EDITORIAL

As We See It

The American people have become victims of economic terminology, innumerable business indexes, and a long list of other statistical series. One result is misconception and false conclusions. This situation is the more to be regretted, indeed is fraught with very serious consequences, by reason of the fact that we are apparently determined to "manage" our economy in a semi-socialistic manner rather than to leave it to natural forces in accordance with American tradition and century-long practice. Given the wisdom of Solomon we still could not, under a regime of government control and direction, begin to match the record of achievement attained in our previously really free economy. Beclouded and bewildered as so many of us are by economic and statistical jargon, we can not hope to escape failure.

The current recession, relatively mild though it is, has served to bring out the economic doctors in force, and to impress upon the thoughtful observer the degree in which we and our thinking have become slaves to strange notions. In light of the hardships suffered during the Great Depression, it is perhaps natural that all too many of us think of economic utopia merely in terms of a condition in which all men and women who want to work can find it—not only find it but be in a position to dictate the terms of employment. Yet very little thought easily makes it crystal clear that such a condition of 'full employment'—Continued on page 30

The Financial Condition Of the United States

By SUMNER H. SLICHTER*^ Lamont University Professor, Harvard University

Dr. Slichter pinpoints errors said to have been made by Federal Reserve, government and private enterprise; detects a possible change for the better in wage-push inflation problem; analyzes current trends, economic illusions, and prescribes what business and government can do to stimulate recovery. The well known economist predicts slow recovery will occur in second quarter of 1956 and continue to grow so that in 1959 private capital spending will start to rise. Holds anticipated Federal deficit requires only a temporary reduction in excise taxes to stimulate the economy without causing price inflation. Urges government should speed up its spending for the immediate future.

My remarks will fall into six parts. In the first place, I wish to look briefly at the long-run prospects for the economy, which have been little affected by the current recession; in the second place, I wish to discuss the general nature and extent of the recession; in the third place, I wish to explore the causes of the recession; in the fourth place, I wish to examine briefly the prospects for recovery; in the fifth place, I wish to discuss what might usefully be done to promote recovery by business and government; and finally, I shall comment briefly on some aspects of the problem of inflation.

1. Economy's Long-Run Prospects

The long-run prospects of the American economy rest primarily upon: (1) the capacity of the economy to raise productivity; (2) its capacity to increase the demand for goods; (3) its capacity to finance economic expansion.

Continued on page 30

*Statement by Dr. Slichter before the Finance Committee of the United States Senate, Washington, D. C., April 16, 1956.

What Actions Are Justified To Reverse the Recession?

By HON. RICHARD M. NIXON* Vice-President of the United States

A hopeful view of the economy's course is taken by Vice-President Nixon in predicting that the actions taken by the government "will be all that will be required to give the economy the help it needs," and in painting out the basic strength of our economy is "backstopped" by the Administration's determination to intervene decisively should the recession deepen or be prolonged. Mr. Nixon calls for correction of three fundamental economic weaknesses, delineates the place of government in the economic arena, and makes clear that, if further action is required, tax cuts precede spending.

In recent months Mr. Khrushchev has thrown down a bold and boisterous challenge to the United States in the area in which we have considered ourselves unbeatable—the productivity of our economy. He said:

"We declare war on you in the peaceful field of trade.

"You are not being threatened with ICBMs but with peaceful competition in consumer goods.

"We will prove the superiority of our economic system over yours.

"Your great cities in America will live under socialism."

And just three days ago in Moscow, in speaking to the American Ambassador of the Soviet Union economic achievements, he said: "Look out, Mr. Thompson, we are stepping on your tail."

This statement would seem to be a presumptuous boast when we consider that the United States today produces almost three times as much as the Soviet Union. But these sobering facts must be kept

Continued on page 54

STATE AND MUNICIPAL BONDS

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HARRIS, UPHAM & CO.

Members New York Stock Exchange
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35 offices from coast to coast

$250,000
City of Quebec
Capital of the Province of Quebec
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Due September 15, 1966
Payable in United States Dollars
Interest 4.15%

STATE, MUNICIPAL and Public Housing Agency Bonds and Notes

BOND DEPARTMENT
THE CHASE MANHATTAN BANK

For California Municipalities
MUNICIPAL BOND DEPARTMENT
Bank of America
300 Montgomery St., San Francisco, Calif.
The Security I Like Best

A continuous forum in which, each week, a different group of experts in the market and advisory field from the American Bankers Association participate and give their reasons for favoring a particular security.

(The articles contained in this format are not to be regarded, as an offer to sell the securities discussed.)

HARRY D. MILLER
Partner, Nagant & Igoe, New York City

Federal Reserve Bank Members

New York Stock Exchange

Texas Pacific Land Trust

On Jan. 3, 1957, I presented this stock to the market in a letter. At the time the stock was selling at $7, and the area of average prices was above the 500 level. Perhaps it was too late to repeat the same arguments, but the bearish arguments were perhaps magnifying those of the optimists. In my opinion the bearish story has prevented stocks from following the better market. The fear is as the bear of continuing inflation. Price-wage inflation seems to stay, and certainly any heavy reflationary tendencies would lead to bigger doses of inflation. The current weapon to combat deflation is time.

"Time has proven the wisdom of these remarks. Texas Pacific Land Trust is still the only asset in the inflation-market stock with its large holdings of land in fast-growing Texas and its regular dividends. During the current deflational period as of Dec. 31, 1957, was

CRF of Dividend Interest par... $1,500,000,000

Total assets of TPL may be approximated as follows:

Surface lands held... 1,124,211 acres, valued at a nominal $15,000,000

Royalty income valued at $1,200,000

Cement and Mail Interest Bonds in various amounts

21,000

*Per share, $17.50

*Total $45,000,000

It could be argued that the nominal value given the land is high, but let me point out that in 1957, 1,048 acres were sold for $31,076 or an average price of about $31.07 per acre. As good as any comparable TRP owns some 68,460 acres in the county of which over 12,000 acres lie in the path of the city's growth. Two local real estate authorities in the early 1950's had given me an order of magnitude and writer an opinion that the present market value of this 12,000 acres should be $400 per acre which adds up to $4,800,000 or almost $5 per share for this one parcel.

As to other developments since my letter last June, I would report that 153 new wells were completed on TPL property during 1957, 74 subject to a 1/4 royalty and 61 subject to a 1/16 royalty. This resulted in higher royalty income despite stringent pruning. I have learned that 20 or 30 more may be completed this year. I have continued to follow the story and find the time is ripe for this stock.

HARRY D. MILLER

Textronic. Co., Inc.

New York City

Texas Pacific Land Trust

During the year 1957, the price of Texas Pacific Land Trust, Inc., has ranged from $7 to $10 per share. The stock is held by a large number of investors, both individual and institutional. The company has a long history of paying dividends, and its earnings have been consistently high. The stock is currently trading at $8 per share.

The company's assets include a large holding of land in Texas, which is expected to increase in value as the state's population grows. The company is also involved in the construction of highways and other infrastructure projects in the state. The stock is currently under consideration for inclusion in the S&P 500 index.

T. RED RANKIN

R. M. Horner & Co., New York City

Keystone Portland Cement

The present state of the business recession was reflected in the stock's performance during the fiscal year ended Dec. 31, 1956. The company reported a net loss of $3,975,000, compared to a net income of $7,000,000 in the preceding year. The company's stock price has also declined significantly during this period.

Keystone Portland Cement is one of the largest producers of Portland cement in the United States. The company's operations are concentrated in the eastern and central regions of the country, with major facilities in Pennsylvania, Ohio, and West Virginia. The company's stock is currently trading at $12 per share.

T. RED RANKIN

T. Reid Rankin

The interest in stocks as the best security is growing as a whole. The current economic conditions have made stocks a more attractive investment than bonds or other fixed-income securities. The returns from stocks are also more substantial, with recent periods of high inflation making fixed-income investments less appealing.

The current economic outlook is positive, with expectations of continued growth and low inflation. This has resulted in a rise in stock market prices, with many stocks reaching new highs. The trend is expected to continue in the near future, with many investors looking to stocks as a reliable source of income and growth.

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The Economic Outlook And Its Implications

By JAMES W. KNOWLES* Economist, Federal Economic Committee
United States Congress

Staff economist to Congress, speaking only for himself, sees a choice confronting the nation; i.e., either wait and risk a prolonged, deeper contraction or proceed vigorously at once to create the climate for a recovery. Even though the pursuit of the former course of non-stimulation would soon result in a "bottoming out" and rapid recovery, by last quarter 1957 compared to 1955's peak quarter, Mr. Knowles contends, it still would have a lag compared to total what we experienced in March, 1958. The Congressional economist describes the increased severity of this recovery compared to previous post-W. W. II ones and estimates

Over a decade ago, in the Employment Act, the Nation expressed its determination to seek through flexible, timely, coordinated private and public policies to achieve more stable and growing economic conditions and to decline in unemployment, output, and incomes. In program, our government must constitute the most expansive and severe challenge to public and private economic achievement since the Act was adopted in 1946. The pressing economic issue of the day is that of holding a high rate of growth and still maintain a rate of growth that is not to the advantage of other countries. There is also the paramount condition that it would bring comfort and advantage to the Country and his campaign for world domination.

Before we can see how the economies will move during coming months and what changes in policies we can contribute to an early recovery, it is essential to know what the economic situation is now and how it came about.

Present Situation

In the first quarter of 1958, the economy was operating at about 3% below the record level of the fourth quarter of 1957. Real Gross National Product (adjusted for changes in prices) was 4% below the fourth quarter of 1957. This is one of the most significant declines in economic recovery.

The decline in the fourth quarter of 1957, the decline in economic activity has been at least in part a result of the recession. The major impact of the recession has been on producers and consumers of non-durable goods. With the drop in final goods demand, business has shifted from accumulation to liquidation of inventories. Output and employment are lower than five years ago, and prices on the average have continued to rise, although at an apparently slower rate. Reflections of the severity of the recession in the rates of change is seen in one major economic indicator: unemployment. According to developments between August, 1957 and February, 1958, the declines in:

1. Personal income—1.6;
2. Real per capita disposable income—2.1;
3. Industrial production—10.3;
4. Non-agricultural employment—3.2;
5. Factory employment—7.1;
6. Factory hours of work—3.8;
7. Manufacturers' new orders—13.5;

Most, if not all, of these indicators continued on page 26.
Shamrock Oil and Gas Corporation

By DE. IRA U. COBLEIGH

A report about a dynamic Panhandle producer of natural gas, petroleum, profits and progress; an efficient refiner and an aggressive marketer.

Shamrock is a domestic oil and gas company that has been doing a splendid job by intensive three-phase expansion in production, refining and marketing of petroleum, and it does not appear to be the end of the road as an international company, but within its state and eight-state area, it has been consistently outperforming the industry. For example, it has doubled its production of crude oil in the past five years (the total was a little over 1,000 barrels in 1957) and, in the same period, its annual production and sales have shown an average annual increase of 15%.

At the fiscal year end 11/30/57, the company's gross operating income reached a new high of $3,551,000, although net dipped about 4%, due to increased depletion and higher interest charges.

Shamrock derives its production from wells in 12 counties in Texas, Oklahoma and Kansas. At the 1957 fiscal year-end it had an estimated reserve of 117 trillion cubic feet of natural gas, 77,000 barrels of oil, and 217,000 barrels of crude oil. Its production lands totaled (Nov. 30, 1957) 967,000 acres under lease, with about one third proven.

**Crude Oil Emphasis**

Historically, Shamrock was primarily a natural gas company, with earnings before 1959 being predominately from production and sale of natural gas, and natural gas sales. The swing has been more toward crude to feed Shamrock's expanding refining capacity, which has a capacity of more than 50,000 barrels a day. In 1957 company-produced crude served not quite 30% of this capacity, but industry interest in boosting this percentage has increased. Shamrock believes that its expansion of the refinery is a beneficiary of lower crude prices recently prevailing in the Panhandle.

Important in the profitable integration of this enterprise has been its expanding transportation facilities. Shamrock owns 607 miles of gathering lines for crude oil and natural gas, as well as 100 miles of pipe-line systems.

**590 Gasoline Stations**

In merchandising of motor fuel, Shamrock is using about 80% of its oil of light gravity and high octane rating. At the moment about 500 Shamrock service stations, through which it sells the)...
**Is the Business Cycle A Relic of the Past?**

By Dr. Douglas H. Bellemore*

Professor of Finance, Graduate School of Business, New York University


Wall Street consulting economist advances three reasons believed to account for cautious and tardy anti-recession government policies. These include: (1) economic trends, cyclical behavior and monetary-fiscal experiences as far back as 1929's for lessons of use to us today. Dr. Bellemore concludes:

1. present day economic maladjustments are more serious and more widespread than in 1945; (2) built-in stabilizers moderate but do not prevent readjustment, though absence of forced credit liquidations weakens the forces of cumulative decline; (3) fiscal and monetary action may not achieve a cure, and (4) business cycles are not dead yet.

If the Administration and the Washington politicians wanted to know what's happening, they could turn to the cyclical downturn of their efforts to date. It has not been too late in the day. The public's faith that government would act and that the government would act promptly and effectively has been greatly diminished. It is widely recognized that there has been a feeling that "nothing is the same as before." Government has been the most outspoken. That was the Administration.

"No Major Depression—?"

Both the optimists and pessimists should pause. There is no major DEPRESSION IN OUR LIFETIME. A. W. Zelomek (published by the International Statistical Bureau, New York, 1926-1927 and 1928-1929) does not feel that this volume is the same as before. An enlarged and up-to-date fourth edition of a book first published during the worrying 1923 period.

One may well ask why the government and its economists, who have been provided with the Federal Reserve has been so cautious and so tardy. There have been many fluctuations, every time the policy of the Federal Reserve has been so cautious and so tardy. There have been many fluctuations, in the depression which has not the forces of history and of government.

In the first place, fiscal and credit policy for the last three years has been largely, if not entirely, determined upon the stability of government; the deficit in business activity like the depression, the last three years, the Federal Reserve has been so cautious and so tardy. There have been many fluctuations, in the depression which has not the forces of history and of government.

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Investment Banker's Role in Financing Business

By JAMES W. SHOEMAKER*

Partner, Schwabacher & Co., San Francisco, Calif.

In order to explain investment banker's role in financing business, it is necessary to go back nearly a century and analyze how our industries were started. In those days, the small, fledgling firm and, then, with the fully grown, successful corporation. A specialist himself in western securities, the author avers any promising small business can find needed capital. This is possible if the firm is motivated. If there is no proposal to sell or purchase securities, this necessitates examining the mutual interest between the small, struggling firm and the wealthy investors; and identifies most difficult financing problem is in the $25,000 to $50,000 bracket.

The function of the investment banker is to transform an enterprise that is not always successful. Failure to understand just what this profession of ours does lead to unnumbered our activities. If our discussion is in some way helpful to the function of the investment banker and the time spent will be worthwhile.

Failure of control do all professions. The bankers are not a—banker—and that part of his profession which often bank is the lawyer. Lawyers, as a rule, are not at their best in this or that enterprise. They are inclined to a modest request for funds, the business loses it had been a banker. He has come into an office which expresses the dignity of great work. The investment banker and has control of the investment banker but also to his clients.

The banker, in order to make his living, must be able to accumulate funds for investment purposes or manage investments (their own or others) on any kind of a continuing basis. Perhaps these three financial institutions—brokers, investment counselors and investment bankers—could be called the service group in the financial community, to distinguish them from the central bankers, who function by taking control of capital and keeping a continuous direct rein on its use and direction.

Defining Investment Banker

If there is no banker, what is he? Very briefly, he is a merchant of securities. He buys securities at one price and sells them at another price—his business is to make a profit. If, as sometimes happens, markets change and the economy and the cost, he sustains a loss.

*An address by Mr. Shoemaker before 3rd Annual Spring Conference, U.C.L.A., March 27, 1934, at Hollywood, Calif., April 23, 1938.

In the preceding seven years, since the end of the Great War, the American ten spends, after taxes, had averaged about 39% per year. It has been over 40% in 1936 and, possibly, annual rate of under 40% in 1937 and 1938.

This is an exceptional company. All companies do not realize so high a profit. The credit is due to the trading department which may be one of the other limiting factors in their ability to purchase and sell securities to the public.

The more usual course is for the average business to have a credit rating which is not very high. It goes its way where it can get. This is not the case with the investment banker.

At this stage, the investment banker is a great deal more than his job as an investment banker.
Interest Exempt, in the opinion of counsel named below, from Federal Income Taxes under Existing Statutes
Legal Investments, in our opinion, for Savings Banks and Trust Funds in Pennsylvania and New York

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These Bonds, authorized for various municipal purposes, in the opinion of counsel named below will when executed and delivered, constitute valid and legally binding general obligations of the City of Philadelphia, and the City is obligated to levy ad valorem taxes upon the taxable property therein, without limitation as to rate or amount, sufficient to pay the principal of said Bonds and the interest thereon. The authorizing ordinances provide that the principal of and the interest on the Bonds will be payable without deduction for any tax or taxes except gift, succession or inheritance taxes, which the City of Philadelphia may be required to pay thereon or retain therefrom under or pursuant to any present or future law of the Commonwealth of Pennsylvania, all of which taxes, except as above provided, the City of Philadelphia assumes and agrees to pay.

AMOUNTS, MATURITIES, COUPONS AND YIELDS OR PRICE

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(Accrued interest to be added)

The above Bonds are offered, subject to prior sale before or after appearance of this advertisement, for delivery when, as and if issued and received by us and subject to the unqualified approving joint legal opinion of Meurs, Townsend, Elliott & Musson and Meurs, Dilworth, Poxson, Kofish, Kahn & Dills, Philadelphia, Pennsylvania.

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Mallinckrodt Chemical Works

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Portland Oil & Gas—Melcher E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Philadelphia Nation Bank Reports — List of 22 companies whose profits in the first quarter were better and 22 companies whose returns were worse than expected—Francis L. du Pont & Co., 120 Broadway, New York 5, N. Y.

Southern California Business Conditions—Monthly summary—Bankers' Bank, 113 Broadway, New York 6, N. Y.

... World Time Chart — Time difference to over 100 countries throughout the world as compared with New York Daylight Saving Time—International Banking Department, Manufacturers Trust Company, 18 Broad Street, New York 15, N. Y.

All American Life & Casualty Co.—Memorandum—First Cleveland National Bank, 44 Public Square, Cleveland 14, Ohio. Also available is a memorandum on California Water & Telephone Co.

American Ancestral Tilling Co.—Memorandum—Auchincloss, Parker & Redpath, 725 Twentieth Street, N. W., Washington 15, D. C.

American Fire & Casualty Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available are memoranda on New Berlin, Inc. and Falcherbridge Nickel Mills Ltd.

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

Arizona Public Service Co.—Memorandum—Barrett, Fitch, North & Co., 1008 Baltimore Avenue, Kansas City 5, Mo.

Beech Nut Life Savers—Memorandum—Sherman, Hammill & Co., 19 Broad Street, New York 6, N. Y.


Bethlehem Steel—Memorandum—Heinery & Co., 31 Milk Street, Boston 9, Mass. Also in the same circular is an analysis of the Steel accounted for by the New York Steel and Texas Eastern Transmission Corporation.

Chase Vought Aircraft—Bulletin—Blair & Co., Incorporated, 20 Broad Street, New York 3, N. Y.

Cook Studies—James M. Butler & Co., Inc., Hanna Building, Cleveland 15, Ohio.

Curmudgeon Philosoppy Corp.—Circular—Casper Rogers Company, 40 Exchange Place, New York 5, N. Y.

Dun & Bradstreet, Inc.—Report—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on the Steel Industry and G. C. Murphy Co.

Fischer & Porter Company—Analysis—Trost, Singer & Co., 74 Wall Street, New York 5, N. Y. Also available are reports on the Metals & Controls Corporation and Collins Oil Company.

General Mills—Discussion in May issue of "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 5, N. Y. Also available are reports on the same circular are discussions of: J. J. Heinz and Warner-Lambert.

General Motors Corporation—Study—White, Wohl & Co., 20 Broad Street, New York 5, N. Y.

Hammill Oil—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on Beech Nut Life Savers.

International Telephone & Telegraph—Data—Herbert E. Squier & Co., 75 Broad Street, New York 5, N. Y.


Kochering Company—Bulletin—De Witt Cokkinolik Organization, 120 Broadway, New York 5, N. Y.

Mobil Oil Corporation—Report—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Mildell-Goss-Dexter—Report—Loini & Co., Incorporated, 223 East Mason Street, Milwaukee 2, Wis. Also in the current "Business and Financial Digest" are analyses of Clark Oil & Refining Corporation and Mountain Fuel Supply Company.


Ohio Edison Company—Annual report—L. I. Wells, Secretary, Ohio Edison Company, 44 Public Square, Cleveland 14, Ohio.

Riley-Stoker Corporation—Report—H. Heintz & Co., 72 Wall Street, New York 5, N. Y. Also available is a memorandum on the Ohio Edison Company and the Vreeland Texaco Inc.

Shopping Bag Food Stores—Analysis—Wagenius & Durst, Inc., 626 South Spring Street, Los Angeles 14, Calif.

United Steel—Economic Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of American Paper Works.

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For many years, with good connections and Stock Exchange business, wishes to manage New York City office for out of town Stock Exchange firm.

Box MS1, Commercial & Financial Chronicle

25 Park Place, New York 7, N. Y.
Bonds or Stocks for the Recession Period Ahead?

By STEPHEN L. JOSEPH
Manager, Assigned Accounts Service
Banks
New York City
Members: New York Stock Exchange and American Stock Exchange

Postulating continued interest rate decline, declining volume of business and growing inflation of Treasury short or medium maturity, and easier monetary policy, Mr. Joseph recommends purchase of long-term governments or other high grade bonds in preference to stocks for recession's duration.

Opinions regarding business prospects are not very rosy. Reckoning of boardes characterizes the stock market weakly; but that interest rates will decline during the foreseeable future is generally conceded. Under these conditions, long-term U. S. Treasury bonds offer the investor an opportunity to purchase at a discount such debt in business as may occur. Rather, he must concentrate on the rate of business activity itself. This is generally somewhat easier to predict than an attempt to forecast fluctuations of the stock market. As a matter of fact, it is quite possible that for at least a short period even after business has begun to turn upward, interest rates may remain easy.

Short Run Advice

Some investors are of the opinion that high grade bonds with their fixed rates of income and high maturity values, are unsatisfactory investments because they are apprehensive of inflation over the longer term and, therefore, of the declining purchasing power of the dollar. There may be some justification for this view and this suggestion for the purchase of U. S. Treasury bonds is made only for those months ahead during which the recession in business may be extended. In any event, as long as money rates remain low, the possibility that stock dollars, of U. S. Treasury and other high grade bonds, should be maintained.

Among the various U. S. Treasury issues, the 3½% due Feb. 15, 1990, at their current price of around 106 appear to be the most attractive because at this level they afford a yield of 3.20% which is higher than those available on any other U. S. Treasury obligations.

George E. Moore
With Paine, Webber,
(Boston and San Francisco, California)

BOSTON, Mass. — George E. Moore has become associated with Paine, Webber, Jackson & Curtis, 24 Federal Street, members of the New York Stock Exchange and other leading exchanges, Mr. Moore was formerly Manager of the trading department for Mixer & Co., and prior thereto was with Hayden, Stone & Co.

Johns Hill Staff
CINCINNATI, Ohio—Robert D. Young has joined the staff of Hill & Co., Carew Tower, members of the New York and Cincinnati Stock Exchanges.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue

April 30, 1958

$150,000,000

The Texas Company
3½% Debentures, due May 1, 1983

Price 99½% plus accrued interest from May 1, 1958

Copies of the prospectus may be obtained from such of the undersigned (who are among the underwriters named in the prospectus) as may legally offer these securities under applicable securities laws.

Dillon, Read & Co. Inc.
Kuhn, Loeb & Co.
Eastman Dillon, Union Securities & Co.
Harriman Ripley & Co.
Merrill Lynch, Pierce, Fenner & Smith
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Reynolds & Co.
L. F. Rothschild & Co.
Salomon Bros. & Hutzler
Wertheim & Co.
Wood, Struthers & Co.
Will 1958 End in a "Lag Depression"?

By A. L. GITLOW and DANIEL E. DIAMOND

Economists suggest possibility, and even likelihood, of a further economic decline of considerable magnitude, embracing unemployment increase to 8-16% of the labor force, and reduction in personal disposable income. Regard as crucial the postponability of durable goods expenditures, because of the relative newness of our homes, automobiles, household appliances and factories, and the capability of unavoidable, if legislatively preventable government intervention.

Abraham L. Gitlow  Daniel E. Diamond

We shall see what we call a "lag depression," let us examine Professor Slicher's bases for assuming that future business cycles will result in only mild adjustments in income and employment.

By all indications we are experiencing the third economic decline of the postwar period. It is again open season for the American economists to announce the advent of the "Great Depression," even a "Second World War." Economists suggest possibility, and even likelihood, of a further economic decline of considerable magnitude, embracing unemployment increase to 8-16% of the labor force, and reduction in personal disposable income. Regard as crucial the postponability of durable goods expenditures, because of the relative newness of our homes, automobiles, household appliances and factories, and the capability of unavoidable, if legislatively preventable government intervention.

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The Fiscal Situation 
In Latin America

By HORACE M. CHADSEY
Vice-President, First National Bank of Boston, Boston, Mass.

Bosley banker concisely appraises eight Latin American countries with whom we have the most trade and largest direct investment, and also provides an overall assessment of Latin American economic conditions and growth trends. Mr. Chadsey singles out the general direction and creation of free enterprise climate that exists in those countries achieving the soundest progress; refers to the overvalued pesos placed on governments for higher living standards; discusses scientific-technological advances; and bawls the vicious circle of inflation which results when fiscal weight of hand and short cuts are taken to speed economic advance.

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We Must Stand Up and Be Counted

By W. C. JACKSON, JR.

President, First Southwest Company, Dallas
President, Investment Bankers Association of America

I believe the unverified stigma to the word "banker" has been both unfair and unmerited, and as an Association from taking a stand on vital issues affecting them and the economy. Mr. Jackson explains new proposal before the Association to correct this anachronism and submits a concise, forceful, and powerful plea for the removal of the stigma, which has affected the banking industry for all worthwhile projects, at the current interest rate of 10%.

The following is a transcription of Mr. Jackson's speech:

"The stigma of the banks, which has been unfairly imposed upon us, is an anachronism. It has been perpetuated by a few, and it is time to stop it. The banks are not the cause of the current economic difficulties. The banks are part of the solution. They have provided the funds that have allowed businesses to grow and prosper. It is time to remove this stigma and allow the banks to continue to serve their purpose.

The banks are not the only ones affected by this stigma. It affects all industries. It affects the ability of businesses to borrow money and to invest. It affects the ability of individuals to save and invest. It affects the ability of governments to borrow money and to invest. It affects the ability of the economy to grow and prosper.

We must stand up and be counted. We must fight this stigma. We must work to correct this anachronism. We must show the world that the banks are part of the solution, not the problem.

Thank you."
Is Federal Pump-Priming Advisable?

By CHARLES J. COLLINS
Chairman, Investment Letters, Inc.
Detroit, Mich.

Mr. Collins looks into the advisability of Federal spending and charts the strong, long-term fundamentals where it may prove dangerous. Remarks that "action and reaction is a law of nature" and, while this readjustment is no exception, precipitous intervention endangers speculative capitalistic confidence.

Various moves have been made by the Federal Government to bring about business recovery, but perhaps the most important has been the easing of credit through the Federal Reserve. The top of the list is the multiplication of new orders being placed by defense agencies which has been estimated to have increased by about $1.5 billion, or one-third from the third to the fourth quarter. Steps have also been taken to step up home building via easier terms and an increased money supply.

Additional to the fait accompli, there are signs that credit for long-term prime mortgages is becoming available. Also being given serious consideration are proposals as to tax cuts.

No one can disapprove the objectives of these measures and proposals. With unemployment high and wages frozen, how would you increase employment by drawing from the pockets of the unemployed? They would make the wheels of business turn at a rate above that now prevailing. They would enable the national income.

It is all desirable, not only here, but throughout the non-communist capitalist world. The prosperity of America has an important bearing on other countries. But the question must be raised as to whether these Federal measures will accomplish their objective. Instead, may they not have an adverse effect?

Horse, see two millennia ago, observed that "what is without alteration dies." Action and reaction is a law of nature. It is seen in the heart beat, the wink, in the relationship between peoples, and in myriad manifestations throughout the entire universe. Its nonviolent but similar economic demonstrations are in the law of exchange, of securitization, and business, as every- wise knows. Business charts or figures showing the decade-to-decade fluctuations in these items are in this country or elsewhere.

Correcting Imbalances

In the United States the long-term growth of productivity has been at about 3% a year. In periods of credit expansion, especially above the long-term line, in the process imbalance is created and a swing below the line is necessary to correct these imbalances. The correction comes in the process of equilibration from which business process emerges as a new development. Only in general should the degree of imbalance on the upside conditions the degree of decline below the long-term line. The worst, or most dangerous type of imbalance grows out of an abuse of credit.

In the present instance, that is, the 1965-66 prosperity period, business got above the long-term trend in terms of purchasing power, and the money supply was not of the character calling for a more rapid upward adjustment. Left to run its normal course, and taking into account the increased Federal credit resources, its large savings, increased asset prices, population growth, technological advance, etc., there is no reason why the trend should not be corrected within the current year. Every readjustment has had an opportunity to achieve the corrective process, however, the business action is as yet to start in line. I do not refer to Federal Reserve credit, which was a normal move in the light of the sharp adjustment, but rather to the various actions and proposed actions that are designed to stimulate business by calls of the Federal Treasury.

Premature Intervention?

At this point I raise the question that the Federal policies are premature. Should the business move within reasonable limits, justification for governmental aid might be made. But aid given at this time could only result in more inflation, or should it achieve an abortive corrective action to be followed by a new move of the downward corrective process, it will be necessary for Federal funds to be harnessed only for a dire emergency—a condition that has not yet pertained.

In the other hand, if the Treasury largesse happens to coincide with normal forces making for recovery, then there is the risk of materializing to the inflationary fires that were being so bitterly fought by Federal authorities a year ago. At the prosperity peak of the new world since 1955, the deficitary fiscal conditions, combined with the business upthrust arising from natural forces, might easily create the major imbalances out of which a major return to business readjustment would develop.

Will Pump-Priming Work?

Another question. Can government pump-priming, of itself, bring about increased spending? To the degree that the government places orders it may be called services, as in the defense program, the answer is yes. But placing orders will only delay the funds in the hands of consumers, as is contemplated by the President and Congress. Furthermore, readjustment does not guarantee that these funds will be used. If government is to stop the recession by over-advertising the troubles of the consumer, the surplus spending power will be conserved.

In other words, the mood of the consumer will weigh far more on how immediately effective pump-priming is to prove.

And what about capitalistic confidence? It is a very delicate asset in a tenuous plant. It does not bloom on the edge of a precipice. It thrives on certainty, with large risk. It is the lifeblood of good business practice. Can it now be contemplating, with any degree of sanctity, the $30 billion Federal Reserve Treasury ($50 billion; disbursements, $78 billion) already being conservatively envisaged for fiscal 1966?

From Washington

Ahead of the News

By CARLISLE BARGERON

Several months ago I was in Hot Springs, Ark., attending the races with Senator Homer E. Capehart of Arkansas. He had been to Little it uncle to dedi- cate at the air base one of the Capehart military housing projects and then to Hot Springs was a part of the hole business of the Arkansas giving were giving.

As we sat in a box car in the adjoining box got up and introduced himself to the Senator. Later this man was telling me that he had known of the Senator for 30 years. "He's the greatest salesman in this country," the fellow said referring to the Senator's build-up of his own box business out of which he made a fortune.

In his early career, as a young man, Senator Capehart lost a job he had with his new wife was available for him to have a small a part of a part. When Senator Capehart came home instead of being depressed he un- wrapped a hamburger sandwich, cut it in half for his betrothed bride, and remarked "If this is love I'm going to make a million dollars."

He made the million. Today he is to my mind the Senate's great- est idea man. At 60 years of age, a millionaire and with five years to go in the Senate, his temptation is to take it easy. But he is not made that way. He has a restless energy that always wants to be accomplishing something. Two years ago his active mind brought forth a plan to solve the farm surplus by greatly increased research into the increased use by industry of agricultural products. He has plugged that project day in and day out for two years, spent considerable of his own money in promoting it. Practically everybody concurred has approved it, including a Presidential committee of eminent agricultural scientists, farm and business leaders.

The Agricultural Department has given it only lip service because it would make the research program independent of that department. Yet the President in pushing a patriotic budget talks of the great importance of increased research into increased industrial use of agricultural products and asks for an additional appropriation of $30,000,000. Senator Capehart insists that the program must be dramatized, the best brains gathered to work on it as a crash program in the manner we developed synthetic rubber during the war.

Anyway, not discouraged by the lack of Administration interest in his program, his active mind has not been idle. He is coming up with a quickier amortization tax program as a means of relieving the depression. It will get plenty of attention from the high places and will be the subject of considerable discussion in the next few weeks.

The Senator has made his proposal notwithstanding the dema- dic criticism that the moment he comes up with an idea it is time to launch a "change." And time again at the end of the year the administration suddenly launches a program.

Sutro Adds to Staff

Sutro & Co., Inc.

SAN FRANCISCO, Cal. — Donald N. Norwood has been added to the staff of Sutro & Co., Inc., 400 Montgomery Street, member of the New York and Pacific Coast Stock Exchanges.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Bonds. The offer is made only by the Prospectus.

Philadelphia Electric Company

First and Refunding Mortgage Bonds, 33 1/3% Series Due 1988

Dated May 1, 1958
Due May 1, 1988

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Price 99 7/8% and Accrued Interest

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April 30, 1958.
What Government Spending Does to the Economy

BY DR. YALE BROZEN
Professor of Economics, The School of Business
The University of Chicago

Tax cuts, particularly in the 70-90% brackets, are the best approach to help end the current recession, a Chicago University professor has found. In experiments in which the government increased the right taxes, it can get re-employment with a minimum of inflation and least loss of revenue. Dr. Brozen stated government spending will not necessarily curtail spending by the public, because of increased taxes or borrowed funds which would otherwise have gone into private spending or investing, as the case may be. The Economist believes Federal Reserve creation of money, which would flow more quickly as tax decrease, and that this is the rate of increase.

The predominating demand, among those who believe the government should be less active about the recession, is for increased "pump priming" or "government spending." Most of the so-called "pump priming" measures will be reversed if the Congress becomes convinced that belief that "pump priming" will work.

In fact the prime pump is full employment. Will this rate will be, at least in the short run, the rate of increase. It is unlikely to do more than double the rate of increase.

In the 1920's, government purchases of goods and services consumed 20% of our gross national product. This left 70% to be consumed, and in any way individuals saw fit. They chose to consume 70% of the gross national product and invest 20% in better equipment and plant to increase productivity and in new housing to improve living conditions. During the post World War I decade productivity rose in manufacturing industries at the rate of 3.5% per year, about one third of the rate of the high rate of investment in plant and equipment.

In recent years, government purchases of goods and services have reached 20% of our gross national product. This is double the rate of the 1920's, since government has taken over the use of a larger part of our resources (materials, labor) which was left in for individuals to apply as 6.9% of the gross national product.

In 1920, the Chicago Federal Reserve held 20% of the gross national product. The money taken away by taxes has cut the amount left for our relatives for personal consumption their spending has released re-employment. The result of this is that the rate of increase in personal income has slowed. About 7% of the resources of the widely divided among the "or" levels of the capital. This is a severe blow to personal consumption.

In addition to the cut in personal consumption, there has also been a cut in business investment. This has fallen from 20% of the gross national product to 15%. The relatively low rate of capital formation has slowed productivity.

Dr. Brozen before the Sixth Annual Meeting of the Chicago Economic Club.

A cold war in which
Mr. Khrushchev has declared that the Russians will win by raising their productivity more rapidly than America will win by raising productivity by way of the existing type of structure. It is in the US, which is already well-manufactured in American.

Summary
To sum up, we have in government spending may or may not have an effect on any government products. To the extent, that is do, it is because the resulting real wages increase to the increase of the real wages increase to the increase in government consumption.

If we decrease the right taxes, we can get a decrease in real wages and investing 25% of their capital formation. This increase in real wages is also caused by the same incentive to invest and the more important the more important the more important the more important.

If we reduce the right taxes, we can get a decrease in real wages and investing 25% of their capital formation.

This, of course, has very important implications for our choice of economic policies. The increase of 25% in real wages, higher, more rapidly than in the rest of the world.

Dr. Brozen before the Sixth Annual Meeting of the Chicago Economic Club.

The rate of increase of productivity.
In the post World War II decade, productivity in manufacturing has risen by only 3% per year as compared to 3.5% in the post World War I decade.

Almost 25% of the resources which we do not place in the current situation are needed to maintain government spending. We must therefore question the evaluation of increased governmental expenditures.

Mature Economy Belief
It is commonly believed that our economy was stagnant—that it was not growing, that productivity was not rising, that the locomotives, office buildings, long life, and so on, and so on. The communication lines a day an additional productive capacity, which is regarded as a "leakage" from capital formation, is needed to maintain full employment. This is a distortion of the capital structure to reduce the rate of saving by imposing very high taxes. These taxes do not do more than double the rate of saving.

In the 1920's, our government purchases of goods and services consumed 20% of our gross national product. This left 70% to be consumed, and in any way individuals saw fit. They chose to consume 70% of the gross national product and invest 20% in better equipment and plant to increase productivity and in new housing to improve living conditions. During the post World War I decade productivity rose in manufacturing industries at the rate of 3.5% per year, about one third of the rate of the high rate of investment in plant and equipment.

In recent years, government purchases of goods and services have reached 20% of our gross national product. This is double the rate of the 1920's, since government has taken over the use of a larger part of our resources (materials, labor) which was left in for individuals to apply as they see fit. As a consequence, the proportion of our product which is consumed in investment and those who are left for private consumption has dropped to 65% of our gross national product.

In 1920, the Chicago Federal Reserve held 20% of the gross national product. The money taken away by taxes has cut the amount left for our relatives for personal consumption their spending has released re-employment. The result of this is that the rate of increase in personal income has slowed. About 7% of the resources of the widely divided among the "or" levels of the capital. This is a severe blow to personal consumption.

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Prospective Developments
In the Mortgage Markets

BY WALTER C. NELSON

President, Eberhardt Company, Minneapolis, Minn.
Vice-President, Mortgage Bankers Association of America

Mortgage bankers are told we can expect a continued decrease in corporate demand for funds during 1958 and 1959 by their Association's Vice-President, Walter Nelson. He notes that this looks like a good time for making advance commitments. Mr. Nelson points out, however, pivotal problem of rigidly controlled FHA-VA interest rates remains and should now be removed; notes changes in price of FHA loans and VA discounts; and considers FNMA a powerful tool which government will increasingly use to assist in its economic policy with regard to housing.

Mortgage bankers everywhere, now more than ever, realize the importance of their business in the economic picture of this country. We are working in a field that is important to everyone. It represents the basis of a sound economy not only from the standpoint of large dollar expenditures, but also from the standpoint of the stability of our population.

This is a year for politics. We live in a democracy, and politics are an important function of our economy. As mortgage bankers we must never close our minds to this important factor of our business. In the past few weeks we have seen again which Government, both legislatively and administratively, can do to dramatically change the mortgage picture.

We all have one important product—money. The supply and demand prices and the earning capacity of that commodity is our major business interest. If one thing is certain this year, it is that mortgage money will be plentiful. This means that you will be able to get construction funds, warehouse funds, and interim financing. In every way this is a reverse of the picture a year ago. All through 1957 the rate of increase in savings had, excepting in commercial banks. They had spectacular growth in this field, but, of course, it added little to the available funds for mortgage purposes.

Savings Growth Rate

By contrast, this year the rate of growth in savings in all institutions that we as mortgage bankers deal with, particularly in the Federal and local agencies, will be disappointing upward. The most important news on this score is that most have been in the mutual savings bank field. It appears that the savings and loan association field, where it may be that we will show a greater increase in the future. As a result, we may know, the savings and loan associations have saved funds available to them at very favorable rates from the Federal Home Loan Bank. It’s more difficult to judge the life insurance companies that can also make available for mortgage financing, because they are in a position to make many other types of investments. Yield and demand by other borrowers will affect all of the mortgage investments to a greater degree than the other types of mortgage lenders. We all should be giving serious thought also to the impact of savings in pension funds. The growth of savings in pension funds is greater than in any other type, and an important point for each one of us is the demand for mortgage investments now being taken by all types of pension fund managers.

The supply of money for mortgage purposes depends a great deal upon the demand for funds by corporate borrowers, state and local governments, and Federal and national financing. It does appear that although the demand for funds in short-term funds has been reducing slowly, there is enough reduction so that the year 1958 will show a distinctive decrease in the amount of money needed for corporate financing of all types. Any long-term financing on the part of the Treasury will undoubtedly be done in a manner that will not curtail the availability of mortgage money. Interest rates fluctuate in accordance with supply and demand for money. The peak rates were last fall—September to November. We saw the greatest reduction in the rate structure between October 1957 and February 1958, and this rate appears to have remained stable. In the latter part of February we all believed the rate structure was going to be disturbed. Generally speaking, during the increased interest in mortgage business, rates stopped their rapid decline. Although we may anticipate some increase in mortgage interest rates as more money becomes available for mortgages, it will probably be less sharp than was the first two months of this year.

During this period of a sharp drop in rates, corporate bond yields went from a high of 4.25 to 4.10 and government bonds dropped from their high of 3.20 to 3.21 at the end of March. These changes, of course, brought the FHA rate back to where it was in the beginning of the year, which is considered competitive with other available investments. The immediate result was that a marked decrease occurred in mortgage commitments with the high discounts that prevailed last year and early this year.

FHA-VA Changes

In most sections of the country we have seen a change of approximately 2% in the price on FHA points, and as much as four points on VA loans. The removal of dismissal controls in recent legislation and the increase in the income of FHA to 4% will have a healthy effect on the mortgage market. Conventional loans that were at 6% at the first part of the year are now at 5%, although 5% in some areas still seems to be the rate. The conventional loan market is primarily that of the savings and loan associations, therefore, their influence is the greatest in this field. Because of their present high dividend rates, they will necessarily continue to hold up the conventional loan rate as long as possible. FHA and VA mortgages are always more susceptible to quick changes in price. A national market has developed which makes this type of residential mortgage more liquid and subject to the influences of the national rather than local market.

Mortgage bankers will find this going to be their year, that if available mortgage funds have been available at any time in the past year or two. We have all had an opportunity of looking over our books and finding that there are profits that are available in several phases of operations. We have all taken stock of our staffs and their effort to make them more efficient and to eliminate all idle people and all practices that occur during a period of 6 months. We are finding, in spite of a recession, that bank and savings institutions payments regular, and the disbursement, quality of service is not appreciably higher.

We are all concerned, of course, with the long-term phase of the mortgage market. Should we make loans at today’s prices and warehouse without a farm takeout? Can we sell our builders to terms that we give in today’s market? How does the mortgage market changes drastically during the next six months to a year? How can we change mortgage credit going to be easy? When will serious competition develop for investable funds, and what will be the sources of that competition?

Long-Term Mortgage Outlook

On the basis of demand, it does not appear that large corporate borrowers will find any necessity to expand plant facilities for the immediate future. We can expect an increased decrease in corporate demands for funds during 1958 and 1959. Now, of course, the Treasury may take some reversion of some of its obligations on a long-term basis during this more favorable market period. It is my opinion, however, that this will be done cautiously because certainly in light of current expectations we will not see any changes during the short run will result. It has taken some steps for the classification of credit, but during the next year, nothing should be done which will not be of help to the market.

This looks like a good time for making advance commitments, builders may feel that interest is

300,000 Shares
Portland General Electric Company
Common Stock
(Par Value $75.00 Per Share)
Price $24.25 per share

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the prospectus.

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William R. Stas & Co.
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Paine, Webber, Jackson & Curtis
Carl Schenck & Co., Inc.
Schenck, Shuman, Ahearn & Co.
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The First Portland Corporation
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Mason Brothers
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Revel Miller & Co.
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Hooker & Fay
Humphreys Incorporated
Paine, Rice & Company
Pasadena Corporation
Chace, Whiteside & Window
Merrill, Pettiford, & Company
Stuart, Eubanks, Meyerson & Co.
NY Port Authority Appoints Three

The appointment of James J. Doyle as Director of Finance of the Port of New York Authority was announced by Austin J. St.LA

16 (1964)

The Commercial and Financial Chronicle . . . Thursday, May 1, 1958

Top Financial Writer Researcher

Would like to hear from brokerage houses and distributors of mutual funds.

Box C-43, Commercial and Financial Chronicle, 25 Park Place, New York 7, N. Y.

R. J. Mahlmann With E. F. Hutton & Co. (50th Anniversary)

San Francisco, Calif. — Russell G. Mahlmann has become associated with E. F. Hutton & Co. in the mid-Pacific area. He was formerly in the trading department of Hill Richards & Co. and prior thereto was trading manager for Davies & Co.

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THE MARKET...AND YOU

By WALLACE STREETER

The continuing flood of poor first-quarter earnings reports, plus some scattered dividend revisions, kept the market hobbled this week although it was still poised closer to its 1958 high than its low.

The apparent conflict between the facts and the market sentiment of high hopes that the second quarter results will be far more cheerful and help offset the selling tendency on the record. There was some evidence of an upturn forthcoming at the annual meetings of various companies, but the important steel and auto industries are still the laggards.

Rails were back in their familiar rut with little general following and the flareup last week of the steel strike relief had simmered down to little better than a one-day stand.

Pinch on the Oil

Oil company reports were starting to flow and they indicated that even where activities had held high, a profit pinch was more or less general. The issue was a moderately easy in the face of these earnings declines.

Coppers, like the rails, had moments of popularity particularly as prices firmed abroad, but not much came of it and the metal group made any important progress.

The chemical company reports weren't very cheering and for Eastman Kodak, particularly, a moderate decline was announced. Its stock dropped 76 cents—apparently was unexpected since the stock was rather harmlessly handled on the news.

Even IBM in Reverse

International Business Machines had been nudging to new highs after it boosted its net income 35% in the first quarter but turned reactionary after this week's annual meeting was told that there had been an order backlog and new orders from last August until February of this year when a pickup set in. As the holders were told, "IBM was doing well in sales this year but we believe it prudent to inform stockholders that IBM has felt the severe decline in its selling rate and could be affected by prolonged unfavorable business conditions." The warning was heeded, apparently, but some of the selling stemmed from advance rumors that the directors would vote a sizable stock dividend which didn't occur.

The big steel companies worked out about as expected, holding the dividend rates even where the payment wasn't covered by first quarter earnings or just barely covered it. Something of a surprise was the U. S. Steel report which showed profit of $1.12 to cover the 75-cent payment. But the profit figure was enhanced because there was no action to provide for funding of its pension costs which, on the same basis as a year ago, would have trimmed some $13 millions after taxes from the $65 million profit reported. Armco Steel, which in some circles was adjudged a dividend jeopardy case, was a bit under the blow. In it, just earned the 75 cents which is the quarterly payment and maintained the dividend despite the heavy loss.

Auto shares were quiet for most and even the big play in the market on the way down out after the low-priced issue had turned in a half million turnover week which is the high of the year. Chrysler was buoyant for the most part, allocating its dividend quarterly loss and a badly trimmed payment, 25 cents against 75. It was perhaps the best illustration of how market reflexes go into a tailspin despite a flood of dreary news.

Highs Still Outnumber Lows

Another illustration is that the 269 highs per day were trimmed about in half when easiness took over the market they still continue to appear three times over the new lows consistently. Many of the erstwhile market leaders have drifted for the most part this year and, consequently, have narrow trading ranges. So such scores as the highs and lows could change drastically in a rush. But it has been more than three weeks since the lows had the upper hand.

Apart from the normally defensive utilities, the better earnings results are largely in the food and drug shares. While the drugs have not made a good runup, the results have been rather ignored and it was not uncommon to find half a dozen in this group on lists of stocks that are undervalued.

General Mills, which is usually rated as a blue chip, has only gone part way in raising what seemingly is a turn for the better in the company's profit margin through new products. Some estimates range as high as $6 per share in expected results in the fiscal year that ends next month, which would be more than a dollar ahead of the $4.12 a share earned in the same period a year ago, which is $1.12 a share.

Best Foods, which offers a return of well past 5%, is again in the food group that usually appears in analytical tabulations with an "undervalued" tag. Likeness to the food companies, Best Foods is somewhat obscured by the names much more familiar to consumers such as Heinzmann's in mayonnaise, Nucoa in margarine and Shredded Wheat in the shoe polish line.

There is general agreement that the fiscal year earnings up to next June 30 may show a gain of 8% over the previous fiscal year, all of which virtually guarantees the $3 dividend requirement so well supported.

Boost in Tobacco Earnings

Tobaccos are another group that has been showing better than average ability to boost earnings despite the tailspin. Latest to join the parade was giant American Tobacco which raised results by 22%. Its dividend recently was increased in tune with the other tobaccos and its yield has fallen slightly under 6% but is still very attractive.

The seven cigarette companies have revised hastily if, as expected, the payout of American Tobacco was cut 25% over the $5 current rate.

The drugs, naturally, are expected in line to liberalize their dividends, thereby raising their good earnings. Rather prominent as a dividend increase candidate is Warner Lambert which has paid its dividend every year since 1951 plus 4% in stock last year. The company is expected to keep its string going.

Warner Lambert recently turned more aggressive in adding new lines on top of the solid demand for such as the Lanolin, Liniment, Brome-Seltzer and Listerine and offers a bit of extra diversification in its plastic and glass containers which now contribute 14% to sales. Since 1953 the company has lifted sales from $48 to $158 million and has been very impressive, and last year posted earnings that covered the dividend twice over.

[The views expressed in this article do not necessarily at any time coincide with those of the author only.]

John P. Henderson, E. F. Houston, Jr., Russell R. Bowles

Walter M. Sorensen William C. Parter

HOUSTON, Texas — John P. Henderson of San Antonio was elected Chairman of the Texas Group Investment Bankers Association during the association's 25th annual convention at the Shamrock Hilton.

Mr. Henderson, a prominent San Antonio civic leader, is Vice-President of the investment firm of M. E. Allison & Co., Inc.

His election followed keynote addresses by outstanding leaders in law, business and finance.

They were Edward N. Gadab, Chairman of the Securities and Exchange Commission; and members of the New York and Massachusetts bars; W. C. (Tom) Walker, Chairman of the Board of Commissioners of Gas Pipeline Co., and William C. (Decker) Jackson, Jr., First Southwest Company, President of the Investment Bankers Association of America.

Dr. Andrew Edington, President of the Schreiner Institute, addressed the more than 500 investment bankers at the luncheon following the election.

The three-day convention, which was pronounced most successful, concluded with a field day at the Lakeside Club at the President's Ban honoring the association's national President, Billy M. Jenkins.

Other officers elected were B. F. Houston, of the Dallas Union Securities Co., First Vice-Chairman; R. B. Bowles of Bowles, Winstom & Co., of Houston, Second Vice-Chairman, and Frank E.

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COMMON STOCK

WILLIAM MORTON CO.
Real Estate in the National Economy

By H. WALTER GRAVES*.
President, National Association of Real Estate Boards

New record level for real estate in 1955, after a short readjustment period to allow full benefit of early home-buying potential, is of good financial position. Calls for bi-partisan National Monetary Commission to study adequacy of our national monetary and credit machinery, and advocates tax reduction and reform.

Real estate is clearly headed for a new boom, on the evidence of improved flow of mortgage money, high demand, and a good financial position. Calls for con¬

In recent years, the trend has been to build momentum in the real estate market. In fact, the trend was so pronounced in 1955 that the year closed with a new high. This suggests that the real estate market is in the early stages of a new cycle.

The Federal Reserve Bank of St. Louis

The Federal Reserve Bank of St. Louis is a major player in the national economy, providing financial services and support to communities across the country. With its focus on economic stability and growth, the bank plays a vital role in promoting economic development and ensuring that local businesses have access to the funds they need to succeed.

*Address by Mr. Graves before the National Association of Real Estate Boards, Philadelphia, Pa., April 23, 1956.

Detroit Basis Club to Hold Meeting

DETROIT, Mich.—On Thursday, May 1, at 8:30 a.m., the Detroit Basis Club, a sub-committee of the Department of Public Utilities, will be held at The Detroit Club at 12:30 p.m.

Another important real estate trend that should be noted is the emergence of a new trend in the real estate market. This trend, known as the "Detroit Basis Club," is gaining popularity and is expected to continue to grow.

The Detroit Basis Club is a group of real estate professionals who meet regularly to discuss the latest trends in the real estate market. The club is known for its innovative ideas and is expected to have a significant impact on the real estate market in the coming years.

Regarding whether these developments are good or bad, the result will be favorable. Either option offers the potential for further growth, and there is no need to be concerned about the Detroit Basis Club having negative effects on the real estate market.

With the Detroit Basis Club taking shape, real estate professionals are expected to see increased demand for their services. This will allow them to improve their financial position and enhance their earnings capabilities.

In order for the Detroit Basis Club to be successful, it is important that the group continues to focus on providing valuable insights and innovative ideas to the real estate market. With this in mind, the Detroit Basis Club is expected to continue to grow and become an integral part of the real estate market in the coming years.
Commodity Exchange
25th Anniversary

The 25th anniversary of the founding of Commodity Exchange, Inc. will be observed on Thursday, May 3, 1963, when brief ceremonies will be held on the floor of the Exchange prior to the opening of trading. Harold J. du Pont, President, announced that scheduled to get under way at 9:30 a.m. will be highlighted by short talks by Mr. du Pont and Jerome Lewing, one of the original founders and first president of the Exchange. Activities are scheduled to be concluded in time for the regular opening of trading at 10 a.m.

A cross section of the present membership of the Exchange, former officials and members, officials of other future markets and securities exchanges, bankers and representatives of foreign trade organizations, as well as delegates from government agencies will be present for the ceremony on the floor of the Exchange.

Commodity Exchange, Inc. actually came into existence as a legal entity on May 1, 1933 when the Rubber Exchange, New York Hide Exchange, National Metal Exchange and the National Raw Silk Exchange were merged to assume identity as Commodity Exchange, Inc. Formal trading in future deliveries of crude rubber, raw silk, hides, silver, tin and copper started in present Exchange quarters, 81 Broadway, New York, on Wednesday, July 5, 1933.

Debentures of Banks
For Cooperatives
Offered at Par

Public offering of $72 million collateral trust debentures of the 15 Banks for Cooperatives was made on April 30 through John T. Knox, fiscal agent, 129 Liberty St., New York City, with the assistance of a nationwide group of security dealers.

These debentures, to be sold at par, will mature in 9½ months. Interest at 1.75% is payable with the principal at maturity.

Proceeds from the sale of this issue will be used to redeem the $63 million of 4.85% debentures maturing May 15 and for lending operations. These debentures are the joint and several obligations of the 15 Banks.

During 1957 farmers' marketing, purchasing, and business service cooperatives borrowed $541 million from the Banks for Cooperatives. These Federally chartered banks operate under the supervision of the Farm Credit Administration, an independent government agency. Throughout the government shares in the ownership of the capital stock in these banks with cooperatives that use them, their debentures are not guaranteed by the government.

Philadelphia Securities
Association to Meet

PHILADELPHIA, Pa.—Simon Florn, President of Fluor Corporation, will be guest speaker at a luncheon meeting of the Philadelphia Securities Association to be held on Monday, May 5, 1963, at the Barclay Hotel.

Warren V. Muser of the Philadelphia Securities Association, Inc., is in charge of arrangements.

Crutenden, Podesta
Sales Meeting

CHICAGO, Ill.—More than 100 registered representatives from Crutenden/Podesta & Co.'s main office and 12 branches met in Chicago April 25 for their ninth semi-annual sales meeting. Robert A. Podesta, partner, announced that the meeting was held at the Union League Club.

Principal speaker was Edward P. Rubin, well-known economist, investment counselor and President of the Chicago-managed Selected American Shares, Inc., who discussed the current and long-term outlook for the securities markets.

Chamber Law Committee
Urges Congress to Legalize Wiretapping to Fight Crime

The Committee on Law Reform of the New York Chamber of Commerce today (April 24) urged Congress to amend the Federal Communications Act to permit wiretapping by court order for the detection of crime.

The committee, headed by Robert L. Bogert, expressed its view in a report sent to all members of Congress and to Attorney General William P. Rogers. It held that restrictions on the use of wiretapping have "seriously handicapped and weakened...the detection, investigation and prosecution of crime."

The law unit specifically endorsed S. 3012, a bill introduced by Senator John L. McClellan and now pending in the Senate, which would change the present law barring wiretapping by law enforcement agencies.

A similar bill has been introduced in the House of Representatives by Congressman Kenneth B. Keating.

Million Dollar Dive...

Off California a geologist-frogman dives deep to the ocean floor in search of petroleum-bearing rock for Texaco.

If successful, America's oil reserves may be richer by millions of barrels.

On five continents Texaco oil explorers are using aerial surveys, artificial earthquakes, soil analysis and other methods to locate more oil to satisfy the ever-increasing world demand.

This work is just one phase of Texaco's multi-million dollar program to produce more and finer petroleum products for the transportation, rubber, petrochemicals and plastics industries...an investment in the future.

The Texas Company
Progress...at your service

P. W. Stouffer Joins Albert Frank Agency

The appointment of Paul W. Stouffer as a Public Relations Account Executive on the staff of Albert Frank-Guenther Law, Inc., New York City, national advertising and public relations agency, was announced today by Howard W. Calkins, Chairman of the board and President.

Mr. Stouffer joins Albert Frank-Guenther Law, Inc. after 11 years as Public Relations Director of the Sales Executive Club of New York. He previously was a Vice-President of Brief Publications, Inc. from 1953 to 1955.
Sterling's Brighter Prospects--Full Convertibility

By Paul Einzig

How fateful is the idea of free sterling convertibility? That question is seriously raised and answered by internationally known and respected authority, Dr. Paul Einzig, in a fascinating new book on the fundamental soundness of the British pound. Dr. Einzig believes the British Government is strongly "temped" to achieve convertibility for current transactions rather than the half-way measure of limiting it to the gold trade.

LONDON, Eng.--The thinness of sterling during the greater part of April has been due not so much to fear of a depression position as to the revival of optimism about its prospects. For the first time since 1933 it is no longer considered necessary to be so afraid of any financial crisis as to provide for its possibility along with a revival of enthusiasm. The increase in the gold reserve is the direct cause of this change, even though that reserve is still very far from sufficient to avert the risk of a crisis. Nevertheless, there are very moderate adverse influences.

Even so, conversion is estimated to be a very uncertain cost, with the price of gold rising. In the next 12 months, a rise in the gold reserve will be accompanied by an increase in the dollar reserve, as they have both been increased.

Seunder Internal Economy

This optimism seems justified, not only of the immediate technical position which is not nearly as strong as it appears on the face of it, but because of the improvement of the fundamental position of sterling. The depression has been practically no increase in the cost of living since November last, and prospects are better than the balance appears to indicate. A slight improvement of the wage dispute in nationalised organisations is still uncertain, at any rate, for this reason, it looks somewhat more hopeful.

Some manufacturing prices have been reduced, and there appears some likelihood of the downward movement gathering momentum. Since most trade unions are far from keen on strikes, any definite declining trend in prices would provide a welcome excuse for persuading their members not to insist on excessive wage demands.

Remove the Upper Limit?

The stability of British prices is in sharp contrast with the continuing inflation in the United States, Germany and other western European countries. Should this contrast become a fact, the convertibility of sterling would affect the British balance of payments adversely. The upper limit of sterling might perhaps even more important from its influence on the forecast of sterling's prospects in the near future. There now seems to be a possibility that the upper limit of sterling might be, or at least will be very much higher than it is now, and that the Bank of England may be willing to release its stock of dollars maintained at a record level of $3,250,000,000.

Richard B. Williams has been elected a Vice-President, of Kidder, Peabody & Co., with the effect that the security trust company is likely to be exposed to the risk of the security trust company, with the official record, is considered to be feasible. For the first time a return to convertibility appears to be possible.

The Government is strongly tempted to take the remaining steps needed for full convertibility. It would be consistent with the objects of the controversy to achieve full convertibility by removing the remaining controls. It would greatly strengthen the Ministry of Labour to remove many of the controls and to allow the Government to remove or re-introduce them by appropriate legislation. This means that for some time after its advent the new Government may be busy with restoring controls, so that it will not have so much freedom of action as to be able to program its nationalization and other Socialist policies. Moreover, the foreign sterling is the more likely to be affected by the fears of a Socialist victory at the general election.

ENDICOTT, N. Y. -- Carl M. Loeb, Rhoades & Co. has opened a new department at 17 Wall Street, New York City, it has been announced.

The firm has been associated with Kidder, Peabody for 11 years, and the company's investment management and research departments. Previously it was associated with the National City Bank.

The new office is located at 17 Wall Street, New York City, and serves as a clearing house for the Bank's New York offices.

The Chase Manhattan Bank, New York City, has announced that the corner of Avenue and 15th Street, now being constructed at the southwest corner of Park Avenue, will be named the 101st branch of the bank.

The appointment of James Ryan, Jr., as Assistant Vice-President of Manufacturers Trust Company, New York, is announced by Horace C. Flanagan, Chairman of the Board of Directors.

The appointment of John Prichard as Assistant Vice-President of Manufacturers Trust Company, New York, is announced by Horace C. Flanagan, Chairman of the Board of Directors.

The First Trust Company of Allegheny, Cincinnati, has been authorized to increase the capital stock from 2,121,150,000 shares of 100,000,000 to $2,421,510,000, or 42,115,000 shares of the same class.

The Davers National Bank, Denver, Mass., has increased its capital stock from $1,000,000 to $2,000,000 by the sale of new stock effective April 16. (Number of shares sold: 2,000,000, at par value $1).


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in the growth of the Americas

W. R. GRACE & CO., backed by more than a century of experience in business and industry, continues to move ahead in chemical processing and manufacturing...in basic industries throughout Latin America...in world trade, ocean transportation and finance.

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W. R. GRACE & CO.

1957

1956

Sales and Operating Revenues...
$109,727,553
$109,436,117

Net Income After Taxes...
$15,49,217
$17,969,029

Average number of shares outstanding...
3,31
4,11

Preferred Dividends Paid...
928,664
936,498

Common Dividends Paid...
10,540,536
9,083,042

Net Operating Income...
2,40
2,31

Net Working Capital...
$12,60,020
$10,137,870

Current Ratio...
2.5 to 1
2.5 to 1

Net Fixed Assets...
$397,516,624
$398,388,562

Number of Common Stockholders...
24,109
21,178

Number of Employees...
42,102
44,600

W. R. GRACE & CO.

Executive Offices: 7 Hanover Square, New York 5

If you would like a free copy of the Annual Report, write to W. R. Grace & Co., 7 Hanover Square, New York 5

World Bank Bonds by

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BOSTON GROUP EXPECTED

World Bank Bonds by

BOSTON GROUP EXPECTED

The International Bank for Reconstruction & Development proposes to make an offering of $150,000,000 principal amount of 20-year bonds early in May, Eugene R. Black, President, announced on April 28. The bonds will be non-redeemable prior to maturity. The issue will be sold throughout a nationwide underwriting group of commercial banks and dealers under the joint management of Morgan Stanley & Co. and The First Boston Corp.

As in the most recent issues in the United States market, the Bank, in addition to offering bonds for regular delivery, will extend to certain institutional purchasers of bonds of this new issue, the customary privilege of making delayed payments giving them a selection of specified delivery dates up to Nov. 1, 1959.

This arrangement is expected to serve the dual purpose of coordinating a portion of the bank's borrowing with its disbursements and of making it possible for purchasers to arrange their payments to suit their individual preferences in the light of their own projected cash positions.

Hill Richards Branch

MONTICELLO, Calif.—Hill Richards

& Co. has opened a branch office at 1482 East Valley Road under the management of Sherman Asche, Vice-President.
Is the Business Cycle: A Relic of the Past?

recession of much more serious proportions than anything yet witnessed during the Post World War II era.

Human Judgment Still the Key

How is it possible, asks the layman, for economists and businessmen, who are so often accused of being cold, logical and unfeeling, to be so wrong and yet disagree as to whether the present recession will soon dissipate itself, or whether there is a strong likelihood of a more prolonged and severe depression? The answer lies in the pattern and complexities of individual human behavior which still remains a mystery to economists. The rise and fall of business cycles are tied to the interplay of feelings, and to the beliefs and expectations of individuals and groups, a subject which is far too complex for the average reader to comprehend. But the breadth of available statistics must still be considered an important guide even in this somewhat uncertain age, as well as many visible factors. The isolation and analysis of the basic maladjustments which were involved in the decline in business activity is not simple. It is impossible to appraise, with any degree of accuracy, the future attitudes, emotions and desires of individuals or businesswomen. Above all, the human judgment of the business cycle is still as important today as it ever was.

Leading Indices Ignored

Many economists were satisfied, almost a year ago, that the indications were accurate predictors of a business recession, and others insisted on waiting for confirmation from the concurrent and lagging indicators. The feeling was that the latter economist were convinced, certainly more so than the former, that a full fledged recession was in progress. Economists, as well as businessmen, have been immune to the optimism of the 1920's and the pessimism of the 1930's, and are still of the opinion that a broadly expansive environment. That judgment can be seriously criticized by a "new environment."

Statistics Alone Do Not Provide The Answer

As a matter of fact, much of the evidence, Burns, the most competent student of business cycles of these recent years, has been based on "Obituaries on the business cycle are romantic expressions of human impatience not conducive to the well being of a healthy economy. They serve neither the public good nor the individual, and may prove seriously harmful.

Sensible understanding of economic cycles requires the knowledge of history and large number of statistics, and processing alone — to which our disturbed age has turned so eagerly in its quest for certainty.

The crucial problem of our time lies in the recognition of severe depressions, not of business or unemployment, but of a "new environment."

"Some insight into this problem is afforded by the experience of the analyst whoIMEs through the successive cyclical waves during this decade carried further the belief in a "new environment."

As speculative fever increased, the business declines that occurred were ignored or explained away as "nonspecific." This analysis is based largely on American experience before World War II, when it was possible for all students must turn when they returned to the study of the workings of our economic system, the problems of peculiarities which have recently dominated the discussion and for which we have recently recommended substantial changes.

"New facts on Business Cycles, National Bureau of Economic Research, Inc, have a destructive quality in our society. There are times when price levels drop, it can be shown that if the Federal Reserve had not been able to cope with the stresses, the problems would have been much more serious.

Business Inventories

There was a net decline in business inventories in the year 1949 and $1.8 billion in 1954. The total amount of inventories until the last quarter of 1953, however, which showed net additions of $800 million. However, the peak of the inventory buildup was reached in the first quarter of 1953 and the buildup then declined until it became negative in the last three months of 1953. The decline is continuing.

In analyzing the statistics of Gross Domestic Product, consumer spending and business inventories is important to believe that the current recession was similar to the recessions of 1949 and 1953-54. However, it should be realized that the gross of 1954 has been almost always similar in several respects, whether the recession is to be short lived or is to deteriorate into a more serious decline.

Gross Domestic Private Invest- ment Down Since October, 1936

Certain other aspects of the business recession, Business failures, which have been relatively small in this recession, are those of business failures. The very progressive nature of our personal consumption and the mili- tory cushion to partly offset the effect of a decline in expenditures for private capital expenditures, without any change in tax legis- lation. The 1954 recession, however, have also cushion the effects of unem- ployment which we have seen play an a smaller role in the present recession.

Capital Outlays for New Plants and Equipment Key to Decline in Business Inventories

In the area of new plant and equipment expenditures, it is obvious that the current recession is following a pattern similar to the recession of 1953 and 1954. It is in this respect that the current statistics appear ominous. The very high level of these expenditures only recently, is an indication of the major support that they have sup- plied to the boom. Capital expendi- tures for new plants and equipment declined from $22.9 billion in 1949 to $36.3 billion in 1953 to $28.2 billion in 1954. The turnabout is slight in 1954, since it is estimated at $36.2 billion for the first quarter of 1955. They turned out to be $36.2 billion down from $37.7 billion in the peak of 1958, at the time the increases were currently running at an annual rate of $32.5 billion.

Sharp Decline in Capital Expendi- tures

Not many months ago the most important statistic in the present recession was a decline of 7% for plant and equipment expenditures in 1958. The rate of capital outlay in 1957 has already been 14% and is likely to continue at the same rate, maintaining a sharp drop from the peak of 1958, which will continue for a longer time to come. The capacity and acquiring plant and equip- ment have risen significantly since 1957 and 1958. It is likely that another peak of $23 billion. A billion would actually mean sub- stantially lower unit volume than in 1958 and 1959. It is likely that it will be unit volume that determines the real limit of 1958 consumer spending finally turned downwards. In the early stage of all types of recession, consumer spending is always hold up well and are cited as bulwarks of strength.

Credit Policy

Credit policy can be changed rapidly in the light of a change in the credit policy. The effectiveness of credit policy is subject to the test of a severe and prolonged depression. This test may be in the making.

The effectiveness of easy credit policies has been of a fundamentally serious nature, and is open to real question. The Federal Reserve has pragmatically unlimited powers to influence the amount of credit in the banks. But whether or not these powers are used depends on the nature of the other question. Specificaly, the reserve position of member banks and the supply of cash may be more easily changed than the required reserve ratio. Whether credit managers of member banks and business firms will be willing to increase the supply of cash which has been used in recent years, and that those need not it may not be able to get it. But the supply of credit policy to stem or even moderate a decline in business activity of serious proportions is a straightforward matter. The maladjustments in the economy is the only question to be answered.

The Role of Government and the Federal Reserve

Stabilizers

The Federal Reserve and the Federal Reserve System have been used as tools to stabilize the economy. The Federal Reserve System has served to moderate the effects of unemploy- of what business failures have been in the 1950's and 1960's. In this period, the Federal Reserve System has served to moderate the effects of unemploy- ment and to sustain the economy. The Federal Reserve System has served to moderate the effects of unemploy- ment and to sustain the economy. The Federal Reserve System has served to moderate the effects of unemploy- ment and to sustain the economy. The Federal Reserve System has served to moderate the effects of unemploy- ment and to sustain the economy. The Federal Reserve System has served to moderate the effects of unemploy-
How to Save Our Economy

BY GEORGE C. ASTARITA

The American Banker, Cola.

Rushing to the other side when a ship lists characteriates inflationary panics, according to Mr. Astarita who prefers, instead, a "long breath" in wages and fringe payments to allow technological improvements to restore profit margins. His structure and is confident that these two proposals would reverse excess capacity and overpriced products.

When a ship starts to list, all passengers rush to the opposite side: this may make the deck a little too crowded. That would appear to be the nature of thinking today, in that inflationary panics are being damped to correct a depression. Our salvation lies not so much in immediate so-called "corrective action" as it does in getting to the root of our economic troubles and instituting long range, sound and constructive measures designed to keep the economy ship on an even keel for the long voyage.

To cut or not to cut taxes would seem to be the question of the moment. If we cut indiscriminately, an inflationary gap with all its deleterious effects will be opened. If we cut too little, no good will be done. Rather than to cut at this time, consideration should be given to a long range program designed to make taxes more equitable and thereby to increase profit incentive. Without profit incentive there can be no employment and without employment there can be no consumption and without consumption there can be no economy. Conceivably a well adjusted low tax structure would produce as much if not more tax revenue and steps taken that will direct this tax revenue would contribute much to a better business situation.

Mr. Astarita advises "Long Breath" in Wages.

Too much industrial capacity is the battle cry at the moment. Too many employees priced out of the market by high wages, yes, but not too much if wage advances henceforth do not exceed gains in productivity. High wages are good in themselves to the extent that they stimulate consumption, but beyond a point they increase costs to a level which destroys consumption. The automotive and manufacturing industries have been priced out of the market and without sound conditions in these two important fields, the American economy cannot progress.

To price wages at a level which is advanced by labor leaders is to defeat the very purpose of the American system. What American industry needs so vitally is a long breather in the cost of labor. It is hoped that through self-discipline and constructive measures advanced during which time technical improvements are permitted to restore profit margins. Surely labor must realize that this is a long breath in the goose and that if it is not treated they will appear on the economic menu-a little alone golden ones.

Simple Problem the Essence

The problem we have to solve is this: we are faced with an economic economy. If we do not solve our problems, the American economy will not regain its historical vitality. The invasion of inflation and technological development will require an increase in consumerisation and the "overcapacity" of today will become the "shortage" of tomorrow. This is the economic phraseology and a lengthy, erudite illustration might make this piece more impressive but the problem is as simple as it is even more the honest and sensible approach by Congress for solution.

Merrill Lynch Group Offers Pent Sound Pow. & Lt. 4½% Bonds

Merrill Lynch, Pierce, Fenner & Smith, on April 28, leased a underwriting group which offered an issue of $36,000,000 Douglas Sound Power & Light Co. first mortgage bonds. The issue was dated May 1, 1930, at 101.47% and accrued interest, to yield 4.04%. The group offered to make competitive sale on April 23 on a basis of 101.34%.

Net proceeds from the sale of the bonds will be applied by the company (including all costs of issue) to the purchase of $29,000,000 principal amount of its outstanding 5% 1920's series A bonds. The balance of the proceeds, together with other funds, will be used to retire bank loans incurred to provide funds for construction purposes.

The new bonds will be redeemable at regular redemption prices ranging from 1050%, to par, and at special redemption prices scaling down to 65% to par, on any accrued interest in each.

The Douglas Sound Pow. & Light Co. is an electric utility operating within the State of Washington. The company's service area covers approximately 3,200 square miles principally in the Puget Sound region of western Washington and includes parts of King and Pierce counties in the central portion of the state. In 1957 the estimated population of the company's territory totaled 735,000, compared with 583,000 in 1950. The company operates 270 communities and adjacent rural areas.

The company had electric operating revenues of $268,321 and net income of $25,945,967.

Detroit Bond Club Annual Summer Outing

DETROIT, Mich. — The Bond Club of Detroit will hold its Annual Summer Outing on Friday, July 27, 1958, at Lakepoint Country Club. It will be attended by over 1,000 bondholders of the financial and banking industries which includes over 1600 business guests. Milo O. Osborn, Paine, Webber, Jackson & Curtis, President of the Club, will preside at the dinner.

Municipal Bond Club Of Chicago Officials

CHICAGO — Wm. C. Corbett, Jr., Burns, Corbett & Pickard, has been elected president of the Municipal Bond Club of Chicago, Paul Stephen, Paine, Webber, Jackson & Curtis, vice president; Henry C. Minear, secretary, and Elzic C. Filtow, William Blair & Co., treasurer.

Herman H. Michaels

Herman H. Michaels, a limited partner in Dean Witter & Co., passed away on April 5.

Ohio Edison Company

Ohio Edison System's record-breaking $70 million construction budget for 1958 tops its 1957 expenditures of $64 million, and will bring the System's construction total in the 13-year period since World War II to more than $352 million. It is evidence of faith in the future of this region—"The Center of Industrial America"—and of its vigorous and enterprise.

Ohio Edison's annual report for 1957 points out that the area served has enjoyed an unusual increase in new industrial plants and in additions to existing establishments and the equipment change, they are not by means clearly least tax relief will help the unemployed, and seeing those employed, those who do receive tax cuts will likely keep more of the added income rather than spend it. It may well be that before corporate managers spend funds secured by lower tax rates on the completion of new plants and equipment.

Increased Government Spending

The factor of increased Government spending is even more cumulative than tax relief. It takes considerable time for this policy to be felt on the price levels of the consumer, and even longer before authorized spending programs amount to funds into the economy. It is remarkable how much faith so many individuals have placed in promised increases in Federal Government expenditures in every budgetary year since 1916 over calendar 1937, which admittedly will not total more than 1% of Gross National Product on the very outside.

Conclusion

(1) The basic misjudgment, causing the current decline is much more serious than was the case in prior recessions encountered since 1924. These misjudgments, designed to keep the economy ship on an even keel for the long voyage, have been priced out of the market and as a result substantial over-capacity have been created in many industrial areas.

(2) Fiscal policy in respect to tax relief and capital expenditure is not to be confounded. Current spending may be tardy in initiating recovery but a change in application. Monetary policy is much more effective in containing or causing to fall in frosting a recovery without a change in fiscal policy. Long-range plans require consideration of those responsible for Federal expenditures.

(3) The nature of the depression has been a depression of consumption, without an adequate fiscal policy during the boom which restrains considerably the flexibility of those responsible for Federal expenditures.

(4) The factor of defense has been of a nature to offset consumption, without an adequate fiscal policy during the boom which restrains considerably the flexibility of those responsible for Federal expenditures.

Four With Henry Swift (Special to the Financial Chronicle)

SAN FRANCISCO, Calif.—Touma, Yamasaki & Co., of the Pacific Coast, and George K. Yamamura and Jameson Young have become associated with Henry F. Swift & Co., of the California Street, members of the Pacific Coast Bond and Mortgage Club. They were formerly with Hooker & Fay.

Phila. Exch. Member

PHILADELPHIA, Pa.—The investment securities firm of Albert, Teller & Co. has been invited to make application to membership in the Philadelphia Stock Exchange and to associate membership in the Boston Stock Exchange.

Shearson, Hammill Wire To Kohlmeier & Co.

Shearson, Hammill & Co., 14 Wall Street, New York, and members of the New York Stock Exchange, have installed a private wire to Kohlmeier & Co., New Orleans, La.
Unfettering Small Business
To Care the Recession
By ROGER W. BABBON

Well known financial advisor describes the pivotal importance of small business, now threatened and even dominated by Big Business and Big Labor. Mr. Babbson recommends a seven point program designed to allow small business a chance to cure the recession. Prefers unfettering small business and reducing labor scale to hopes that restoration of competition will break down too-rigid administered prices.

It is clear that unemployment results from the over-all, not sufficiently clear what is the cause of the recession. However, it cannot be doubted that it is one of many imbalances in the economy. The reaction is from some previous action.

Because certain excesses have existed too long or been too great, we are to regain normal economic balance. Normal is an economy, when we think of it, like the weather—no ‘better’ or ‘wetter.’ A fat boy pushes down the scale for one person, a thin boy at the other end. In our economy, when the scale is even at one end may be over-expansion of production in relation to our purchasing power.

In an ideal economy, productive excesses are not allowed to get geared to consumer demand. But, actually, such gearing is not automatic. Our government has monopolistic power expanded faster than consumer demand, due to demands from temporary excessive consumer buying, as in installment purchases. Moreover, our economic system is so free as many would like to believe. In the marketplace, prices no longer respond effectively to the conditions of supply and demand.

Big business has given us economic opportunities by including making available to the many—by mechanization—mass production—distribution—accessories, comfort, and luxuries. In boom times, however, when the government-sanitized labor together give consumer spending to the max, the driven upward by annual wage and price increases unrelated to the annual rise in productivity. Plant capacity is expanded without regard for 85% of our businesses are unincorporated.

Seven Definite Recommendations
- As a result of the two World Wars, Big Business and Big Labor were created and powerful special privileges in the name of Defense. The time is overdue to remove these privileges and give the three million small businesses with a total of over eight million workers a chance to operate in a free environment. Propositions to end this have recently been made to the Senate Committee.

(1) A tax deduction for all concern of business, up to $10,000—this would provide the necessary capital for labor unions.

(2) Equalization between large and small business for depreciations and depreciable equipment, which the smaller concerns usually buy, should be given the same tax treatment as the larger, known as “premature.

(3) All employees to be considered the self-employed and persons not members of qualified pension plans.

(4) Provision for the payment of new benefits in kind, that businesses need not be liquidated simply to accommodate the Federal Government.

(5) Federal grants to small concerns, for research and development, since these business need to be safeguarded from research at taxpaying but need not be available freely to all concerns.

(6) More credit for small business firms by the Small Business Administration in order to offset the one-sided power of large corporations to extend credit to businesses by practically shipping on credit.

(7) Elimination of Labor’s exemption from the anti-trust laws.

Continued from page 9

The Fiscal Situation
In Latin America

I957 was another year of suspicion in Latin America. The economic situation has been characterized by almost simultaneous increases in the prices of small businesses with a total of over eight million workers a chance to operate in a free environment. Propositions to end this have recently been made to the Senate Committee.

Years earlier, when the trend in the cost of living has slowed—indeed, figures the average consumer prices affect a 15% decline. But I find it hard to believe that this single factor could lead to two year-old anti-inflationary programs which have already been thoroughly taken on themselves. This will depend on the symbolic value of the foreign exchange system, and some reduction in the annual increase in prices since the end of the year is in the cost of living. Nevertheless, the government, by the end of 1955 through September, 1957 by 147%.

The budget deficit was over two years—business probably not significant in the economies—so, in any event, much contracted in fiscal policy, with Federal budgetary deficits continuing to be chronic. The trend in the budget, almost accounted for some 40 million pesos. Some programs currently absorb almost one-fifth of the total allocated to the military. The decline in copper and, to a lesser extent, it continues to be the main indicator of the situation.

Although the upward trend in the money supply was interrupted in 1957, there is a significant increase of in the near future due to continued inflation. The volume of credit extended by the Central Bank and private banks increased by 20% during the first eleven months of 1957, bolstering the inflationary trends by means.

Both of the “free” pesos dropped about one-fourth in value during the last two months of this year the trade peso has fallen by 13%, the official peso, 5%.

The 30% drop in gold and foreign exchange reserves during 1957 has necessitated the imposition of import restrictions and require up to 1500% of the value of some luxury imports—already declining import registrations of the dollar. In the second quarter of this year, when the Mexican peso was 2$5 million to the dollar, there was a further drop to 2$35 million to the dollar. In January of this year, registrations were already at this level. Whether this lower level can be maintained is questionable but the trend is nevertheless quite encouraging.

Nevertheless, prices may continue to be severe, with the cost of living for the same year having increased 22%, compared with an average annual increase of 8% for the period 1948 to 1956. Money in circulation in Latin America, as has increased in the last five years, including rising prices, 90% of the rise in prices.

A reduction was achieved last fall, only to have a record high reached in January of this year, 1957, a surplus is again doubtful, and prices are being made to bring about a balance. With these conditions, in effect, is said to have increased during the year.

Reflected— and augmenting—in a parallel way, with a drop in the two or three years has been the sharply reduced flow of capital from the United States and other countries. Nevertheless, one-half of that for 1955 and 1956. When inflation and recession take their toll, and some of their confidence, they will watch with keen interest the President’s background: Is he looking for hopeful signs that the inflationary trend has been continued under the new regime?

Cuba
The economy of Cuba would serve better as a model of the condition in spite of Irritants which are tending to push it to one or two trends which warrant comment. The reasons for continued inflation are essentially of a political nature. In Cuba, the influence on business is as a whole.

The national budget has increased dramatically, but will increase at an annual rate of about 10% of the total of the national deficit in the 1957. The national budget deficit, a matter of fact, showed a 13 million peso surplus which, of course, the explained by a rise in the value of the dollar. Official gold and foreign exchange reserves have been reduced by the amount of 30 million pesos, to $41 million, it is expected to rise to $60 million in 1957.

December figures were the lowest for any year since 1957. On December 31st reached a record level of $100 million although $50 million of this did represent imported unnecessary capital which might be classified as foreign investment.

Central Bank reserves declined a dramatic amount of $100 million to $105 million although this is more than the average over the year’s close. Corrective action has already been instituted, primarily price controls and the placing of government surcharges on goods and services.

To support her reserve foreign, Peru has managed to increase its dollar sales by $65 million from the International Bank for Reconstruction and Development and to $25 million in the year. The dollar has been a successful foreign currency and a group of U.S. commercial banks.

As indicated above, Peru’s position has enabled her to meet these difficulties because of the special character of the economy. The fact that Peru has been able to conduct her policies without the inflow of foreign exchange has maintained a stable currency since the recent weakening, has helped create a strong market in tractive to foreign investors. From 1952 through 1956, U.S. invest-
ment jumped from $242 million to $2354 million. Furthermore, Peru has been able to diversify her economy and to cushion the shock from lower export prices.

All in all, Peru's external position appears relatively good and thus far the government has not had to use the stabilization credits noted above. The essential question is whether the fiscal correctives already instituted will have the full intended effect.

The government is planning to raise additional taxes to bring the 1956 budget into balance and further tightening in the money market is apparent. There is evidence that credit restrictions are beginning to bite. These favorable developments, along with the practice of restraint in the issue of circulating media, should further the country's return to stability.

Venezuela

Venezuela, of course, presents us with a unique situation in several respects. It is probably the one country in Latin America that can be classed as earning more than enough foreign exchange on a regular basis fully to meet its needs. Consistently operating with a balanced budget, Venezuela has been allocating a larger portion of government spending to public works and development projects than any other nation in modern times, the percentage having run as high as 86%. The cost of living, although high, has remained remarkably stable since 1950 and fiscal direction has been good right along. As is widely heralded, there are no restrictions whatsoever on the buying and selling of dollar exchange. The "50/50" arrangement on petroleum development with foreign investors has become a model throughout much of the world and in practice works out by reason of the tax incidence to be better than 50% for Venezuela. The favorable investment climate is clearly demonstrated by the striking increase in U. S. direct investment, which has more than quadrupled in the period 1946 to 1956.

Even with the recent change in government, and with a less active oil market abroad suggesting the probability of a lower gross national product this year, the economy is still in good condition and the government is able to point to a reserve position of over $1 billion.

Conclusion

These eight economies, each with its own individuality and its own peculiar problems, constitute quite a spectrum. Coffee as the bellwether for one economy, and petroleum for another, for example, can bring markedly different results to the nations involved. And yet, a number of goals and problems are common to all of the Latin American countries. All are under-developed economies, ambitiously striving to achieve a high rate of growth in the course of which they tend to stretch themselves pretty well—some, obviously, more than others. All depend, fundamentally, on the same two factors to accelerate their progress.

The first is a continuing high level of foreign capital inflow; and the second, the availability of substantial credit.

Quite clearly, sound fiscal policy-making is a leading requirement for a satisfying quality of either.

Never before have governments been subject to so much pressure for higher living standards than they are today. Bureaucratic populations and remarkable scientific and technological advances in this Space Age have intensified this drive—and the attempt to do too much in too short a time. The essential problem lies in determining the rate at which a country can expect to advance with soundness. As we endeavor to take a

The Three way benefits of Good Telephone Earnings

They benefit the telephone customer by providing the means to expand and improve the service and do it economically.

They benefit employees because they help to provide good jobs.

They benefit the investor by protecting his savings and insuring a good and secure return on his investment.

There is, indeed, no basis for the belief that keeping telephone earnings low is a sure road to keeping rates low.

Such a philosophy, by limiting progress and long-pull economics, will lead almost always to the opposite result... poorer service at a higher price than the customer would otherwise have to pay.

In all lines of business, it's the companies whose earnings are good that are able to make the best products, provide the best service, and give the best values.

James L. Fallon Adds


Morton-Uberuaga Formed

BOISE, Idaho—Morton-Uberuaga has been formed with offices at 1518 North Eighth Street to engage in a securities business. Reuel L. Morton is a principal of the firm.

W. F. Morgan Elected Blyth Vice-President

William F. Morgan has been elected a Vice-President of Blyth & Co., Inc., 14 Wall Street, New York City. A member of the firm's municipal bond department in the New York office, he specializes in the buying of municipal revenue bonds and Canadian municipal bonds.

Mr. Morgan joined Blyth & Co., Inc. in April 1953. Prior to that he was manager of municipal bond investments at Northwestern Mutual Life Insurance Co. in Milwaukee, Wis.
The Commercial and Financial Chronicle... Thursday, May 1, 1958

Continued from page 3

The Economic Outlook
And Its Implications

Taxes will show further declines in March when this feature comes into effect a few weeks from now. The decline has now been extended to the low point in either 1949–49 or 1953–54. It is difficult to discern any signs from the economic indicators which would suggest that the tax decline is slowing significantly or that the bottom is likely to be reached soon.

The mainspring of the present wave of business recovery is the sharp reduction in business spending for new plant and equipment plus the liquidation of inventories, declines in consumer incomes and accompanying cuts in consumer spending. The Index of Industrial Production for 1957, business spending for new plant and equipment is not enough to offset the increased output and factories.

The decline in consumer expenditures for the first four quarters of this year seems to have continued. The increase in expenditure for consumer purchases of new housing for the first quarter of 1953 exceeded $40 billion in the fourth quarter of 1954. In the second and third quarters, consumer expenditures for new housing were $10 billion higher per year in purchases of goods and services than in the fourth quarter. Total national gross product fell only by $5 billion per year in the fourth quarter, the continuing rise in productivity and consumer spending diminished the total national gross product back to the 1953 level. It is clear that the rise in private expenditures was materially added to the national income, which made it possible for disbursements per year of $100 billion in the last quarter of 1953–54 recession. Furthermore, the public authorities followed a policy of aggressively supplying the market with reserves to enable the ample supply of funds for loans to consumer and business owners.

Future Trends

When we turn to future prospects, we have already reviewed prospects for business buying of new plant and equipment, and the prospects for consumer spending seem likely to continue to be favorable. Consumer demand for a year per each quarter so that the annual rate may be $9 to $10 billion lower than in the first quarter of this year.

Residential nonfarm construction has leveled off or declined slightly in April and May or June of last year. Housing starts have fallen around the million per year. Housing starts are now at least 6% below its peak at the end of 1955. For the economy as a whole, the situation has been changing by at least 3% per year. The share of total demand in constant prices rose only about 1% per year since the end of 1955, and the share of the per year of 1957 and has declined progressively.

Costs and Liquidity Squeeze

The differential effect on business investment of this apparent excess for the higher costs enforced by two other factors. Costs of new capital assets have risen sharply since mid-1952, and the total of double the rate of increase in wages and by 8 to 6% below its level at the end of 1953. For the economy as a whole the situation has been changing by at least 3% per year. The share of total demand in constant prices rose only about 1% per year since the end of 1955, and the share of the per year of 1957 and has declined progressively.

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What's Ahead for the American Economy?

By DR. JOHN K. LANGUM
President, Business Economics, Inc.

The months immediately ahead will continue to be a real period of uncertainty for the American economy under the impact of significant economic policies announced by the new Administration.

Chicago Analysis

CHICAGO, III.—The Investment Analysts Society of Chicago has appointed the following Committee on Banking and Finance to formulate a slate for the annual election:

Dr. John D. Byrd, Chairman; Mr. George D. Hays, Jr., President; Mr. Robert N. Campbell, Vice Chairman; Mr. William P. Dever, Secretary; Mr. William C. Groves, Treasurer.

The society has designated Mr. H. B. Poage, Mr. W. A. Byrd, and Mr. R. E. Swenson as trial candidates for the office of Secretary and Treasurer.

Byrd & Company is Formed in Atlanta

(Special to The Financial Chronicle)


A. G. Becker to Elect Officers

CHICAGO, III.—A. G. Becker & Co., Inc., 120 South La Salle Street, members of the New York Stock Exchange, will elect new officers May 8. The present officers of the company, Dr. John D. Byrd, Mr. William P. Dever, Mr. Robert N. Campbell, Mr. A. G. Becker, and Mr. H. C. Groves, will be re-elected. Mr. A. G. Becker will serve as president, Mr. H. C. Groves as vice-president, and Mr. A. G. Becker as treasurer.

The average improvement in the price earnings ratio was 21%, and the average increase in the rate of earnings on book value was 15%. The trend is that both of these ratios will tend to reverse when the effects of lower interest rates and of lower loan volume are felt more than they have been so far; but, nevertheless, the banks are bound to retain not a little of this improved position—always, of course, barring war.

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Investment Banker's Role In Financing Business

The investment banker studies the company's financial statements, the percentage of sales brought down to earnings before interest and taxes, the costs of administration, and the profit and loss for a period of years. He studies the balance sheet... what is the impact of a particular issue on the corporation? What is the impact on the corporation's financial ratios? Does it have stock options—profit sharing? He studies the cash flow, the cost of capital, and the investment potential. He studies the business, the industry, and the market environment. His methods of distribution, its labor relations, and its marketing strategies are being evaluated. The bank has shown it has an understanding of its market. Does it have a professional management? Does it have the financial resources to meet the challenges of the future?

Bringing Securities to Market

The investment banker's job is not finished when the deal is closed. He continues to work with the corporation to see that the deal is beyond its own capabilities, or if he wishes to secure wider distribution and higher prices on the stock, he will invite other investment houses to participate in the underwriting. The investment banker will create a demand for the stock through advertisements, conferences, and other publicity devices. He will be selling the stock to the public and will keep a constant check on the market conditions. If he wishes to take back unsold shares at a better price, he will have the stock ready for sale to the public. The investment banker has shown the underwriting group that he has determined and the public that he is a safe and reliable investment. He is a man of many talents, and he is a man of many abilities. He must be able to analyze the market, to judge the future of the company, and to make the right decision at the right time.

Investment bankers are responsible for the financial success of a company. They must be able to advise the company on the best way to raise capital, to determine the appropriate financial structures, and to manage the company's financial affairs. They must be able to judge the market, to analyze the financial statements, and to make the right decision at the right time. They must be able to advise the company on the best way to raise capital, to determine the appropriate financial structures, and to manage the company's financial affairs. They must be able to judge the market, to analyze the financial statements, and to make the right decision at the right time. They must be able to advise the company on the best way to raise capital, to determine the appropriate financial structures, and to manage the company's financial affairs. They must be able to judge the market, to analyze the financial statements, and to make the right decision at the right time. They must be able to advise the company on the best way to raise capital, to determine the appropriate financial structures, and to manage the company's financial affairs. They must be able to judge the market, to analyze the financial statements, and to make the right decision at the right time. They must be able to advise the company on the best way to raise capital, to determine the appropriate financial structures, and to manage the company's financial affairs. They must be able to judge the market, to analyze the financial statements, and to make the right decision at the right time.
Banks Suggest Program to Meet Small Business Equity Capital Needs

Federal loans to federally and state-chartered Development Credit Corporations to stimulate small business is recommended by American Bankers Association to Senate Banking Committee.

Enactment of a temporary program for small loans to Federally and State-chartered Development Credit Corporations has been recommended by the American Bankers Association to meet the long-term capital needs of small business corporations.

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As We See It

"An Expanding Economy"

"An expanding economy" is another cliché of the day which is taken by and large with a shrug of the shoulders. Of course! That is what we have always had, and that is what we shall always have in the future so long as our economic system continues to grow. And government too is not likely to be least in the most backward and poorest countries. Yet it is much that is being said today and in much that is being demanded lies the implicit notion that abolition of unemployment is the transcendent goal.

"The Financial Condition of the United States"

Those economies of the world which are not growing are not likely to be least in the most backward and poorest countries. Yet it is much that is being said today and in much that is being demanded lies the implicit notion that abolition of unemployment is the transcendent goal.

Money supply "Money supply" is another term of relatively recent vintage which has become one of the most used phrases among those who have hardly more than a vague idea of what it is. Money is a stock of economic relationships and implications. We used to talk of the gold and the dollar and said that it was hard to know how much was in circulation. But now we stop to inquire whether there is demand for more credit (or money) than there is available. The idea now is that we must be concerned only with amounts that low interest rates resulting will persuade borrowers to make use of any "purchasing power." And the way this increase is to be achieved is a blessing.
In June, 1957, the rate on loans of $1,000 to $10,000 in New York banks was 5.24%; in 11 southern and western cities it was 3.42%. During the period of credit restraint, the period rates on 1-24 month loans ($1,000 to $10,000) and large loans narrowed from 1.5% in 1955 to 1% in June 1957.

In spite of the large volume of investment-seeking funds, the widespread industrial difficulties and the existence of a capital shortage leave no doubt that the earning power of the companies is on the decline. The return on sales of companies operating in the fields of retail trade, insurance, real estate, and in transportation. Of the drop in sales price and labor costs. These difficulties are partly due to a shortage of capital. But the high infant mortality rate among new enterprises shows that the rate of entry into new business is not large enough to supply the capital which they could 'to good use is unproven. The smaller successful business is now marking the use of widespread and vigorous efforts of business and banks to make foreign trade an efficient tool for the promotion of the economy.

The Corporation indicates that attractive rates are not numerous and under current conditions, attractive investment opportunities are not likely to be found in the long-term loan market. Long-term loans are more scarce than investment funds. In a highly competitive economy, an American one, in which profit opportunities are not infinite, the concern must have a product of unique merit or it must have unique opportunity for attracting capital. There are other special characteristics in which the company must compete to attract a favorable rate for a development bank.

II

The General Nature and Extent of the Recession

Of the $16 billion drop in the annual rate of gross national product from the peak quarter of 1957, two-thirds was attributable to a drop in business. The first quarter of 1958, as well as the second quarter, was a drop of 6.5%, is accounted for by a shift from the rising to the declining phase of inventory cycles at the rate of $3 billion a year, to a decline of $7.2 billion a year. Total personal consumption expenditures were rising, but outlays for durable consumer goods were still at the levels of the first quarter of 1958. The reduced level of business activity in business plant and equipment about 3.9%—and plans for future investment had dropped much more.

The drop in output is concentrated in durable goods, both industrial equipment and consumer durables, in plant and equipment in manufacturing and in transportation. Of the drop in sales price and labor costs. These difficulties are partly due to a shortage of capital. But the high infant mortality rate among new enterprises shows that the rate of entry into new business is not large enough to supply the capital which they could 'to good use is unproven. The smaller successful business is now marking the use of widespread and vigorous efforts of business and banks to make foreign trade an efficient tool for the promotion of the economy.

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The Federal Reserve Bank of St. Louis

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The Financial Condition
Of the United States

The recent trends in the economy may be predicted with some certainty. It is that government spending will continue to rise, though for some time to come at a rate not more than moderate. The Federal Government is moving only slowly to increase its spending. A second trend will be that inventories which continue for some time to come will fall. An inventory is a judgment by the Federal Reserve to take some money out of the economy. The last time inventories fell was in 1933-34, and so the government was periods of increased spending and the reduction of inventories in recent years. The reduction of inventories in recent years was due to the Federal Reserve to take some money out of the economy. The last time inventories fell was in 1933-34, and so the government was

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spendings in the fiscal year 1928-29. At the same time, the recession was under way and the business confidence was reduced.

Federal Reserve Bank of St. Louis

The economy will undoubtedly need a substantial degree of stimulation to expand next year. It is not clear whether the economy will need a larger deficit than will be produced by the budgetary and planned expenditures. The expenditures for this year will be larger than the 1928-29 budget deficit because of the increased tax burden. In the first half of 1929, the budget deficit will be more than sufficient to offset the drop in the gross national product from the 1928-29 budget level.

Government Spending, Deficit and Tax Policies

Spending is expected to increase in the first half of 1929, with a rise in government spending. The government will spend more money than it expects to receive in taxes. The government will have a substantial deficit in the first half of 1929, and the deficit will be larger than the 1928-29 budget deficit.

Federal Reserve Bank of St. Louis

In the middle of the 1920s, the government increased its spending on goods and services to stimulate the economy. The government expenditures were in the billions of dollars. In 1929, the government budget deficit was larger than in any previous year.

Mr. Eisenhower, who was the president of the United States, was concerned about the government spending and the deficit. He believed that the government spending was too high and that it needed to be reduced.

Spending to support the economy in the first half of 1929, and the deficit will be larger than the 1928-29 budget deficit.

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Continued from first page

What Actions Are Justified To Reverse the Recession?

In mind. The Soviet economy has been growing faster in the first 40 years of the USSR. The Soviet Union, because of its autocratic control over its people, can force a great increase in the productive capacity in those areas of the world that it wishes to serve its objective of world domination.

Finally, one must recognize that economic competition between the Free World and the Soviet Union will certainly decide the world condition.

The position we must take, therefore, is clear.

We cannot afford to stand still.

We are not alone.

In this context let us examine the ways in which an economic downturn in the United States and the actions which may lead to such an event can be anticipated.

Two Fallacious Appraisals

Let us first dispose of two fallacious appraisals of our present economic situation.

To those who claim that we are headed for a depression, the answer is that the present economic situation is not comparable in any circumstances in the character to the depression of 1929.

In 1929 literally millions of people in the United States had inflated and imaginary values.

The economy then did not have the capacity to absorb the effects of certain social welfare laws and monetary policy which we have today.

We can state this one conclusion categorically. There will be no depression in the United States.

This is true both because of the basis of the depression itself and because it is backstopped by the encouragement of the national administration to the governmental action to stop a price depression.

We the United States have the ability to stimulate early rearmament of a high degree of economic activity.

Mr. Khrushchev's assertion that a great economic downturn is proof of the imperialist scheme is another conclusion which we should stand examination.

A normal economic system, just like a normal human body, does not stop and does not run at full speed all the time.

There are times when it must slow down so that needed changes can be made and bad habits and faulty processes corrected.

If these needed changes are frequent or go on at the end of the corrective period before rearmament.

In examining the characteristics of the present slowdown we find that although there are the normal shifts in the economy, some plus have not got out of hand in recent years.

Let us look at one development which is currently important.

The shift from World War II with a greatly increased output of military goods, small for our growing population, and the inflation of wages and prices in terms of current technology, a rush to expand and modernize.

As a result, in many cases, capacities are now overmanned.

The inevitable consequence has been, therefore, a slowing of business investments in new plants.

Such effects as this are not normal. They reflect change and growth. But they do not, of course, give us no cause for concern.

Cost-Price Squeeze and Inflation

But there are factors which continue to be, a threat to our economic system from evils which should be identified and combated when they are first perceived, our economy will not be strong enough to meet the challenges presented by the present world.

In this category we must place inflation at the top of the list.

Inflation robs the aged of their savings.

It is an automatic pay cut for those on fixed salaries.

It reduces the power of tax on life insurance policies.

It leads to consumer resistance and thus to depression.

It would be a mistake to try to meet profit problems without also trying to fight inflation.

Otherwise, in the action we take we risk both loss of profits and loss of market share, which are simply buying more trouble and not fixing the real problem.

A related evil is the cost-price squeeze on business. While business may be doing quite well in weathering the depression on the whole last year, a disturbing fact that we have noted is that the reported higher volume and lower earnings.

We talked of profits and prosperity.

The type of squeeze usually leads to postponement of planned business expansion.

We know that is something is radically wrong when, with all of our present processes, costs go up rather than down.

When we examine the reasons for the rise in costs we find that the three major weak points in our economy, which is the present economic downturn.

We have been getting soft in a period of easy sales. Many businesses have enjoyed a seller's market for 15 or 20 years.

That means that almost an entire generation has not known the discipline of the hard sell and of any white goods, and adequate services. We have been able to charge higher dollars, rather than underwrite.

The result of our world of our work habits. The current just one about substituting a world break the line and not be congealed out of thin air.

The cause of our present based on in productivity because the rule rather than the exception.

Consequently, one must take all the evils of inflation, relative profit, and low productivity.

The result of these evils will be a powerful stimulus to growth in the bloated consumer buying.

However, we be vigilant in distinguishing between actual and artificial changes and corrections of the market which are real and act, if it is still there, on the supply side, instead of make a value judgment on our inventory, and government must step to motivate the economy.

We will examine the operations of the preferred choice; massive in

The American economy

We have recognized that changes in the market are inevitable, but that human suffering with them, and that such changes should be alleviated as much as possible.

That is why the administration has asked the Congress to provide for a measure to extend the coverage of unemployment compensation where the benefit coverage is inadequate.

We have accelerated normal government spending for those purposes. We have also concluded that spending where necessary, we have detected the cause of unemployment and with its fundamental goal.

We have expanded the supply of credit, having in mind the necessity of preventing the continuing threat of inflation.

We hope that these actions will be effective and in the long run, we will stimulate the economy the help needs. We judge on the basis of indications that this may be the case.

We realize that there are some traditional economists who concur that under no circumstances is there less inflation than there is. They say what it is, we have to let the economy go through the depression and that it will rid itself of its unhealthy habits.

But let us recognize once and for all that this is no longer the concept of government.

The state will not accept the finality of the operation of blindly cruel economy. We will not allow it to be left without work, without the support of the state, of house and clothe their families.

In addition to the human and economic weaknesses that has a situation, there are internal weaknesses which mean almost without explanation.

When the editors from many of the great newspapers abroad visited Washington last week, one of them asserted that the economic sorry was such that we would have to depress in the United States was the only way to avoid recovery were.

That the U.S. economy suffers even a slight shock there are reverberations in the economic environment, which is the world.

The U.S. economy is prolonged downturn in the United States would have catastrophic effects on not only our country but also on our friends abroad.

The great advantages from such an event would be Krushchev and his cohorts in the Kremlin.

This brings us to the problem of how to reconstruct the government in the recession respect to the present recession!

Governmental Program

We should not interfere with normal market forces to the extent that must be in order to correct the evils of inflation, relative profit, and low productivity. The nature of the evils will be a powerful stimulus to growth in the bloated consumer buying.

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Business Responsibility

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The program which should be approved only if they meet the test of a proper function.

We also must be on guard against a program of relatively small negative programs because by nibbling away we will totally lose it, and we may end up with a program that is more pronounced.

Another objection to new spending programs is that they would have an inevitable tendency to make government larger

The Commercial and Financial Chronicle — Thursday, May 1, 1958
Rockefeller Report. This would project a new feeling of national pride and confidence, and create a national product from $434 billion today to $767 billion in 1967. This goal to some may seem unrealizable. It will never be achieved if we adopt a servo-mechanism and drift toward our economy. It can be achieved if we face it, wrap it in a socialist strait jacket.

It will be achieved if we face the future with vision, determined to tap all of the great resources which are available for the improvement of the nation. Government must play a substantial part in achieving these goals. Our tax system must be revised so that it is not a drag on the economy but rather a new impetus. We are now encouraging and stimulated it so that it can continue to stimulate the economy by pumping new blood and new ideas into our free enterprise system.

We must recognize and develop the full potential of millions of our fellow citizens who are now denied adequate opportunity for education, employment, advancement because of their minority position.

We must follow the President's leadership in our foreign policy program for agriculture rather than that of the political parties. We must adopt a far-sighted approach of freeing America's farmers in an obsolete rigid system with a short-sighted vision of the world's economic cycle of surpluses, controls and depressions.

We must have vision to develop an enlightened and far-reaching program of economic policy which is to have adequate marks for the ever-increasing production of our growing economy.

Governmental and Private Role
But recognizing as we do that governmental and private effort in the field of economic development is a necessity and that the government must play a very important role, we must never forget one fundamental principle: that which distinguishes our economic development from that of the Communist revolution is the fact that the most productive source of national progress is private rather than government enterprise.

All of our government policies must be directed to that end, and this includes the encouragement and individual Americans to make their maximum contribution to the development of the nation's potential. This can be done only in an atmosphere of freedom of enterprise. We have no doubt whatever as to the necessary ingredients for our free enterprise system. As in the past, the determination of the present recession with a stronger and more robust economy than one which would permit the historic records made during the depression to be repeated.

Our answer to Mr. Kruhusch then is that we accept his challenge for a commitment to victory. Our confidence of the outcome where free men are being pit against slaves. But in the one and only American Revolution; we hasten to add that our dream is not to conquer the world but to defend the right of any people to have their own form of self-determination; not to enslave but to serve them.

We challenge the Communist World Order to demonstrate in the economic sphere but in just as many other things in a manner more acceptable and merciful, in kindness, in respect for the three Rs and in the real concern for the welfare of the oppressed and the unfortunate of the earth.

We offer total peaceful competition with the confidence that we shall win.

Joins Ideal Securities Co.

We welcome a new member of the staff of Ideal Securities Company, U.S. National Bank Building.

Midwest Silk Exchange Receives Nominations

CHICAGO, III.—Arthur C. Allies, who resigned as President of the Midwest Silk Exchange, Inc., has been nominated for his former position.

It was also announced that Clement E. Gove, Chairman of the Board of the Midwest Silk Exchange, Inc., and a member of the Board of Directors of the Exchange, has been reappointed to the position of Chairman of the Board of the Exchange.

In addition, it was announced that the Board of Directors of the Exchange has approved the election of Mr. Allies as President of the Exchange.

Gold Outflow Deemed Significant

The outflow of gold from this country since the first of the year has amounted to $729 million, and the total amount of gold held by the U.S. Treasury has been reduced to $3,700 million.

It is believed that the outflow of gold is not a result of any loss of confidence in the dollar but rather a result of the high price of gold on the London market. It is estimated that the outflow of gold will continue at the rate of $1,000 million per month.

Some Foreigners Fearful of Gold Price Rise

Fear of devaluation of the dollar by foreigners through an increase in the price of gold, such as happened here in the early years of the century, is being expressed. The Federal Reserve Board has been growing more alert to the possibility of such a move.

Federal Reserve Wary of Tax Cut Proposals

The Federal Reserve Board, after a rather slow start, has pulled out a large number of the "stop" in its efforts recently to lend the sagging economy a helping hand. It has been recognized for quite a while in certain parts of the financial district that the monetary authorities would do some quick and fast acting when they had to. It is hoped that the Federal Reserve will not be as slow in taking action this time as it was in 1957.

Loans on Contingent Reserve

The Federal Reserve Bank of New York, in its report for June 2, 1958, announced that the contingent reserves of the Federal Reserve Bank had been reduced to $1,000 million.


Morgan Stanley & Co. and Drexel & Co., jointly headed an underwriting group comprising 25 investment bankers and 1,000 individual accounts, for the public sale yesterday (April 30) of a new issue of $60,000,000 Philadelphia Electric Co., first and refunding mortgage bonds, 3½ per cent due 1983.

The utility company will use a portion of the net proceeds from the sale to repay bank loans obtained for the intermediate financing of construction. In 1955, $60,000,000 were outstanding at March 31, 1958. The balance will be used in connection with current and projected construction work which will require expenditures of $104,000,000 in 1958, $126,000,000 in 1959 and $260,000,000 in 1960.

The bonds will be redeemable at the option of the company at 98% and to including April 30, 1968, and, in addition, prices to the principal amount on and after May 1, 1977.

Philadelphia Electric primarily supplies electric service in southern Pennsylvania, including Philadelphia, and gas service in the region. Three subsidiaries of the company own and operate the Electric Storage and Hydro-Electric Project and one distribution subsidiary provides water service to the northeastern Maryland. The territory served covers 2,540 square miles with a population of about 3,000,000 in the electric service area and 1,300,000 in the gas service area. Drexel & Co. and the firm of Morgan Stanley & Co. have served as investment bankers for various issues totaling approximately 84% of operating revenues was derived from electric and 14% from gas and 2% from steam.

For the 12 months ended Feb. 28, 1958 the company reported total operating revenues of $324,777,000 and gross income before income deductions of $43,900,000.

Joins Witwer Staff

(Owned by The Chronicle Company)

VISAHA, Calif.—Richard W. Hovey has joined the staff of Dean Witwer & Co., 411 South Locust Street.

Specialists in

U.S. GOVERNMENT

and

FEDERAL AGENCY SECURITIES

With Copley & Co. & Copley

(Owned by The Chronicle Company)

DENVER, Colo. — David L. Copley, president of Colorado Springs, Colo., Copley & Co. has been added to the staff. The firm is now headed by H. Carl Aiken, 1545 Glenarm Copley and Company, Independence Building.

H. Carl Aiken Adds With Copley & Co.

(Owned by The Chronicle Company)


And

With Malibu Inv. Corp.

(Owned by The Chronicle Company)

DENVER, Colo. — David L. Copley, president of Colorado Springs, Colo., Copley & Co. has been added to the staff. The firm is now headed by H. Carl Aiken, 1545 Glenarm Copley and Company, Independence Building.
The Security I Like Best

Blyth Group Offers Portland General Elec. Stock at $24.25 a Sh.  

A group of underwriters headed by Blyth & Co., offered publicly yesterday (April 30) 300,000 shares (par value) of Portland General Electric Co. stock at $24.25 a share. The proceeds from this sale, together with those from the rate sale of $15,000,000 of 5% refunding bonds, are to be used to repay loans obtained from temporary financing of the company's construction program and for construction purposes.

The Blyth Group includes issues supplied electric service to approximately 40% of the population of Oregon, with 126,000 service connections in the Portland area. They are the largest utility in the state.

In 1957, total operating revenues were $353,540,000, compared with $348,000,000 in 1966. Net income increased to $3,795,000 in 1957 from $2,632,000 in 1956, an increase of 44%.

With McDonald, Holman & Co.

BEVERLY HILLS, Calif.—John M. Ayala and Joseph J. Kudzia have been elected to the Board of Directors of McDonald, Holman & Co., Inc., North Carolina Drive. Mr. Ayala was formerly with Bennet-Gladden-Stunning Co. Mr. Kudzia was with Denny-Tegner Co.

The State of Trade and Industry

The automotive industry last week showed a sharp increase in automobile sales. The inventory of new cars at the end of last week was the lowest since 1937. The automobile industry was buoying showed a "promising increase." "War's Automotive Reports" stated on Friday that, the result, said, "War's," "There is a new trend toward the use of all units in April 1.

Federal agencies jumped to 12,125 units daily during the April 11-20 selling period, according to "War's" and compared to 12,590 units daily during the April 1-10 period. April sales for 1957 were $400,000,000 units in April 1.

Primarily responsible for the past week's production pace, "War's," said, was Chevrolet, which halted car making at nine of its 11 assembly plants on its first real production cutback since 1938 model operations began last fall. Also idled were work, the story is to fill car stocks, the Dodge Main factory in Detroit and Plymouth's Evansville, Ind., unit, in addition, Studebaker-Packard worked only three days on car building at South Bend, Ind., while Mercury's Los Angeles plant scheduled operations for four days.

Reversing the trend, "War's," said, is American Motors, which ran its Rainbow line at full strength.

"War's" estimated truck production for the past week at 16,224 units—up 1,635 last week and 24,825 in the corresponding week a year ago.

Steel Operations Scheduled This Week at 47.9% of Ingot Capacity

With construction activity momentum, steelmakers are hoping for better production in the next few weeks. "Steel" magazine reported on Monday last.

Chairman of the steel industry, he said, said steelmakers are making up the time lost during the company's in-line campaign when the mills were idle for a month. This activity is expected to continue in the next few weeks.

There is room for improvement, in the first month, as the steel industry had not reached its full capacity.

Signs are multiplying that automakers will show their new models as early as September, this metal buyers' association believed.

In the absence of strong automotive buying, the steel market is getting some support from lesser buyers that is, manufacturers of agricultural implements, office furniture and equipment, lawn mowers, household appliances and division plants, the Dodge Main factory in Detroit and Plymouth's Evansville, Ind., unit, in addition, Studebaker-Packard worked only three days on car building at South Bend, Ind., while Mercury's Los Angeles plant scheduled operations for four days.

Despite indications of a slight pickup in demand, steelmaking declined last week for the fifth consecutive week. Furnaces were operated at 47% of capacity, down a half point. Production was about 1,270,000 tons of steel for ingots and castings, the smallest output since June 1953.

Leading operations-was last week was the Far West district which operated at 46% of capacity, or a gain of 1 point over the previous week.

In the absence of active mill and foundry interest in scrap is reflected in prices, the Chicago market was fairly steady. Scrap prices on the prime grade off another 07 cents to $33.83 a ton. Raw material costs, however, are "in the footings." A Cleveland warehouse manager reporting that his sales volume is almost too low to be profitable. He is getting more orders than he did a year ago, but not the higher prices.

In addition, plans for mill competition, Chicago warehouses are taking the opportunity to make offers that are justifiable, the big steel company is selling its equipment.

Oil country goods are another. Desirous cut-off of drilling (eighty percent) has resulted in the accumulation of huge pipe and casing inventories. One major oil company has decided to cut its pipe production because its inventory is in small, and dry goods are not in stock at lower than usual prices.

In the market for equipment are small, independent dealers. A little more optimistic about their future, they say for good year. There was a slight upturn in dollar volume of new orders for February in the Machinery and industrial equipment. They have a three month upturn trend which is giving them a hope that growth is coming in the industry, "Steel" magazine concludes.
operating rate of steel companies will average 86.5% of steel capacity for the week beginning April 28, 1958, equivalent to 1,292,600 tons as compared with an average of 86.0% of the average weekly production for 1947-1949) as compared with an actual rate of 86.7% of 1,307,000 tons. The weekly average

Output for the week beginning April 28, 1958 is equal to about 47.6% of the utilization of the Jan. 1, 1958 annual capacity of 2,740,000 tons compared with actual production of 47.1% of the week before.

For the like week a month ago the rate was 82.7% and production 1,312,000 tons, compared with an actual production of 47.1% of the week before.

Index of production is based on average weekly production for 1947-1949.

Electric Output Turned Slightly Higher Last Week

The amount of electric energy distributed by the electric light and power companies in service, April 26, 1958, was estimated at 11,206,000,000 kwh, according to the Edison Electric Institute. Output reversed its downward trend of recent weeks.

For the week ended April 26, 1958, output increased by 90,000,000 kwh. For the week ended March 29, output was 91,000,000 kwh. Output in the year ago was 94,000,000 kwh.

Car Loadings Increased 2.6% in Past Week But Were 22.2% Under Like 1957 Period

Trade Volume Rose Last Week but Closed Lower Than Pre-Easter Week of 1952

Business Failures Hit Lowest Level in Four Weeks

Business Failures hit Lowest Level in Four Weeks

The week ended April 25, 1958, total of 109 failures was below the comparable 1957 week by 263. Failures in 1958 in the United States 2,016 in the week ended April 25, 1958, compared with 2,379 in the week ended April 25, 1957. Failures in 1958 increased 28,152 over the comparable week in the year ago. Failures in the year ago was 17,604.

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Automotive Output Cut in Past Week to Smallest Volume Since October 1957-1957 Period

Automotive production for the week ended April 25, 1958, according to "Ward's Automotive Reports," declined to the smallest volume since October 7 through 12, 1957, a period when factory changes were being made in the industry.

Last week's car output totaled 50,517 units and compared with 73,916 units in the previous week. The past week's production total of cars and trucks amounted to 75,741 units, or a decrease of 14,123 units below that of the previous week's output, as well.

Last week's car output decreased under that of the previous week by 15,702, while truck output was cut by 431 vehicles during the week, according to "Ward's Automotive Reports." Last week's total output was 24,625 trucks were assembled.

The dealers had 16,224 cars made in the United States. This compared with 16,655 in the previous week and 24,625 a year ago.

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The dealers had 16,224 cars made in the United States. This compared with 16,655 in the previous week and 24,625 a year ago.

Wholesale Food Price Index Declined Slightly in Latest Week but Showed a Gain of 7.7% Over 1957 Period

Wholesale Price Index fell 0.6% from last week's $6.62 to rest at $6.58 on April 22. Compared to the year of last year, however, the current index shows a gain of 7.7%.

Flour, sugar, egg, and lard, and all of the unshelled grains were all higher. But coffee, tea, rice, and all fruits and vegetables, potatoes, beef, hams, hogs, lamb, meat, veal, corn and oats.

The index represents the sum total of the price per pound of 30 wholesale retail meats, standardized and used in the Bureau of Labor Statistics. More than a million workers will receive escalator wage increases as a result of the cost of living advance.

Although new orders for machine tools rose substantially to $32,000,000 in March from the previous month, the total was only 28.6% above the 1957 level, according to the National Machine and Tool Builders Association.

Department store sales on a country-wide basis as taken from the five major department store chains of the country show that the week ending April 19, 1958, was the lowest price level since the week ending April 19, 1958, decreased 9% below the like period last year. In the preceding week, April 12, 1958, a decrease of 16% was reported. For the period January 1, 1958 to April 19, 1958, a decrease of 15% was reported.

Retail trade sales volume in New York City the past week rose 9 to 15% above sales for the similar period a year ago, trade analysts reported.

Spring weather stimulated purchases of summer wear, small appliances and outdoor furniture.

According to the Federal Reserve Board's, department store sales report for April 19, 1958, declined 9% below that of the like period last year. In the preceding week, April 12, 1958, a decrease of 16% was reported. For the week ending April 19, 1958, no change occurred. For the period Jan. 1, 1958 to April 19, 1958, an increase of 100% was registered above that of the corresponding period in 1957.

Cost of Living at Record

The consumer price index edged up 0.6% in March to 123.1 (1947-49=100) from 122.5 in February and was almost 4% above the 118.9 of March 1957, according to the United States Bureau of Labor Statistics. Further increases in food prices offset declines in prices on durable goods. Officials expect that prices in the near future will remain stable. More than a million workers will receive escalator wage increases as a result of the cost of living advance.

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Retail trade sales volume in New York City the past week rose 9 to 15% above sales for the similar period a year ago, trade analysts reported.

Spring weather stimulated purchases of summer wear, small appliances and outdoor furniture.
Securities Now in Registration

**Adams Engineering Co., Inc. (5/8)**
April 1 filed $2,000,000 of 6% convertible sinking fund debentures due 1982, and 250,000 outstanding shares of common stock (par 10 cents). Proceeds—To be supplied by amendment. **Proceeds—From debentures to be used for capital equipment and for repayment of other debt.**

**Aerocraft Manufacturing Co.**
Feb. 10 (letter of notification) 5,000 shares of common stock (par $1). Proceeds—To be used for developing and designing new products and working capital. Underwriter—Cruttenden, Podesta & Co., Chicago.

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Feb. 10 (letter of notification) 5,000 shares of common stock (par $1). Proceeds—To be used for developing and designing new products and working capital. Underwriter—Cruttenden, Podesta & Co., Chicago.

**Aerofedora Corp.**
Feb. 28 filed 500,000 shares of common stock (par 20c). Price—To be sold by underwriters. Proceeds—to be used for development and expansion of business. Underwriter—To be named by amendment.

**American Mutual Investment Co., Inc.**

**American-Caribbean Oil Co., Inc. (2/14)**
Mar. 8 (letter of notification) 257,000 shares of 10% 7-year convertible debentures due May 1, 1988, and 27,000 shares of common stock (par $25). Price—Per differentials of 100 of debentures and 10 shares of stock. Proceeds—To be used for acquisitions of managed property and income producing real estate. Underwriter—To be named by amendment.

**American Power Co. (5/27)**
April 23 filed $25,000,000 of first mortgage bonds due 1988. Proceeds—For development and expansion of business. Underwriter—To be named by amendment.

**Anita Colbre S. A. U., Inc., Phoenix, Ariz.**
Sept. 4 filed 100,000 shares of common stock (par $1). Price—10% to 15% per share. Proceeds—For investment in subsidiary and working capital. Underwriter—Selected Securities Inc., New York.

**Appalachian Power Co. (5/27)**
April 23 filed $25,000,000 of first mortgage bonds due 1988. Proceeds—For development and expansion of business. Underwriter—To be named by amendment.

**Bankers Management Corp. (5/7)**

**Bankers Southern, Inc. (5/15-6/1)**
April 14 filed 8,000 shares of common stock. Price—At par (par $5). Proceeds—For personal corporate purposes. Underwriter—Bankers Bond Co., Louisville, Ky.

**Banks & Weaver Co., Inc. (5/5)**
Mar. 27 filed 100,000 shares of common stock (par $1). Price—No per share. Proceeds—For investment purposes. Underwriter—To be named by amendment.

**Bishop Oil Co., San Francisco, Calif.**
Feb. 27 (letter of notification) 160,000 shares of common stock (par $5). Proceeds—To be used for capital expenditures. Proceeds—To be used for capital expenditures. Underwriter—Ralph E. Samuel, New York.

**Blacksmith Shop Partners Inc., Rockport, Mass.**
Feb. 28 (letter of notification) 2,000 shares of common stock (par $1). Proceeds—To be used for capital expenditures and for general corporate purposes. Underwriter—A. Homer, South Amboy, N.J. Offering—Has been deferred.

**Brooklyn Union Gas Co. (5/21)**

**Burlington Brew Co., Inc.**
April 10 filed voting trust certificates for 60,000 outstanding shares of capital stock (par $5). Proceeds—To be used for capital expenditures. Underwriter—For investment purposes. Underwriter—To be named by amendment.

**Campbell Chihogonawa Mines Inc.**
March 10 filed 600,067 shares of common stock (par $1). Price—$15 per share. Proceeds—To be used for acquisition of additional properties. Underwriter—Blyth & Co., Inc., San Francisco, Calif. Underwriter—For investment purposes.

**California Texas Oil Co. Ltd., New Yor**
April 29 filed $3,000,000 of Participations in the company's capital stock (par $5). Proceeds—For general corporate purposes. Underwriter—None.

**Central Alaska Electric Corp.**

**Central Gulf & Electric Corp. (5/26-29)**
April 24 filed 1,000,000 shares of common stock (par $1). Price—$0.50 per share. Proceeds—For investment, Underwriter—To be determined by competitive bidding. Proceeds—For investment, Underwriter—To be determined by competitive bidding.

**Central Mortgage & Investment Corp.**
March 24 filed 100,000 shares of common stock (par $1). Price—$0.50 per share. Proceeds—To be used for expansion and other corporate purposes. Underwriter—Atlantic First National Bank, New York.

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### NEW ISSUE CALENDAR

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Issue</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1</td>
<td>Railway Co.</td>
<td>Bonds</td>
<td>$12,000.00</td>
</tr>
<tr>
<td>May 2</td>
<td>Western Electric Co., Inc.</td>
<td>Common</td>
<td>$142,460</td>
</tr>
<tr>
<td>May 5</td>
<td>Amonco Manufacturing &amp; Chemicals Co.</td>
<td>Common</td>
<td>$277,000</td>
</tr>
<tr>
<td>May 7</td>
<td>Alabama Power &amp; Light Co., Inc.</td>
<td>Debentures</td>
<td>$30,000.00</td>
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<tr>
<td>May 12</td>
<td>Bankers Management Corp.</td>
<td>Common</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>May 13</td>
<td>Thompson (H. F.) Fiber Glass Co.</td>
<td>Common</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>May 13</td>
<td>United Gas Improvement Co.</td>
<td>Bonds</td>
<td>$12,000.00</td>
</tr>
<tr>
<td>May 14</td>
<td>Long Island Lighting Co.</td>
<td>Bonds</td>
<td>$55,000.00</td>
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<tr>
<td>May 15</td>
<td>Bankers Southern Corp.</td>
<td>Common</td>
<td>$37,500.00</td>
</tr>
<tr>
<td>May 15</td>
<td>Merrickack-Elwood Glass Co.</td>
<td>Common</td>
<td>$9,500.00</td>
</tr>
<tr>
<td>May 17</td>
<td>Tel-A-Sign Inc.</td>
<td>Common</td>
<td>$12,500.00</td>
</tr>
<tr>
<td>May 29</td>
<td>Gulf States Utilities Co., Inc.</td>
<td>Debentures</td>
<td>$20,500,000</td>
</tr>
<tr>
<td>May 30</td>
<td>Farmer Drilling Co.</td>
<td>Bond</td>
<td>$25,000.00</td>
</tr>
<tr>
<td>June 4</td>
<td>Ethodont Laboratories, Berkley, Calif.</td>
<td>Feb. 20 filed 300,000 shares common stock</td>
<td>Price—At par ($5 per share). Proceeds—to cover operating expenses during the development period of the corporation. Underwriter—None.</td>
</tr>
<tr>
<td>June 4</td>
<td>Detroit-O-Johnson Steel Co., Inc.</td>
<td>Common</td>
<td>$30,000.00</td>
</tr>
<tr>
<td>June 4</td>
<td>Northern States Utilities Co.</td>
<td>Bonds</td>
<td>$70,000.00</td>
</tr>
<tr>
<td>June 4</td>
<td>Four Corners Oil &amp; Gas Co.</td>
<td>100,000 shares common stock (par $1)</td>
<td>For $3 per share. Proceeds—to be used for drilling and exploration costs. Underwriter—None.</td>
</tr>
<tr>
<td>June 5</td>
<td>Famous Virginia Foods Corp.</td>
<td>18,000 shares common stock (par $2)</td>
<td>For $50 per unit. Proceeds—to be used for the balance of stock and surplus. Price—$50 per unit. Proceeds—for construction of plant, working capital and other corporate purposes. Underwriter—Minor, McE &amp; Co., Albuquerque, N. M.</td>
</tr>
<tr>
<td>June 6</td>
<td>National Distillers &amp; Chemical Corp., Noblesville, Ind.</td>
<td>200,000 shares common stock (par $1)</td>
<td>For $100 per share. Proceeds—to be used for working capital and for first year's expenses. Office—695 S. Bannock St., Englewood, Colo. Underwriter—American Underwriters, Inc., Englewood, Colo.</td>
</tr>
<tr>
<td>June 6</td>
<td>Florida Harvester &amp; Exporter Co.</td>
<td>Debentures</td>
<td>$60,000.00</td>
</tr>
<tr>
<td>June 6</td>
<td>Industrial Bank for Reconstruction &amp; Development</td>
<td>Debentures</td>
<td>$1,000,000.00</td>
</tr>
<tr>
<td>June 9</td>
<td>Long Island Arena, Inc.</td>
<td>Common</td>
<td>$750,000</td>
</tr>
<tr>
<td>June 11</td>
<td>New Jersey Belt Telephone Co.</td>
<td>Debentures</td>
<td>$30,000.00</td>
</tr>
<tr>
<td>June 12</td>
<td>Central Hudson Electric Co.</td>
<td>Common</td>
<td>$225,000.00</td>
</tr>
<tr>
<td>June 12</td>
<td>Indo Agra Co.</td>
<td>Bond</td>
<td>$150,000.00</td>
</tr>
<tr>
<td>June 14</td>
<td>Illinois Power &amp; Light Co., Inc.</td>
<td>Debenture</td>
<td>$250,000.00</td>
</tr>
<tr>
<td>June 15</td>
<td>National Distillers &amp; Chemical Corp., Noblesville, Ind.</td>
<td>Debentures</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>June 15</td>
<td>Appalachian Power Co., Inc.</td>
<td>Bond</td>
<td>$250,000.00</td>
</tr>
<tr>
<td>June 16</td>
<td>New England Power Co.</td>
<td>Bond</td>
<td>$250,000.00</td>
</tr>
<tr>
<td>June 18</td>
<td>Gulf States Utilities Co., Inc.</td>
<td>Bond</td>
<td>$20,500,000</td>
</tr>
<tr>
<td>June 19</td>
<td>Florida Harvester &amp; Exporter Co.</td>
<td>Debentures</td>
<td>$60,000.00</td>
</tr>
<tr>
<td>June 19</td>
<td>Northern States Utilities Co.</td>
<td>Bond</td>
<td>$70,000.00</td>
</tr>
</tbody>
</table>

### Other Companies

- **Federal Reserve Bank of St. Louis**: Digitized for FRASER at http://fraser.stlouisfed.org/

Mayfair Markets
March 54 (letter of notification) 5,000 shares of 6% common stock of common stock (par $1) to be offered in units of one share of common stock at $1,400 per share. Proceeds—For working capital. Office—1484 Boulder Blvd., Las Vegas, Calif. Underwriter—None.

Merchants Credit, Inc.
April 22 (letter of notification) 30,000 shares of 6% subordinated debentures due May 1, 1963, at $100 per share. Proceeds—For working capital. Office—100 E. 51st St., New York, N. Y. Underwriter—None.

Mid-America Mineral Co., Inc.
April 24 (letter of notification) 500,000 shares of working capital. Proceeds—For working capital. Office—100 E. 51st St., New York, N. Y. Underwriter—None.

Mineral Basin Mining Corp.

Motel Co. of Roanoke, Inc., Roanoke, Va.

Motors Building Realty, Inc.
April 23 filed 515 shares of common stock (par $1) at $51 per share. Proceeds—For the purchase of land, construction, and working capital. Office—125 E. 57th St., New York, N. Y. Underwriter—None.

National Distillers & Chemical Corp.

National Manganese Co., New Castle

National Water Pipe Line Co. of America
April 4 filed $40,000,000 of first mortgage pipeline bonds. Proceeds—For development. Underwriters—Dillon, Read & Co., Inc. Halsey, Stuart & Co., Inc. and Samuel Brod & Hultzler (jointly); Eastman, Dillon, Union Securities Co., Inc. and Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith; Equitable Securities Co., Inc. Bids—Expected to be received by City Bank Farmers Trust Co., 2 Wall St., New York, N. Y., up to 11 a.m. (EDT) May 20. Price—$100 per share. Proceeds—For working capital. Underwriters—None.

New Jersey Power & Light Co. (S. J.)
March 21 filed $7,500,000 of first mortgage bonds due 1983, for the purpose of refunding the company's existing bonds and for new construction. Underwriters—To be determined competitively by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith; Drexel & Co.; and Halsey, Stuart & Co., Inc. Bids—Expected to be received by City Bank Farmers Trust Co., 2 Wall St., New York, N. Y., up to 11 a.m. (EDT) May 19. Price—$100 per share. Proceeds—For working capital. Underwriters—None.

Nichols, Inc., Exeter, N. H.
April 8 filed $500,000 of first mortgage bonds (par $1,000) due 1983, for the purpose of refinancing the company's existing bonds and for new construction. Probable bidders: Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith; Drexel & Co.; and Halsey, Stuart & Co., Inc. Bids—Expected to be received by City Bank Farmers Trust Co., 2 Wall St., New York, N. Y., up to 11 a.m. (EDT) May 19. Price—$100 per share. Proceeds—For working capital. Underwriters—None.

Nucor Corp.
April 4 (letter of notification) 500,000 shares of common stock (par $1). Proceeds—$5 per share. Proceeds—For expansion and additional equipment. Office—Warren Ave. at North Seventh St., Apollo, Pa. Underwriter—None.

Nuclear Science & Engineering Corp.
Sept. 20 filed 100,000 shares of common stock (par $1). Proceeds—For working capital. Underwriters—None.

Oil, Inc., Salt Lake City, Utah
April 23 (letter of notification) 50,000 shares of common stock (par $1) to be offered for subscription by stockholders for cash. Proceeds—To make investments in the business. Office—1201 Newcomb, Salt Lake City, Utah.

Old New York Bank, Inc.

Percentage Federal Land Mortgage Co. (O. T. C.)
April 14 filed 200,000 shares of common stock. Price—$2 per share. Proceeds—For the purchase of land, construction, and working capital. Office—1201 Newcomb, Salt Lake City, Utah.

Palestine Economic Corp., New York
March 31 filed $2,000,000 of 5% notes, due Oct. 1, 1963, at the rate of 11 new shares for each share then held. May 1, 1958. Price—$100 per share. Proceeds—For the purchase of land, construction, and working capital. Underwriters—None.

Paradise Production Corp., Salt Lake City, Utah
April 18 filed 767,618 shares of common stock (par $1), for the purpose of refinancing the company's existing bonds and for new construction. Proceeds—To be used for the purchase of 1,700,000 shares of the company's existing bonds and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith; Drexel & Co.; and Halsey, Stuart & Co., Inc. Proceeds—$3 per share. Proceeds—For the purchase of 1,700,000 shares of the company's existing bonds, for the purpose of refinancing the company's existing bonds and for new construction. Office—1201 Newcomb, Salt Lake City, Utah.
Schering Corp., Bloomfield, N.J. Sept 19 filed 278,983 shares of 5% cumulative convertible preferred stock ($300) and 418,478 shares of common stock for sale through 20 White Laboratories, Inc. (which is to be merged with Schering on July 1, 1957) on the basis of one share of preferred stock and 11/4 shares of common stock for each share of White A class or class B common share held. Underwriter—None.


Standard Dredging Corp. April 8 (letter of notification) 23,000 shares of common stock ($1 par) held by shareholders of the corporation for sale. Proceeds—To be applied to working capital and to redeem outstanding preferred stock. Underwriter—Whitney & Co., Inc., Washington, D. C.

Strategic Minerals of America, Dallas, Texas. March 21 filed 2,000,000 shares of 6% convertible debentures due May 15, 1958 with a face value of $100 each for sale. Proceeds—For redemption of $100,000,000 of 6% mortgage serial bonds (with stock company purchase warrants). Price—At par (in denominations of 1000 each) and in amounts of $100,000 or more. Underwriter—R. S. Smith, Bache & Co., New York, N. Y. (letter of agreement dated March 20, 1948). Price—To be announced. Proceeds—For general corporate purposes, including repayment of short term and long term debt and for capital expenditures. Underwriter—None.

Sun Oil Inc., Philadelphia, Pa. April 2 filed 15,000 memberships in the Stock Purchase Plan of Sun Oil Co. for sale. Each membership consists of 100 shares of the common stock of Sun Oil Co., plus 6.75% debentures, together with 188,000 shares of common stock of Sun Oil Co. (no par) and a 15% participation in the profits of the plan during the period July 1, 1958, to June 30, 1958, in addition to the basic plan for the period of one year from the date of purchase. Registration cover also 243,283 shares of preferred stock and 13,000 shares of 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 13 filed 1,899,000 shares of common stock ($1 par) for sale. Furnishers of equipment, machinery and supplies used in industries such as electrical, appliance and construction. Proceeds—For conversion of each share of capital stock of Wayne Pump into (1) 2/10 shares of common stock of the Symington-Gould Corp., and (2) an option to purchase an additional share of common stock of the Symington-Gould Corp., at a price of 10 per share. Underwriter—None.

Syntex Corp. (Republic of Panama) July 1, 1947 filed 25,000 shares of common stock being offered for subscription by common stockholders of Ogden Corp., on the basis of one new share for each share of common stock held. Underwriter—None.


Tel-A-Sign Inc., Chicago, Ill. (5/15) April 24 filed 200,000 shares of common stock ($1 par). Proceeds—To be offered to holders of common stock for capital and for stock to be supplied by amendment. Proceeds—For exploration purposes. Underwriter—Graham Al- bert Griswold of Portland, Ore., is President.

Teles-Broadcasters, Inc. March 15 filed 40,000 shares of common stock (no par) for sale. Proceeds—$10,000 of the proceeds will be used for general corporate purposes, including the increase of working capital. Underwriters—Charles Plohn & Co., New York, N. Y., and Clayton Securities Corp., Boston, Mass.

Telecasters, Inc. March 15 filed 40,000 shares of common stock (no par) for sale. Proceeds—$10,000 of the proceeds will be used for general corporate purposes, including the increase of working capital. Underwriters—Charles Plohn & Co., New York, N. Y., and Clayton Securities Corp., Boston, Mass.

Telerow, Inc. April 14 filed 125,000 shares of common stock ($1 par). Proceeds—To be supplied by amendment. Proceeds—To be used for general corporate purposes. Underwriter—Shearn, Hammill & Co., Los Angeles, Calif.


Timplot & Co., Salt Lake City, Utah April 15 filed 250,000 shares of common stock, of which 200,000 shares are to be publicly offered. Proceeds—For general corporate purposes. Underwriter—Andersen-Randolph & Co., Salt Lake City, Utah.

Trans-Cuba Oil Co., Havana, Cuba March 28 filed 6,000 shares of common stock ($19 par) and warrants for 3,000 shares of common stock for sale. Proceeds—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—$35 per share. Proceeds—For general corporate purposes. Underwriter—R. S. Smith, Bache & Co., New York, N. Y.


United Artists Associated Inc., New York March 31 filed 15,000,000 shares of $6.50 preferred stock and 1,000,000 shares of capital stock and warrants and debentures of Associated Artists Distributors Corp., for sale. Underwriter—None.

United Employees Insurance Co. April 16 filed 2,000,000 shares of common stock ($1 par). Proceeds—To be used for general corporate purposes, including the acquisition of operating properties, real and/or personal, including offered for sale of any real property now owned by the company; for lease or purchase. Office—Wilming¬ton, Del. Underwriter—None. Myr. M. McKeel of Portland, Ore., is President.

United Gas Improvement Co. (5/13) April 11 filed 15,000,000 shares of common stock ($1 par). Proceeds—To be offered to holders of common stock for capital and for other general corporate purposes. Underwriter—R. S. Smith, Bache & Co., New York, N. Y. Proceeds—For plant improvements, acquisition of operating properties, etc; to retire corporate notes; for core drilling; for working capital; and for other general corporate purposes. Underwriter—R. S. Smith, Bache & Co., New York, N. Y. Proceeds—For plant improvements, acquisition of operating properties, etc; to retire corporate notes; for core drilling; for working capital; and for other general corporate purposes. Underwriter—R. S. Smith, Bache & Co., New York, N. Y. Proceeds—For plant improvements, acquisition of operating properties, etc; to retire corporate notes; for core drilling; for working capital; and for other general corporate purposes. Underwriter—R. S. Smith, Bache & Co., New York, N. Y.
Fed. Res. Bank St. Louis

Missiles-Rockets-Jets & Automation Fund, Inc.

New England Fuel Supply Co.

New York Electric Co.

New York Telephone Co.

Northern Ind. Public Service Co.

Northern States Power Co.

Oklahoma Gas & Electric Co.

Pacific Gas & Electric Co.

Pacific Telephone & Telegraph Co.

Public Service
t of New Jersey.

New York Telephone Co.

Newspaper

Lehmair Brothers, Inc.

Southern Indiana Gas Co.

Southern Railway

Southern Union Gas Co.

Tuttle Engineering, Inc.

Union Electric Co. of St. Louis, Mo.

Virginia Electric & Power Co.

Virginian Railway Co.

Washington Gas Light Co.

Wisconsin Power & Light Co.

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Mutual Funds

BY ROBERT E. RICH

Energy Use Rises in the Three Postwar Recession

In its report to shareholders for the six months ended March 31, 1958, Energy Fund, specializing in investments in the energy industry, explained its investment strategy, which includes World War II recensions. The fund, which is managed by Ralph E. Samuel & Co. and offers shares at net asset value, has determined that the energy industry has one of the highest rates of investment in the United States.

The fund points out that the 1948-49 recession, which was the first of the post World War II recessions, may be characterized as an industrial recession with some cutback in consumer demand for all types of goods, inventories began to outstrip actual demand and the fund's buying was all down the line resulting in the recession which had run its course until the latter part of 1948. During the period June, 1948, as against June, 1949, the Federal Reserve Board Index of Industrial Production declined 11.9%, but in the same period, electric energy production, based on U. S. coal consumption increased 72% and Petroleum Consumption fell moderately 3.1%.

However, the significance of the relatively good showing of the energy indices is that power-use continued its on-balance rise despite sharp drops, during the recession, in most important economic indices. The evidence shows that about 41% of all cargos fell below 25% and construction outlays were down 9%.

Rising costs, leading to increased capital requirements, higher interest rates, and competition from other industries, were among the factors that contributed to the rise in energy production costs. The fund warned that “the rising cost of energy, which is an important element of the cost of goods sold, may affect the returns to shareholders.”

Putnam Fl. Assets Increase Sharply

The George Putnam Fund of Boston reports for the quarter ended December 31, 1957, a total net asset value of $123,219,000, an increase of 4.9%. For the year, the net asset value per share rose from $10.85 to $11.42. During the quarter the fund, which has 12,043,016 shares outstanding, reported total income of $760,030, or $6.30 per share.

The total market value of all the Fund's holdings as of December 31, 1957, was $2,641,000,000, an increase of 8% over the year-end. Common stocks represented 81% of the fund's total investments as of December 31.

Commenting on the current market, the fund notes “as a time for constructive action rather than for sitting on the sidelines.” The board of directors, the fund writes, “is vigorously seeking the companies and industries that will be the major beneficiaries of the economic recovery in business. Many good quality companies are now available, and we are looking for those companies with good growth potential and a long-term perspective.”

Defense Outlays and Investment Opportunities

The launching of Sputnik I had one important effect which the Russians probably did not anticipate—the mobilization of the white- collar armo which arose in the United States. The response was, in the face of the prudent investment geeks, a realization that with respect to intercontinental ballistic missiles, the United States was being left behind. The large number of investors agree this way, the highs of 1956-57 were pointed out, “aren't nearly as implementable as pessimists think.”
**Fundamental Assets Now $361 Million**

Investment banks, Inc., one of the nation's largest common stock fund managers, reports total net assets of $361 million as of March 31, 1957. This is the first quarter of the company's year, and the number of shareholders has increased from 93,501,227 on December 31, 1956.

During the quarter, net assets of $18,278,368 were added by the sale of preferred stock for $20,325,313. The dividend paid on the stock was $1.37 to $1.38. The number of shareholders increased from 91,501,227 on December 31, 1956, to 95,301,227 on March 31, 1957.

The bulk of this gain, Mr. Ran- do, president of the company, said, will continue to grow with the war. "The war," he said, "is the missile that is destined to play an increasingly larger role in the defensive power of the military forces."

Many thousands of companies reflect increased activity. The expenditures of the Department of Defense and the beneficiaries on a large scale are the airframe manufacturers, the electronic companies and the producers of power plants and fuel. The munitions industry as a whole will become relatively more important in the long run. Consequently, it is to this group of companies that the investor turns when he is interested in the sale of his funds in the "defense" stock market.

"It seems to us," the editors of the Bulletin publication, concluded, "that by 1956 the missile business will have been dependent to a rather large extent on the defense industry, which already has a substantial foothold in the missile business will present a much larger and the next decade. Missle expenditure is likely to increase by a number of years ahead... Also, this country will most certainly continue to have a strong connection with space. It has been estimated that between $24 billion to develop an manned satellite and not amount to $8 billion. Each missile is a rocket to land on the moon. We can only conclude that the bulk of the accomplishments are some years away, but the companies make the companies which will be intimately involved in the future."**

**Fidelity Fund Shareholders Up 15% in Past Year**

Fidelity Fund reports as of March 31, net asset value of $429,704. This is an increase of approximately 8.2% over net asset value of $398,704 as of December 31, 1956. Both number of shareholders and net assets have increased over the new highs as of March 31, 1957. Fidelity Fund now has 60,000 shareholders and net assets of $429,704.

**Oil Stocks Top Selected's Holdings**

Total net assets of Selected American Shares, open-end investment company, were amended as of March 31, 1958, as reported by Edward F. Rubin, President, were $83,920,761. This represents a gain of 8.72% over the net asset value as of December 31, 1957. The higher net asset value reflects the increase in total dividends from 8.5% to 9.1% on the total net assets.

Mr. Rubin says in the report to the shareholders, "The first quarter of the stock market is about two years old, and the business complexion is in its 17th month... most downward business and market trends have been running to run their course... The present business situation is much better than other recessions of the post-war period... However, the management of this company is not taking its eyes off a severe downward trend in the market, and it is possible favorable corrections in the market may develop before very many months." In the last three months Selected American added new stocks to its portfolio: ACP-Wrigley; Shell Airline; Alcoa; American Airlines; Reynolds Aluminum; Alumina; Aluminum; Anderson; Paper Mill; Western Electric; and AMOCO.

**U. S. & Foreign Reduced Stock Holdings**

United States & Foreign Securities Corporation, one of the largest investment companies, reports a net asset value as of March 31, 1958, of $103,606,220, as compared with $101,606,220 as of December 31, 1957. This is a gain of 1% over net asset value as of December 31, 1957.

Each of the funds participated in the increase, which lifted the total net asset value to $103,606,220 on March 31, 1958, from $101,606,220 on December 31, 1957. This compared with a net asset value on December 31, 1957, of $103,658,620 or a gain of 0.1% over the net asset value as of December 31, 1957, of $103,606,220.

The 12 months ended March 31, 1958, dividends amounting to $2.20 per share were declared. The net income was $1,120,000, or 90 cents from ordinary income and $1,120,000 from capital gains.

Of common stock investments held at the end of the first quarter, the United States & Foreign held a number of total assets; chemical and drug companies, 6%; adhesives and mining, 10.71%; manufacturing and miscellaneous, 7.45; electric utility, 2.47; aircraft and missile, 2.27; investments, 6.1%. U. S. & Foreign is participating in 18.34% of the total market (as of January). These figures compare with 46,713,348, or 84.99 a share in March 31, 1957, for a dividend of 7 cents a share paid at the rate of 3 cents a share.

At March 31 common stocks, preferred stocks, convertible debenture and preferred stocks accounted for 83% of the total market, 5% of the total market, and 2% of the total market, respectively. The industry, oil, 15.7%, electrical, 15.4%, and other companies, 3.6%.

**Directorate Common Stock at 91 a Share**

An offering is being made to the public of 240,000 shares of common stock (par one cent) of Directorate, Inc. at $1 per share, through James McLeish Securities Corp., 60 West 40th Street, New York, N. Y., and Scherven, Stone & Co., Great Northern Building, New York, N. Y., for a public offering. The maximum price to be received for the sale of the common stock is $1.

The common stock is not used for general corporate purposes, including the manufacture of Di- rectorate, Inc., incorporated in Delaware on Nov. 12, 1957, is a diversified oil and gas company. The company is headquartered in New York City and is organized under Delaware law as an electrically operated machine known as a Directorate which prints and dispenses information on a paper slip at the press of a button. The machine is operated for the benefit of local companies and the information is distributed.

The effect to the new financing, there will be outstanding $48,000,000 of common stock, out of which $36,000,000 is authorized.
### Indications of Current Business Activity

**American Iron and Steel Institute:**
- Total raw steel production was 127.0 million tons in 1958.
- Total finished steel production was 124.0 million tons in 1958.
- Total sales of steel products were 123.0 million tons in 1958.

**Federal Reserve Bank of St. Louis:**
- The Index of Industrial Production was 108.1 in 1958.
- The Index of Capacity Utilization was 83.5 in 1958.

**Moody's Bond Service:**
- The rating for Aluminum was Baa.
- The rating for Copper was Ba.
- The rating for Other (coal) was Baa.

**Civil Engineering Construction—Engineering:**
- Total U.S. construction expenditures were $325.7 billion in 1958.
- Total construction employment was 3.5 million in 1958.

**Coal Association:**
- Total coal production was 1.0 billion tons in 1958.
- Total coal reserves were 70 billion tons in 1958.

**Government Accounting Office:**
- The budget for fiscal year 1958 was $352.3 billion.
- The deficit for fiscal year 1958 was $23.3 billion.

**Electric Power Industry:**
- Total electric power generation was 2,900 billion kwh in 1958.
- Total electric power consumption was 2,700 billion kwh in 1958.

**Commerce Department:**
- The index of manufacturers' new orders for durable goods was 106.0 in 1958.
- The index of manufacturers' shipments was 108.5 in 1958.

**Other Sales:**
- The index of total sales was 108.5 in 1958.
- The index of total sales was 110.0 in 1958.

**Stocks:**
- The index of stocks outstanding was 106.0 in 1958.
- The index of stocks outstanding was 110.0 in 1958.

**Labor Department:**
- The index of total employment was 108.5 in 1958.
- The index of total employment was 110.0 in 1958.

**Census Bureau:**
- The index of total employment was 108.5 in 1958.
- The index of total employment was 110.0 in 1958.

**Agriculture:**
- The index of total production was 108.5 in 1958.
- The index of total production was 110.0 in 1958.

**International Trade:**
- The index of total imports was 108.5 in 1958.
- The index of total exports was 110.0 in 1958.

**United States Treasury:**
- The index of total deficits was 108.5 in 1958.
- The index of total surpluses was 110.0 in 1958.

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### Table: Business Indicators

**1958 Average—90:**
- Unemployed persons (1,000): 9,996
- Unemployment rate: 3.9%

**1958 Average—100:**
- Unemployed persons (1,000): 9,996
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Our Reporter's Report

The corporate new issue market turned a little "tacky" this week as stiff competition marked the bidding for several of the offerings put up for tenders. For the moment at least the Federal Reserve's drive to force interest rates down in the hopes of stimulating business borrowing seemed relegated to the background.

Not that there is any danger of underestimating the significance of most recent monetary moves, on the contrary the tendency is to view the long-term investment outlook as one that holds the promise of higher bond prices and correspondingly lower yields.

But institutional investors were inclined to take a breather after the recent swing of buying which had just about mopped up all loose-ends from recent emissions. In short they were out of a mind to push the market up too strenuously against themselves.

The extent to which the market has adjusted itself in the wake of Reserve money thrusts is reflected clearly in the experience of Pacific Sound Power & Light in refinancing its high-coupon bonds brought out last fall. The company was forced to accept a bid for an issue to carry a 6 1/2% interest rate at that time. This week, it sold $30 million of new bonds with a 4 1/4% coupon rate to refinance the foregoing issue. Thus it must pay a 110 1/2 for the privilege of calling the high-coupon bonds. But calculated over the life of the new issue, and considering the tax elements involved, the operation will save the company money.

Texas Co. 25s

Reports to Company that Texas Co.'s $150 million issue of 25-year debentures moving out in fairly good fashion, although not in what the Street likes to refer to as an "out-the-window" operation.

Price is yield 2 3/4% and carrying an off-the-beaten-path maturity, the debentures were said to be in good demand. But against the size of the offering, the buying could not be termed anything in the way of a rush.

Proceeds are going into general funds but will be used in part to fund $50 million of bank loans raised for expansion purposes earlier.

New Jersey Bell

The high spot in next week's rather sparse batch of new corporate offerings will be New Jersey Bell Telephone Co.'s $30 million of 35-year debentures. This issue is up for bids on Monday, unless there is some last-minute hitch in which the outcome will be watched with even more interest than this week's Pudget Sound operation.

The Bell System unit last September accepted a bid from bankers for an issue of 25-year debentures to carry a 4 1/4% coupon rate. The current offering is designed to refinance that part of its capital on a lower cost basis.

Looking Ahead a Bit

The tax exempt market has been helped no end by the operations of insurance companies in recent weeks. These major outlets for new securities have been buying in that particular sector as guardedly as possible.

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A quarterly dividend of $2.35 (50c per share) on the Common Stock, par $2.35, of the Company will be paid to holders of record at the close of business April 24, 1958. Dividends may be declared quarterly on record dates fixed at the discretion of the Board of Directors.

W. J. ROSE, Secretary

CBN 24, 1958

ALUMINIUM LIMITED

On April 24, 1958, a quarterly dividend of $1.75 per share is due. Stockholders of record at the close of business April 24, 1958, will be entitled to receive the dividend which will be payable May 5, 1958.

JAMES A. DUELLA

Secretary

IOWA SOUTHERN UTILITIES COMPANY

A quarterly dividend of 4% Preferred Stock ($.50 per share) has been declared and will be payable May 29, 1958, to shareholders of record at the close of business May 19, 1958.

EDWARD L. SHUTTS,

Chairman

DIVIDEND NOTICES

American & Foreign Power Company Inc.

A quarterly dividend of 5 cents per share has been declared payable June 1, 1958, to stockholders of record at the close of business May 16, 1958.

H. W. BALGOYEN,

Executive Vice President and Secretary

April 25, 1958

Allied Chemical Corporation

Quarterly dividend No. 149 of 3.75 cents per share has been declared on the Common Stock, payable June 10, 1958, to stockholders of record at the close of business May 16, 1958.

RICHARD P. HAMNEN

Secretary

April 28, 1958

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 54 cents per share on the outstanding Common Stock, payable June 2, 1958, to stockholders of record May 9, 1958.

PAUL C. JAMESON

Treasurer

April 24, 1958

SOUTHERN NATURAL GAS COMPANY

Declared a quarterly dividend of 50 cents per share on the outstanding Common Stock, payable June 1, 1958, to shareholders of record May 1, 1958.

H. D. McNENY

Vice President and Secretary

April 26, 1958

SUNRAY MID-CENTRAL Oil Company

Declared a quarterly dividend of 34 cents per share on the outstanding Common Stock, payable June 15, 1958, to shareholders of record May 15, 1958.

Norman F. Simmonds

Secretary

RICHFIELD OIL CORPORATION

Volume 187 Number 5738... The Commercial and Financial Chronicle

The Board of Directors has declared the regular quarterly dividend of seventy-five cents per share on stock of the Corporation for the second quarter of 1958, payable June 14, 1958 to stockholders of record May 15, 1958.

James N. Staley

Chairman
WASHINGTON, D.C.—Across the land each day earth-moving equipment is turning hundreds and hundreds of acres of land into home building sites. In the West bulldozers have edged out into the deserts for home building sites.

People are enjoying sun-baked clays, and the greatest drawback is lack of water to pour on to make the country-side lush and green and productive. However, water will be available.

Sea water will be made into fresh water and pumped inland. Man has been trying for generations to make sea water drinkable, but the supply is diminishing with increasing industrialization. If the population requiring more water. Furthermore, nearly every community that has a water meter knows that his water bill has gone up every year. In addition, the cost of converting sea water into fresh water is considered high.

Natural fresh water, of course, is also diminishing. But the cost gap between natural fresh water and desalinated water is being closed. Secretary of the Interior Fred A. Seaton says it is desirable to make a radical or sudden advance in technology before the situation would bring about a significant reduction in the cost of desalinated water (Office). The Interior Department, in 1920, embarked upon a study of the salinity water situation. As a result the Office of Saline Water was founded. The salinity is being converted to usable water in several countries and colleges are cooperating with the Department in the search for a solution.

Canada, the United Kingdom, France, and the Netherlands are trying to convert sea water into fresh water. Several other countries are likewise desalinating. The United Kingdom and New Zealand have been working for years in the development of plants for the purpose of converting sea water into fresh water. These industries (Office) have been dependent on desalinated sea water in this country.

Conversion Costs Not High

Conversion plants can now make fresh water from sea water, but for slightly less than $1 for each 1,000 gallons. This cost, of course, is high for commercial purposes. However, some authorities believe the day is coming when the conversion will cost only a few cents.

Gradual reduction in conversion cost will mean increased use of converted salt water. Once the cost is brought down, industrial usage is likely to follow. It is estimated that the world's production will be 5 or 6 million tons of desalted water in the next few years.

Biólo Plant Work in Progress

On a cost of more than $25,000 a year, the Department has spent the proceeds to five broad groups. These are: (1) desalination equipment; (2) solar salt distillation; (3) separation of salt brines from two or possibly three kinds; (4) chemical means of separation, including solvents; (5) means of separation by distillation. There are to be six distillation processes in operation. Several of these processes will be brought to a successful conclusion in the near future. However, equipment for the works is being built to take care of future needs.

Solar Pilot Models

Solar power will be the driving force of a new generation of desalination plants. Several pilot models will be operated by the research department. Solar energy has been demonstrated on a practical basis for heating water and heating homes. Now, however, converting water into fresh water instead of more heat is being kept a home warm according to engineers.

The Interior Department in 1920 embarked upon a study of the saltwater situation. As a result the Office of Saline Water was founded. The Interior Department and colleges are cooperating with the Department in the research effort.

Canada, the United Kingdom, France and the Netherlands are converting sea water into fresh water. Several other countries are converting salt water for other purposes. These industries have been dependent on desalinated sea water.

Business Briefs

New communities springing up land the country, are creating a demand for new markets. Lawn mowers by the ton of cars and other automobiles. The market for small engines is growing. Production is expected to continue in the next few years.

It has been estimated that there are now more than 18,000,000 automobiles in the country. This is equivalent to every three to four automobiles. The market for small engines is growing with more than a million more to come. People are more mobile than ever. More gardens are being grown by the people moving into the rural areas. The farm population is declining every year, but the population in the cities is increasing. A sharp upturn in new orders placed with manufacturers is encouraging to Washington officials. Officials are working on several other problems from the fact that the decline in plant and equipment expenditures seems to have been arrested.

Consumers continue to use credit at about the same rate as last year. In addition they have nearly $300 billion in demand deposits and liquid savings that they can draw on if they desire. Secretary of Commerce Sinclair Weeks is on the basis urging more intensive investigations of advertising. The country as a whole is not suffering from a recession. However, there are several areas where unemployment is serious. Farm income is rising. Orders for farm equipment in dollars. Housing starts in March were disappointing, but prospects for an upturn are good. Demand for soft goods already is high. The need is to stimulate buying of durable goods.

This column is intended to reflect the "behind the scene" interpretation of the nation's capital and may not coincide with the "chronicle" scene. The economic scene in the country.

The most striking development of the past year has been the increase in the number of people moving into the rural areas. The farm population is declining every year, but the population in the cities is increasing. A sharp upturn in new orders placed with manufacturers is encouraging to Washington officials. Officials are working on several other problems from the fact that the decline in plant and equipment expenditures seems to have been arrested.

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Air Transport Facts and Figures—Report for 1957—Air Transportation Association of America, 100 Conn Avenue, N.W., Washington 6, D.C. (paper)."