259,040	2,487,373	1,757,985	1,966,370
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Mar. 29	1,162,232	1,153,211	933,532	964,343
Dollar value	Mar. 29	$50,336,445	$50,187,447	$40,936,390	$44,658,718
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 29	1,012,454	1,022,426	799,683	855,302
Customers' short sales	Mar. 29	16,078	20,782	22,443	9,809
Customers' other sales	Mar. 29	996,376	1,001,644	777,240	845,493
Dollar value	Mar. 29	$43,040,716	$44,598,437	$33,864,833	$38,786,084
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 29	279,890	293,470	236,360	226,880
Short sales	Mar. 29	------	------	------	------
Other sales	Mar. 29	279,890	293,470	236,360	226,880
Round-lot purchases by dealers—					
Number of shares	Mar. 29	408,370	423,110	364,360	343,330
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Mar. 29	601,260	748,920	693,290	453,720
Other sales	Mar. 29	10,726,790	11,104,450	8,379,320	8,408,770
Total sales	Mar. 29	11,328,050	11,853,370	9,072,610	8,862,490
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	April 15	119.4	119.6	119.6	117.2
Farm products	April 15	98.4	99.4	99.8	90.7
Processed foods	April 15	110.1	110.5	109.9	104.6
Meats	April 15	107.4	108.7	106.1	86.6
All commodities other than farm and foods	April 15	125.9	125.8	125.9	125.3

*Revised figure. ¶Includes 893,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Feb. 28:			
Total consumer credit	$43,043	$43,966	$40,736
Instalment credit	33,302	33,737	31,488
Automobile	15,122	15,326	14,432
Other consumer goods	8,277	8,499	8,160
Repairs and modernization loans	1,936	1,963	1,859
Personal loans	7,967	7,949	7,037
Noninstalment credit	9,741	10,229	9,250
Single payment loans	3,542	3,514	3,273
Charge accounts	3,710	4,264	3,690
Service credit	2,489	2,451	2,287
CONSUMER PRICE INDEX — 1947-49 = 100— Month of February:			
All items	122.5	122.3	118.7
Food	118.7	118.2	113.6
Food at home	117.2	116.7	112.0
Cereals and bakery products	132.6	132.5	129.1
Meats, poultry and fish	112.0	110.2	101.4
Dairy products	114.5	114.6	111.1
Fruits and vegetables	124.4	121.9	116.5
Other foods at home	111.3	113.1	113.0
Housing	127.3	127.1	124.5
Rent	137.0	136.8	134.2
Gas and electricity	115.9	115.7	112.4
Solid fuels and fuel oil	137.2	138.4	139.3
Housefurnishings	104.9	104.2	105.0
Household operation	129.9	129.7	125.6
Apparel	106.8	106.9	106.1
Men's and boys'	109.0	109.0	108.6
Women's and girls'	98.6	98.8	98.2
Footwear	129.5	129.3	127.2
Other apparel	92.0	91.9	91.7
Transportation	138.5	138.7	134.4
Public	185.4	182.4	175.6
Private	127.9	128.4	124.5
Medical care	161.9	141.7	135.5
Personal care	128.0	127.8	122.6
Reading and recreation	116.6	116.6	110.0
Other goods and services	127.0	127.0	124.0
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on March 1	20,918,000	21,059,000	21,537,000
Spinning spindles active on March 1	17,945,000	17,950,000	18,639,000
Active spindle hours (000's omitted) Mar. 1	8,161,000	10,199,000	8,749,000
Active spindle hours for spindle in place Mar.	408.0	408.0	437.5
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of February:			
All manufacturing (production workers)	11,780,000	12,050,000	13,114,000
Durable goods	6,628,000	6,860,000	7,721,000
Nondurable goods	5,152,000	5,190,000	5,393,000
Employment indexes (1947-49 Avg. = 100)—			
All manufacturing	95.2	97.4	106.0
Payroll indexes (1947-49 Average = 100)—			
All manufacturing	145.4	*149.2	165.0
Estimated number of employees in manufacturing industries—			
All manufacturing	15,586,000	15,880,000	16,945,000
Durable goods	8,859,000	9,113,000	9,992,000
Nondurable goods	6,727,000	6,767,000	6,953,000
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of December:			
Death benefits	$255,400,000	$222,400,000	$209,000,000
Matured endowments	67,200,000	57,800,000	63,700,000
Disability payments	8,800,000	9,200,000	8,900,000
Annuity payments	40,300,000	44,800,000	38,100,000
Surrender values	119,100,000	101,700,000	94,900,000
Policy dividends	190,400,000	89,300,000	176,300,000
Total	$681,200,000	$525,200,000	$590,900,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of January (millions of dollars):			
Inventories—			
Durables	$30,630	*$31,148	$30,631
Nondurables	22,318	*22,372	21,803
Total	$52,948	*$53,520	$52,434
Sales	26,266	*26,690	29,956
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of February (in billions):			
Total personal income	$341.8	$343.6	$338.5
Wage and salary receipts, total	234.8	*237.0	235.9
Commodity producing industries	95.2	*97.6	102.0
Distributing industries	64.7	*64.8	62.4
Service industries	34.4	*34.2	32.4
Government	40.5	*40.4	39.1
Other labor income	7.8	7.9	7.8
Proprietors and rental income	50.7	*50.5	51.0
Personal interest income and dividends	31.8	31.7	30.8
Total transfer payments	23.5	23.3	19.7
Less employees' contribution for special insurance	6.8	6.8	6.7
Total nonagricultural income	325.6	*327.6	322.7
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1911=100—As of Feb. 15:			
All farm products	252	247	234
Crops	229	225	234
Commercial vegetables, fresh	376	334	236
Cotton	211	232	255
Feed, grains and hay	148	146	181
Food grains	219	217	235
Fruit	200	183	221
Oil-bearing crops	229	233	260
Potatoes	204	178	153
Tobacco	475	474	458
Livestock	273	267	234
Dairy products	266	269	266
Meat animals	324	308	249
Poultry and eggs	169	174	157
Wool	249	254	267
U. S. GOVT. STATUTORY DEBT LIMITATION—As of March 31 (000's omitted):			
Total face amount that may be outstanding at any time	$280,000,000	$280,000,000	$278,000,000
Outstanding—			
Total gross public debt	272,624,225	274,678,784	274,998,660
Guaranteed obligations not owned by the Treasury	103,959	102,764	109,346
Total gross public debt and guaranteed obligations	$272,728,185	$274,781,548	$275,108,008
Deduct—other outstanding public debt obligations not subject to debt limitation	434,085	435,205	450,765
Grand total outstanding	$272,294,099	$274,346,343	$274,657,243
Balance face amount of obligations, issuable under above authority	7,705,900	5,653,656	3,342,756

Continued from first page

Let's Not Judge the Climate By the Weather

ment—I believe that as unemployment levels off, and the fear of job losses recedes, the buying impulse will reassert itself. This will be particularly important to producers of "hard goods" where purchases can be postponed, and to those of us who supply the raw materials.

A second major element in anticipating improved business is the effect of the inventory pattern. We know that overall consumption demand has held up much better than production—inventories are being reduced throughout the economy with resultant depressing effects on output and employment. There is a limit to how far inventory depletion can be carried, and it is self-correcting. An end to inventory reduction will exert a definite plus impetus to industrial output. This is an area I want to talk about in more detail later, and I would like, then, to emphasize our experience in the steel industry where I can speak with a little more knowledge.

The third positive influence is the effect of government efforts to stimulate the economy. It is difficult to evaluate their net effect, but certainly the increase in defense orders in the months ahead compared to the second half of 1957 will be a plus factor. This has also been a great deal of comment regarding the possibility of a tax cut. This could offer further stimulus, and the current speedup in existing government spending programs and moves taken to ease credit and to increase money availability will exert additional upward pressure.

A final sustaining influence will be steady gains in consumer spending for soft goods and services. As a net result, the outlook for the overall economy is fairly encouraging for 1958, and total national output should be only moderately below 1957 experience. However, I believe the prospects for most manufacturing industries are less encouraging when compared with last year, with the decline in capital expenditures the most serious depressant.

Individual Industry Estimates

These individual industry estimates I'm going to give you are not the exact answers, but I think they are reasonable estimates, and they represent our Commercial Department's best opinions on the outlook for the major steel markets.

The automotive industry is both a significant factor in national economic activity and one of the major markets of the steel industry. To date, sales of the 1958 models have been very disappointing, averaging far below year-ago levels. With no really sharp increase in sales in prospect during the current model year, and with dealer's stocks of new cars at a high level, auto production for 1958 will be sharply below the 1957 total. Based on actual output during the first quarter but assuming a substantial pickup in the fourth quarter when the 1959 models will be introduced, we would project total output this year at over 4.5 million cars.

The construction industry in 1958 should equal or slightly exceed 1957 physical volume. Although industrial building and the laying of gas transmission pipelines will drop sharply, this decline will be partially offset by increased expenditures for community facilities such as schools and hospitals. An increase in public construction is also expected, reflecting primarily the stimulus of the highway program which will accelerate in the year ahead. Other gains will come in spending by the electric utilities and a moderate increase in residential building.

The capital goods boom that helped maintain a high level of economic activity in 1956 and through much of last year lost its impetus in the latter months of 1957, as it became apparent that existing capacity was more than adequate to satisfy current demand for the end products of most consuming industries. By the fourth quarter of 1957 spending had fallen 4% from the third-quarter peak, and recent surveys of plant and equipment expenditures indicate a substantial further drop in 1958. Actual machinery production has been falling off since early in 1957, and at the beginning of 1958 the output of industrial and electrical equipment was approximately 15% below the peak year-ago rate. This decline will continue through much of 1958, although sustained demand from the utilities for heavy electrical equipment should help cushion the decline in overall output. While a small gain in output is possible in the last few months of the year, for the year in total, production will decline by 15%.

One of the weakest elements in the economy is the railroad industry. Nearly 100,000 freight cars were built in 1957, the highest total since 1948. No more than half that number will be built in 1958. This will be a year of retrenchment for the railroads with drastic reductions in maintenance and new construction expenditures as a consequence of the continuing declines in carloadings and revenues.

In contrast, however, steel consumption for cans and closures will increase in 1958, reflecting the continuation of the historical growth in demand for canned goods and the ending of stock reductions carried on in 1957.

Why Appliance Sales Decline?

Appliance sales and output have been disappointing so far this year. There are a number of reasons for this decline — factors which I believe will improve as we go through the year. Durable goods such as appliances and cars are hurt badly by losses in consumer confidence. And a small decline in income compared to earlier months has a sharper effect on spending plans that are postponable. During the second half of this year, a moderate gain in employment — or at the very least the end of the decline in activity—will permit and encourage an improved level of appliance sales. An increase in new housing starts during the year will also act favorably upon demand for appliances.

One comparatively bright spot is the farm implement industry. Improved farm prices, better soil conditions in the Southwest, and continuation of encouraging sales trend of 1957 tend to support a forecast of output in 1958 at least equal to the 1957 rate. Among the other steel-consuming industries, we anticipate substantially lower steel usage in the aircraft, ordnance, mining, and oil and gas grilling industries.

Output of Steel Down 12%

When we sum up activity in the consuming industries, it indicates steel requirements in 1958 will apparently decline approximately 12% from the record volume of 1957, but will be slightly above the 1954 total. However, in order to translate steel consumption into steel sales, the effect of consumer inventory policies must be considered. The inventory cycle will be the key to the pattern of steel output in 1958, just as it was in 1957.

Because of the importance of the inventory movement to output levels in your industry and in the overall economy, as well as in steel, I want to discuss this matter in somewhat greater detail as it has affected the steel industry. It has been our experience in the postwar period that the pattern of inventory movement is the most significant single factor in short-run fluctuations in steel demand.

Before going into the details of the inventory cycle, I want to define what we mean by steel inventories. Our concept of steel inventories includes all of the steel that has been shipped from the producing mill until it ends up in its final finished product, such as an automobile, washer or dryer, bridge or tin can. Thus, actual inventories include the steel incorporated in material in transit, work in process, component parts, warehouse stocks, and other material not yet assembled into finished end products.

Since there are no published data on steel inventory levels, what information we have rests on studies on steel usage carried out within the Commercial Department. I won't bother to go into the technical details of how these numbers are developed, except that I want to emphasize that I believe they provide a valid and reasonably accurate description of actual experience. The important element to keep in mind is that when steel shipments are higher than consumption, inventory building is taking place; and when consumption exceeds steel purchases, inventories are being whittled down.

These studies of inventory cycles indicate that during every fluctuation in steel production in the postwar period, the change in steel inventory movements has represented at least half of the total swing in output. Steel usage patterns, although they have fluctuated, have been considerably more stable than production rates would reveal.

Latest Inventory Cycle

Let's look at what has happened in the latest cycle. As you may remember, steel production increased sharply after the 34-day steel strike in 1956. The plant and equipment boom was still on the ascendancy, and steel usage was climbing to new peaks. Stocks had been depleted during the strike, and the inevitable rush to secure needed steel, not only for production, but also to build inventories, pressed against steel industry supply capability. Some buyers were unable to obtain the sizes and grades of steel they wanted when they wanted it. Thus, although steel capacity was more than adequate to service consumption requirements in 1956 and early 1957, the supplementary demand for inventory purposes created spot scarcities in some steel products such as plates and structural shapes. This induced still greater demand for inventory protection.

In total, it is estimated that in the eight months following the strike, steel stocks grew by 40%; and in early 1957 steel users were adding between 10 and 15% of steel receipts to stocks.

By late spring, it became apparent that the accumulation of inventories had been carried too far, and the top heavy stocks were becoming financially burdensome. In May and June a gradual shift in direction began to take place. The reversal in business inventory policy from building to reduction continued through the remainder of 1957, resulting in steadily falling steel production as inventories were drawn down by the equivalent of six million ingot tons. During the latter months of 1957, steel shipments averaged 10% below actual usage of steel. As a direct result, steel production in 1957 failed to match 1955 or 1956 output, despite the greatest amount of consumption in our industry's history. Inventory reduction has continued at an accelerated pace in 1958, and from one-half to two-thirds of the decline in steel output compared to a year ago can be attributed to the change in inventory policies.

It is obvious that this pattern of excessive inventory swings is costly to the steel industry and to its customers. Orders fall off sharply in periods of inventory contraction with resulting curtailed steel production. On the upswing excessive inventory building means utilization of less efficient standby facilities, more overtime, more expensive production. For the customer, inadequate inventories can lead to production delays and cause loss of orders when material to meet them is unavailable; while excessive inventories tie up working capital and cut into profit margins. The steel producers, their employees, and customers would all profit from greater stability in inventory levels.

The key question is, how can an individual steel consumer determine the adequacy of the current level of steel inventories?

In a general sense, this question is unanswerable, and admittedly, this is a very real problem. No one of us has been given an insight into the future so that we may pre-judge with complete accuracy the course of business activity. Yet, with all the scientific management tools developed in the last two decades, it must certainly be possible to do better than we have. While perfection will not be achieved, certainly concentration on the problem will result in improved performance. Each steel consumer must examine his own individual situation to develop a judgment. In forming this judgment, perhaps the following points should be given consideration:

Judgment Criteria

The first of these considerations is the outlook for your own company — are you pessimistic concerning your future volume? If so, you are certainly justified in maintaining inventories at a low level or even reducing them still further. However, if you are even mildly optimistic with regard to your company's future, don't risk letting your inventories get too low. Don't rely on others to provide the stocks necessary to increase your production. You may find competitors increasing their participation in a rapidly developing market, while you are struggling to step up your rate of production. If companies realize that for their own protection, they should not let inventories fall below a level which would permit rising output in an expanding market, inventory liquidation would be checked, and recovery would be faster for all of us. This is true, of course, throughout the economy, not just of steel inventories.

This leads to the second broad factor I would urge you to consider. How much inventory protection can you expect suppliers to provide for you? Certainly every supplier wants to provide adequate service for each of his customers. This involves carrying sufficient inventory to service the customer's needs promptly. This is a normal service function, the cost of which is comprehended in the supplier's prices. Yet, there are physical and financial limits which restrict the supplier's ability to provide complete inventory protection to all of his customers at any one time. The inventory-carrying function must be equitably divided between consumer and supplier. Over a period of time, the customer should not expect, and certainly will not receive, inventory protection which is not included in the price he is willing to pay. The question you must answer is this: Am I expecting more inventory protection from my supplier than is reasonable and more than I am willing to pay for?

The third basic factor I would urge you to consider is this: What is it costing your company to over-accumulate inventory during peak periods and to draw inventories down too low during depressed periods? I am certain there are few companies which could claim this was not their typical experience, and that it was not an expensive and disruptive process.

Here, let me digress to say I've stressed the liquidation phase of the inventory cycle because it represents our current experience. However, I cannot emphasize too strongly the equally great dangers of excessive inventory accumulation, for it is these very excesses that breed subsequent liquidation.

The final factor I would suggest for your consideration is the element of public policy. As national policy, we have adopted preparedness measures designed to place us in a position to mobilize our vast industrial resources overnight. Under such circumstances, adequate stocks of raw materials are a significant contribution to our mobilization base. Moreover, economic instability injures our international prestige and can endanger the economies of other free nations. Anything that we can do to temper the inventory cycle cannot but add to the economic well-being of our nation and contribute to our winning the economic struggle with Russia.

I have been going over what we would like to see in inventory policies — however, what our analysis of expected steel inventory trends during the coming months reveal is another story. Although steel stocks have already been drawn down to a normal level when measured against production needs, we believe inventory liquidation will continue in the second quarter of this year at an accelerated pace. And some further reduction in stocks but at a slower rate, is likely during the third quarter when consumption is seasonally high. However, this tapering in inventory liquidation will permit a moderate improvement in steel shipments.

Upturn in Second Half

By the end of the third quarter, however, the inventory correction should have spent itself since stocks will have fallen well below the minimum desired level, slashed approximately 45% from the peak reached in April a year ago. The low level of stocks will necessitate equating steel purchases with actual usage once again, and sooner or later inventories will have to be rebuilt.

Reflecting this inventory pattern, the second half of 1958 should see an upturn in demand for steel translated into higher shipments and production. Not only do we anticipate a revival of inventory building in the final quarter of 1958, but we believe the present recession in business activity will also have rounded the corner. Thus, the steel industry and the economy should end the year on a stronger note, and I am confident that steel shipments will be substantially higher at the end of the year than they are today.

For the year as a whole, net inventory liquidation should total nearly 5½ million tons of finished steel, or the equivalent of approximately 8 million ingot tons. Since consumption is estimated at roughly 100 million tons, this would mean 1958 steel production in the vicinity of 90 million tons or a little more.

Summary

I have emphasized the importance of steel inventory movements to the level of production because what has been true in the steel industry has been generally true throughout the manufacturing sector of the economy. We can't deny that there have been some substantial declines in national consumption, particularly in hard goods—both consumer and industrial—and cutbacks in business expansion programs will probably continue to exert a drag on the economy into 1959. However, the slide in production has overstated the weakness in the demand forces that underlie our economy where the decline has been less severe.

Under the inventory cycle that has distorted and magnified the slippage in consumption, there is real market potential, partially obscured by the bad weather we are undergoing today. And these longer range growth factors, reinforced by increased consumer buying and the reversal of the inventory cycle, will make themselves felt before the year has ended.

"Let's not judge the climate by the weather." Recessions like this present one and our experiences in 1953-54 and 1948-49 will reoccur in the future—it is the price we pay for a free economy in which millions of businessmen and consumers make individual decisions to buy or save, to move forward, or to head for the storm cellars.

Let's not confuse these periodic squalls with the longer run climate that promises so much. The promise of the future is equalled only by the challenge it presents us to act with wisdom and decision. We can't afford to miss market opportunities and abandon sound expansion programs because of a temporary drop in the barometer. If business statesmanship is to be more than a high-sounding cliche, we must let our planning be guided by the growth opportunities that characterize our economy.

Central States Adds

(Special to The Financial Chronicle)

MANSFIELD, Ohio — Paul T. Chess Jr. has been added to the staff of Central States Investment Co., Walpark Building.

With Merrill Lynch

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Andrew K. Cherna is with Merrill Lynch, Pierce, Fenner & Smith, 216 Superior Avenue, Northeast.

Two With Paine, Webber

(Special to The Financial Chronicle)

CLEVELAND, Ohio—William S. Hewett and Mrs. Ruth P. Snapp have become associated with Paine, Webber, Jackson & Curtis, Union Commerce Building.

Bache Adds to Staff

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Donald L. Morris has been added to the staff of Bache & Co., 30 East Broad St.

Four With M. J. Ross

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—William L. Jones, Aaron M. Mayman, Neil R. Siciliano and Samuel Tucker are now with M. J. Ross & Co., Inc., 6505 Wilshire Boulevard.

Form Grand Funding

WHITE PLAINS, N. Y.—Grand Funding Company has been formed with offices at 24 Grand Street to engage in a securities business. Partners are George L. Bickler, William S. Davis, Alvin R. Lieberman, William P. Smith, and Jerome J. Sosin.

Continued from page 4

The State of Trade and Industry

limited tonnages until they start making new models in the third and fourth quarters of the year.

Users other than automotive are showing some signs of life. One mill reports its shipments to nearby customers during March were up 25% over the January-February level. Structural fabricators are said to be particularly active.

Some top-flight steel men believe that the business recession has passed its low point. They look for increased demand to stem from a pickup in construction, farming, canning, housing, and appliances. They expect automobile sales and production to perk up in the fourth quarter.

Although steel inventories have been cut considerably from their April 1957 peak, it's expected that they will still be a problem to the mills through the second and third quarters.

April new car sales opened at the same level as early March, indicating that the nationwide downturn in auto buying has been halted and is leveling off at a low point following the February decline.

"Ward's Automotive Reports" said 13,330 new cars were retailed daily during April 1-10 compared with 13,500 in March 1-10. In 1957, April 1-10 netted 18,225 sales daily.

Thus prospects are that entire April purchasing will parallel March's 364,600 units and, because factory operations are being severely slashed, another reduction in the dealer inventory will be effected.

The statistical service said that in this period of leveling off Chrysler Corp. is showing steady market recovery, rising to 17.3% of early April industry sales after posting 17.1% in late March. In entire March it garnered 16%, in February, 14.7%.

"Ward's" predicted approximately 4,500,000 assemblies of the industry's '58 model cars, a 28% reduction from the 6,212,000-unit '57 model output and 37% below the record '55 model volume of 7,130,700.

Next week will yield the industry's 3,000,000th '58 model car, based upon 2,962,284 totaled through this week as production seesawed into another decline.

Scheduled for U. S. plants this week said "Ward's", are 91,412 car and truck completions following 101,759 last week. Ford Motor Co. shut down 11 of 18 car-making plants this week; also halted were Chrysler and De Soto assembly in Detroit, the latter for the third straight week, plus Chrysler Corp. operations in Los Angeles.

Next week Chevrolet, contributor of 29% of industry output since October, will make its first major adjustment of the '58 model year, closing 9 of 11 car assembly facilities.

Steel Output Continues Downtrend but Indications Point to Increased Activity Shortly

A modest upturn in steelmaking may be closer than most people suspect, "Steel" magazine reported April 21.

The rapid rate of inventory liquidation may force consumers into the market before midyear unless the bottom falls out of the economy in general, the metalworking weekly said.

It estimates that 4 million of the 19 million tons of finished steel in dealers' hands at the beginning of the year were consumed in the first quarter. Steel fabricators have been consuming steel at a rate only moderately below that of a year ago, while steel production rates have been off 40.5%.

Inventory reduction is continuing, so stocks could fall to about 12 million tons by July 1. At the current rate of consumption, that is a 50 to 60 day supply, assuming a fairly even balance of metal products. But at such low levels, imbalance is more the rule and should result in some increase in steel mill orders before July 1.

The possibility of a steel price increase on July 1 may also stimulate a second quarter pickup. To beat the price hike, consumers would have to start ordering in May or June.

Any pickup will come from consumers other than automakers. In late 1957, automakers ordered enough sheets to make 1.8 million cars in the first quarter. They made 1.2 million. Although they pushed back deliveries, they accumulated big inventories. At the present rate of consumption, they probably have enough sheets to last 30 days.

Inquiries for the 1959 models are out, and some mills have received small orders for pilot production. Ordering in volume may begin as early as August. It should continue at a good clip through November as automakers build dealer inventories.

Noting that first quarter steel ingot production was only 18.8 million tons (54.1% of capacity), commercial research men say that second quarter tonnage could reach 21 million at most, with operations averaging 60% of capacity.

If the industry can turn out about 40 million tons by July 1 and run its furnaces at an average rate of 73% during the second half, it would produce 91 million tons of steel this year.

Despite a seasonal pickup in construction, steelmaking continues to slide for the fourth consecutive week. Last week, the operating rate dropped a half point to 47.5% of capacity. Production was about 1,283,000 net tons of steel for ingot and castings.

The far west had the highest district operating rate. At 68% of capacity, it gained 13 points. (Reason: One mill is building up stocks of steel to carry it over a shutdown for construction work.) Other districts: Detroit at 12.5%, down 1 point; Birmingham at 54.5, down 1 point; Chicago at 53, down 1.5 points; Youngstown at 41, down 5 points; New England at 40, down 5 points; Wheeling at 62, down 6 points; Cleveland at 24.5, down 6 points; and St. Louis at 50.5, down 15 points. Pittsburgh at 50.5% was up 2 points; Cincinnati at 48.5, up 8 points. Buffalo remained at 39% and the Mid-Atlantic at 49.

"Steel's" price composite on the prime grade of steelmaking scrap fell another 67 cents. It now stands at $33.50 a gross ton.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *78.7% of steel capacity for the week beginning April 21, 1958, equivalent to 1,265,000 tons of ingot and steel for castings (based on average weekly production for 1947-1949) as compared with an actual rate of *80.0% of capacity, and 1,285,000 tons a week ago).

Output for the week beginning April 21, 1958 is equal to about 46.8% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 47.6% the week before.

For the like week a month ago the rate was *85% and production 1,366,000 tons. A year ago, the actual weekly production was placed at 2,269,000 tons, or 141.2%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Again Lower in the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, April 19, 1958, was estimated at 11,107,000,000 kwh., according to the Edison Electric Institute. Output held to its downward trend of recent weeks.

For the week ended April 19, 1958, output decreased by 20,000,000 kwh. below that of the previous week, and 378,000,000 kwh. or 3.3% below that of the comparable 1957 week, but increased 213,000,000 kwh. above that of the week ended April 21, 1956.

Car Loadings Rose 0.9% Last Week But Were 22.7% Under Like 1957 Period

Loadings of revenue freight for the week ended April 12, 1958, were 4,810 cars or 0.9% above the preceding week.

Loadings for the week ended April 12, 1958, totaled 521,035 cars, a decrease of 152,909 cars or 22.7% below the corresponding 1957 week, and a decrease of 221,018 cars, or 29.8% below the corresponding week in 1956.

Passenger Car Output Down the Past Week as Major Plants Curtailed Operations

Automotive production for the week ended April 18, 1958, according to "Ward's Automotive Reports," decreased from previous week's output due to shutdowns by major producers.

Last week's car output totaled 74,648 units and compared with 84,896 (revised) in the previous week. The past week's production total of cars and trucks amounted to 91,412 units, or a decrease of 10,347 units below that of the previous week's output, states "Ward's."

Last week the agency reported there were 16,764 trucks made in the United States. This compared with 16,863 in the previous week and 23,366 a year ago.

Canadian output last week was placed at 7,430 cars and 1,280 trucks. In the previous week Dominion plants built 7,489 cars and 1,314 trucks and for the comparable 1957 week, 8,151 cars and 1,513 trucks.

Business Failures Up Slightly in Past Week Due to Increment of Casualties in $5,000 Category

Commercial and industrial failures edged up to 346 in the week ended April 17 from 342 in the preceding week, reported Dun & Bradstreet, Inc. Running above the previous year's level for the 13th consecutive week, casualties exceeded considerably the 302 in the similar week of 1957 and the 252 in 1956. Failures were 9% higher than the pre-war total of 316 in 1939.

All of the week's rise occurred among small casualties, those involving liabilities under $5,000, which increased to 50 from 38 both in the preceding week and a year ago. Failures with liabilities of $5,000 or more dipped to 296 from 304 last week, but remained above the 264 of this size in 1957. Thirty-six businesses failed with liabilities in excess of $100,000 as against 42 a week ago.

Retailing accounted for all of the week-to-week increase, with casualties in this group climbing to 190 from 159. On the other hand, failures of manufacturers declined to 50 from 59, of wholesalers to 33 from 36, of construction contractors to 52 from 55, and of service concerns to 21 from 33. Trades and construction suffered higher casualties than last year, but dips from 1957 prevailed in manufacturing and commercial service.

Geographically, the week's mild increase was concentrated in five of the nine major regions. The Middle Atlantic States' total rose to 118 from 110, New England to 32 from 28, and East North Central to 51 from 47. In contrast, four regions reported fewer failures, including the Pacific States, down to 65 from 78, and the South Atlantic, down to 30 from 38. More concerns succumbed than last year in all except two regions, the East and West North Central States. The most noticeable rise from 1957 appeared in New England.

Wholesale Food Price Index Dipped Moderately From New Yearly High of Prior Week

The Dun & Bradstreet wholesale food price index fell 1.5% from prior week's high of $6.72 to stand at $6.62 on April 15. A 50 cent drop in the price of 100 lbs. of Long Island potatoes led the decline. Today's index is 6.9% higher than the $6.19 of one year ago.

Higher in price the past week were flour, wheat, barley, rye, sugar, beef, hams, hogs, corn, bellies and cottonseed oil. Lower in price were butter, lard, eggs, steers, cocoa, potatoes and oats.

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 Eased Slightly The Past Week

A slight decline in the general commodity price level last week reflected lower prices on steel scrap, some livestock, sugar and cotton. The last wholesale commodity price index slipped to 280.89 on April 14 from 281.43 a week earlier. It was down moderately from the 286.64 of the corresponding date a year ago.

Corn futures prices rose noticeably on the Chicago Board of Trade following reports of a tightening of the cash market and limited producer inventories. Another stimulant to corn prices was the possibility that the Government would get out of the corn export business possibly by May 1.

Increased export buying resulted in an appreciable rise in

Continued on page 40

Continued from page 39

The State of Trade and Industry

wheat futures which offset the effects of a Government report forecasting that this year's yield of wheat would be the fourth highest on record. While rye prices advanced fractionally, prices on oats slipped somewhat below those of a week earlier. The probability of large exports of soybean oil to Spain in the near future helped boost futures prices during the week.

Although flour trading was sluggish during the week, prices rose somewhat following the rise in wheat futures. Commercial sales of flour for export amounted to 48,800,000 bushels in grain equivalent thus far this season, compared with 39,200,000 bushels in the comparable period last season.

Rice prices were sustained close to those of the prior week as trading remained at a high level. Wholesale stocks were somewhat reduced by increased export buying. Sugar trading was unchanged, but a slight dip in prices occurred.

Wholesale coffee prices eased fractionally, despite a slight improvement in transactions. Although cocoa turnover expanded appreciably at the end of the week, futures prices were down from the prior week.

The salable supplies of cattle rose substantially in Chicago and prices fell slightly from the prior week. There was little change in purchases of dressed beef. While hog receipts expanded moderately, prices turned lower. Hog buying remained steady. The supply of sheep and lambs in Chicago was nearly four times as large as in the comparable period last year. Trading climbed somewhat with prices steady.

Despite reports that there were some further delays in plantings due to unfavorable weather in growing areas, cotton futures prices on the New York Cotton Exchange receded somewhat. This was in part attributed to scattered liquidation and limited support on the easing of prices. United States exports of cotton for the week ended on April 15 were estimated at 104,000 bales, compared with 110,000 bales a week earlier and 108,000 bales in the comparable week last season. Total exports for the season through April 8 amounted to about 4,128,000 bales as against 5,511,000 in the same period last year.

Trade Volume in Latest Week Slightly Ahead of Post-Easter Week a Year Ago

Retail trade in the period ended on Wednesday of last week was helped by pleasant weather and extensive sales promotions. Volume was slightly ahead of that of the similar post-Easter week last year. On a calendar basis total sales were down sharply from the similar 1957 period, last year's Palm Sunday week. Best-sellers last week were men's and women's Summer apparel, outdoor furniture and television sets.

The total dollar volume of retail trade in the period ended on Wednesday was 7 to 11% below the similar calendar week 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 —10 to —14%; East North Central —9 to —13; New England and South Atlantic —8 to —12; West North Central —5 to —9; West South Central and Pacific Coast —2 to —6; East South Central —1 to —5, and Mountain States 0 to 4%.

There was an upsurge in consumer interest in women's Summer sportswear, better priced dresses and suits. Sales promotions held volume in women's Spring dresses and coats at a high level, but the usual post-Easter dip in fashion accessories and millinery occurred. Although purchases of men's Spring and Summer sportswear and suits improved, the call for furnishings slackened. Over-all buying of children's clothing was sustained at a high level.

Furniture stores reported a noticeable rise in the buying of outdoor lawn tables and chairs, while interest in upholstered chairs and bedding remained at the level of the preceding week. A slight rise in volume in television sets and hi-fi sets occurred, but the call for refrigerators and automatic laundry equipment was sluggish. While sales of linens climbed appreciably, turnover in floor coverings and draperies was slow.

Although total food sales slipped during the week, volume in canned goods and frozen juice concentrates advanced substantially. There were declines in purchases of candy, baked goods and some dairy products, but interest in fresh meat, poultry and fresh produce was high and steady.

Following a noticeable rise in consumer buying, retailers considerably expanded their re-orders for women's Spring apparel a week ago. Wholesalers reported the most noticeable increase in fashion accessories, millinery and dresses. Volume in women's Spring and Summer sportswear climbed appreciably, but interest in beachwear was sluggish. Over-all bookings in children's Summer clothing improved somewhat, while the call for men's lightweight suits and sportswear lagged.

Attracted by some openings, furniture buyers stepped up their orders for case goods, upholstered chairs and metal outdoor furniture in the week. Volume in air conditioners and fans rose slightly, but held under a year ago. Interest in other appliances was sluggish. There was another rise in the buying of building materials, paint, hardware and garden implements.

Transactions in cotton gray goods rose noticeably. Principal gains were noted in sateens, print cloths and broadcloths. Wholesalers reported a moderate rise in orders of woolens. A slight improvement in the volume of carpet wool occurred. There was a substantial gain in incoming order in mid-Atlantic dyeing and finishing plants.

Volume in canned citrus juices expanded with sales exceeding those of a year ago. Interest in rice, flour and sugar was steady. Grocers increased their purchases of some dairy products and poultry during the week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended April 12, 1958, decreased 16% below the like period last year. In the preceding week, April 5, 1958 an increase of 11% was reported. For the four weeks ended April 12, 1958 a decrease of 2% was reported. For the period Jan. 1, 1958 to April 12, 1958 a decrease of 2% was recorded below that of 1957.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended April 12, 1958 declined 19% below that of the like period last year. In the preceding week, April 5, 1958 an increase of 19% was reported. For the four weeks ended April 12, 1958, an increase of 1% was registered. For the period Jan. 1, 1958 to April 12, 1958 an increase of 1% was registered above that of the corresponding period in 1957.

Business Man's Bookshelf

Advertising Parade: European Common Market at a Glance—Monthly classified survey of European advertising — Advertising Parade, 91 Rue du Faubourg Saint-Denis, Paris, France $19 per year (single copy $3).

Arm's Length Transactions—Robert S. Holzman—Ronald Press Company, 15 East 26th Street, New York 10, N. Y., $10. (Available on subscription in the series "Tax Practitioners' Library" at $8.50.)

Breaking the Depression—Harry Colmer — Harry Colmer, 4234 West 111th Street, Inglewood, Calif. (paper), 25 cents.

Classrooms in the Factories—Harold F. Clark and Harold S. Sloan — New York University Press, Washington Square, New York 3, N. Y., $3.75.

Comparative Job Performance by Age: Large Plants in the Men's Footwear and Household Furniture Industries—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y., 45 cents.

Creativity — A Comprehensive Bibliography on Creativity in Engineering, Science, Business and the Arts—Deutsch and Shea, Inc. — Published by Industrial Relations News, 230 West 41st Street, New York 36, N. Y., $2.

Economic and Social Conditions in Some Key Countries of South America—1958 observations and suggestions for improving foreign and trade relations of the United States — Walter Harnischfeger—Harnischfeger Corporation, Milwaukee, Wisconsin (paper).

Everybody Talks About the Weather—Now Look What You Can Do About It—Information on room air conditioners in question and answer form—Air Conditioning & Refrigeration Institute, 1346 Connecticut Avenue, Northwest, Washington 6, D. C., 10 cents.

Federal Activities Helpful to Communities — United States Department of Commerce — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 20 cents.

Fine Arts—Catalogue of books on the fine arts—Wittenborn and Company, 1018 Madison Avenue, New York 21, N. Y.

Finnish Economic Review (Covering economic development for fourth quarter of 1957)—Economic Review of Kansallis-Osake-Pankki, Kaivokatu 10, Helsinki, Finland (paper).

Focus on the South — Survey of the rapidly growing industrial South — Louisville & Nashville Railroad Company, R. E. Bisha, General Industrial Agent, Louisville, Ky.

France from Reconstruction to Expansion 1948-1958 — An Economic Survey of Post War France — French Embassy, 972 Fifth Avenue, New York 21, N. Y. (paper).

French Economic and Technical Bulletin: Air Transport in Modern Africa; French Hydraulics Laboratories; Underground Gas Storage, etc.—Economic Section, French Embassy, 610 Fifth Avenue, New York 20, N. Y. (paper).

Growth Prospects for the Atomic Industry — Survey with charts and tables — Atomic Industrial Forum, Inc., 3 East 54th Street, New York 22, N. Y., $25.00.

How Do Business and Schools Work Together? — A Practical Guide for the Local Businessman or Corporation Executive —National Citizens Council for Better Schools, 9 East 40th Street, New York 16, N. Y. (paper), single copies on request.

Inflation — G. L. Bach — Brown University Press, Providence, R. I.

Know Your Packaging Materials —American Management Association, Inc., 1515 Broadway, New York 36, N. Y., $3.00.

Labor Unions and Public Policy —Edward H. Chamberlin, Philip D. Bradley, Gerard D. Reilly, and Roscoe Pound — American Enterprise Association, 1012 Fourteenth Street, N. W., Washington 5, D. C. (cloth), $4.50.

Make Your Income Count—Donald I. Rogers—Henry Holt and Company, 383 Madison Avenue, New York 17, N. Y. (cloth), $3.95.

McGraw-Hill Technical, Business & Scientific Books Spring 1958 —McGraw-Hill, Inc., 330 West 42nd Street, New York, N. Y. (paper).

No Major Depression in Our Lifetime — A. W. Zelomek — International Statistical Bureau, Empire State Building, 350 Fifth Avenue, New York 1, N. Y. (paper), $2.

People at Work: The Human Element in Modern Business — American Management Association, Inc., 1515 Broadway, New York 36, N. Y., $5.25.

Personal Money Management— Revised Edition — American Bankers Association, 12 East 36th Street, New York 16, N. Y.

Physical Properties—Booklet discussing planning and preservation of a bank's physical assets in time of emergency—Banking Committee on Emergency Operations, 200 Madison Avenue, New York 16, N. Y. (paper), 50 cents.

Planning Ahead for Profits — American Management Association, Inc., 1515 Broadway, New York 36, N. Y., $4.50.

Readings in Economics—Paul A. Samuelson, Robert L. Bishop and John R. Coleman — McGraw-Hill, 330 West 42nd Street, New York 36, N. Y., $4.50.

Salesmanship: Practices and Problems—Third Edition—Bertrand R. Canfield—McGraw-Hill, 330 West 42nd Street, New York 36, N. Y., $6.50.

Scientific Societies in the United States—Second Edition—Ralph S. Bates—Columbia University Press, 2960 Broadway, New York 27, N. Y., $6.50.

Skinner's International Business Publications—Catalogue of publications in financial, textile, commercial, export-import and transportation industries—Thomas Skinner & Co. Limited, 111 Broadway, New York 6, N. Y. (paper).

Statistical Year Book of Province of Quebec 1956-57—Department of Trade and Finance, Province of Quebec, Quebec, Can. (cloth).

Stock Exchange Official Year Book (Vol. 1)—London Stock Exchange—Thomas Skinner & Co. (Publishers) Ltd., 111 Broadway, New York 6, N. Y. ($35 for two volumes).

Stop Payment Procedure—American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper).

Study of the Antitrust Laws—Joseph W. Burns—Central Book Company, Inc., 261 Broadway, New York 7, N. Y., $12.50.

Tax on Accumulated Earnings—Robert S. Holzman — Ronald Press Company, 15 East 26th Street, New York 10, N. Y., $10. ("Available on subscription in the series "Tax Practitioners' Library" at $8.50.)

Taxation of Business Income From Foreign Operations — American Management Association, Inc., 1515 Broadway, New York 36, N. Y., $5.25.

Thin Capitalization — Martin M. Lore—Ronald Press Company, 15 East 26th Street, New York 10, N. Y., $10. (Available on subscription in the series "Tax Practitioners' Library" at $8.50.)

Tides of Crisis: A Primer of Foreign Relations—A. A. Berle, Jr. — Reynal and Company, Inc., New York 17, N. Y. (cloth), $4.

Trends in the Hotel Business — 22nd annual review — Harris-Kerr-Forster & Company, 18 East 48th St., New York, N. Y.

Understanding Collective Bargaining—American Management Association, Inc., 1515 Broadway, New York 36, N. Y., $7.50

United States Policy in Asia — James P. Warburg—Reprint of paper delivered before the American Academy of Political and Social Science in Philadelphia — James P. Warburg, 70 East 45th Street, New York 17, N. Y. (paper).

Who's Who in America — 60th anniversary edition (1958-1959) — Marquis — Who's Who, Inc., 210 East Ohio Street, Chicago 11, Ill., $25.

Why Wages Rise—F. A. Harper—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. (paper), $1.50 (cloth), $2.50.

Worker Views His Union: Comparative study of the Attitudes of Rank-and-File Local Members—Joel Seidman, Jack London, Bernard Karsh, and Daisy L. Tagliacozzo — University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill. (cloth), $5.75.

Your Child's Emotional Health— Anna W. M. Wolf—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper), 25c.

With Coronado Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Alton B. Gunn is now with Coronado Investment Co., 1050 West Fourteenth Avenue.

With Peters, Writer

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Hale V. Davis, Sr., has joined the staff of Peters, Writer & Christensen, Inc., 724 Seventeenth Street. He was formerly with First International Corporation.

Robert A. Riley Joins Channer Securities Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert A. Riley has become associated with Channer Securities Company, 39 South La Salle Street. Mr. Riley who had recently been with McDonnell & Co., was formerly an officer of Stern Brothers & Co.

With First Boston Corp.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Walter E. Knowles, III, has become associated with First Boston Corporation, 231 South La Salle Street. He was formerly with Baxter & Company and Harriman Ripley & Co., Incorporated.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Adams Engineering Co., Inc.
April 1 filed $2,000,000 of 6½% convertible sinking fund debentures, due 1968, and 250,000 outstanding shares of class A common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** — From debentures—to retire indebtedness due on first mortgage on plant and equipment and to repay other debt; and for new construction, equipment, and other corporate purposes. The shares of common stock are to be sold for selling stockholders. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill. **Offering**—Expected today (April 24).

Aeronca Manufacturing Corp.
Feb. 10 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To go to selling stockholder. **Office**—Germantown Road, Middletown, Ohio. **Underwriter**—Greene & Ladd, Middletown, Ohio.

American-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 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.

Ampco Mfg. Co.
March 31 (letter of notification) $275,000 of 10-year 7% convertible debentures due May 1, 1968 and 27,500 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$101 per unit, plus accrued interest on the debentures. **Proceeds**—To increase working capital; relocation for a new plant; leasehold improvement and security deposits. **Office**—9 River Road, Morristown, N. J. **Business**—Manufacture of electronic electric equipment and components. **Underwriter**—Cortlandt Investing Corp., New York, N. Y.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Arnold, Hoffman & Co., Inc.
March 28 (letter of notification) 20,697 shares of common stock (par $10) to be offered to stockholders at the rate of one new share for each share held of record April 22, 1958. **Price** — $12.50 per share. **Proceeds**—To New York Life Insurance Co. and for working capital. **Office**—55 Canal St., Providence, R. I. **Underwriter**—None.

● **Avionics Corp. of America (4/28-5/2)**
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. (5/7)
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.

● **Bankers Southern, Inc. (5/15-6/1)**
April 14 filed 3,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

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 on the basis of one new share for each five shares held. **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.

Brooklyn Union Gas Co. (5/21)
April 16 filed $22,000,000 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.

Builders Loans Inc.
March 27 (letter of notification) 40,000 shares of 17½c preferred stock (par $1). **Price**—$2.50 per share. **Proceeds** — To selling stockholder. **Office** — Los Angeles, Calif. **Underwriter**—Daniel D. Weston & Co., Inc., Beverly Hills, Calif.

Burgermeister Brewing Corp. (4/30)
April 10 filed voting trust certificates for 60,000 outstanding shares of capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

Campbell Chibougamau Mines Ltd.
March 10 filed 606,667 shares of capital stock (par $1), of which 506,667 were issued in connection with the acquisition of all the assets of Yorcan Exploration Ltd. (latter proposes to distribute said shares ratably to its stockholders of record Dec. 16, 1957). The remaining 100,000 shares are to be sold for the account of the Estate of A. M. Collings Henderson on the American and Toronto Stock Exchanges. **Price**—At market. **Proceeds**—To selling stockholders. **Office**—Toronto, Canada. **Underwriter**—None.

● **Central Hudson Gas & Electric Corp. (5/26-29)**
April 1 filed $18,000,000 of first mortgage bonds, due 1988. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term notes and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids**—Expected to be received during week of May 26.

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.

Continued on page 42

NEW ISSUE CALENDAR

April 24 (Thursday)
Pittsburgh & Lake Erie RR.____Equip. Trust Ctfs.
(Bids noon EST) $3,900,000

April 25 (Friday)
Syntex Corp. (Republic of Panama)______Common
(Offering to stockholders—without underwriting) $2,405,460

April 28 (Monday)
Avionics Corp. of America______________Common
(Milton D. Blauner & Co.) $297,375
First Backers Co., Inc.____________________Notes
(Offering not underwritten) $1,000,000
Puget Sound Power & Light Co.____________Bonds
(Bids noon EDT) $30,000,000
Springfield Fire & Marine Insurance Co.__Common
(Exchange offer—The First Boston Corp. and Kidder, Peabody & Co. will act as dealer-managers) 1,000,000 shares

April 29 (Tuesday)
Philadelphia Electric Co._________________Bonds
(Bids noon EDT) $40,000,000
Sierra Pacific Power Co.__________________Bonds
(Bids 11 a.m. EST) $3,000,000

April 30 (Wednesday)
Burgermeister Brewing Corp.______________Common
(Blyth & Co., Inc.) 60,000 shares
Long Island Lighting Co.__________________Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.; The First Boston Corp., and W. C. Langley & Co.) 691,027 shares
Montreal (City of)___________________Debentures
(Bids may be invited) $35,000,000
Portland General Electric Co.____________Common
(Blyth & Co., Inc.) 300,000 shares
Southern Nevada Telephone Co.__________Preferred
(Dean Witter & Co.) $1,500,000
Southern Nevada Telephone Co.___________Common
(Dean Witter & Co.) 70,000 shares
Tele-Broadcasters, Inc.__________________Common
(Sinclair Securities Corp.) $130,000
Texas Co.___________________________Debentures
(Dillon, Read & Co. Inc.) $150,000,000

May 1 (Thursday)
Virginian Railway Co.______________________Bonds
(Bids noon EDT) $12,000,000

May 2 (Friday)
Consolidated Freightways Inc.____________Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.) 273,000 shares
Long Island Arena, Inc.________Debens. & Common
(Dunne & Co.) $750,000
Western Electric Co., Inc.________________Common
(Offering to stockholders—no underwriting) $142,650

May 5 (Monday)
Glassheat Corp.__________________________Common
(James Anthony Securities Corp.) $300,000
New Jersey Bell Telephone Co.__________Debentures
(Bids 11 a.m. EDT) $30,000,000
Technology Instrument Co.________________Common
(S. D. Fuller & Co.) $2,600,000

May 6 (Tuesday)
New Jersey Power & Light Co._______________Bonds
(Bids 11 a.m. EDT) $7,500,000
Philadelphia Suburban Water Co.___________Bonds
(Drexel & Co.) $4,000,000

May 7 (Wednesday)
Bankers Management Corp._________________Common
(McDonald, Holman & Co., Inc.) $400,000
Donnelly (R. R.) & Sons Co._____________Debentures
(Harriman Ripley & Co. Inc.) $15,000,000
International Telephone & Telegraph Corp.__Debs.
(Offering to stockholders—to be underwritten by Kuhn, Loeb & Co.) $28,692,000

May 12 (Monday)
Industro Transistor Corp.________________Common
(S. D. Fuller & Co.) 150,000 shares
Public Service Co. of Oklahoma____________Bonds
(Bids 11 a.m. CDT) $16,000,000

May 13 (Tuesday)
Thompson (H. I.) Fiber Glass Co.__________Common
(Shearson, Hammill & Co.) 125,000 shares
United Gas Improvement Co.________________Bonds
(Bids 11 a.m. EDT) $15,000,000

May 14 (Wednesday)
Long Island Lighting Co.____________________Bonds
(Bids 11 a.m EDT) $20,000,000

May 15 (Thursday)
Bankers Southern Inc._______________________Common
(Bankers Bond Co.) $393,400
One William Street, Fund, Inc.____________Common
(Lehman Brothers) $37,500,000

May 19 (Monday)
Gulf States Utilities Co.____________________Bonds
(Bids 11:15 a.m. EDT) $20,000,000
Gulf States Utilities Co.___________________Common
(Bids noon EDT) 240,000 shares

May 20 (Tuesday)
Illinois Power Co.__________________________Bonds
(Bids to be invited) $25,000,000
New York Telephone Co.______________________Bonds
(Bids to be invited) $70,000,000

May 21 (Wednesday)
Brooklyn Union Gas Co.______________________Bonds
(Bids 11 a.m EDT) $22,000,000
Public Service of Colorado________________Preferred
(The First Boston Corp., Blyth & Co., Inc. and Smith Barney & Co.) $16,000,000

May 26 (Monday)
Central Hudson Gas & Electric Corp.________Bonds
(Bids to be invited) $18,000,000

May 27 (Tuesday)
Appalachian Electric Power Co.______________Bonds
(Bids 11 a.m. EST) $25,000,000

May 29 (Thursday)
Illinois Bell Telephone Co.________________Common
(Offering to stockholders—no underwriter) $87,079,200

June 3 (Tuesday)
Consolidated Edison Co. of N. Y. Inc._______Bonds
(Bids 11 a.m. EST) $50,000,000

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 16 (Monday)
New England Telephone & Telegraph Co.___Com.
(Offering to stockholders—no underwriter) 735,245 shares
Oklahoma Gas & Electric Co._________________Bonds
(Bids to be invited) $15,000,000

June 17 (Tuesday)
Community Public Service Co.__________Debentures
(Bids to be invited) $3,000,000
Delaware Power & Light Co.__________________Bonds
(Bids to be invited) $25,000,000

June 24 (Tuesday)
Central Illinois Light Co.__________________Bonds
(Bids to be invited) $6,000,000
Pacific Power & Light Co.___________________Bonds
(Bids to be invited) $20,000,000

July 1 (Tuesday)
Florida Power Corp._________________________Bonds
(Bids to be invited) $25,000,000

August 26 (Tuesday)
New England Telephone & Telegraph Co.__Debens.
(Bids to be invited) $40,000,000

Continued from page 41

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.

★Channel 37, Inc.
April 11 (letter of notification) 11,400 shares of common stock (no par). **Price**—$25 per share. **Proceeds** — For construction, and operation of a television broadcasting station in Paterson, N. J. **Office** — 20 Norwood Place, Bloomfield, N. J. **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, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Consolidated Edison Co. of N. Y., Inc. (6/3)
March 3 filed $50,000,000 of first and refunding mortgage bonds, series O, due June 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. (EDT) on June 3.

Cosmos Industries, Inc., Long Island City, N. Y.
April 16 filed 280,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—To pay bank loans and for working capital and other corporate purposes. **Underwriter**—Netherlands Securities Co., Inc., 30 Broad St., New York, N. Y.

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.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

Diapulse Manufacturing Corp. of America
Jan. 29 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—276 Fifth Ave., New York, N. Y. **Underwriter**—None.

Digitronics Corp.
Feb. 12 (letter of notification) 140,000 shares of class B capital stock (par 10 cents). **Price** — $1.50 per share. **Proceeds**—For general corporate purposes. **Office**—Albertson Avenue, Albertson, Long Island, N. Y. **Underwriter**—Cortlandt Investing Corp., 135 Broadway, New York 6, N. Y.

Directomat, Inc.
March 17 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For working capital and payment of current liabilities. **Office**—Hotel Roosevelt, Madison Ave. and 45th St., New York 17, N. Y. **Underwriters**—James Anthony Securities Corp. and Norton & Co. both of New York City; Schwerin, Stone & Co., Great Neck, N. Y.; and Mac Robbins & Co., Inc., Jersey City, N. J.

Disc, Inc., Washington, D. C.
Oct. 10 filed 400,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

★ Dividend Shares Inc., New York
April 16 filed (by amendment) an additional 6,000,000 shares of capital stock (par 25 cents). **Price**—At market. **Proceeds**—For Investment.

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.

Domestic Finance Group Inc.
April 3 (letter of notification) 30,000 shares of 70-cent cumulative preferred stock, series A. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes. **Office**—112A North Green St., P. O. Box 3467, Greensboro, N. C. **Underwriters**—United Securities Co., Greensboro, N. C. and McCarley & Co., Asheville, N. C.

● Donnelley (R. R.) & Sons Co. (5/7)
April 16 filed $15,000,000 of debentures due May 15, 1978. **Price**—To be supplied by amendment. **Proceeds** — For improvements and additions to plant and equipment. **Underwriter**—Harriman Ripley & Co. Inc., New York.

★ Donnelley (R. R.) & Sons Co.
April 23 filed 118,976 shares of common stock (par $5) to be offered pursuant to company's Restricted Stock Option Plan.

Dresser Industries, Inc.
Feb. 28 filed 128,347 shares of common stock (par 50¢) being 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. The offer will expire on June 17, unless extended. **Underwriter**—None.

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. **Underwrter**—None.

First Backers Co., Inc., Clifton, N. J. (4/28)
April 7 filed $1,000,000 of 12% notes, payable nine months after date of issue in units of $100 or in multiples thereof. **Price**—100% of principal amount. **Proceeds**—To be used solely for purchase of notes and other indebtedness issued in payment for improvements on homes and secured by mortgages or other liens upon the improved properties. **Underwriter**—None.

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. Statement effective April 10.

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.

Forest Laboratories, Inc.
March 26 filed 150,000 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**—H. Carroll & Co., Denver, Colo.; and Alfred L. Powell Co., New York.

● Four Corners Oil & Gas Co.
March 25 filed 400,000 shares of common stock (par $1). **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. **Offering**—Not expected for two or three weeks.

★ Fundamental Investors, Inc., Elizabeth, N. J.
April 21 filed (by amendment) an additional 5,000,000 shares of capital stock (par $2). **Price**—At market. **Proceeds**—For investment.

General Aniline & Film Corp., New York
Jan. 14, 1957 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 Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. **Price**—$3.50 per share. **Proceeds**—For expansion, equipment and working capital. **Underwriter**—None.

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.

Getty Oil Co., Wilmington, Del.
April 11 filed 2,170,545 shares of common stock (par $4) to be offered in exchange for capital stock (par $5) of the Mission Development Co., on basis of one share of Getty stock for each 1.2 shares of Development stock, or five shares of Getty for six shares of Development stock.

Glassheat Corp. (5/5-9)
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.

★ Gulf States Utilities Co. (5/19)
April 16 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds**—Together with other funds, to be used for construction program. **Underwriting** — 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 up to 11:15 a.m. (EDT) on May 19.

★ Gulf States Utilities Co. (5/19)
April 16 filed 240,000 shares of common stock (no par). **Proceeds**—Together with other funds, to be used for construction program. **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 up to noon (EDT) on May 19.

★ Hart Oil Corp.
April 11 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds** — For working capital. **Office** — 803 Central Building, Seattle 4, Wash. **Underwriter**—None.

Hofmann Industries, Inc., Sinking Spring, Pa.
Dec. 20 filed 227,500 shares of common stock (par 25 cents) to be offered in exchange for outstanding common shares of Van Dorn Iron Works Co. **Underwriter**—None.

Home Owners Life Insurance Co.
Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at $5 per share and 116,366 shares of class B common stock to be offered to stockholders at $6 per share at the rate of two new shares for each

five shares held. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

Horlac Mines, Ltd.
Nov. 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loan, to purchase equipment and machinery and for working capital. **Office**—1551-A Eglinton Ave. West, Toronto 10, Ont., Canada **Underwriter**—D'Amico & Co., Inc., Buffalo, N. Y.

Houghton Mifflin Co.
April 1 (letter of notification) 434 shares of common stock (par $100) to be offered to stockholders of record March 12, 1958. **Price**—$115 per share. **Proceeds**—To be added to the general funds of the company. **Office** — 2 Park St., Boston, Mass. **Underwriter**—None.

★ **Husky Hi-Power, Inc.**
April 14 (letter of notification) 15,000 shares of 6½% convertible series A preferred stock. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Address**—P.O. Box 380, Cody, Wyo. **Underwriter**—The First Trust Co. of Lincoln, Lincoln, Neb.

★ **Illinois Power Co. (5/20)**
April 23 filed $25,000,000 of first mortgage bonds, due 1988. **Proceeds** — To repay short-term bank loans and for new construction. **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.

● **Industro Transistor Corp. (N. Y.) (5/12-16)**
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.

★ **International Telephone & Telegraph Corp. (5/7)**
April 17 filed $28,692,000 of convertible subordinated debentures due May 15, 1983 to be offered for subscription by stockholders of record May 6, 1958 at rate of $100 of debentures for each 25 shares held; rights to expire on May 21. **Price**—To be supplied by amendment. **Proceeds**—For working capital, capital expenditures, investments in subsidiaries, etc. **Underwriter** — Kuhn, Loeb & Co., New York.

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.

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.

Life Insurance Securities Corp., Portland, Me.
March 28 filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

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.

● **Long Island Arena, Inc., Commack, N. Y. (5/2)**
April 7 filed $750,000 of 6% debentures due April 1, 1970, and 75,000 shares of common stock (par 10c) to be offered in units of $100 of debentures and 10 common shares. **Price** — $100 per unit. **Proceeds** — For general corporate purposes, including construction of the Arena. **Underwriter**—Dunne & Co., New York on a best-efforts basis.

Long Island Lighting Co. (4/30)
April 8 filed 691,027 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one new share for each 10 shares held on April 29, 1958; rights to expire on May 15, 1957. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Blyth & Co., Inc.; The First Boston Corp., and W. C. Langley & Co.

Long Island Lighting Co. (5/14)
April 8 filed $20,000,000 of first mortgage bonds, series J, due 1988. **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 at City Bank Farmers Trust Co., 2 Wall St., New York, N. Y., up to 11 a.m. (EDT) on May 14.

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.

★ **Macinar, Inc.**
April 14 (letter of notification) 400,000 shares of common stock (par 50 cents) to be issued upon exercise of warrants to stockholders to be issued on basis of two warrants for each share of common stock. **Price**—75 cents per share. **Proceeds**—To acquire a plant, to purchase machinery and for working capital. **Office**—305 Walker Building, Washington 5, D. C. **Underwriter**—None.

● **Maine Fidelity Life Insurance Co.**
March 26 filed 50,000 shares of capital stock (par $4) being offered for subscription by stockholders of record April 22 at the rate of one new share for each share held (with an oversubscription privilege); rights to expire on May 9. **Price**—$12 per share. **Proceeds** — For working capital. **Office** — Portland, Me. **Underwriter** — P. W. Brooks & Co., Inc., New York.

Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

Merrimack-Essex Electric Co.
Feb. 11 filed $20,000,000 of first mortgage bonds, series C, due 1988. **Proceeds**—Together with other funds, to redeem a like amount of 5⅝% series B bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co., (jointly); Halsey, Stuart & Co. Inc.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith, and Eastman Dillon Union Securities & Co. (jointly). **Bids**—Which were to have been received on March 10 at 441 Stuart St., Boston 16, Mass., have been indefinitely postponed.

Mineral Basin Mining Corp.
Dec. 30 (letter of notification) 200,000 shares of common stock. **Price** — At par ($1 par value). **Proceeds** — For mining expenses. **Office** — 1710 Hoge Bldg., Seattle 4, Wash. **Underwriter**—None.

★ **Minnesota Mining & Manufacturing Co.**
April 21 filed (1) 350,000 shares of common stock (no par) to be offered pursuant to company's "1958 General Restricted Stock Option Plan," and (2) 200,000 shares of common stock to be offered pursuant to company's "1958 Executive Restricted Stock Option Plan."

Montreal (City of) (4/30)
April 10 filed $10,500,000 of 1958 serial debentures for public works, due May 1, 1959-65, and $24,500,000 of sinking fund debentures for public works, due Nov. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—For various public works projects. **Underwriter**—To be named by amendment. If determined by competitive bidding, probable bidders may include: Shields & Co., Halsey, Stuart & Co. Inc., Savard & Hart, and Salomon Brothers & Hutzler (jointly); Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co., and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on April 30.

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.

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.

★ **Nation-Wide Securities Co., Inc., New York**
April 16 filed (by amendment) an additional 150,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

National Manganese Co., Newcastle, Pa.
March 21 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For mining expenses. **Underwriter**—Johnson & Johnson, Pittsburgh, Pa.

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**—Now expected in May or early June.

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
March 14 filed 968,549 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each 12 shares held as of April 15, 1958; rights to expire on April 30, 1958. Unsubscribed shares to be offered to employees under a 1958 employee share purchase plan. **Price**—$15 per share. **Proceeds**—For construction and general corporate purposes. **Underwriter**—Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co., and Wertheim & Co. (jointly).

● **New Jersey Bell Telephone Co. (5/5)**
Feb. 28 filed $30,000,000 of 35-year debentures due 1993. **Proceeds**—To redeem a like amount of 4⅞% debentures due 1993. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received up to 11 a.m. (EDT) on May 5 at Room 2315, 195 Broadway, New York, N. Y.

New Jersey Power & Light Co. (5/6)
March 31 filed $7,500,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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 up to 11 a.m., (EDT) on May 6—at the offices of General Public Utilities Corp., 67 Broad St., New York, N. Y.

Nichols, Inc., Exeter, N. H.
Nov. 14 filed 25,000 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—To repay short term bank loans and for working capital. **Business** — Sells hatching eggs and day-old chicks. **Underwriter**—None. George E. Coleman, Jr., is President.

Nortex Associates Inc., Dallas, Texas
Feb. 17 filed $2,000,000 of participating interests in 1958 oil and gas exploration program. Interests are to be offered for public sale in $10,000 units. **Proceeds**—For exploration and development of gas and oil properties. **Underwriter**—None.

Northern Virginia Doctors Hospital Corp.
April 4 (letter of notification) 30,000 shares of common stock (par one cent). **Price**—$10 per share. **Proceeds**—For building fund. **Office** — 522 Leesburg Pike, Falls Church, Va. **Underwriter**—Whitney & Co., Washington, D. C.

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.

★ **Nugget Bench Placer Mining Corp.**
April 10 (letter of notification) 185,000 shares of common stock (no par). **Price**—$1 per share (in blocks of 50 shares). **Proceeds**—For mining expenses. **Office**—133 Fifth Avenue, Anchorage, Alaska. **Underwriter**—None.

Oil Inc., Salt Lake City, Utah
April 4 filed 597,640 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 24, 1958 at the rate of 1¼ new shares for each share then held. Employees may purchase 50,000 shares of unsubscribed stock. **Price**—To stockholders, $1.75 per share; and to public, $2 per share. **Proceeds**—For mining, development and exploration costs, and for working capital and other corporate purposes. **Underwriters**—Harrison S. Brothers & Co., and Whitney & Co., both of Salt Lake City, Utah.

Oil & Mineral Operations, Inc., Tulsa, Okla.
April 14 filed 200,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For payment of loans, various equipment, and a reserve for future operations. **Business**—To acquire and operate mining claims and oil and gas properties. **Underwriter**—Universal Securities Co., Enterprise Building, Tulsa, Okla.

One William Street Fund, Inc. (5/15)
April 7 filed 3,000,000 shares of capital stock (par $1). **Price** — $12.50 per share. **Proceeds** — For investment. **Business** — To become open-end company following termination of this offering. **Underwriter** — Lehman Brothers, 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.

Palestine Economic Corp., New York
March 31 filed $2,000,000 of 5% notes, due Oct. 1, 1963 to be offered in two types: (a) interest-bearing notes with interest payable at the rate of 5% and at an offering price of 100% of principal amount; and (b) capital-appreciation notes, at a discount from maturity value so as to yield 5% compounded semi-annually. **Proceeds**—For making investments and loans in companies or enterprises that the corporation is already financially interested in, or for other corporate purposes. **Underwriter**—None.

★ **Paradox Production Corp., Salt Lake City, Utah**
April 18 filed 767,818 shares of common stock (par $1), of which 100,000 shares are to be offered by the company in exchange for oil and gas properties and 3,000 for services; the remaining 664,818 shares are to be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah.

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.

Peoples Natural Gas Co. of So. Carol.
March 31 filed $375,000 of 20-year 7% debentures due 1978 and 45,000 shares of common stock (par $1) to be offered in units of $25 of debentures and three shares

Continued on page 44

Continued from page 43

of stock. **Price**—$37.75 per unit. **Proceeds** — To repay notes and 5% mortgage bonds, for construction, and other corporate purposes. **Office**—Florence, N. C. **Underwriter**—Scott, Horner & Co., Lynchburg, Va. **Offering**—Expected this week.

Peoples Protective Life Insurance, Co.
March 27 filed 310,000 shares of common stock (par $1), consisting of 62,000 shares of class A-voting stock and 248,000 shares of class B-non-voting stock to be offered in units consisting of one class A and four class B shares. **Price** — $75 per unit. **Proceeds** — For working capital and for development of district offices in the states where the company is currently licensed to do business. **Office**—Jackson, Tenn. **Underwriter**—None. R. B. Smith, Jr., is President and Board Chairman.

Philadelphia Electric Co. (4/29)
April 3 filed $40,000,000 of first and refunding mortgage bonds due 1988. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids** —To be received up to noon (EDT) on April 29, at 1,000 Chestnut St., Philadelphia 5, Pa.

● **Philadelphia Suburban Water Co. (5/6-7)**
April 15 filed $4,000,000 first mortgage bonds due 1988. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—Drexel & Co., Philadelphia, Pa.

● **Piedmont Natural Gas Co., Inc.**
March 26 filed 51,183 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of April 17, 1958 (with an oversubscription privilege); rights to expire on May 1, 1958. **Price**—$15.25 per share. **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.

★ **Pillsbury Mills, Inc., Minneapolis, Minn.**
April 21 filed 10,000 shares of common stock (par $25) to be offered pursuant to company's Employees' Stock Purchase Plan.

Pleasant Valley Oil & Mining Corp.
Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office** — 616 Judge Bldg., Salt Lake City, Utah **Underwriter**—Steven Randall & Co., Inc., New York.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

● **Portland General Electric Co. (4/30)**
April 10 filed 300,000 shares of common stock (par $7.50). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used in part to repay bank loans and any balance for construction program. **Underwriter**—Blyth & Co., Inc., New York, San Francisco and Portland (Ore.)

● **Potomac Electric Power Co.**
April 4 filed $19,700,000 of 3¾% convertible debentures due May 1, 1973 being offered for subscription by common stockholders of record April 22, 1958 on the basis of $100 of debentures for each 30 shares held; rights to expire on May 6, 1958. **Price**—100% of principal amount. **Proceeds** — For construction program. **Underwriters**—Dillon, Read & Co. Inc., New York, and Johnston, Lemon & Co., Washington, D. C.

Potomac Plastic Co.
March 31 (letter of notification) $57,500 of 6% subordinated convertible debentures and 57,500 shares of class A common stock (par one cent) to be offered in units of 500 shares of stock and $500 of debentures. **Price**—$1,000 per unit. **Proceeds** — For equipment and working capital. **Office**—1550 Rockville Pike, Rockville, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

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.

★ **Price (T. Rowe) Growth Stock Fund Inc.**
April 18 filed (by amendment) an additional 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Baltimore, Md.

★ **Prophet Co.**
April 14 (letter of notification) not exceeding $300,000 aggregate value of common stock (par $1) to be offered to certain salaried employees under a Salaried Employees' Contributory Thrift Plan. **Proceeds**—To buy stock off the American Stock Exchange and Detroit Stock Exchange. **Office**—707 Fisher Building, Detroit 2, Mich. **Underwriter**—None.

Public Service Co. of Oklahoma (5/12)
April 14 filed $16,000,000 of first mortgage bonds, series G, due May 1, 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. **Bids**—Expected to be received up to 11 a.m. (CDT) on May 12.

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.

Resolite Corp., Zelienople, Pa.
March 4 (letter of notification) 20,000 shares of common stock (no par) to be offered pro-rata to stockholders, then to the public. **Price**—$7.50 per share. **Proceeds** —To pay notes payable and bank loans and for working capital. **Underwriter**—None.

Rockcote Paint Co.
March 21 (letter of notification) 14,250 shares of 7% cumulative preferred stock (par $10) and 10,000 shares of common stock (par $1). **Price**—For preferred stock, $10.25 per share; for common stock, $8 per share. **Proceeds**—For working capital. **Office**—200 Sayre St., Rockford, Ill. **Underwriter** — The Milwaukee Co., Milwaukee, Wis.

Rocky Mountain Quarter Racing Association
Oct. 31 (letter of notification) 300.000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstnding indebtedness. **Office** — Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

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.

Schering Corp., Bloomfield, N. J.
Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par $30) and 418,475 shares of common stock (par $1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

★ **Sentry Corp.**
April 9 (letter of notification) an undetermined number of shares of capital stock (par 10 cents). **Price**—At the market, but not less than 50 cents per share. **Proceeds**—For working capital. **Office** — 1917-21 W. Oxford St., Philadelphia, Pa. **Underwriter**—None.

● **Sierra Pacific Power Co. (4/19)**
March 25 filed 57,362 shares of common stock (par $7.50) being offered for subscription by common stockholders of record April 17, 1958 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on May 6. **Price**—$23.25 per share. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—None.

Sierra Pacific Power Co., Reno, Nev. (4/29)
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**—To be received up to 11 a.m. (EDT) on April 29 at 49 Federal St., Boston, Mass.

Simplicity Pattern Co. Inc.
Oct. 10 filed 155,000 shares of common stock (par $1) **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce Fenner & Smith, New York. **Offering** — Indefinitely postponed.

Southern Electric Steel Co.
Dec. 23 (letter of notification) $300,000 of 6% second mortgage serial bonds (with common stock purchase warrants). **Price**—At par (in denominations of $1,000 each). **Proceeds**—For payment of demand notes payable and working capital. **Office**—2301 Huntsville Road Birmingham, Ala. **Underwriter**—None.

Southern Nevada Telephone Co. (4/30)
April 10 filed 60,000 shares of cumulative convertible preferred stock (par $25) and 70,000 shares of common stock (par $8). **Price** — To be supplied by amendment. **Proceeds** — To retire bank loans, and for construction program. **Underwriter**—Dean Witter & Co., San Francisco, Calif., and Reno, Nev.

● **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. Statement withdrawn.

● **Springfield Fire & Marine Insurance Co. (4/28)**
March 28 filed 1,000,000 shares of common stock (par $2) to be offered in exchange for capital stock of Monarch Life Insurance Co. at rate of 1¼ shares of Springfield for each Monarch share. The offer will expire at 3:30 p.m. (EDT) on May 29, unless extended. **Dealer-Managers**—The First Boston Corp. and Kidder, Peabody & Co., both of New York.

Standard Dredging Corp.
April 9 (letter of notification) 33,000 shares of common stock (par $1). **Price**—At market (estimated at about $9 per share). **Proceeds**—To selling stockholders. **Office**—80 Broad St., New York 4, N. Y. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

★ **Starrett (L. S.) Co., Athol, Mass.**
April 21 filed 12,000 shares of common stock (no par) to be offered pursuant to company's Employees' Stock Purchase Plan.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price** —For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

★ **Sun Oil Inc., Philadelphia, Pa.**
April 22 filed 15,000 memberships in the Stock Purchase Plan for the employees of the company and its subsidiaries, together with 188,000 shares of common stock (no par) which may be purchased by the trustees of the plan during the period July 1, 1958, to June 30, 1959, with respect to the 1958 plan. Registration also covers 243,288 shares of outstanding common stock which may be offered for possible sale by the holders thereof during the period July 1, 1958 to June 30, 1959. **Underwriter**—None.

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.

● **Syntex Corp. (Republic of Panama) (4/25)**
July 24, 1957 filed 1,202,730 shares of common stock to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. The record date for the subscription offering will be April 24, 1958, and rights will expire on May 16, 1958. **Price**—At par ($2 per share). **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None. **Offering**—Expected in near future.

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.

● **Technology Instrument Corp. (5/5-9)**
March 27 filed 260,000 common shares (par $2.50) of which 204,775 shares are for account of three selling stockholders and 55,225 shares are for account of company. **Price** — $10 per share. **Proceeds** — For working capital and general corporate purposes. **Business** — Develops and manufactures precision potentiometers and other precision electronic components and measuring instruments. **Office**—Acton, Mass. **Underwriter** — S. D. Fuller & Co., New York.

Tele-Broadcasters, Inc. (4/30)
March 31 (letter of notification) 40,000 shares of common stock (par five cents). **Price** — $3.25 per share. **Proceeds**—To complete the construction of Station KALI. **Office**—41 East 42nd St., New York, N. Y. **Underwriter** —Sinclair Securities Corp., New York, N. Y.

Texas Co. (4/30)
April 10 filed $150,000,000 of debentures due May 1, 1983. **Price**—To be supplied by amendment. **Proceeds** — To prepay outstanding 4% bank loans, due Sept. 4, 1959 ($50,000,000 plus interest) and to supplement the general funds of the company. **Underwriter** — Dillon, Read & Co., Inc., New York.

★ **Thiokol Chemical Corp., Trenton, N. J.**
April 18 filed 92,103 shares of capital stock (par $1) to be offered to selected present and future officers and employees of the company under the company's Officers' and Employees' Stock Option Plan.

● **Thompson (H. I.) Fiber Glass Co. (5/13)**
April 14 filed 125,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Shearson, Hammill & Co., Los Angeles, Calif.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

● **Tip Top Oil & Gas Co., Salt Lake City, Utah**
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter** — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

● **Traid Corp.**
March 31 (letter of notification) 120,000 shares of common stock (par $1), **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—17136 Ventura Blvd., Encino, Calif. **Underwriter** — D. A. Lomasney & Co., 39 Broadway, New York 6, N. Y. **Offering**—Expected today (April 24).

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-Cuba Oil Co., Havana, Cuba
March 28 filed 6,000,000 shares of common stock (par 10 cents) to be offered for subscription by holders of outstanding shares of capital stock and holders of bearer shares, in the ratio of one additional share for each share so held or represented by bearer shares. **Price**—50c per share. **Proceeds**—For general corporate purposes, including exploration and drilling expenses and capital expenditures. **Underwriter**—None.

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.

★ **Ultra Ray Drilling & Mining Co.**
April 11 (letter of notification) 199,700 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For the exploration and development of Washington and Montana mining properties. **Office**—c/o Church, Harris, Johnson & Williams, Ford Bldg., Great Falls, Mont. **Underwriter**—None.

United Artists Associated Inc., New York
March 31 filed $15,000,000 of 6% subordinated sinking fund debentures, due 1963 to be offered in exchange for capital stock and warrants and debentures of Associated Artists Productions Corp.

★ **United Employees Insurance Co.**
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Gas Improvement Co. (5/13)
April 11 filed $15,000,000 of first mortgage bonds, due May 1, 1983. **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 at 1401 Arch St., Philadelpehia 5, Pa., up to 11 a.m. (EDT) on May 13.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

United States Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

★ **Utah Minerals Co.**
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

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.

★ **Western Electric Co., Inc. (5/2)**
April 17 (letter of notification) 2,853 shares of common stock (no par) to be offered to minority stockholders at rate of one new share for each 10 shares held as of April 8, 1958. **Price**—$50 per share. **Proceeds**—For plant improvement, expansion and general corporate purposes. **Office**—195 Broadway, New York 7, N. Y. **Underwriter**—None.

★ **Westland Oil Co., Minot, N. Dak.**
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price** — $60 per share. **Proceeds**—For working capital. **Underwriter**—None.

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.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

★ **Wisconsin Power & Light Co.**
April 23 filed 30,000 shares of cumulative preferred stock (par $100) to be offered for subscription by preferred stockholders of record May 5, 1958, and by company employees. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Smith, Barney & Co., New York; and Robert W. Baird & Co., Milwaukee, Wis.

★ **Wisconsin Power & Light Co.**
April 23 filed 257,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record May 5, 1958 at rate of one new share for each 12 shares held. **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Smith, Barney & Co., New York; and Robert W. Baird & Co., Milwaukee, Wis.

★ **Wyoming Farm Bureau Mutual Insurance Co., Inc.**
April 15 (letter of notification) $225,000 of 6% surplus certificates. **Price**—$225 per unit. **Proceeds**—For working capital and general corporate expenses. **Office** — 1948 Grand Ave., Laramie, Wyo. **Underwriter**—None.

Prospective Offerings

★ **Acme Steel Co.**
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

★ **Alco Products Inc.**
March 6 it was announced that the company is considering plans for long-term refinancing. **Proceeds**—For payment of all notes payable and provide the company with additional working capital. **Underwriter**—Eastman Dillon, Union Securities & Co. may handle any common stock financing.

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.

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.

C. G. S. Laboratories, Inc.
March 20 it was reported that company plans to issue and sell about $500,000 of common stock. **Proceeds**—For working capital and other corporate purposes. **Business**—Electronics. **Office**—391 Ludlow St., Stamford, Conn.

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 Bank & Trust Co., Denver, Colo.
April 11 Bank offered stockholders 70,000 additional shares of common stock (par $10) on a 1-for-4.71428 basis to stockholders of record April 10; rights to expire on April 25. **Price**—$15 per share. **Underwriters**—Boettcher & Co.; Peters, Writer & Christensen Inc.; Bosworth, Sullivan & Co.; and Garrett-Bromfield & Co.; all of Denver, Colo.

★ **Central Illinois Light Co. (6/24)**
April 21 it was reported that the company plans sale of $6,000,000 first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Merrill Lynch, Pierce, Fenner & Smith and Stone & Webster & Co. (jointly). **Bids**—Expected to be received on June 24.

Central Louisiana Electric Co., Inc.
March 28 it was announced that the company's financing program for the year 1958 anticipates the sale of both debt and equity securities (probably preferred stock) aggregating approximately $5,000,000. Both issues may be placed privately.

Chase Fund (Mass.)
April 7 it was announced that this Fund plans to issue and sell 1,000,000 shares of common stock. **Price**—$10 per share. **Proceeds** — For investment. **Underwriter**—Shearson, Hammill & Co., New York. **Managers**—John P. Chase & Co., Inc., Boston, Mass. **Registration**—Expected later this month. **Offering**—Planned for sometime in May.

Citizens & Southern National Bank of Savannah, Ga.
April 9 stockholders of record April 8, 1958 were 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; rights to expire on May 20. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

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 1978. **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 Freightways, Inc. (5/2)**
April 8 it was announced company has applied to ICC for permission to offer 273,000 additional common shares to stockholders on the basis of one share for each five shares held, about May 1; rights to expire on May 15. **Price**—To be named later. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

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.

● **Delaware Power & Light Co. (6/17)**
April 23 it was announced company plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Proceeds**—To refund $15,000,000 of 5% bonds due 1987 and 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). **Bids** — Expected to be received on June 17.

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

Equitable Gas Co.
April 7 it was reported that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

Florida Power Corp. (7/1)
Jan. 29 it was reported corporation plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Eastman Dillon, Union Securities & Co., and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. **Bids**—Expected to be received on July 1.

Gas Service Co.
March 24 it was reported that company plans to issue some first mortgage bonds later this year. No decision

Continued on page 46

Continued from page 45

as yet has been made as to the procedure the company will follow. **Proceeds** — For repayment of short-term notes and loans. **Underwriter**—If determined by competitive bidding, probable bidders may be Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, and White, Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

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 and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney Co.; White, Weld & Co.; and F. Eberstadt & Co., all of New York.

Great Atlantic & Pacific Tea Co.
Feb. 19 it was reported a secondary offering of common voting stock is expected 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.

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.

Illinois Bell Telephone Co. (5/29)
March 27 it was announced company plans to offer to its stockholders of record May 29, 1958 the right to subscribe for 870,792 additional shares of capital stock at the rate of one new share for each six shares held; rights to expire on June 30. Minority stockholders own 5,933 shares. **Price**—At par ($100 per share). **Proceeds**—For additions and improvements. **Underwriter**—None. **Registration**—Expected on May 9.

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 Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **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; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp. **Registration**—Expected before Spring.

Kentucky Utilities Co.
Jan. 21 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginson Corp.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. **Offering**—Expected in September or October.

Kentucky Utilities Co.
Jan. 21 it was also reported that company may offer approximately 165,000 additional shares of its common stock to its common stockholders on a 1-for-15 basis. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

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.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Moore-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 27 it was reported company expects to offer a debenture issue 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.

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 England Telephone & Telegraph Co. (6/16)
April 11 it was announced company plans to offer to its stockholders about June 16 the right to subscribe for 735,245 additional shares of common stock on the basis of one new share for each five shares held. American Telephone & Telegraph Co. owns about 70% of the outstanding shares. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent and for corporate purposes. **Underwriter**—None.

★ New England Telephone & Telegraph Co. (8/26)
April 11 it was announced company plans to issue and sell $40,000,000 of debentures. **Proceeds**—To redeem a like amount of 4½% bonds due 1961. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids** — Expected to be received on Aug. 26.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

New York Telephone Co.
March 14 company sought approval of the New York Public Service Commission to issue and sell $60,000,000 of refunding mortgage bonds, together with 1,200,000 shares of common stock, par $100 (the latter to American Telephone & Telegraph Co.). **Proceeds**—To retire short-term bank borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

New York Telephone Co. (5/20)
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. **Bids**—Tentatively expected to be received on May 20.

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 Illinois Gas Co.
April 14 it was reported that the company is planning to issue and sell $20,000,000 to $25,000,000 of mortgage bonds late this summer or early Fall. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

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 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. (6/16)
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). **Bids**—Tentatively expected to be received on June 16.

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.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidders—The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

★ Pacific Power & Light Co. (6/24)
April 14 it was reported that the company is planning to sell $20,000,000 of bonds due 1988. **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Bear, Stearns & Co., and Salomon Brothers & Hutzler (jointly). **Bids**—Expected to be received on June 24.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

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).

Pittsburgh & Lake Erie RR. (4/24)
Bids will be received by the company up to noon (EST) on April 24 for the purchase from it of $3,900,000 equipment trust certificates to mature in 15 equal annual instalments of $260,000 each. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Public Service Co. of Colorado (5/21)
April 3 company announced it plans to issue and sell $16,000,000 par value of cumulative preferred stock. **Proceeds**—For 1958 construction program. **Underwriters**—The First Boston Corp., Blyth & Co., Inc. and Smith, Barney & Co., all of New York. **Registration**—Planned about the end of April.

★ St. Joseph Light & Power Co.
April 15 it was announced that the company plans to market $6,500,000 in bonds or preferred stock "sometime this summer." The stockholders on May 21 will vote on authorizing an increase in bonded indebtedness of $6,500,000, and an increase in preferred stock from 25,000 shares to 50,000 shares. **Proceeds** — For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

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.
April 8 it was announced the company plans to file with the SEC a proposal to issue 200,000 shares of common stock (par 20 cents). **Price** — To be determined at time of offering. **Proceeds**—For working capital and other corporate purposes. **Underwriters** — Charles Plohn & Co., New York, N. Y., and Clayton Securities Corp., Boston, Mass.

★ **Transcontinental Gas Pipeline Corp.**
April 14 it was reported that the company plans early registration of $35,000,000 to $40,000,000 of either preferred stock or bonds, or both. **Proceeds**—For new construction. **Underwriter**—White, Weld & Co. and Stone & Webster Securities Corp. **Offering** — Expected latter part of May.

Tuttle Engineering, Inc., Arcadia, Calif.
Feb. 10, Leo L. Strecker, President, announced corporation plans issue and sale in near future of $1,000,000 convertible debentures or preferred stock, to be followed later in 1958 by the sale of about $5,000,000 of common stock. **Proceeds**—For working capital and other corporate purposes.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

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. (5/1)**
April 14 it was reported that the company plans an offering of $12,000,000 of first lien and refunding mortgage sinking fund bonds, series F, due May 1, 1983. **Proceeds**—For capital expenditures, to repay bank loan and for working capital. **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. **Bids**—Expected to be received by the company in New York up to noon (EDT) on May 1.

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.

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 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.

Two With D. D. Weston

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—T. J. Duke Russell and Thomas A. Short have become affiliated with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard.

Thomas R. Peirsol Now With Paine, Webber Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Thos. R. Peirsol has become associated with Paine, Webber, Jackson & Curtis, 424 North Camden Drive.

Join Morrison Co.

(Special to The Financial Chronicle)

NEWTON, N. C.—Paul H. Hildreth has joined the staff of Morrison & Co., Northwestern Bank Building.

Columbine Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Donald V. Floyd and Edward L. Haffnieter are now with Columbine Securities Corp., 1575 Sherman.

With Halsey, Stuart

(Special to The Financial Chronicle)

BOSTON, Mass.—James N. Perry is with Halsey, Stuart & Co. Inc., 10 Post Office Square.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The White House picked up what probably is a valuable piece of "intelligence" over the week-end. It came Saturday morning shortly after 352 men, most of whom have a hand in shaping the affairs of the Nation, queued up for the so-called Bloody Mary Breakfast.

In cafeteria style these men, who assembled at 7:30 o'clock in the National Press Club, filed down the line and had their plates filled with scrambled eggs, sausages, fried potatoes, slices of Virginia ham, grits and hot bread.

The occasion was in honor of the American Society of Newspaper Editors. The shindig was given by the Washington professional chapter of Sigma Delta Chi, a national journalism fraternity. The breakfast derived its name from the beverage (vodka and tomato juice) consumed so early in the morning.

Editors were there from Saginaw, South Bend, New York, Boston, Detroit, Sioux Falls, Austin, Chicago, Lincoln, Akron, Los Angeles, Buffalo, Sheboygan, Richmond, New Orleans, and scores of other cities. Actually, every section of the country and nearly all the states were represented.

Vice-President Nixon was there. So were four members of the Eisenhower Cabinet — Attorney General Rogers, Postmaster General Summerfield, Secretary of Interior Seaton and Secretary of Agriculture Benson. United States Supreme Court Justices Clark and Whittaker attended, as did dozens of members of Congress, including prospective Presidential candidates, and Senator Hayden who has served longer than any incumbent member. The Arizona Democrat, chairman of the Senate Appropriations Committee, is in his 47th consecutive year of service.

Editors Reject Tax Cut

The important piece of information picked up by the Eisenhower administration at the breakfast was the results of the poll of the early rising editors.

The editors voted 74 to 13 against a tax cut at this time as an anti-effective recession measure. The results of the secret poll are apparently in line with the thinking of President Eisenhower and his advisers.

The one-sided vote of the editors opposing a tax cut as an anti-recession weapon, is likely to bolster the stand taken by the White House thus far.

The editors on another question, "Should Ike attend a summit conference in the absence of a firm list of questions agreed on in advance?" voted 15 "yes" and 71 "no."

Huge Deficits Already

Even without a general tax cut, the chairman of the Senate Finance Committee, Senator Harry Flood Byrd of Virginia, says indications are the Federal Government will wind up an $8 billion deficit next year.

Secretary of the Treasury Anderson declares that indications are the Treasury will have a $3 billion deficit at the end of the current fiscal year on June 30. At the same time he predicts that if Federal income remains at a high level there will be a deficit of some $4 billion during the 1959 fiscal year starting July 1.

Senator Byrd declares that the deficit is likely to run substantially higher than Secretary Anderson thinks, because he feels that the tax take of the Federal Government is going to drop. Senator Byrd said the deficit is likely to run $8 billion or more. The Treasury estimated a $2 billion increase in revenues in fiscal 1959, but the Treasury "watch dog" says indications are there will be a $2 billion decline instead of an increase.

The Senator expressed the conviction that when the stepped up Federal spending begins to be felt the deficit will roll up at a fast clip, thus causing substantial use of red ink by the Treasury Department.

GOP Cautious on Spending

The Republican leaders in Congress are doing their best to put the brakes on some of the spending legislation that the Democrats are sponsoring. The Democratic controlled Congress passed a $1.7 billion rivers and and harbors spending bill as an anti-recession measure. However, President Eisenhower vetoed it on the ground that it would not create jobs in most instances for many months or even years. President Eisenhower said there were already several billion dollars of authorized rivers and harbors (public works) projects authorized. Of course after a project is authorized, Congress still must pass an appropriation to cover the project.

Highway Bill Merited Veto

Many of the President's advisers are of the opinion that Mr. Eisenhower should have shown equal courage and vetoed the stepped-up road program. The ever growing road program has gotten to be as big as the biggest "pork barrel" legislation before Congress. All kinds of excuses are cooked up for more Federal road money.

The President made a serious mistake in not vetoing the additional highway money bill, according to some people close to the administration. The Democrats, as well as some Republicans, used the recession as an excuse for getting hundreds of millions of additional dollars.

The highway contractors all over the country were "lobbying" for the bill. So were the cement people, sand and gravel interests, road machinery people, and the automobile manufacturers.

Maintenance Costs Heavy

In signing the measure, President Eisenhower overturned the provision in the 1956 Highway Act calling for a pay-as-you-go program.

The highway contractors, the road building machinery people and other allied industries know that once a highway is built it must be maintained. Therefore, the more miles of hard surfaced roads there are the more will be spent in maintenance. The cost of maintaining the roads will be a tremendous load on the states in the future.

Dark Side of Population Growth

Some of the economists in Washington say that while the economic bright side of a soaring population has been widely publicized, the other and dark side of the growth question has not been brought out on a nationwide basis. There is danger for the explosive population question.

Some of the authorities have begun to point to great chaos and hunger that prevails in over populated countries like India, China, Japan, Italy and a few others.

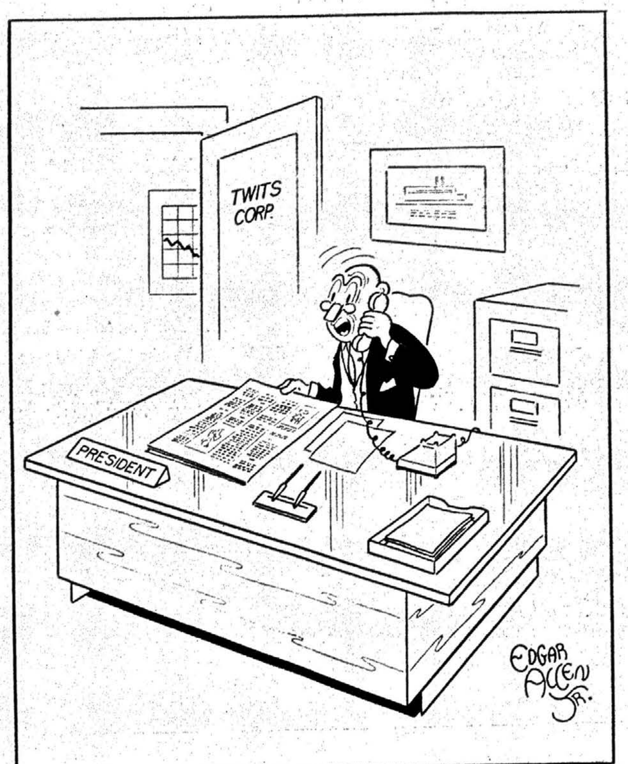
In addition to the question of future feeding and clothing the tremendous population in this country, there are other things like medical care. The medical schools in this country are now graduating more than 6,750 medical men and women. However, the schools are striving toward a peak of 7,400 graduates a year. It is estimated that by 1975 there will be need of at least 9,500 new doctors a year. By then the population will be 50,000,000 greater than it is today, according to the experts at the Bureau of the Census.

The Department of Health, Education and Welfare reports that there is already a shortage of trained nurses in this country. Authorities are seeking to encourage more young people to enter the nursing profession.

Doctors and hospitals have been responsible for the present nurse shortage, according to the authorities. The doctors have placed more and more responsibility on the registered nurse. In support of these contentions, some authorities say the nursing school enrollments are far larger today than they were in the 1930's. Nevertheless, the demands for registered nurses continue to grow, causing a shortage in this field.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"Daily Bugle?—Let me speak to the guy who listed our Annual Report under Current Fiction!"

COMING EVENTS

In Investment Field

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 20-21, 1958 (Omaha, Neb.)
Nebraska Investment Bankers Association cocktail party (May 20 at Omaha Club) and field day (May 21 at Happy Hollow Club).

May 22-23, 1958 (Nashville Tenn.)
Nashville Security Traders Association dinner at Hillwood Club, May 22, outing at Belle Meade Country Club May 23.

May 23, 1958 (New York City)
STANY Glee Club annual cocktail party, dinner and dance at the Belmont Plaza.

June 2, 1958 (Syracuse, N. Y.)
Bond Club of Syracuse annual outing at Hinerwadel's Grove, North Syracuse.

June 7, 1958 (Toledo, Ohio)
Toledo Bond Club annual outing at the Invernes Country Club.

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

June 13-14-15, 1958 (Los Angeles, Calif.)
Security Traders Association of Los Angeles annual Spring Party at the Coronado Hotel, Coronado, Calif.

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 20, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at Overbrook Country Club, Radnor Township, Pa.

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 outling 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.

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

TORONTO BOND TRADERS ASSOCIATION

26th ANNUAL DINNER
APRIL 11, 1958

AT THE
KING EDWARD HOTEL

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Bank of Montreal

Vice-Chairman

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Midland Securities Corpn. Ltd.

E. P. Jarvis
Wisener and Company, Limited

Cecil W. McBride
Midland Securities Corpn. Limited

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Canadian Bank of Commerce

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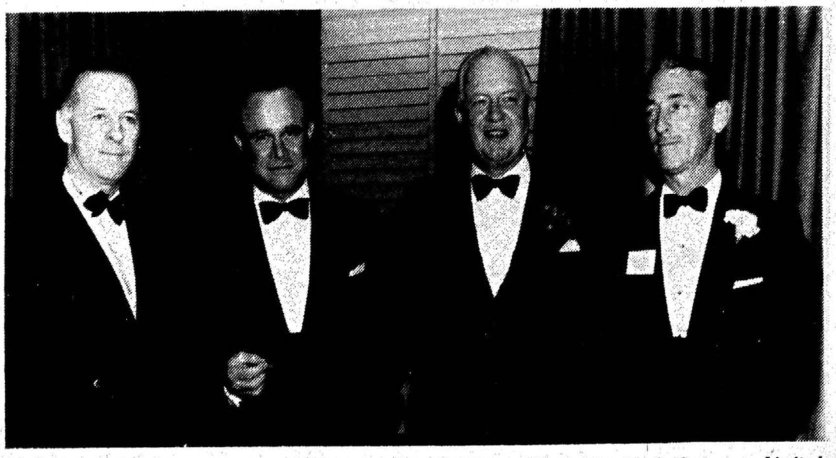
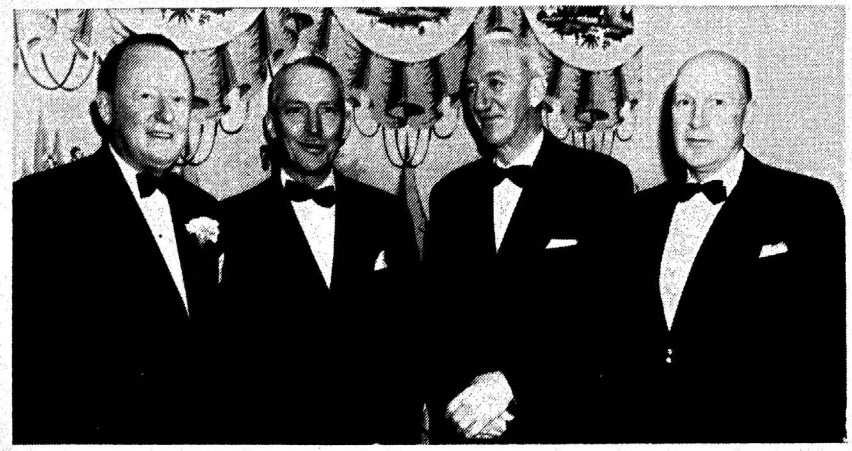
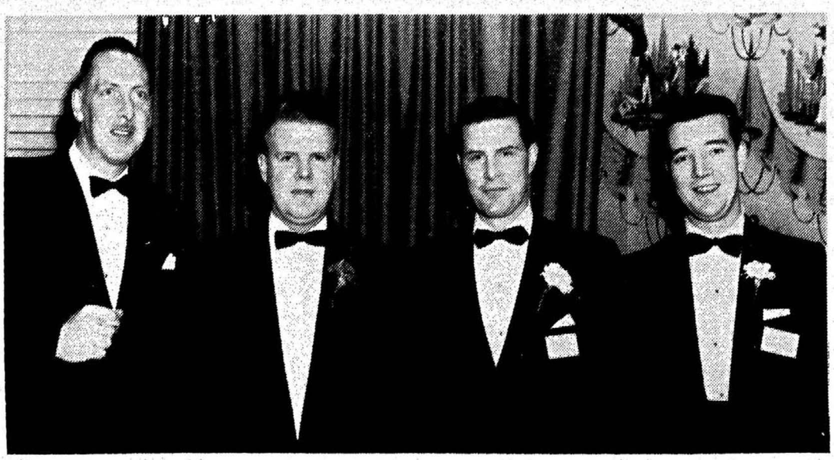
James Richardson & Sons



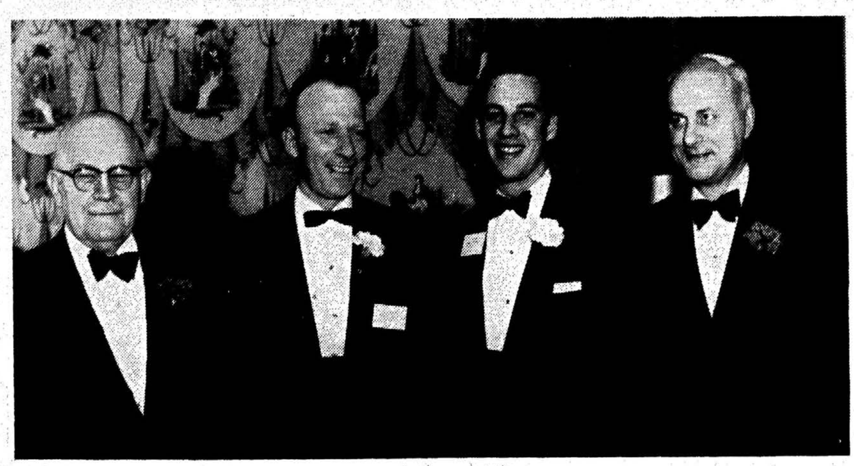
Ed Mulqueen, *Mills, Spence & Co., Limited;* A. E. Oliver, *Wood, Gundy & Company Limited;* J. G. K. Strathy, *Dominion Securities Corpn. Limited;* A. R. Smith, *Bank of Montreal* (Toronto)



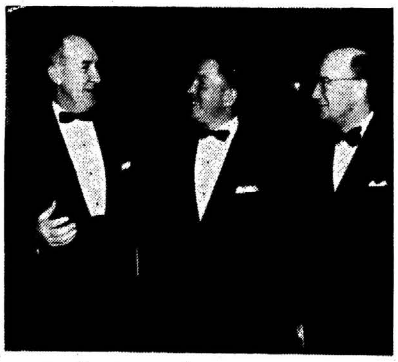
Mickey McBride, *Midland Securities Corpn. Limited;* L. L. Bell, *James Richardson & Sons;* R. B. Macfarlane, *Dominion Securities Corpn. Limited;* Harold Backus, *McLeod, Young, Weir & Company, Ltd.*



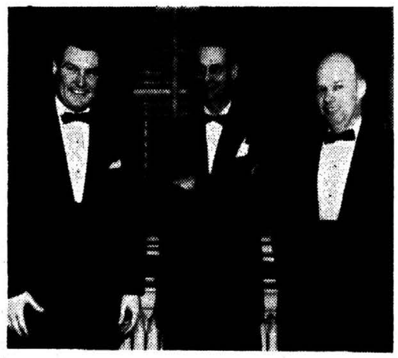
Bus Moorhouse, *Deacon Findley Coyne Limited;* Rolf MacKeen, *Greenshields & Co. Inc.,* Montreal; Don L. Erwood, *Harris and Partners, Limited;* Fred A. Blain, *A. E. Ames & Co., Limited*



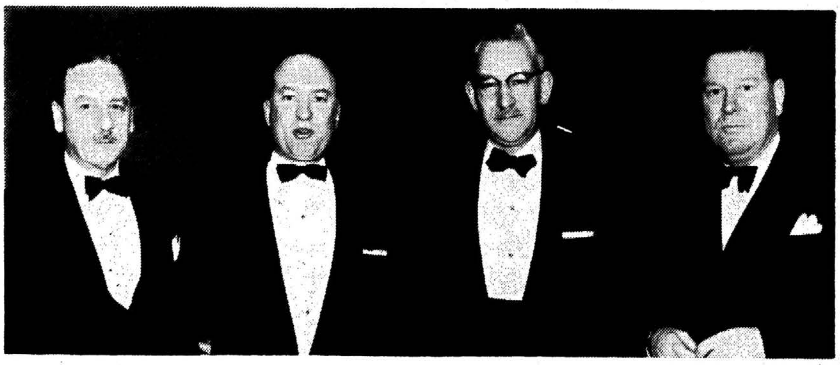
O. E. Lennox, Q. C., *Securities Commissioner of Ontario;* John Lascelles, *Dominion Securities Corpn. Limited;* Gordon I. Ryon, *Ross, Knowles & Co., Ltd.;* Bruce MacFarlane, *Bank of Canada, Ottawa*



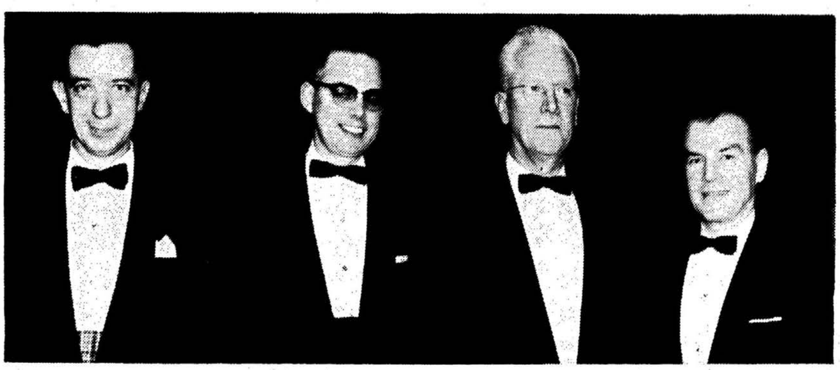
Hal Murphy, *Commercial & Financial Chronicle*, New York; Bill Cooper, *G. H. Rennie & Co. Limited;* Jack Burgess, *Charles H. Burgess & Company*



Douglas R. Wiley, *Midland Securities Corpn. Limited*, Kitchener, Ont.; John Iliffe, *Bank of Nova Scotia*, Toronto; Art Brooks, *Midland Securities Corporation Limited*, Toronto



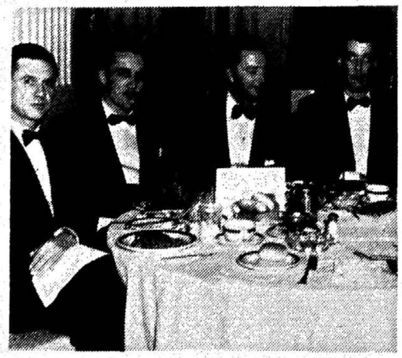
Phil Bartlett, *Dominion Securities Corpn. Limited;* Ben Scott, *Dominion Securities Corpn. Limited;* Art Schieman, *Bank of Nova Scotia;* Ian Main, *Dominion Securities Corpn. Limited*



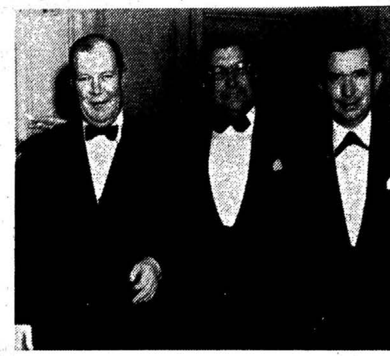
Jack Leslie, *Bank of Montreal* (Toronto); Homer Dunn, *Dominion Securities Corpn. Limited;* F. D. Osborne, *Imperial Bank;* J. R. McCloskey, *Royal Bank of Canada*

Russ Hutchison, *R. H. Hutchison & Co.;* John R. Meggeson, *J. R. Meggeson & Co., Ltd.;* Al Cartan, *Deacon Findley Coyne Limited;* Al Duncan, *Annett & Company Limited*

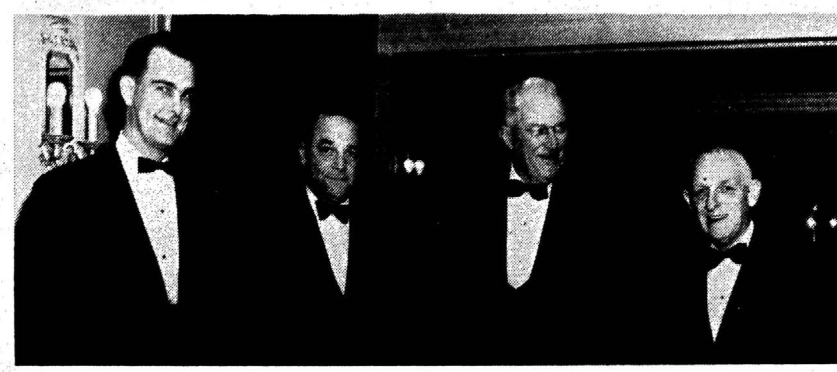
William Phair, *Breckenridge, McDonald & Co.;* C. P. Lailey, *Charles H. Burgess & Company;* Stanley Cox, *Bankers Bond Corporation Limited;* Doug Deans, *Bankers Bond Corporation Limited*



Jim Dunkley, *W. C. Pitfield & Company, Limited;* Keith Walker, *W. C. Pitfield & Company, Limited;* Jerry Urquhart, *W. C. Pitfield & Company, Limited;* Ward Pitfield, *W. C. Pitfield & Company, Limited*



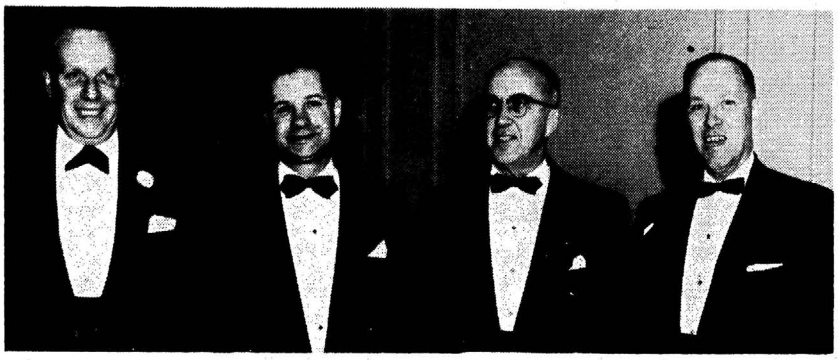
Douglas Lough, *A. E. Ames & Co., Limited;* George Adams, *Norris, Adams Limited;* Bill Candee, *Candee, Moser & Co.,* New York



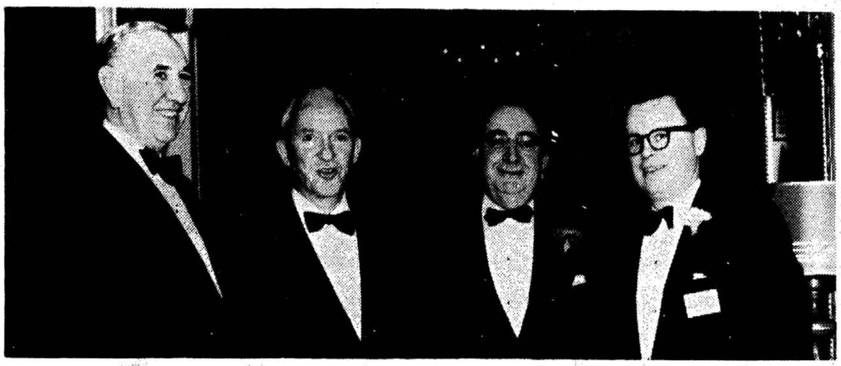
Murray Brown, *Gairdner & Company, Limited;* Dave Dattels, *Dattels & Company, Limited,* Kitchener, Ont.; Harold Fallis, *Frank S. Leslie & Co.;* Al Kirk, *Equitable Securities Canada Limited*

Jim Traviss, *S. J. Brooks & Company;* Don Hayne, *S. J. Brooks & Company;* Ken Stanford, *F. S. Smithers & Co.,* New York; Cy Wilks, *S. J. Brooks & Company*

Bill Hovey, *Equitable Securities Canada Limited;* J. Ross Oborne, *Nesbitt, Thomson and Company, Limited,* Toronto; J. P. W. Ostiguy, *Morgan, Ostiguy & Hudon Ltd.,* Montreal; Peter Crysdale, *Anderson & Company Limited;* Ted Avison, *Canadian Bank of Commerce;* Bill Robson, *A. E. Ames & Co., Limited*



Ted Woolley, *Thomson Kernaghan & Co. Limited;* Jack McCullough, *Charles King & Co.;* Dick Mothersill, *Norris, Adams Limited;* Leo Logase, *Dawson, Hannaford Limited*

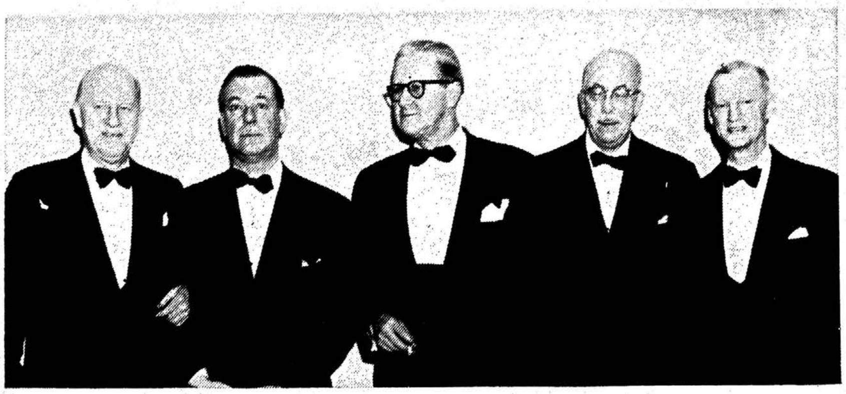


Chas. Goodeve, *F. B. Ashplant & Co.*, New York; Harold Stanley, *Royal Securities Corporation Limited;* Edward Friesen, *Imperial Bank of Canada;* George Mulligan, *Nesbitt, Thomson and Company Limited*

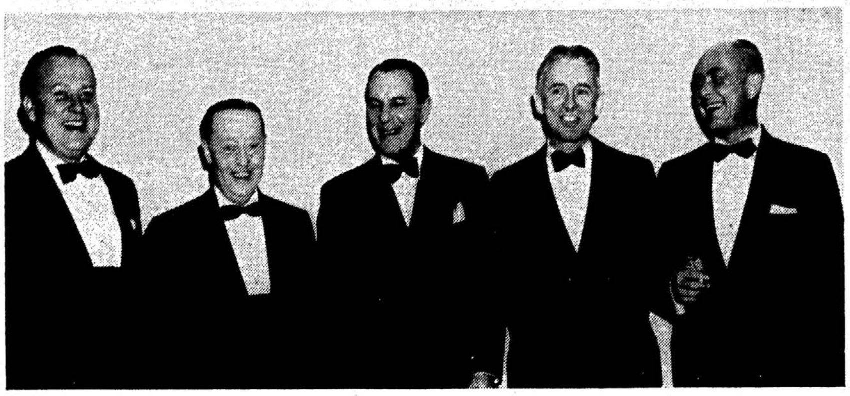
E. H. Ely, *Wood, Gundy & Company, Limited;* David Cassels, *Cochran, Murray & Co. Ltd.;* A. R. Smith, *Bank of Montreal* (Toronto); J. R. Meggeson, *J. R. Meggeson & Co., Ltd.*

R. P. Fairclough, *Fairclough & Co., Ltd.;* D. Urquhart, *W. C. Pitfield & Company, Limited;* E. R. Pope, *Ross, Knowles & Co., Ltd.;* A. M. Jarvis, *Bankers Bond Corporation Limited*

Keith Walker, *W. C. Pitfield & Company Limited*, Hamilton, Ont.; Ken Murton, *A. E. Ames & Co., Limited;* F. Read Thompson, *Mills, Spence & Co., Limited;* Bob Nicholls, *Mills, Spence & Co., Limited*

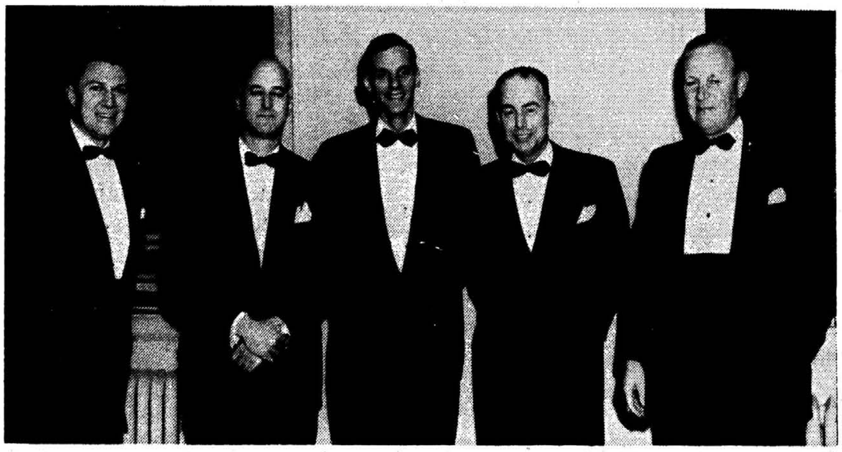


Jack Ridley, *A. E. Ames & Co., Limited;* W. Robson, *A. E. Ames & Co., Limited;* Howard Wilson, *Dominion Securities Corpn. Limited;* Jack Kingsmill, *Investment Dealers' Association of Canada;* Harold Robertson, *Mills, Spence & Co. Limited*

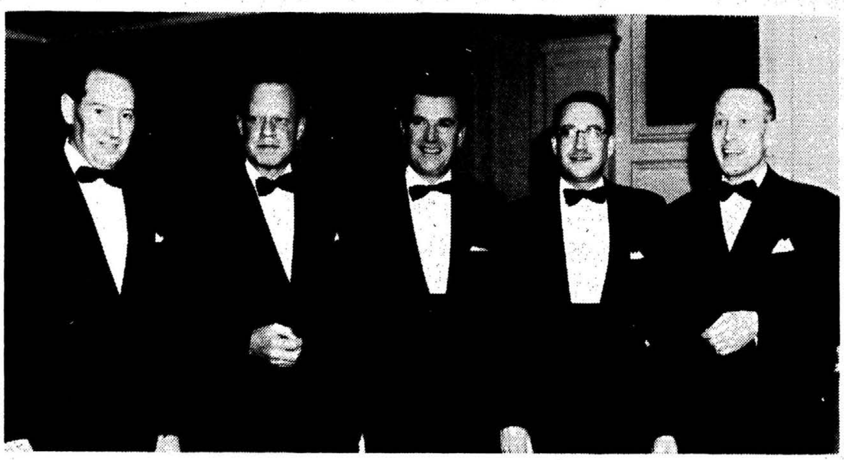


Bob Wright, *Mills, Spence & Co., Limited;* Arthur H. Webb, *Credit Interprovincial Ltee.,* Montreal; Ian Crookston, *Nesbitt, Thomson & Company; Limited;* Nigel Gunn, *Bell, Gouinlock & Company Limited;* Tony Howard, *Anderson & Company Limited*

Denis McBride, *Bell, Gouinlock & Company, Limited;* Bernie de Breyne, *L. G. Beaubien & Co. Limited,* Montreal; Gene St. Marie, *Midland Securities Corpn. Limited;* John F. McLaughlin, *McLaughlin, Kaufman & Co.,* New York; Gordon Simpson, *Standard Securities Limited*



Ted Mayhew, *Harris & Partners Limited;* Jim Belshaw, *Brawley, Cathers & Company;* Bob MacIntosh, *Bank of Nova Scotia;* Tom Bradbury, *Brawley, Cathers & Company;* Ted Saunders, *E. M. Saunders, Limited*

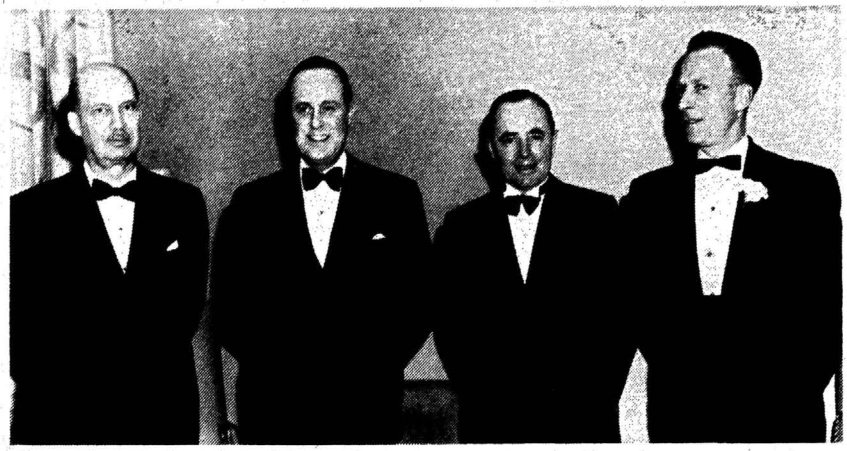


R. N. Dixon, *Bell, Gouinlock & Company Limited;* A. F. Francis, *A. F. Francis & Company Limited;* J. J. Fortune, *Royal Bank of Canada;* H. J. Cascadden, *Annett & Company Limited;* J. F. Van Duzer, *Mills, Spence & Co.*

Walter Hotson, *Bank of Montreal* (Toronto); Dent Lewis, *Bank of Montreal* (Toronto); Herb McFarland, *Nesbitt, Thomson and Company Limited;* Howard Hunter, *Equitable Securities Canada Limited;* Rodolphe Casgrain, *Casgrain & Co., Ltd.*, Montreal

John Brown, *J. L. Graham & Company Ltd.;* Ed Kernaghan, *Thomson Kernaghan & Co. Limited;* J. R. Meggeson, *J. R. Meggeson & Co., Ltd.;* W. G. Tubby, *W. G. Tubby & Co., Ltd.;* H. B. Gilbert, *H. B. Gilbert & Co., Ltd.*

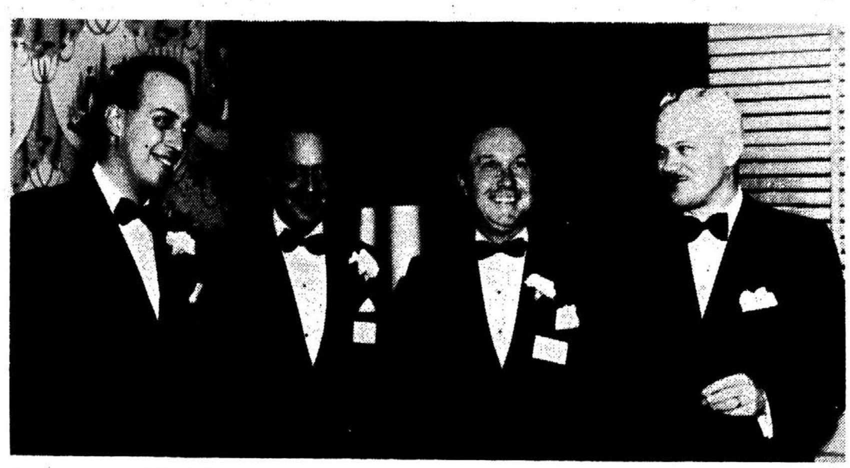
Jim Davie, *Dominion Securities Corpn. Limited;* Douglas Wiley, *Midland Securities Corpn. Limited,* Kitchener, Ont.; Jim Stewart, *McLeod, Young, Weir, Incorporated* New York City



G. D. Little, *Dominion Securities Corpn. Limited;* Desmond Magee, *Dominion Securities Corpn. Limited;* R. J. Redrupp, *Imperial Bank of Canada;* John Lascelles, *Dominion Securities Corpn. Limited*

Jack Dies, *Equitable Securities Canada Limited,* Toronto; Jim South, *Equitable Securities Canada Limited,* Montreal; Jim Owen, *Equitable Securities Canada Limited,* Toronto; Ted Perkes, *The Toronto Dominion Bank;* Scott Mannell, *Royal Bank of Canada*

H. G. Jarvis, *A. E. Ames & Co., Incorporated,* New York; Gordon Anderson, *A. E. Ames & Co., Ltd.,* Toronto; John P. Clancy, *A. E. Ames & Co., Incorporated,* New York; Gilbert Smith, *Toronto Dominion Bank;* Bill Spraggs, *A. E. Ames & Co., Ltd.,* Toronto



L. F. Gower, *Midland Securities Corpn. Limited;* C. R. Wisener, *Wisener and Company Limited;* E. P. Jarvis, *Wisener and Company Limited;* L. W. Virtue, *James Richardson & Sons*