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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 bewitched 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"

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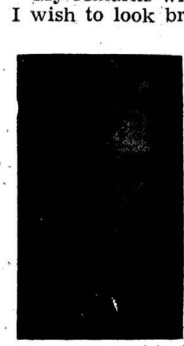
The Financial Condition Of the United States

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 guesses slow recovery will occur in second quarter of 1958 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.


Sumner H. Slichter

I—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.

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*Statement by Dr. Slichter before the Finance Committee of the United States Senate, Washington, D. C., April 18, 1958.

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 pointing 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 has said:

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

"You are not being threatened with ICBM's but with peaceful competition in consumer goods.

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

"Your grandchildren in America will live under socialism."


Richard Nixon

And just three days ago in Moscow, in speaking to the American Ambassador of the Soviet Union's 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

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*An address by Mr. Nixon before the Bureau of Advertising, American Newspaper Publishers Association, New York City, April 24, 1958.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Texas Pacific Land Trust—Harry D. Miller, Partner, Nugent & Igoe, East Orange, N. J. (page 2).

Keystone Portland Cement Co.—T. Reid Rankin, of R. M. Horner & Co., New York City (page 2).

HARRY D. MILLER

Partner, Nugent & Igoe, East Orange, N. J.

Members New York Stock Exchange

Texas Pacific Land Trust

On Jan. 3, 1957, I presented this stock in these columns. At the time the stock was selling at $7, and the Dow Jones averages were above the 500 level. Perhaps it would be wise to repeat the opening paragraph of that article which was as follows:

Harry D. Miller

"The present market presents many uncertainties, and the bearish arguments are perhaps more convincing than those of the optimists. In my opinion the one big factor which has prevented stocks from following the bear market in bonds is the fear of continuing inflation. Price-wage inflation seems with us to stay, and certainly any heavy recessionary tendencies would lead to bigger doses of inflation as the surest weapon to combat deflation."

Time has proven the wisdom of these remarks. Texas Pacific Land Trust is still a pure inflation-type stock with its large holdings of land in fast-growing Texas and its oil royalties. Outstanding capitalization as of Dec. 31, 1957, was:

Ctfs. of Prop. Interest $100 par	$234,100
Ctfs. of Prop. Interest $1 par	1,090,989
Total both classes	$1,325,089

During 1956 the trust retired 27,500 sub-shares and in 1957, 28,300 sub-shares or an average of 2% of the capitalization in each year. Over 12,000 shares have been retired as of April 1 this year which indicates a stepping up of the retirement program.

The assets of TPL might be appraised as follows:

Surface lands held — 1,734,311 acres, valued at a nominal price of $10 per acre	$17,343,110
Royalty income valued at 10 times annual receipts	4,573,950
Cash and U. S. Treasury Bills less tax liabilities	721,000
	*$22,638,060

*Per share, $17.08.

It could be argued that the nominal value given the land is high, but let me point out that in 1957, 6,848 acres were sold for $211,476 or an average price of about $31 per acre. As another example, TPL owns some 68,445 acres in El Paso county of which over 12,000 acres lie in the path of the city's growth. Two local real estate authorities have given the writer an opinion that the present market value of this 12,000 acre block is $500 per acre which adds up to $6,000,000 or almost $5 per share for this one parcel.

As to other developments since my last write-up, I can report that 135 new wells were completed on TPL property during 1957, 74 subject to a 1/128 royalty and 61 subject to a 1/16 royalty. This resulted in higher royalty income despite strict prorationing. I have learned on good authority that over 30 new wells had been completed as of April 1 this year. In this regard the situation in the Delaware Basin is worthy of note. Most of the leases in that area expire from 1958 to 1962 unless drilled; 40% of them by 1959. This has resulted in and will cause additional activity since several important discovery wells have been completed in the area. TPL holds close to 300,000 here under a 1/16 royalty and an additional 9,000 acres under a 1/128 royalty interest.

For anyone who feels as I do, that further inflation is inevitable and that it might prove to be profitless inflation for some time, I know of no better investment than TPL. The stock is listed on the New York Stock Exchange and is currently quoted at 9¼.

T. REID RANKIN

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

Keystone Portland Cement

In the present state of the business recession, the emphasis has been placed on Defensive Stocks. This is reflected in the long upward movement of public utility stock prices and the tendency of investors to favor industries whose 1958 sales outlook and net income should compare favorably with 1957. Growth situations have lost their appeal and are not likely to be favorites again until a new bull market has run a considerable length of time.

T. Reid Rankin

Keystone Portland Cement, my choice at this time, has I believe, the assurance of operations under favorable conditions for several years and is defensive in that sales and earnings are expected to be well maintained in 1958.

The company is located in Bath, Pa. Distribution of cement is made both in bulk and in paper bags to building material dealers, ready-mixed concrete plants, concrete products manufacturers and to construction contractors. Three-quarters of the output is sold in Eastern Pennsylvania, New Jersey and southern New York State. The remainder is sold from Maryland to Massachusetts. This heavily populated area, with several metropolitan and suburban areas, consumes more cement per capita than other states with smaller cities. Then too, this tri-state area will receive some of the largest appropriations for road-building under the Federal Highway Program.

The company was privately owned until 1954. In 1928 and 1929 the plant was built and during the period of private ownership, a large part of net was plowed back into the plant to maintain and improve it. Consequently, it is now one of the most efficient plants in the Lehigh Valley area. A new addition was completed in 1957 at a cost of approximately $2,500,000, increasing plant potential 25%. This was accomplished without resort to borrowings so that at the present time Keystone has neither bonds, bank loans or preferred stock outstanding. Capitalization consists solely of 545,736 shares of common stock.

During July of 1957, the entire cement industry was closed down by an industry-wide strike. That management was able to maintain shipments at 9% less than 1956, while industry shipments to the area served shrank 13%, demonstrates quite clearly the effectiveness of the Sales Department. In fact, Keystone has out-performed the industry in the territory it serves.

Keystone Portland Cement has had an enviable record of growth. Earnings in 1956 were at a record high of $3.97 per share and for 1957, $3.87 per share, in spite of the loss of one full month of production due to the industry-wide strike in July 1957.

In the last five years, sales have increased to over $12 million and this increase has been reflected in both net earnings per share and increasing dividends.

The American Road Builders Association has estimated that there will be an increase to 129,100,000 barrels of cement annually when the Road Building Program reaches its peak. Some 78 million barrels were used in highway construction in 1956. Highway construction, under the Federal Highway Program for 41,000 miles of super highways is expected to have the greatest awards of contracts in the years 1958, 1959, and 1960.

It is not necessary to wait the final paving of the roadway in order to benefit from contract awards. Every highway must have bridges, culverts and drainage construction long before the road bed is ready for surfacing and for this, concrete is the principal material used.

Housing is one of the largest consumers of cement. It has been estimated that the recent $1,850,000,000 housing bill signed by President Eisenhower "can result in an additional two million housing starts this year."

The cement industry has for years been dependent on the construction industry — its principal customer. As housing starts increased or decreased, so did cement sales. Now, however, with housing starts indicated at well over the one million figure for 1958 and with the Government housing bill having made it easier to finance a new home, the outlook has vastly improved. When to this, is added the tremendous sums being spent under the Federal Highway Road Building program, it is easy to see that this is one industry practically assured greater sales.

If business conditions do improve there will naturally be more construction of all kinds, which will require the use of cement; while on the other hand, if conditions do not improve, the Federal Government and municipalities will legislate more public improvements to make work for the unemployed.

Future growth will come from industry for increased uses, such as pre-cast, pre-stressed structural members, increased construction of dams, waterways and public works, and enlargement of air-

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The Economic Outlook And Its Implications

By JAMES W. KNOWLES*
Economist, Joint 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 favorable climate for early cyclical reversal. Even though the pursuit of the former course of non-stimulation would soon result in a "bottoming out" and rapid recovery by first quarter 1959 compared to 1957's peak quarter, Mr. Knowles contends, it still would leave a larger unemployment total than what we experienced in March, 1958. The Congressional economist describes the increased severity of this recession compared to previous post W. W. II ones and estimates future trends.

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 a more stable and growing economy. The declines in employment, output, and incomes now in progress constitute the most extensive and severe challenge to public and private economic statesmanship since the Act was adopted in 1946. The pressing economic issue of the day is that of how to create conditions favorable to the earliest possible return to a high rate of use of our human and material resources and to a sustainable high rate of economic growth thereafter.

James W. Knowles

Success in this endeavor by the combined efforts of private citizens and government officials is of the highest importance, not merely because of the hardships a continued decline would impose on our own citizens but also because of the unfavorable effects of any prolonged United States decline on the economies of other countries. There is also the paramount consideration that it would bring comfort and advantage to the Communists in their campaign for world domination.

Before we can see how the economy might move during coming months and what changes in policies could 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 90 to 95% of the long-run trend of high employment years compared to about 101% of trend in the fourth quarter of 1956. Real Gross National Product (adjusted for changes in prices) seems to have declined about 4 to 5% since the peak in the third quarter of last year. Total civilian employment, adjusted for the usual seasonal movements, has fallen about 1½ million, or 2.4% since the peak last summer. Unemployment climbed from a seasonally adjusted rate of 3.9% of the civilian labor force in March, 1957, to 7.0% this March. As a result, the number of major labor market areas classified as having a substantial labor surplus jumped from 19 in March, 1957, to 70 this March.

This fall in the rate at which productive resources are being used is reflected also in various measures of the ratio of output to capacity. For example, the data from the McGraw-Hill surveys indicate that manufacturing industry was operating at about 92% of capacity in December, 1955, about 86% in December, 1956, and about 82% in September, 1957, and probably about 70% this March. The Federal Reserve Board's index for major manufactured materials stood at 69% of capacity in February and probably dropped further in March.

Since the third quarter of 1957, the decline in economic activity has spread to most sectors of the economy. The major impact of the recession has been on producers' and consumers' durable goods. With the drop in final demand, business has shifted from accumulation to liquidation of inventories. Output and employment have moved steadily downward, but prices on the average have continued to rise, although at an apparently slower rate.

Reflections of the severity of the current recession are to be seen in one major economic indicator after another. Accompanying developments between August, 1957 and February, 1958, are the declines in:

(1) Personal income—1.6%;
(2) Real per capita disposable income—2½%;
(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—11.5%; and
(8) Retail sales—4.8%.

Most, if not all, of these indi-

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*An address by Mr. Knowles before 51st annual meeting of The American Pharmaceutical Manufacturers Association, Boca Raton, Fla., April 14, 1958.

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Shamrock Oil and Gas Corporation

By DR. IRA U. COBLEIGH
Enterprise Economist

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 products. It does not aspire to stature as an international company, but within its staked-out 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 1.8 million barrels in 1957); and, in the same period, its sales in gallons have shown an average annual increase of 15%. For 1957 (fiscal year ends 11/30), gross operating income reached a new high of $55½ million, although net dipped about 4%, due to increased depletion and higher interest charges.

Ira U Cobleigh

Shamrock derives its production from the Panhandle section of Texas, Oklahoma and Kansas. At the 1957 fiscal year-end it had reserves of 1.7 trillion cubic feet of natural gas, 65 million barrels of natural gas liquids, and about 21 million barrels of crude. Its production lands totaled (Nov. 30, 1957) 607,500 acres under lease, with about one third proven.

Crude Oil Emphasis

Historically, Shamrock was primarily a natural gas company, with earnings before 1950 being preponderantly from production and sale of natural gas, and natural gas liquids. The swing in recent years, however, has been more toward crude to feed Shamrock's well located and efficient refinery, which has a capacity of more than 25,000 barrels a day. In 1957 company-produced crude served not quite 30% of this capacity, so that (1) the company is interested in boosting this percentage and (2) the company's 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 natural gas; 237 miles of crude oil trunk and gathering lines and percentage interests in a number of products pipe-line systems.

590 Gasoline Stations

In merchandising of motor fuels Shamrock has been aggressively expanding the number of outlets operating under its bright green company emblem. At the moment about 590 Shamrock service stations are retailing about 60% of motor fuel produced. Due to the compact and inland eight-state territory embracing Shamrock's service area, and its rapid economic growth, low product delivery costs to most sections, and effective salesmanship, retail sales expansion should continue at a lively rate.

About natural gas, production at the rate of about 195,000 MCF a day is sold principally to pipelines at rates (1957) of about 8c per MCF. This is a little below average Panhandle prices, and will, in due course, be increased under escalator clauses in existing contracts. Natural gas pricing to pipelines is, of course, a little confused because of a series of court rulings. There can be little doubt, however, that when jurisdiction and procedure are finally clarified, Shamrock is in line to receive higher gas prices beneficial not only to current earnings, but to evaluation of its very considerable known reserves.

Shamrock's exploration and development program has been both eager and effective as evidenced by a rise in crude production from 699,000 barrels in 1951 to 1,814,000 barrels for 1957. Capital expenditures for the past five years totaled $59 million. Net income, which was $2,880,000 in 1947, rose to $8,770,000 in 1957; and in the same period cash dividends per share have advanced from 41c to the present indicated rate of $1.60 per year. Average payout for the past five years has been about 52% of net.

Simple Capitalization

Capitalization of Shamrock is quite uncomplicated consisting of $29,324,750 in long-term debt and 3,451,409 shares of common, listed on NYSE, which have ranged in price, in the past five years, from a low of 16 to a high of 41. At current quotations of around 33 SHM yields 4.84%, a quite satisfactory return on an equity which has displayed far above average growth characteristics.

Of the debt above mentioned, $17,500,000 consists of 5¼% subordinated debentures due 1982. These are an interesting security since they are convertible, for their life, into SHM common at 36. (Frequently the attraction of conversion is watered down by increasing the conversion price in later years.) At 114 the bonds afford a current yield of 4.60%, not so far away from the yield on the stock; and yet they have this very animate and nearby call in their favor, plus their senior position, and excellent marketable and collateral qualities. The major technical defect of this issue is that it may be called for redemption at 105¼. People naturally hesitate to reach up too much for a "convert" that may be redeemed from under them, but these Shamrock 5¼s look like a good value in the present bond market, and especially choice if they slipped down to below 110.

Favorable 1958 Outlook

Many are hesitating to enter the stock market at this time, since the earnings' trends for some of our most elite corporations are tending downward. Shamrock, however, presents a rather unique earnings' picture. Its first quarter (fiscal) was just the same as for 1957, namely 77c a share; but March earnings exceeded the like month a year ago by $225,000. Further, Mr. J. H. Dunn, President, expects an improvement as the year advances. On April 17 he said: "I guess any oil company that's holding its own should be feeling pretty good. . . . We are very much encouraged by these March figures and I think we can expect better results for the balance of 1958." This sort of optimistic viewpoint is as welcome as it is unusual on our current economic scene.

Reverting to the common stock, we note it has been included in certain investment trust portfolios, that it is selling about 11½ times indicated earnings, and that it has been active and strong in recent market sessions. For the stockholder here the future may be viewed with considerable confidence because of the caliber, competence and achievements of management, the rising reserves of crude and gas, and reasonable expectation for a substantial improvement in gas prices in coming years. The geographical advantage of a quite compact service area, with relatively low transportation charges should not be overlooked. In fact, the saddest thing to reflect upon in this picture is that in 1938, 20 short years ago, you could have picked up the common at ⅜ths, 37½c per share. 1,000 shares, then, would have set you back $375 — and be worth $33,000 today, exclusive of dividends! (There was a 10% stock dividend in 1953; and 50% stock dividends in 1955 and 1957.)

The Long-Range Investor

The opinion will not down that, over the long run, what we have to fear is inflation rather than deflation. Arguing thus a number of important and highly solvent investors are quietly tucking away selected natural resource stocks—especially oils and natural gases. There may be an oil glut at the moment, but peering three to five years ahead, these knowledgeable folk expect oil and gas in the ground to be worth much more than it is today, because of (1) rising demand, (2) higher extracting and processings costs and (3) further erosion of the dollar. And persons of the foregoing persuasion are perhaps most likely to take a good look at Shamrock. That good look may bring good luck!

The State of Trade and Industry

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

Industrial production for the most part continued last week to show declines, but notwithstanding this, prevailing sentiment of many business leaders reflect an optimistic tone. Steel output the past week decreased for the fifth consecutive week, but according to "Steel" magazine, construction activity is gathering momentum and the steel producers are hoping for better production within the next few weeks.

As for the automotive industry, output of cars dipped to its lowest level in six months, "Ward's Automotive Reports" states, adding, that mid-April new car buying showed a "promising increase."

In the period ended April 24, business failures touched the lowest level in four weeks, Dun & Bradstreet, Inc. noted, but remained considerably above those of the like week a year ago.

Turning to retail trade, more favorable weather and sales promotions boosted sales volume noticeably above the preceding week, but overall volume was under that of year ago, that is the 1957 pre-Easter week.

Initial claims for unemployment insurance fell 8% in the week ended April 12, reflecting a slackening in the number of workers filing because of the availability of a new quarter's wage credit and fewer layoffs in the metal, construction and apparel industries. Claims decreased most noticeably in Michigan, Pennsylvania and New York.

With respect to the outlook for the steel industry, spending for new plants and equipment will probably continue downward through 1958, "The Iron Age," national metalworking weekly, declared on Wednesday last.

Reporting on results of a nationwide check of major industries, it noted that capital equipment outlays will likely drop to an annual rate of slightly less than $30,000,000,000 at the start of 1959. This would represent a decline of about 20% from 1957 spending of $36,960,000,000. A gradual upturn is looked for in the 1960's.

"The decline in capital goods spending was inevitable even without the sharp drop in business," says "The Iron Age." "Many of the major industries had planned long-range programs to start tapering off this year. The drop in business with resulting idle capacity only accentuated the decline."

The metalworking magazine added that there are some forces at work that might give capital spending further impetus. It listed them as a possible crash tooling program for a small American-made car to compete with foreign imports, government help for the floundering railroads, a possible pickup in spending by growth industries, such as petroleum and chemicals, should national confidence in the economy take a turn for the better, and tooling up for new products born of competitive market conditions.

The capital spending outlook for five major industries as reported by "The Iron Age" shows that the steel mills are saying little about capital spending for 1958 and nothing about 1959. A good part of the 1958 spending is a carryover from programs started last year or earlier. The feeling is that 1958 will be a "breather" year for steel, although most steel men talk confidently of long-range growth.

As for automotive, there is a strong possibility of crash programs for small cars in the next year or two. But unless these materialize, actual spending this year and next appears to be relatively light. Little will be spent during the next few years for plants. General Motors will spend an estimated $430,000,000 this year, Ford about $225,000,000 and Chrysler about $96,000,000.

Expansion programs in the non-ferrous industry will taper off the next few years. The major aluminum companies are rounding out their planned expansion programs and will complete new facilities that were included. Unless demand goes up sharply, capacity will be adequate for several years.

The 1956-57 period marked the high point in the appliance industry building boom. New programs are not expected to materialize until the 1960's, but this could be one of the industry's biggest.

As for machine tools, the initial shock of the recession is past, although many machine tool builders are resigned to operations at current levels for the foreseeable future. The industry is working on new cost-saving machines and hopes that customers will start loosening the purse strings by mid-1958.

Meanwhile, the steel industry is still looking for a gradual improvement in the coming months. No one is counting on a spectacular pickup. With automotive largely out of the market, the mills are resigned to a slow upturn starting some time in the third quarter. For the year as a whole the consensus seems to be

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Observations . . .

By A. WILFRED MAY

SPRINGTIME READING

Income with Humor

Experts in finance who can translate their knowledge in terms clear to the lay public are indeed few and far between. Hence particularly welcome is a new volume by Donald I. Rogers, *MAKE YOUR INCOME COUNT* (Holt, New York, 216 pp., $3.95). For Mr. Rogers here once more evinces his ability to fill this prescription, as demonstrated over the years in his role of small-town reporter and editorial writer, public relations director, business columnist, author, and now the New York "Herald Tribune's" Business and Financial Editor and radio commentator.

A. Wilfred May

Right through the new volume Rogers wraps up facts, wisdom and common sense, in a clear and humorous style that is sure to stimulate the reader's interest and constructive conduct—to overcome the "ignorance of personal finance," at which the author declares himself "aghast." Urging you to get your savings into line with targets that are realistic, he says "it takes as much rhythm and practice as the perfect golf swing and, in its own way, will prove more rewarding."

Basically, the book presents the facts of life about managing money, for the building of a secure future. It explains how and where to save money, suggests ways of buying a house or a car, using property as a source of income, borrowing, making a will, planning for retirement, and beating inflation; and gives the do's and don'ts for buying insurance, mutual funds, and common stocks.

And throughout the many phases of financial activities that are covered, conclusions that are both fair and wise are embodied. The mass migration into mutual funds is epitomized with this characterization: "Hyperthyroid salesmanship and promotion are part of the answer, and so is inflation: but at least partially the funds have managed to prosper as never before because they are fulfilling a need that investors have been quick to capitalize on." A conclusion that is fair as it is wise!

A remarkably concise chapter covering your will, with emphasis on the need for making it, is concluded with the pointer to take a financial inventory at least once a year to measure the effect of its changes. "You may never know what's happening after you're gone, but a carefully drawn will can *help* to make happen what you want to happen."

The important subject of insurance is likewise covered realistically and fairly. "Compromise" is wisely offered as the key to the question between individual insurance need on the one hand, and overinsurance or uneconomic insurance on the other. "Women should be shown the difference between a doughnut and a debenture. . . . It takes a little work, but once a widow learns the financial ropes, she might want to take her insurance in a lump-sum payment."

With like realism and succinctness that are invaluable, Mr. Rogers covers tax exempt bonds (in five pages), do-it-yourself investing, the over-the-counter market, puts and calls—with some apt de-bunking, as of the growth stock craze ("Heard of anybody buying a Hupmobile lately? A Willys Knight? A Pierce Arrow? No? All of these cars—and handsome old buggies they were—once symbolized the shiny hopes of investors who thought they had an average growth stock—and a perpetual bull market—by the tail").

* * *

"No Major Depression—"?

Both the optimists and pessimists should peruse *NO MAJOR DEPRESSION IN OUR LIFETIME* by A. W. Zelomek (published by the International Statistical Bureau, Inc., New York: 128 pp. $2). In this volume the well-known statistician, business analyst and forecaster has enlarged and up-dated the first edition of a book first published during the worrisome 1953 period.

On the importance and potency of the stabilizing factors that have been built into the economy during the past quarter of a century, rather than on the credo that "we cannot afford a depression," does Mr. Zelomek's thesis depend.

On the facts specifically relating to the course of the current slump and its likely duration, he points to the decline in business inventories now at the annual rate of $7.5 billion; the stability of consumer income and spending; the relatively slight falling-off in residential building; and the government's "weapons in the closet," as the power to ease credit even further.

On "that" stock market:—Zelomek concludes that the recent decline was only a temporary interruption in the long-term upward trend; with "much higher" stock prices in the offing for the next two decades.

In any event, it will be interesting throughout the coming months to check the course of events against the Zelomek-forecast; to see how as well as whether, it shall have gone right or wrong.

Is the Business Cycle A Relic of the Past?

By DR. DOUGLAS H. BELLEMORE*

Professor of Finance, Graduate School of Business Administration, New York University
Consulting Economist, Tucker, Anthony & R. L. Day, New York City

Wall Street consulting economist advances three reasons believed to account for cautious and tardy anti-recession governmental action, and analyzes economic trends, cyclical behavior and monetary-fiscal experiences as far back as 1920's for lessons of value to us today. Dr. Bellemore concludes: (1) present day economic maladjustments are more serious than those encountered since 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 defense spending complicates government action; and (4) business cycles are not dead yet.

If the Administration and the Washington politicians wanted to prolong the boom and to postpone the cyclical downturn their efforts may well have been too little and too late. The public's faith that government action would be prompt and effective has certainly been shaken. While there may have been doubt in the minds of the public and some economists before Jan. 1, all competent analysts are now sure that we are experiencing a full-fledged recession. There is, however, wide disagreement as to its probable duration and severity.

D. H. Bellemore

Why the Delay and Caution in Washington

One may well ask why the government action and action by the Federal Reserve has been so cautious and so tardy. There have probably been three philosophies that have accounted for this delay and caution in Washington.

In the first place, fiscal and credit policy for the last nine months has apparently been formulated on the belief, so frequently stated by the Administration in recent months, that the decline in business activity like the recessions of 1949 and 1953-1954 will neither be serious nor of long duration. While official spokesmen have coupled their analysis with statements based on sound economic concepts, it seems quite clear that the major factor in their decisions has been the conviction that the recession would be short lived. Conservative economists, believing in sound money, could feel more assurance if they could believe that sound economic principles rather than a possible incorrect analysis of the seriousness of the economic situation was providing the motivation for the cautious action of the Administration and the Federal Reserve.

In the second place, the current policies of the Administration and the Federal Reserve have received the strong backing of a few statesmen in Congress, who really do place sound economic principles first and who realize that inflation cannot be considered a way of life. They are only too well aware that action taken to relieve unemployment by means of easy credit and loose fiscal policy, even if temporarily successful, will only postpone the day of reckoning and make the inevitable adjustments more serious with resulting unemployment on a major scale. Therefore, while they may have correctly analyzed the seriousness of the economic situation, they have continued to advocate sound fiscal and credit policy including sound revisions in the tax structure. They realize that if basic maladjustments had been corrected in the 1953-54 period rather than having resorted to renewed credit inflation we would now be faced with less serious problems.

In the third place, as a practicable if cynical judgment, it must be admitted, that while the opposition political party may be very vocal in its criticism condemning the cautious attitude of the Administration and the Federal Reserve, certain of its members may actually prefer the delay and caution until after the fall elections. The delay in extending unemployment benefits is a case in point. A review of Congressional delaying action in 1931 is illuminating in the regard.

Postwar Trends in Economy Pattern Typical of All Postwar Periods

Following the termination of World War II, the United States economy entered upon a typical post-war investment boom of great magnitude but similar in its basic aspects to the post World War I period. The forces of expansion were sufficiently strong in both periods, when aided by credit expansion, to overcome the forces of contraction which were temporarily in the ascendancy during periods of mild recession such as 1926-1927 and 1953-1954.

Forces of Expansion Especially Strong 1945-1956

The forces of expansion after 1945 were especially strong for a number of reasons. Individuals, businessmen, and state and municipal governments ended the war with exceptionally high liquidity and relatively low debts. The economy was called upon to make up the deficiencies created, not only by World War II, but by the long depression which preceded it. The economy was further called upon to supply a vast amount of goods to foreign countries through the media of economic and military aid and also as a result of substantial private investment abroad.

The Korean War, coming only five years after the end of World War II, provided not only direct but indirect stimulus to the economy. As a result of the outbreak of war, the Federal Government strongly encouraged the expansion of basic productive facilities.

During the major part of the postwar years, from 1945 to 1957, credit was abundant and the terms of credit available to consumers for the purchase of homes and consumer durables were extended well beyond the point that would have been considered gross laxity in any previous period in our history.

Investment Boom Key Factor

As is always the case in a period of high prosperity in a highly industrialized country, the factor of greatest importance has been the demand for durable goods by consumers and businessmen. The incentives to capital investments were not only the deferred demands but the abundance of savings, low interest rates, and the great research and technological advances which developed new products and new processes. Many of these factors have weakened or disappeared during the last few years and this is at the heart of our present economic problem.

Why So Much Disagreement as to The Future of Business

Agreement We Are in Full Fledged Recession

The stock market correctly forecast a decline in business and earnings in July although currently it is reflecting the general uncertainty as to the extent and duration of the recession. The Federal Reserve would not admit, until November, that a recession was actually in progress, and Administration officials would not use the unpleasant term until late December and January. However, while all competent observers now agree that the economy is experiencing a full fledged recession, there is major disagreement concerning its probable extent and duration. At one extreme are hose who appear to be advising the Administration that recovery and prosperity is "just around the corner," while at the other extreme are those who are seriously concerned that the situation could deteriorate into a

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*An address by Dr. Bellemore before the Women's Bond Club of New York, New York City, April 15, 1958.

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, Mr. Shoemaker deals first with capital equity needs of 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 readily through private means and that the taxpayer would only be aiding the improvident firm if public capital is made available. Explains how issuer should select an investment banker; warns against sale of fraudulent securities by disreputable firms; defines "lock-up" deal, risk and value; refers to mutuality of interest between the small, struggling firm and the wealthy investors; and believes most difficult financing problem is in the $25,000 to $500,000 bracket.

The function of the investment banker in this more or less free enterprise society is not always understood. Failure to understand just what this profession of ours can and cannot do all too frequently leads to unjust condemnation of our activities. If our discussion helps in some way to clarify the function of the investment banker, the time spent will be well worth-while.

James W. Shoemaker

Contrary to the belief of many people, the investment banker is not a banker—and that part of his name is a misnomer. Far too often business men think that we are bankers, that we control a pool of capital which we can invest at will in this or that enterprise. So when we fail to accede to a modest request for funds, the business man is angry and chagrined. He has come into an office which expresses the dignity of great wealth, and the implication of vast resources, and his request for a modest fraction of this wealth is denied him. He does not understand that the reservoirs of capital are not in the keeping or control of the investment banker but belong to his clients.

M. H. Waterman, Professor of Finance, University of Michigan, in a book to be published shortly on Investment Banking Functions, has this to say on this point:

"The investment bankers, in spite of their name, neither accumulate funds for investment purposes nor manage investments (their own or others) on any kind of a continuing basis. Perhaps these three financial institutions—brokers, investment counsellors and investment bankers—could be called the service group in the financial community, to distinguish them from the capital managers who function by taking control of capital and keeping a continuous direct rein on its use and direction."

Defines Investment Banker

If the investment banker is not a banker, what is he? Very briefly, he is a merchant of securities. He buys his merchandise—securities—at a wholesale price and he sells them at a retail price. If the retail price is higher than the wholesale purchase price, he makes a profit. If, as sometimes happens, markets change and the retail price is below his original cost, he sustains a loss.

To be sure, the investment banker has capital but like any merchant or manufacturer, his capital must be kept liquid. He cannot tie up his capital in unsaleable inventory.

*An address by Mr. Shoemaker before 2nd Annual Spring Conference, U. C. L. A. Alumni Association Executive Program, Hollywood, Calif., April 28, 1958.

"Lock-Up" Deal

An exception is the so-called "lock-up" deal. In these instances—and they are rather infrequent—an investment banking firm, or group of firms, buys an issue of securities or a company and holds it for a long period of time, six months or a year or so. The hope is that this holding can be liquidated at a handsome profit at the end of this period. Sometimes the purchased company is liquidated through sale of its individual parts. Jergins Oil Company, for example, spawned such diverse progeny as Monterey Oil, Beckman Instruments, and a 10-story building in Long Beach. Transactions such as these require large capital that can be immobilized for long periods of time and entail the risks inherent in any long holding. You have to have ample capital and the ability to hazard a loss, as well as a profit, to participate in such ventures.

Our concern here is not such exotic cake and frosting undertakings, but rather the conventional work of the bread and butter investment banker.

Since the dawn of history—and before—man, and his animal ancestors, made provision for the future. Food and fuel were stored in summer, and in abundant years, against the rigors of winter and the demand of lean years. This foresight — this animal instinct—I suppose, is the primary reason we are all here today.

Despite the encroachment of the corporate state and its ambition to care for all the minimal wants of man, people still save money—they still hunger for more in goods and services than a bureaucracy, inflated in number and self importance, can ever provide. To fill these wants, people still save. They put their money in savings banks, in building and loan associations, in life insurance—they join unions, fraternal organizations, and secure a vast variety of benefits from their employers, who in turn establish a vast number of trusts and other funds to meet their contractual, or voluntary, obligations.

These pools of capital are available for investment and they are huge pools. Personal savings last year totaled some $80 billion, life insurance assets some $101 billion, premium income for 39 reporting life companies totaled about $10 billion in 1957 alone. These are a few indications of the immensity of these available funds.

Taps Savers

The investment banker's business is to tap these diverse sources of income—the business man with surplus money for investment, the working man who can put aside a few dollars each month, the widow with an inheritance. These 8 million individual investors in the United States are as important, perhaps more important, than such institutions as the insurance companies and pension trusts despite their massive resources.

All these are the funds that can and are translated into new plants, fresh working capital, new machinery for industry, and into new roads, new schools, new water systems, new baseball stadiums—all the civic projects so dear to the political heart but that dismay and frustrate the taxpayer.

The investment banker and his sales representatives know the owners or managers of these accumulations of wealth, whether they be modest or huge, and it is the investment banker's job to meet the investment needs of these people. The investment house and brokers supply these needs with securities—bonds or stocks—which are presently outstanding and with new issues that are just coming to market.

With the exception of government, state and municipal bonds and perhaps the stocks of a few government corporations, such as Fannie Mae, all of these securities have their roots in industry—large and small. At some time or other practically all securities now outstanding were launched into their financial orbit by investment bankers. Once in awhile our launching vehicles backfire, but not with the frequency at Cape Canaveral.

How did the banker market these issues and why did the issuers employ his services?

Caters to Different Tastes

We have seen that the investment banker knows where funds are available for investment but that knowledge in itself is as useless as a quiz show answer. Now the tastes of investors differ widely, whether they be individuals or institutions, so just who has an appetite for what is another bit of knowledge essential in the investment process. If the banker is to cater to a demand for varied investment values, he must recognize security values.

Value is a loosely used term. My dictionary gives 14 different uses of this noun. Someone once defined value, in the sense that we use it in our business, as "a moment of equilibrium in a sea of opposing forces." As a matter of fact, value is a measure of risk.

All securities have a risk factor—as does money in the bank for that matter, for purchasing power can erode and money itself shrink in value. Government bonds advance or decline with the fluctuations in interest rates — stocks fluctuate with the fortunes of the company. Generally, values decline as risk increases.

There is a spectrum of risk and conversely of value just as there is a color spectrum. Take the purest white and add black to it drop by drop. The result is an imperceptible gradation from pure white on the left to jet black on the extreme right. White passes to black through a series of indistinguishable grays.

So it is with the inherent risk and value of securities—the contrast in the extremes, the blacks and whites, is striking—the medians are not so easy to differentiate.

Measures Risk or Value

Now one of the skills, or arts, of the investment banker is recognition of these fine shades of risk and value — an ability to measure risk—to weigh value—to know which buyer will take the dove gray and which the French gray—which only wants the off-white.

This body of investment knowledge, the knowledge of markets, standards of value, of investors' needs, their current likes and dislikes, the places where funds might be obtained for a given project, is gained over a long period of years. Like most other businesses, ours is a specialized one—most of us have some general knowledge of the whole and a specialized knowledge about some part. When we make a decision, we rely on the analyst for comparative values, for knowledge about the company and its industry. We rely on our traders for information on markets; on our sales department to tell us whether this deal can be sold to our customers.

Houses and the customers to whom they cater differ. You wouldn't shop Sears for a Christian Dior original. You would be foolish to take a uranium mining deal to a house specializing in municipal bonds. Some investment houses have a conservative approach and serve conservative customers—others have a frankly speculative approach and serve customers willing to speculate and, I hope, knowingly, with their money.

Whom to Select

These facts are important to the man seeking capital, for he must select an investment banker who can underwrite and sell the securities that the corporation has for sale. He must make an important choice and while it may seem enough that some broker or investment banker can supply the needed funds, there are other considerations.

Let's trace the twisted difficult path of corporate development and try to see where in the evolution of an enterprise the investment banker has usefulness and why he should be chosen with care.

Companies start as an idea in someone's mind—a man or a group of men see a need, a need that can be filled with a new product or an improved product, or process—an improvement on the existing way of doing things, doing something or other that has never been done before. The man, endowed with this vision and a vast and admirable store of courage, starts this business in his garage or his basement. He finances this initial plunge into the cold skeptical world of manufacture with his own savings, or his own and those of a few friends. He may work at this project initially at odd hours or he may cut all other employment or business ties and devote his whole energies to it.

If he has no money, he may even approach an investment banker with his idea. We try to give a sympathetic hearing to all who come to us, as do most people in our business. Ordinarily there is little we can do at this stage, but if the idea is promising it might be possible to interest some wealthy individuals in it . . . people who understand the risks and can afford or even profit tax-wise from a loss.

Let us assume, however, that our entrepreneur finances the early stages of development himself. The mortality rate is high but if he survives and his business increases, his plant moves out of the garage into a little back street, low rent, small building and his profits grow.

Cites Hewlett-Packard

So far, the source of his capital has been his own savings—those of his friends, modest bank borrowings, and the retention of earnings. Even in these days of high taxes, companies can finance a considerable growth through retained earnings. An outstanding example of growth from within is Hewlett-Packard, a Palo Alto instrument company started in a garage in 1939. Today the indicated market value of its 3 million shares is something over $75 million. About a year ago, David Packard made a speech entitled "Growth Through Performance," and in it he gave this formula:

"The formula for growth is very simple. It is as follows: The percentage increase in sales which you can finance each year is equal to your percentage of profit, after taxes, times your capital turnover. Capital turnover is defined as the number of dollars in sales you can produce per year for each dollar of capital you have invested in your business. The formula actually is very simple and as a limiting case, it is just about as valid as Ohm's law."

In the preceding seven years, Hewlett-Packard's profit, after taxes, had averaged about 10% per year, its average growth 42% annually, against a projected, or possible, annual rate of 45% under the Packard formula.

This is an exceptional company. All companies do not realize so large a profit and there may be other limiting factors in their growth, including the capital available to them.

The more usual course is for a company to reach a point in its progress where it seeks outside capital. It is at this stage that the company management approaches the investment banker. The investment banker may be a friend or acquaintance . . . it may be a house which has been suggested to him by that financial father confessor, his commercial banker.

At this stage of development, the enterprise has a modest net worth, sales have grown as has profit, but are still small. These are very solid accomplishments and they loom large in the eyes of the man who has seen his thousand dollars initial capital multiply to a $100,000 net worth in a few short years.

Although this is a fine successful enterprise, it presents a problem to the investment banker. In his eyes it is still a small business, a promising one that at some future day will be entitled to go to the public for money, but this is not that time. Neither the best interests of the corporation, its owners, nor the public would be well served if an abortive attempt was made to sell the company's securities to the public now.

There is one avenue open. Again, the investment banker turns to this small group of wealthy, sophisticated, knowledgeable investors who may supply these capital needs. They can afford to "lock-in" some of their funds . . . they can afford the risks this enterprise entails.

Mutual Participation in Ownership

Two things are necessary to interest this group . . . a vehicle that gives them a chance to get their money back, and an equity ownership in the business. This might take the form of a subordinated debenture, or possibly a preferred stock to be redeemed over a period of years, plus a stock bonus or warrants that will put the ones who furnish the capital on a par with the management. Management, too, may be given warrants so that the interests are maintained in like proportion—the mechanics are not too important to this discussion.

The owners of the business may accept this proposal or they may indignantly refuse the suggestion of participation in ownership. The owner should remember, however, that the only inducement he can offer capital at this stage is an opportunity for capital gain and neither notes, bonds, nor preferred stocks in themselves offer that opportunity. Any investor can buy safe income from securities that are now outstanding in the market. Wealthy investors are not interested in income. This weird impact of the tax laws has created a mutuality of interest between the struggling proprietor of a small business and the investor with the bulging bank account. A growing company cannot afford to dissipate its earnings in interest on borrowings or dividends on stock—the investor cannot afford added income. What one cannot afford to pay, the other cannot afford to receive. Could any two interests be more compatible?

At this stage the investment banker's job has been an appraisal of the prospects for this business, its management . . . a weighing of

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Dealer-Broker Investment Recommendations & Literature

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

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

Banks and Trust Companies of the United States—Comparative figures as of March 31, 1958—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Bread Bakers—Analysis—Gregory & Sons, 72 Wall Street, New York 5, N. Y.

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

Canada and Canadian Provinces Funded Debts Outstanding—Booklet—Wood, Gundy & Co., Inc., 40 Wall Street, New York 5, N. Y.

Canadian Market Trends with investment suggestions—In current monthly bulletin—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Capital Funds of 100 Largest Banks in the United States as of Dec. 31, 1957—Comparative figures—Republic National Bank of Dallas, Republic National Bank Building, Dallas 1, Tex.

Chemical & Pharmaceutical briefs with price indexes for the Chemical and Ethical Drug Industries—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Construction Industry in Canada—Analysis with particular reference to **Asbestos Corp., Foundation Company, Gypsum, Lime & Alabastine, Page Hersey Tubes** and **Standard Paving & Materials**—James Richardson & Company, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

Debt Management and Deficit Financing—Bulletin—E. M. Saunders Limited, Victory Building, Toronto 1, Ont., Canada.

Indian Business Survey—Analysis by industries of 1957 activity—Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India.

Japanese Prospects for 1958—Analysis in current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are discussions of **Series Type Investment Trusts in Japan** and the **Iron and Steel Industry.**

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

Latest Field Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Life Insurance Companies—Comparative figures on 25 companies—Paradise Securities Company, 9477 Brighton Way, Beverly Hills, Calif.

New York City Banks—First quarter earnings comparison of 13 New York City Banks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York City Banks—Comparative analysis—Ralph B. Leonard & Company, Inc., 25 Broad Street, New York 4, N. Y.

New York City Bank Stocks—Comparative figures as of March 31, 1958—First Boston Corporation, 15 Broad Street, New York 5, N. Y.

New York Stock Exchange Fact Book 1958—New York Stock Exchange, 11 Wall Street, New York 5, N. Y.

Oil—Comparative figures on 40 companies with particular reference to **Anderson Prichard Oil**—Hardy & Co., 30 Broad Street, New York 4, N. Y.

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

Philadelphia Bank Stocks—Comparison of 12 largest Philadelphia Banks—Stroud & Company Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Portfolio to yield 5%—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Scanning the Earnings Reports—List of 22 companies whose profits in the first quarter were better and 22 companies whose returns were worse than expected—Francis I. duPont & Co., 1 Wall Street, New York 5, N. Y.

Southern California Business Conditions—Monthly summary—Research Department, Security-First National Bank, Box 2097, Terminal Annex, Los Angeles 54, Calif.

World Time Chart—Time difference in over 100 countries throughout the world as compared with New York Daylight Saving Time—International Banking Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

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All American Life & Casualty Co.—Memorandum—First Cleveland Corporation, National City East Sixth Building, Cleveland 14, Ohio. Also available is a memorandum on **California Water & Telephone Co.**

American Encaustic Tiling Co.—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C.

American Fire & Casualty Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available are memoranda on **Diebold, Inc.** and **Falconbridge Nickel Mines Ltd.**

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

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

Beech Nut Life Savers—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Bendix Aviation Corporation—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Bethlehem Steel—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular is an analysis of **Foster Wheeler** and **Texas Eastern Transmission.**

Chance Vought Aircraft—Bulletin—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Cook Coffee Company—Analysis—Murch & Co., Inc., Hanna Building, Cleveland 15, Ohio.

Cormac Photocopy 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—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available are analysis of **Metals & Controls Corporation** and **Collins Radio Company.**

General Mills—Discussion in May issue of "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same circular are discussions of **H. J. Heinz** and **Warner-Lambert.**

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

W. R. Grace & Co.—Annual report—W. R. Grace & Co., 7 Hanover Square, New York 5, N. Y.

Hiram Walker-Gooderham & Worts Ltd.—Analysis—Burns Bros. & Company, Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Honolulu 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. Stearn & Co., 52 Wall Street, New York 5, N. Y.

Joy Manufacturing Company—Report—Georgeson & Co., 52 Wall Street, New York 5, N. Y. Also available is a report on **Alabama Gas Corporation.**

Koehring Company—Bulletn—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Marine Midland Corp.—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Miehle-Goss-Dexter Inc.—Report—Loewi & Co., Incorporated, 225 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.**

National Can Corporation—Report—Joseph Faroll & Co., 29 Broadway, New York 5, N. Y.

Ohio Edison Company—Annual report—L. I. Wells, Secretary, Ohio Edison Co., Akron 8, Ohio.

Riley Stoker Corporation—Report—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a memorandum on **American Metal Climax Inc.**

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

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

COMING EVENTS

In Investment Field

May 1 & 2, 1958 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual Spring Party.

May 12-13, 1958 (Cleveland, Ohio)
Association of Stock Exchange Firms Board of Governors meeting at Statler Hotel.

May 16, 1958 (Baltimore, Md.)
Baltimore Security Traders Association annual spring outing at Country Club of Maryland.

May 20-21, 1958 (Omaha, Neb.)
Nebraska Investment Bankers Association cocktail party (May 20 at Omaha Club) and field day (May 21 at Happy Hollow Club).

May 22-23, 1958 (Nashville Tenn.)
Security Dealers of Nashville dinner at Hillwood Club, May 22, outing at Belle Meade Country Club May 23.

May 23, 1958 (New York City)
STANY Glee Club annual cocktail party, dinner and dance at the Belmont Plaza.

June 2, 1958 (Syracuse, N. Y.)
Bond Club of Syracuse annual outing at Hinerwadel's Grove, North Syracuse.

June 7, 1958 (Toledo, Ohio)
Toledo Bond Club annual outing at the Invernes Country Club.

June 18-21, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

June 13-14-15, 1958 (Los Angeles, Calif.)
Security Traders Association of Los Angeles annual Spring Party at the Coronado Hotel, Coronado, Calif.

June 13, 1958 (New York City)
Municipal Bond Club of New York 25th annual field day at Westchester Country Club, Rye, N. Y.

$31,930,000 Issue of Philadelphia Bonds Offered to Investors

A consolidated underwriting syndicate formed by the merger of an account managed by The First National City Bank of New York, with Halsey, Stuart & Co. Inc. and The Philadelphia National Bank as co-managers, and a group headed by Lehman Brothers, is offering $31,930,000 City of Philadelphia, Pa. 4% 2¾%, 3% and ¼% Various Purpose General Obligation bonds due July 1, 1959-1986, inclusive, at prices to yield .80% to 3.90%. The group was awarded the issue at competitive sale April 30 on a bid of 100.01% for the combination of coupons, a net interest cost of 2.9481% to the city.

The First National City Bank of New York group included: C. J. Devine & Co.; Goldman, Sachs & Co.; Salomon Bros. & Hutzler; Blair & Co. Inc.; Stone & Webster Securities Corp.; R. W. Pressprich & Co.; Mercantile Trust Co.; Continental Illinois National Bank & Trust Co.; First National Bank of Portland, Ore.; First of Michigan Corp.; Hornblower & Weeks.

The Lehman Brothers group included: Guaranty Trust Company of New York; Glore, Forgan & Co.; Stroud & Co. Inc.; Equitable Securities Corp.; Paine, Webber, Jackson & Curtis; Estabrook & Co.; B. J. Van Ingen & Co. Inc.; L. F. Rothschild & Co.; Hallgarten & Co.

Bonds or Stocks for the Recession Period Ahead?

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

Postulating continued interest rate decline, declining volume of municipals, growing concentration of Treasury short or medium maturities, 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 and the outlook for the stock market vary widely; but that interest rates will continue to decline during the foreseeable future is generally conceded. Under these conditions, long-term U. S. Treasury bonds provide the answer for investors who are pessimistic regarding near-term prospects for the economy and doubtful about the stock market. These bonds have already advanced in price but indications are that the upward trend will be continued during coming months. Basically, a commitment in Treasury bonds constitutes a hedge against a lack of improvement in the rate of business activity.

Stephen L. Joseph

By maintaining funds in such issues rather than in stocks, the investor does not suffer a loss should the stock market decline. Furthermore, a recession in business is generally accompanied by lower interest rates charged by banks as corporations reduce their inventories and the bank loans incurred to carry such inventories. Figures on commercial, industrial, and agricultural loans indicate that this is actually taking place. In addition, as it becomes evident that existing productive facilities are adequate to satisfy anticipated demand, corporate expansion programs are curtailed and the amount of new corporate bond issues to finance plant and equipment expenditures is reduced. (There may be an acceleration in the amount of bond offerings to refund outstanding higher coupon issues but this does not constitute a demand for new money.) While, to date, the pressure of new corporate offerings has been heavy, latest reports on planned capital expenditures by industry for the second half of 1958 suggest that the amount of such offerings can be expected eventually to decline.

Lessor Issues of Municipals

As personal incomes are reduced, the burden of local municipal, and state government taxes will become more onerous and voters will be more inclined to turn down new bond offerings which would involve higher taxes in order to service the debt. Hence, over a period of months some reduction in the current heavy volume of municipal and state financing can also be expected. Thus, pressure on the long-term bond market from this source will be diminished leaving only the Treasury itself as the major prospective borrower.

Much of the new Treasury financing will probably be of short or medium term maturities as to appeal to banks so that the effect on the long-term bond market should be less. Hence, without any governmental influence a decline in both long- and short-term interest rates can be expected. As interest rates go down, prices of long-term U. S. Treasury and other high grade bonds rise to levels at which they are affording lower yields.

Perhaps even more importantly, until such time as business definitely turns upward, it is probable that the Federal Reserve will continue its so-called easy money policy involving thus far reduction in the rediscount rate and in bank reserve requirements; open market operation by the Federal to acquire government issues is also a possibility.

While the high grade bond market, like the stock market, has its temporary fluctuations due to the fact that investors at times tend to over-anticipate future developments, the trend thus far witnessed should be extended. An investor in bonds need not concern himself with the technical position of the stock market nor with the possibility that stock prices have already gone down sufficiently to discount such decline 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 fixed 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 the months ahead during which the recession in business may be extended. In any event, as long as money rates remain low, the value in terms of dollars, of U. S. Treasury and other high grade bonds, should be maintained or augmented.

Among the various U. S. Treasury issues, the 3½s 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.

Advises Against Second Grade Bonds

High grade, long-term corporate and municipal bonds are also of interest where they are selling on an attractive yield basis relative to Treasuries. For example, if Moody Aaa corporates afford yields of more than .50% over those of long-term Treasuries, they may be preferable. Care should be exercised to confine corporate and municipal purchases to bonds of such investment caliber that safety of interest and principal will not be questioned and their price fluctuations will continue to be a function of the interest rate structure rather than dependent on the rate of corporate earnings or of tax collections. It would be inconsistent to go into second grade bonds when an important reason for making the commitment is the expectation of a continued depressed state of business. Where corporates are acquired, it is better if they are selling a few points below the current call price as the call feature restricts potential price appreciation.

For the speculatively inclined, it is possible to purchase Treasury or high grade bonds on a low equity basis by means of hypothecating the bonds at a bank. The percentage swing in value, based on the amount committed, can in such cases be considerable.

George E. Moore With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

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 Mixter & Co. and prior thereto was with Hayden, Stone & Co.

George E. Moore

Joins 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.

Will 1958 End in a "Lag Depression"?

By A. L. GITLOW and DANIEL E. DIAMOND
Economics Department, School of Commerce, New York University

Economists suggest possibility, and even likelihood, of a further economic decline of considerable magnitude, embracing unemployment increase to 8-10% of the labor force, and marked cuts in national production and disposable personal income. Regard as crucial the postponability of durable goods expenditures, because of the relative newness of our homes, autos, household appliances and factories. Emphasize probability of unavoidable lags in indispensable government intervention.

By all indications we are experiencing the third economic decline of the post-World War II period. It is again open season for

Abraham L. Gitlow Daniel E. Diamond

economists, both professional and amateur, to predict the severity of the downturn. The consensus of opinion, at least at present, suggests a mild, short-lived recession, probably lasting less than 12 months. Most forecasts predict a pattern similar to those of 1949 and 1954.

Depressions a Thing of the Past?

Many economists, looking at postwar experience and structural changes in the American economy, have implied that future downturns will be mild in degree. In particular, Professor Sumner Slichter of Harvard University has presented this point of view.

We do not share his or similar views on the subject. Although a depression of the magnitude of the early 1930's is not in the offing, we do see a rather severe economic decline as a definite possibility.

The economic catalysts which are envisioned as being capable of precipitating such a downturn are: (1) a simultaneous decrease in the durable consumer goods and capital goods (plant and equipment) industries, and (2) an inevitable time lag in applying countercyclical policies.

Offsetting Factors to an Economic Decline

Before we structure what we call a "lag depression," let us examine Professor Slichter's bases for assuming that future business cycles will result in only mild adjustments in economic activity.

(1) **Growth of governmental and private built-in stabilizers.** These include expenditures by various governmental units, which remain largely unaffected by economic decline, and, on the Federal level, might be expected to increase in the face of a business downturn; and unemployment insurance benefits, of both the state and private supplementary type. High progressive personal income taxes, on a pay-as-you-go basis, are another important stabilizer. It results in a greater than proportionate automatic reduction of tax liability as income earned falls, thus providing more effective purchasing power as personal income goes down. The above measures, together with other devices like our farm aid program, combine to cushion a decline as soon as it occurs.

(2) **Improvement in the art of business management.** Progress in this area has been especially impressive in the last 25 years, a period during which business had to adjust to the rapid growth of unions, the problems of a great depression, and the complexities of a major World War. The resulting improvement in administrative skills and practices means that men are gaining in their control over their environment and are learning better how to achieve their objectives in the face of obstacles. In particular, this leads to the formulation of more definite long-term plans for expansion and for modernization of plant, presumably thereby reducing the historical volatility of investment spending.

(3) **Rapid growth of an industry of discovery.** We appreciate the profound economic significance of technological advance which produces its own distinct product—new knowledge. Increasing emphasis on discovery, accompanied by large research expenditures, results in an almost continuous flow of new products and processes, thereby providing an important outlet for investible funds.

(4) **Substantial improvement in the financial position of consumers,** who are continuously striving to achieve higher living standards. High levels of living, once gained, will not be reduced immediately upon a business decline, even if it requires that consumers draw on accumulated savings. Here, too, the built-in stabilizers would operate to maintain a relatively high level of disposable personal income, thereby easing the impact of a business downturn and enabling consumers to continue a relatively high rate of spending.

(5) **Increased diversification of the American economy,** which renders it less susceptible to a simultaneous downturn in all or most major industries. This factor also reduces the impact on the economy of a decline, even a severe one, in one or two major industries.

(6) **Defense expenditures.** Continuing international tension requires that defense spending be maintained on a high level for the foreseeable future. Such expenditures provide a ready made avenue for increased Federal spending in these post-sputnik months. Increased defense spending serves to offset declines in the private sector of the economy.

The 1957-58 Pattern

Nineteen fifty-seven was a prosperous year. However, the economic decline which commenced in its later months has blossomed into a full fledged recession.

During the first nine months of 1957, the economy was poised on a high plateau, with industrial production virtually unchanged but at a rate slightly below the peak experienced in the fourth quarter of 1956. Sideways movements in our economy are rare, however, and we moved down the avenue of recession, rather than along the road of further inflation.

In the final quarter of the year, gross national product was about 1½% below the peak reached in the third quarter. Industrial production by December had declined from the summer high of 145 to 136 (percent of the 1947-49 average). The December, 1956, figure was 147. As a consequence, unemployment mounted to over 3 million in December, 1957, representing 5.2% of the labor force. In January, 1958, unemployment rose to almost 4½ million, chalking up th largest monthly increase in jobless persons since 1941.

It is not surprising that a recession should occur at this time. We have been experiencing a boom period since 1954, and high levels of economic activity generally since the end of World War II. This prolonged prosperous period was fed by one sector of the economy after another. Residential construction activity provided one of the earlier stimulants, followed late in 1954 by an upsurge in the demand for new automobiles. As these areas diminished in intensity mid-way in 1955, a substantial increase in plant and equipment expenditures, reinforced by heavy inventory accumulation, fed the expansion. In late 1956 and early 1957, as capital goods spending began to level off, exports rose sharply, sustaining the advance.

By mid-summer 1957, the balance of economic forces shifted. Tight money policy, invoked to curb inflation, dampened the boom, exports declined, sales of new automobiles were disappointing, military spending was cut, cut, steel output declined significantly, business began to liquidate inventories, sales of consumer durables lagged, and so on. All these developments combined to depress the economy as the year came to an end.

Despite a turnabout in monetary policy, which has resulted in a substantial lowering of interest rates, and an increase in defense spending, the recession has so far deepened in 1958, as indicated by the January unemployment figures which represent almost 6% of the labor force.

The Significance of Durable Goods

The pattern of the present recession poses the threat of a combined decline in demand for consumer and producer's durable goods, despite the fact that plant and equipment expenditures and residential construction activity are currently being maintained. If these latter areas decline, and this seems likely if the recession continues, the several mitigating factors mentioned earlier might easily lose their effectiveness.

As our productive process becomes more round-about, the possibility of errors in estimating the future becomes greater and the more likely it is that these errors will culminate into serious maladjustments. It is quite possible that from time to time the economy may direct too large a proportion of its resources to the production of durable goods. In such a situation, sharp declines in expenditures and output in the durable goods industries may result in a serious downturn, just as they earlier fed the boom.

In 1957, according to preliminary figures, the nation's expenditures for fixed investment, i.e. spending for construction of all types as well as for producers durables totaled some $66.6 billion, while expenditures for consumer durables accounted for another $35.1 billion, or a total of $101.7 billion. This large sum represents some 24% of the economy's total output (gross national product).

The Postponability of Durable Goods Expenditures

The significance of these expenditures is that they are subject to postponement. Business can delay construction of a new plant and replacement of existing equipment. The consumer can make the family car serve for an additional year or defer plans to build a new home or renovate the old one. The possibility of such negative spending decisions becomes more likely when the existing stock of durable goods is relatively new. At this point, it is important that we note the age distribution of America's stock of durables. Today it is young, reflecting the enormous durable goods boom in the economy since 1947. As a consequence, the deferability of such demand is probably greater now than it has been in many years. Think of the relative newness of millions of our homes, automobiles, household appliances, and factories.

Lag in Government Intervention

An economic decline may get underway due to a satiation of demand in the nondurables sector of the economy, followed by a durable goods recession. Or, the downturn might develop initially in the durable goods industries. Admittedly, automatic stabilizers will immediately act to mitigate the decline, and the Federal Government, carrying out its responsibilities under the Employment Act of 1946, stands ready to take additional steps, if required.

However, it is possible that unemployment insurance benefits and the like will be unable to stem the tide. Meanwhile the government, though willing to act, will have to wait for definite confirmation of a serious decline before stepping in with appropriate fiscal policy actions, such as extensive public works spending or a substantial income tax reduction. There will always be disagreements regarding the seriousness of the downturn and the degree to which remedial measures should be applied. Congressional action, another time-consuming element, will be required if a tax cut, for example, is regarded as desirable. In the background, as a restraining influence, is the fear that providing too much fuel for the economy in a recession will lead to a serious inflation in the prosperity period that follows. Finally, there is the technical fact that information required, before the status of the economy may be evaluated, takes 4 to 6 weeks to accumulate and interpret.

The Magnitude of a Lag Depressed

This time lag, combined with a downturn centered in the durable goods industries, could result in a decline of considerable magnitude. Unemployment could conceivably be as high as 8 to 10% of the labor force—meaning some 6 to 7 million unemployed. National production and disposable personal income, which has been largely unaffected in the previous recessions of the postwar period, could be cut markedly.

There is little doubt that eventually government action, combined with the inherent strength of the economy, would restore prosperity, but it could take one to two years to achieve this recovery. It is the possibility, even likelihood, of an economic decline of the magnitude noted that this article presents. Although the recession of 1958 may not be so severe as to qualify for the term "lag depression," it is our opinion that it could easily turn into a sufficiently serious economic setback to earn that name.

Langdon Retail Mgr. For Hayden, Stone

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, have announced that Robert L. Langdon is now associated with them as retail sales manager.

With Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — George L. Curtis is now affiliated with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

The Fiscal Situation In Latin America

By HORACE M. CHADSEY*

Vice-President, First National Bank of Boston, Boston, Mass.

Boston 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 America's present conditions and growth trends. Mr. Chadsey singles out the importance of the combination of good fiscal direction and creation of free enterprise climate that exists in those countries achieving the soundest progress; refers to the overwhelming pressures placed on governments for higher living standards, intensified by burgeoning populations and scientific-technological advances; and bewails the vicious circle of inflation which results when fiscal sleight of hand and other short cuts are taken to speed economic advance.

One of our competent sources speaks of a "mixed Latin American outlook for 1958." In this respect—speaking of a mixed outlook—I am reminded of all of us poor taxpayers, who right about this time had tallied the result for last year while estimating the probable impact for this year. Nonetheless, it is an intriguing time of year at which to discuss the Fiscal Situation, for the final record for 1957 is not yet entirely in, and it is still too early in 1958 for this year's pattern to have shaped up.

Horace M. Chadsey

Adding to the uncertainty of the outlook is that, after an extended period during which the economy of the free world has almost uninterruptedly been operating at a high level, we have a fairly general downward trend which leads us to subject some aspects of the Latin American situation to keener reappraisal. Certainly, the fiscal sector is one of these aspects.

It is not necessary for me to trace the dimensions of the situation with which I am dealing in this brief discussion. Among various indicators that can be cited are: that we, as a nation, do about one-fourth of our total external trade with Latin America; that 30% of our total foreign direct investment is in this region, having more than doubled in dollar terms in the past 10 years; and that U. S. companies operating there, in the course of producing $2¾ billion of Latin America's goods and services, have provided no less than 30% of its total exports.

Inflation's Other Dimension

Growth, for the region as a whole, has been impressive. However, we know that growth is seldom unaccompanied by growing pains. At the turn of the year, analyses were uniformly noting that, generally, inflation was rampant, trade deficits had widened, lower prices were being received for exportable goods, and political difficulties seemed to be — although altered in form — hardly less than they were a year ago. And certainly, on the fiscal front, we can point to more than a full quota of problems.

Yet, we frequently hear Latin America referred to—along with Canada—as a favorite growth area for U. S. investment. American investors commonly speak of "over the long term," but a favorable long-term trend, I think we must agree, is the sum of shorter-term performances, and under this heading come the essential requirements of good national management and sound fiscal direction. Without at least a moderate level of national competence in this regard, progress comes awfully hard and too many prospective investors whose capital and know-how are badly needed remain on the sidelines.

Why do we constantly lay such stress on inflation and labor its unfortunate effects? Except for war, nothing is more wasteful of a nation's resources. Once in motion, with its snow-balling effect, inflation becomes too expensive to tolerate, too excruciating to terminate. A strong fight against inflation is rarely popular because corrective measures are almost invariably painful. To be sure, we have had a good deal of experience with inflation right here at home, and no attempt should be made to gloss over our own shortcomings in this connection. But we all realize that in discussing Latin America, we are dealing with economies that are much less developed than ours—and I might add that our situation in the U. S. A. is more than a little complicated by national defense measures with the costly ICBM.

Vicious Circle

As a starting point, may I suggest therefore:

That the effect of inflation on an under-developed economy can be proportionately much more severe than on a well industrialized society;

That the stronger the inflationary trend, the more the way becomes paved for a government to intervene in an economy;

That the more the government intervenes, the greater becomes the prospect of disequilibrium in the economy, and the greater becomes the government's exposure to pressure from the public to spend more.

I am afraid that our discussion of various Latin American countries is likely to provide chapter and verse in demonstration of these points.

The traditionally virtuous balancing of a national budget, while not, in itself, the whole story, is, nevertheless, a highly significant indicator of good national housekeeping and an accomplishment that is basic to national economic health. The extent to which deficits have been incurred by a number of the Latin American countries during a period of high-level world prosperity is naturally disconcerting. One country, on which I shall comment, has not balanced its budget since 1951—while, in the interim, its gross national product has increased 25%.

Obviously, generalizing on a regional basis has its limitations—and now to comment specifically from a fiscal standpoint on some of the countries to the south of us. I have chosen those eight countries in Latin America with which we have the most trade; and which, at the same time, are the ones in which we have the largest direct investment. Interestingly enough these eight nations account for 89% of the trade with the U. S. A. and 88% of our direct investment in the region. Arranged alphabetically they are: Argentina, Brazil, Chile, Colombia, Cuba, Mexico, Peru and Venezuela.

Argentina

Argentina, to many, constitutes the leading disappointment in the Latin American picture because of the little progress she has made over the past decade in terms of the outstanding resources she possesses. Long considered the area that offered the most attractive investment opportunities, she has received a relatively minor amount of new investment in recent years. The reform government of President Aramburu is a classic study in the magnitude of the trials and tribulations that are involved in correcting the mismanagement of a decade. And the change in government which is slated to take place in May adds to the uncertainty of the outlook.

The nature of her plight may be shown by citing these few factors: On top of a seriously deteriorated reserve position, Argentina's external debt has already reached the equivalent of $700 million, of which $150 million is payable in dollars — and a further overseas indebtedness equivalent to $500 million has been contracted, which means total obligations of $1.2 billion. Service on this debt will be extremely burdensome, amounting to some $150 million yearly, of which $60 million will be payable in U. S. dollars.

President Aramburu announced last September that production during the preceding 15 months had declined 7%, but wages had risen 39% and the cost of living had jumped 45%. With this, government spending has been at an all-time high. Fortunately, the "Paris accord" has relieved part of the financial pressure by funding some of the nation's short-term debts. An analysis of external trade shows an overall deficit for the past seven years of over $1 billion. In 1957 alone, Argentina is believed to have incurred a trade deficit of about $300 million, of which trade with the U. S. A. accounted for $200 million.

Among the moves designed to correct this situation, an increasing share of trade — heretofore transacted through the official market or else through the cumbersome multiple-rate system—has been channeled through the free market. The current free market rate of about 38 to the dollar is better, to be sure, than the rate of 44 to 46 of six months ago, but it is so only by reason of governmental intervention, and strains at its curbs. The imposition of more stringent credit restrictions, including the requirement that substantial prior deposits be made before and during the clearance of most imports, while designed to curtail dispensable imports, has contributed to the extreme tightness of money and credit.

The return of bank deposits to private hands last December was a laudable step toward orthodoxy, but the conditions which were almost necessarily attached thereto —looking toward the restraint of the prudent banks and the protection of the imprudent banks (not, understandably, the Argentine terms)—have prevented any considerable relief from flowing to the commercial community.

It goes almost without saying that Argentine has a hard row to hoe over the coming years, and the surmounting of this lean period can hardly come from anything but a good dose of sound national management, the practice of consistent austerity, and markedly increased production. The earnest and well-intentioned administration of President Aramburu has restored some of the confidence in Argentina's future on the part of foreign investors, but significant improvement will require a much higher level of new capital and a capacity to arrange further overseas credits. Obviously, except for such aid as may stem from motives more political than economic, both will be made possible only by prudent management of the national economy. And in this, the treatment accorded the petroleum problem will be of paramount importance.

Brazil

Realizing that another speaker is discussing Brazil and that his observations will be both more penetrating and more comprehensive than any I might make, I am limiting my comments on this country to just a few obvious aspects.

Brazil, to me, resembles somewhat the man who drives his automobile with one foot on the accelerator and the other on the brake. Despite the major economic and fiscal difficulties with which the nation is beset, capital inflow continues strong, and this seems to be the factor that has enabled Brazil—with a notable trade deficit last year — to maintain her growth. Coffee shipments are off —due in part to the support program, which had reportedly cost the government 11 billion cruzeiros (a lot of money even in dollars) up to the end of 1957.

Inflationary pressures are still strong and the prospects for material correction during 1958 are not especially bright. But, as already noted, the impressive rate at which foreign investment continues to come into the country is a convincing demonstration of the confidence of investors in its economic potential, despite current difficulties.

Chile

Chile is presently squeezed between the upper and the nether millstones of declining copper prices and climbing inflation. To be sure, for the first time in many

Continued on page 24

*An address by Mr. Chadsey before the United States Inter-American Council, Boston.

We Must Stand Up and Be Counted

By W. C. JACKSON, JR.*

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

IBA head believes the unmerited stigma to the word "banker" has too long deterred investment bankers as individuals 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 such legislative topics deserving favorable support as tax reform (Sadlak-Herlong Bill) and voluntary pension plans (H. R. 9-10 and H. R. 380) and as deserving opposition the public facilities lending act (S. 3497). In examining the economy, the banker prefers policy that errs on side of liberality in monetary policy to public spending and deficit financing.

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

W. C. Jackson, Jr.

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

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

Failure to Take a Stand

Too many times we avoid taking a firm stand, even on issues which directly affect our welfare, for fear of becoming involved in controversy and thus damaging customer relations. By this attitude, we surrender the right to speak out on our own behalf on matters which vitally affect us, our business, and our customers.

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

*An address by Mr. Jackson before Texas Group, Investment Bankers Association of America, Houston, Texas, April 24, 1958.

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

It seems to me . . . we have nothing to lose and a great deal to gain by taking aggressive action, as an Association, and as individual members, on matters like this, which I am sure are non-controversial within our membership. We could, for example, support the Sadlak-Herlong Bill, which proposes to reduce the progressive rate structure of the income tax over a 5-year period to the point that the final schedule of rates would range from 15% to 42% for individuals and a 42% rate for corporations. In my opinion, this would brighten the economic outlook and stimulate a resumption of capital investment more than any other action Congress could take.

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

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

Disapproves of S. 3497

Evidence of the current tendency of Congress to commit Federal Funds for long-term public works projects, under the guise of providing a substantial increase in employment and in business activity, is Senate Bill No. 3497, recently passed by the Senate. This bill expands the public facility loan program (administered by the Community Facilities Administration of the Housing and Home Finance Agency) under the "Communities Facility Act of 1958." If a state or municipality is not able to obtain funds from other sources "on equally favorable terms and conditions" the bill authorizes the administrator to purchase the bonds of, or make loans to such states and municipalities, up to an aggregate amount of $1 billion at any one time, to finance the construction, repair and improvement of public facilities, at an interest rate of 3½%.

To me, this is simply subsituting Federal funds for private financing and will not contribute to an increase in employment, or business activity, because:

First . . . funds are available through the investment banking industry for all worthwhile projects, at the then current interest rate.

Second . . . in a public works program such as contemplated, it requires a considerable amount of time to prepare plans and specifications and to obtain material for a project. Actual construction could be delayed from nine months to two years, and a delay such as this certainly would not be an immediate stimulus to our economy.

Third . . . there is very little unemployment in the construction industry, when related to total unemployment.

I feel a reduction in income tax rates would be much better for our economy than a long-term public works program.

Your Association opposed Senate Bill 3497 and, at this point, I want to go on record and say that we have a Staff in Washington which is able and willing to present the Association's views to any Congressional committee. On Mar. 26th, Gordon Calvert and our Director of Research, Frank Morris, presented the Association's views on this bill before the Senate Committee on Banking and Currency. Their presentation was concise, forceful, and well documented with information compiled by our Research Department. Our Association was the only organized group that appeared before the committee opposing this bill. Further, I think it is significant that the United States Chamber of Commerce saw fit to include in their "high-lights" of testimony on the Communities Facility Act excerpts from testimony by the IBA. This special report was sent to 10,000 members of local Congressional Action Committees of the U. S. Chamber.

This bill now goes over to the House and, from current reports, chances are it will pass the House in some form. If so, it is our hope that the President will veto it, as he did the harbor and rivers bill.

I strongly recommend that, if you have not already done so, each of you should immediately communicate your views on this bill to your Representatives.

Voluntary Pension Plans

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

Pension plans which have been established by corporations under existing statutes are a major factor in our economy. On Dec. 31, 1957, there were 16,500,000 employees covered by private company pension or retirement plans. In addition to those actually working, there were 1,350,000 former employees, now retired, who were enjoying the lifetime security of these plans. These retired employees receive more than $1 billion a year, or an average of $810 per person, per year. This is in addition to the amount they receive from Federal Social Security.

Employers are paying into these funds some $3.4 billion a year, and the reserves behind these funds are over $34 billion.

The greater part of these reserves are invested in the securities of growing American industry. This differs from Social Security money, which is immediately spent by the government. Further, these funds will grow and could reach staggering proportions if employed individuals (the doctor, lawyer, broker, accountant, and others) are permitted to establish pension plans, whereby the funds accumulated under such plans may be invested by the custodian in any investment legal for trust funds under local law, in restricted retirement annuity contracts, or in stock or securities of any publicly held corporations.

These are the sort of policies on which this Association is competent to express an opinion and on which our views should be heard. To that end, I am submitting to the Board of Governors, in White Sulphur Springs, a recommendation, which has been approved by a majority of the Executive Committee, that the Board adopt a policy whereby the Executive Committee, backed by action of the Board at Board Meetings, or by written polls between meetings, will be authorized to take a definite and open position on matters vital to our industry and our national well being.

Overcoming Stigma Attached to Banking

During the past 25 years there has been a political tendency to attack big business as the root of all evil. We in the investment banking industry probably have been most reluctant to fight back, because of our own time of travail in the 30's, when some stigma was attached to the word "banker." Nevertheless, we share the responsibility of justifying the existence of big business by demonstrating the economic benefits which flow to this entire country and to the world from the efficiency of big business. Certainly we need not be apologetic about an economic system which had the inherent strength to win two world wars within a generation's time, and then to shoulder a major share of the cost of reconstruction. On the contrary, we should be proud and aggressive to help keep it sound. Capital investment is the essential of economic expansion, and our role is to facilitate and direct the investment function. The amount of investment, in turn, is related to incentives for savings, which are heavily influenced by taxation and monetary policies. For that reason, I have singled out these areas as prime examples of the fields in which we should make our opinions known.

In conclusion, I want to say that, as I interpret the Constitution of our Assocation, it was intended that our Association be primarily a service organization, to serve our nation and to serve our industry. If we are to adhere to the principles upon which our Association was established, we must actively campaign for those issues which we believe are in the interest of our industry, and for the betterment of our nation.

We must stand up and be counted!

T. E. Spencer Co. Formed

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Truman E. Spencer is conducting a securities business from offices at 156 Montgomery Street under the firm name of T. E. Spencer & Co. He was formerly with M. T. Curtis.

Marks, Boas, V.-Ps. Of Carl Marks Co.

The election of Edwin S. Marks and Robert S. Boas as Vice-Presidents and directors of Carl Marks & Co. Inc., 20 Broad Street, New York City, specialists in foreign securities, has been announced.

Robert S. Boas   Edwin S. Marks

Mr. Marks, a son of Carl Marks, founder and President of the firm, is currently in charge of the organization's Domestic Securities Department. A graduate of West Point, Class of 1949, he joined Carl Marks & Co. in August 1953 after four years of service with the Army.

Mr. Boas joined Carl Marks in April 1946 and is at present in the Far Eastern and Latin American Departments. He is a graduate of Cornell University, Class of 1945.

Nomura Securities Appoints Kuwayama

Nomura Securities Co., Ltd., 61 Broadway, New York City, announces the appointment of Yeiichi Kuwayama as manager succeeding Tadashi Ishida. Yasuhiko Kagawa has been appointed assistant manager.

R. M. Russell Now Morgan Trading Mgr.

LOS ANGELES, Calif. — Robert M. Russell has been appointed manager of the Trading Department for Morgan & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange. He has been with the firm for some time.

Barret, Fitch, North To Be NY Exch. Firm

KANSAS CITY, Mo.—On May 8, Barret, Fitch, North & Co., Inc. 1006 Baltimore Avenue, will be formed as a member corporation of the New York Stock Exchange. Officers are Howard H. Fitch President and chairman of the board; Frank W. North, Executive Vice-President; James D. McBride and E. Stephen Brown, Vice Presidents; and Landis B. Elliott Secretary-Treasurer.

Daniel H. McKellar With Bingham, Walter & Hurry

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Daniel H. McKellar has become associated with Bingham, Walter & Hurry, Inc., 621 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. McKellar, who has been in the investment business on the coast for many years, has recently been with Marache, Dofflemyre & Co. and Hemphill, Noyes & Co.

Two With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George M. Crale and Samuel H. McClure have joined the staff of Dean Witter & Co., 632 South Spring Street. Mr. McClure was formerly Beverly Hills Manager for Hemphill Noyes & Co.

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 areas where it may be helpful and 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 sensitive capitalistic confidence.

Various moves have been made by the Federal Government to bring about business recovery. Among the most important has been the easing of credit by the Federal Reserve Board. Also at the top of the list is the mounting total of new orders being placed by defense agencies which are estimated to have increased by about $1.5 billion, or 70%, from the third to the fourth quarter. Steps have also been taken to step up home building via easier terms and an increased flow of mortgage credit.

Charles J. Collins

Additional to the *fait accompli*, other measures, largely of a pump-priming nature, are now being given attention by Washington. These anti-recession proposals incorporate an unemployment compensation scheme and increased outlays for public works, highway construction, and home financing. Also being given serious consideration are proposals as to a tax cut.

No one can disapprove the objectives of these measures and proposals. They would increase employment by drawing from the ranks of the unemployed. They would make the wheels of business turn at a rate above that now prevailing. They would enlarge the national income. This is all desirable, not only here, but throughout the non-communistic world since 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?

Horace, some two milleniums ago, observed that "that which is without alternation dies." Action and reaction is a law of nature. It is seen in the heart beat, in the tides, in the weather, in the relationship between peoples, and in myriad manifestations throughout the entire universe. Its most familiar economic demonstrations are in the fields of commodities, securities, and business, as everyone knows who has glanced at charts or figures showing the decade-to-decade fluctuations in these items, whether in this country or elsewhere.

Correcting Imbalances

In the United States the long-term growth of production has been at about 3% a year. In periods of exuberance we swing above the long-term line. In the process imbalances are created and a swing below the line is necessary to correct these imbalances. The correction achieves a new equilibrium from which business progress once more gets under way. In general, 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 1956-57 prosperity period, business got above the long-term trend line. But the imbalances were not of the character calling for other than a moderate business readjustment. Left to run its normal course, and taking into account the nation's abundant credit resources, its large savings, plus the long-range supports of population growth, technological advance, etc., there is no reason why the imbalances should not be corrected within the current year.

Before the readjustment has had an opportunity to achieve the corrective process, however, the Federal Government has started to step in. I do not refer to Federal Reserve Board action, which was a normal move in the light of economic developments, but to the various actions and proposed actions that are designed to stimulate business by way of calls on the Federal Treasury.

Premature Intervention?

At this point I raise the question as to whether these Federal gestures are premature. Should the business recession run beyond reasonable limits, justification for governmental aid might be made. But aid given too early, if it fails, or should it achieve an abortive upswing to be followed by renewal of the downward corrective processes, exhausts resources that should be husbanded only for a dire emergency—a condition that certainly is not present at this time.

On the other hand, if the Treasury largess happens to coincide with normal forces making for recovery, then we have added materially to the inflationary fires that were being so bitterly fought by Federal authorities a year ago. At the prosperity peak of the new cycle these added inflationary influences, combined with the business upthrust arising from natural forces, might easily create the major imbalances out of which a major rather than a moderate 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 for goods or services, as in the defense program, the answer is yes. But placing additional funds in the hands of consumers, as is contemplated by remaining Federal measures, does not guarantee that these funds will be used. If government efforts to stop the recession by over-advertising the trouble frighten the consumer, the surplus spending power will be conserved. In other words, the mood of the consumer will be the key to how immediately effective pump priming is to prove.

And what about capitalistic confidence? It is a very delicate and tenuous plant. It does not bloom on the edge of a precipice. It thrives on certainty, wilts when there is departure from orthodox practice. Can it now be contemplating, with any degree of sanguineness, the $10 billion Federal deficit (Treasury revenues, $68 billion; disbursements, $78 billion) already being conservatively envisaged for fiscal 1959?

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 Indiana. We had been to Little Rock to dedicate at the air base one of the Capehart military housing projects and the trip to Hot Springs was a part of the hospitality the Arkansans were giving.

Carlisle Bargeron

As we sat in a box a man sitting 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 music box business out of which he made a fortune.

In his early career, as a young man, Senator Capehart lost a job he had. His wife with her new born baby was waiting for him in their small apartment. When Senator Capehart came home, instead of being dejected, he unveiled a hamburger sandwich, cut it in half, one half for his bewildered bride, and remarked happily:

"Honey, I've got an idea to make a million dollars."

He made the million. Today he is to my mind the Senate's greatest 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 built 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 concerned 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 the pending agricultural budget tells of the great importance of increased research into increased industrial uses of farm products and asks for an additional appropriation of $5,000,000. 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 support for his program, his active mind has still been at work. Now he has come up with a quicker amortization tax program as a means to relieving the depression. It will get plenty of attention from the big-wigs and very likely will be the subject of considerable discussion in the next few weeks.

The Senator has made his proposal notwithstanding the demagogic criticism which only a short time ago was launched against the emergency quick amortization program by which defense industries were permitted to take their depreciation over much shorter periods than is allowed ordinarily by Internal Revenue. This was a Korean War measure and more recently the private utilities were using it extensively in the expansion of their plants. The argument was that the government lost money in taxes during the expansion period but then recovered it when there was nothing to write off on the expanded properties. But the so-called quickie write-offs got caught in the political controversy over the building of Hell's Canyon Dam and Congress passed legislation ending the system.

Senator Capehart, with a modified tax depreciation plan, now insists that it would encourage farmers and businesses to replace their outmoded equipment. This would create employment and the government in the end would be better off than it is today. Under his plan a new farm tractor could be depreciated for tax purposes in 5 years instead of 10; a threshing machine within 7½ years instead of 15; a corn crib within 12½ years instead of 30.

For the small factory owner — tools and dies would be depreciated in 1½ years to 2 instead of 3 to 4 years; heavier machinery and tools in 7½ years to 9 instead of 15 to 20. A new plant of average construction would be depreciated in 16 years instead of 40. Homes, apartment buildings and office buildings of average construction in 16 years instead of 40.

The Senator believes his bill would be particularly helpful to the railroads in the purchase of new equipment.

He has carried his plan to Secretary of the Treasury Anderson. I don't know where he will get with it but I cite it as an example of an active mind which has gotten away from the give-away principle which seems to be Congress' prevalent mood.

Sutro Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Donald D. Norwood has been added to the staff of Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

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 economist asserts in pointing out "if the government decreased the right taxes, it can get re-employment with a minimum of inflation" and least loss of revenue. Dr. Brozen states increased government spending will not necessarily contribute to the solution of the recession if it is financed from increased taxes or borrowed funds which otherwise would have gone into private spending or investing, as the case may be. The Economist believes Federal Reserve creation of new money to finance Federal spending would not act as quickly as tax decrease, and that this is not the time to increase wages.

The predominant demand, among those who believe that the government must "do something" about the recession, is for increased government spending. . . .

Prof. Yale Brozen

Many of the so-called "anti-recession" measures will be approved by Congress because of the belief that "pump priming" is necessary. Will this spending in fact prime the pump? Will it restore full employment, and can business plan in terms of an expanding market?

Before looking at the immediate picture, let us examine past trends and their meaning. This will help us place the current situation in perspective and enable us to better evaluate the significance of increased governmental spending.

Past Trends and Their Meaning

In the 1920's, government purchase of goods and services consumed 10% of our total gross national product. This left 90% to be used privately in any way individuals saw fit. They chose to consume 70% of the gross national product and to 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, our productivity rose in manufacturing industries at the rate of 5.5% per year as a result of the high rate of investment in plant and equipment.

In recent years, government purchases of goods and services have consumed 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 (manpower and capital), less has been left for individuals to apply as they see fit. As a consequence, the proportion of our product going into consumption and investment uses has declined. Personal consumption has dropped to 65% of our gross national product. The money taken away by taxes has cut the amount left to our wives for their spending. The decline in their spending has released resources for use by the government. About 7% of the resources that would normally be used to produce goods for consumers are instead being devoted to governmental uses.

In addition to the cut in personal consumption, there has also been a cut in the rate of capital formation. This has fallen from 20% of the gross national product to 15%. The relatively lower rate of capital formation has slowed the rate of rise in productivity. In the post World War II decade, productivity in manufacturing has risen by only 3% per year as compared to 5.5% per year in the post World War I decade.

Almost 25% of the resources which would normally be employed to produce housing, plant, and equipment have been taken over for governmental use as compared to only 7% of those which would normally be employed producing consumer goods. Why has there been this three times greater fall in the rate of capital formation?

Mature Economy Belief

We came out of the 1930's with many people convinced that our economy was stagnant — that it had no further need for more locomotives, office buildings, long distance transmission and communication lines and additional machinery. Savings were regarded as a "leakage" from purchasing power which would not be sufficiently "offset" by investment to maintain full employment. We redesigned our tax structure to reduce the rate of saving by imposing very high taxes on the people who do most of our saving. Since these are the people who saved in the past and acquired investments which produce income from which they continue to save, we imposed three tax levies on this source of income, while imposing only one tax on other types of income. Property income is hit by property taxes, corporate earnings taxes and corporate capital levies, and personal income tax. Other sources of income are hit only by the personal income tax. As a result, the rise in the level of government spending has not only fallen on both consumption and capital formation, but also has fallen disproportionately more on capital formation. We are paying the price in a reduced rate of progress.

In a cold war in which Mr. Khrushchev has declared that the Russians will win by raising their productivity more rapidly than we increase ours, this is a dangerous type of tax structure. It is, in effect, a Russian weapon manufactured in America.

Faster U. S. S. R. Net Capital Formation

According to the best figures we can get, the Russians are saving and investing 25 to 30% of their gross product. Their net capital formation is occurring at a rate well over twice our own. Consequently, Russian productivity is rising more rapidly than our own, if our information is reliable. They are winning the productivity race.

This, of course, has very important implications for our choice of policies for stemming the recession. However, before analyzing the effect of the spending approach to curing unemployment, let us first see what is causing the current situation.

In the past year, manufacturing wage rates have gone up by 4.6%. Because of the price level rise, the increase in wage rate in real terms — in terms of purchasing power—is a little over 2%. However, our rise in productivity has been only about 1% in the past year. Whenever real wage rates rise more than productivity, we suffer unemployment. The 1954 recession was caused by a nearly 6% rise in real wage rates in a period when productivity rose by only 4%. The 1949 recession was caused by a 5.3% rise in real wage rates while productivity rose less than 4%. If we go back to the 1929-33 series of recession-depressions, we find there was an almost 4% rise in real wage rates during the time that productivity **declined** by 3% (as a result of a decline in quantity of capital).

Labor Is Priced Too High

Our current unemployment problem is one of labor being too high priced to be worth employing on some of the less productive equipment. If they are to be re-employed, we must either cut the real wage rate or put more productive equipment into use so that it is worth employing high-priced people.

The real wage rate can be cut in either of two ways. Money wage rates can be cut. Alternatively we can increase demand by pumping money into the economy and cause price increases which will reduce the real wage rate. (Arbitrary price increases of the NRA and AAA type will reduce real wage rates, but sales will also decrease which will worsen the employment picture.) Since many rates are covered by union contracts, some of a long-term character, and others by minimum wage laws, the possible area of wage cuts is limited. Even in these areas, most employers are unlikely to press for wage cuts since social attitudes on this question make them reluctant to face the public opinion generated by this act.

Federal Spending

Increases in government spending may increase demand and prices, and thus cut real wage rates, provided they are financed by inflationary means. If they are financed by increased taxes, those whose taxes rise will spend less, offsetting larger governmental spending. If they are financed by borrowing funds which would have gone into investment, the decline in capital spending will offset increased public outlays. This will also have the secondary impact of decreasing the rate at which new, more productive equipment is put into place. To this extent, government spending will slow the rate at which people will be re-employed at current wage rates.

If the increased spending is financed by creating new money—by borrowing from banks which are provided with additional reserves by the Federal Reserve—it will increase demand and prices. We could more quickly do this by decreasing taxes than by increasing spending. It takes time to acquire property, draw the blueprints, and let contracts for additional highway, school, and hospital spending. A decrease in taxes would immediately increase private spending. A tax cut is preferable by far over more spending.

If we decrease the right taxes, we can get re-employment with a minimum of inflation. If we decrease those taxes which fall on investment income, such as the corporate income tax, the increased incentive to invest and the increased income saved and invested would more quickly lead to putting more productive equipment in place. With a smaller fall in real wage rates, we would more quickly arrive at full employment.

Cut High Bracket Tax Rates

The tax cut which would be most effective in restoring employment without any cut in the real wage rate would be the elimination of the super-rates of 70, 80, and 90% on high bracket incomes. These rates are largely punitive. They produce little revenue, serving primarily to deter people from earning income in a form subject to these rates. If the 91% rate were cut to 50%, the loss in revenue to the Federal Government would amount to about $80 million. Actually, there would very probably be more tax collected at 50% than is now collected at the 80 and 90% rates. People generally do not choose to earn income which will be subject to these rates. At lower rates, they would undertake new enterprises and risky ventures which they do not bother with now.

These new activities resulting from high bracket tax cuts would provide employment. Since many of these activities would consist of risky research and development ventures and the design and marketing of new equipment, they would increase productivity and make it worth rehiring high cost people. Also, the additional savings of high bracket taxpayers would furnish the capital for more rapid replacement and modernization.

Least Revenue Loss

Since cuts in high bracket tax rates are unlikely to cause any revenue loss to the government, it will not be borrowing the funds (to finance a deficit) which are likely to go into the purchase of new equipment. The rate at which new equipment is put into place will not, then, be adversely affected and re-employment at current wage rates will come more rapidly than it would under schemes for creating deficits.

If we attempt to restore employment by cutting low bracket tax rates and excises, only to the extent that the resulting deficit is financed by inflationary means will such measures serve the purpose? The increased demand for goods will be felt almost entirely in consumer markets. Since it will not be worth re-employing people on obsolescent equipment unless prices rise enough to cover high-wage costs, we will restore employment by purely inflationary means—by a cut in real wage rates although price increases. Since reduced tax rates will be offset by price increases, the real income of those who receive the tax cuts will benefit little.

The preferable method for restoring employment, if we wish to minimize inflation and reduce real wage rates as little as possible, is to do those things which will lead to the more rapid investment in new, more productive equipment. Cuts in low bracket rates and excise taxes do less toward this end than reduction in other varieties of taxes.

Summary

To sum up, increases in government spending may or may not cause increases in demand for products. To the extent that it does, it is because the resulting deficit is financed by inflationary means. If we want to restore employment by an inflation financed deficit, we can more quickly get a deficit and finance it by inflationary means by cutting taxes than by increasing spending. Cutting low bracket income taxes and excise levies will be purely inflationary. Cutting corporate earnings taxes and high bracket income taxes in the manner provided in the Sadlak-Herlong Bill, would minimize the amount of inflation and the amount of cut in real wage rates required to restore full employment. If we neither cut taxes, nor increase spending, we can get employment restored with minimal inflation by monetary policy such as open market purchases of long-term bonds by the Federal Reserve (although this is least in my interest as a professor paid in part from the interest income of our endowment). This would be less inflationary than low bracket tax and excise levy cuts.

Above all, this is a time to avoid any more wage rate increases. Every increase will slow recovery and will tend to cause even more unemployment.

*An address by Dr. Brozen before the Sixth Annual Management Conference, University of Chicago.

Williston & Beane Co. Opens Municipal Dept.

J. R. Williston & Beane, 115 Broadway, New York City, members of the New York Stock Exchange, have announced the formation of a Municipal Bond Department headed by Frederick M. Grimshaw.

Mr. Grimshaw has been active in the field of municipal finance for many years, having been an officer of Barr Brothers & Co., Inc., and more recently municipal bond manager for G. H. Walker & Co. He is a member of the Municipal Bond Club of New York, and the Bond Club of New York.

Miss Ronnie Smith, who was formerly with Shields & Co. and later joined the Walker organization, will be associated in this department. Miss Smith is Past President of the Municipal Bond Women's Club of New York.

Lazard Freres Admits Mansfield & Miller

Lazard Freres & Co., 44 Wall St., New York City, members of the New York Stock Exchange, announce the admission of Richard H. Mansfield and Edward G. Miller, Jr. as general partners.

Coast Exchange Member

LOS ANGELES, Calif.—Morton Seidel Co., 458 South Spring St., has acquired membership in the Pacific Coast Stock Exchange. Arnold Seidel will hold the membership.

With Reynolds Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — George H. Pendergast has become connected with Reynolds & Co., 19 Congress Street. He was previously with Schirmer, Atherton & Co.

Now With Fulton, Reid

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Richard O. Gaeckle has become associated with Fulton, Reid & Co. Inc., Union Commerce Building, members of the Midwest Stock Exchange. He was formerly with Green, Erb & Co.

Joins Hannaford & Talbot

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Aaron Senderman has become associated with Hannaford & Talbot, 519 California Street, members of the Pacific Coast Stock Exchange. He was formerly with Stone & Youngberg.

Hill Richards Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Genevieve Fennell has become connected with Hill Richards & Co., 120 Montgomery Street. Miss Fennell was previously with Brush, Slocumb & Co.

With Coronado Inv.

(Special to The Financial Chronicle)

DENVER, Colo. — Raymond A. Billburg is now with Coronado Investment Co., 1050 West Fourteenth Avenue.

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 who advises, therefore, 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 it 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 for a sound economy not only from the standpoint of large dollar expenditures, but also from the standpoint of the stability of our population.


Walter C. Nelson

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 again seen what Government, both legislatively and administratively, can do to dramatically change the mortgage picture.

We all have one important product—*money*. The supply and demand 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 reversal of the picture a year ago. All through 1957 the rate of increase in savings lagged, excepting in commercial banks. They had spectacular gains in time deposits, but, of course, it added little to the available funds for mortgage financing.

Savings Growth Rate

By contrast, this year the rate of growth in savings in all institutions that we as mortgage bankers deal with, particularly, is again pointing upward. The most impressive gains, in recent months, have been in the mutual savings bank deposits. It also appears that the savings and loan associations will show a greater increase in 1958 than in 1957. As you may know, the savings and loan associations will also have additional funds available to them at very favorable rates from the Federal Home Loan Bank. It's more difficult to judge the life insurance companies' funds that may be 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 their new 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 increased interest in mortgage investments now being taken by all types of pension fund managers.

The supply of money for mortgages depends a great deal upon the demand for funds by corporate borrowers, state and local governments, and Federal financing. It does appear that although the demand for funds has been reducing slowly, there is enough reduction so that the year 1958 will show a distinct 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 that has occurred in our history. In the latter part of February we all believed the rapid decline would continue. Generally speaking, during the month of March interest rates stopped their rapid decline. Although we may anticipate some further declines in interest rates as more money becomes available for mortgages, it will probably be less sharp than it 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 4.51 to 4.05, and Governments dropped from their high of 3.76 to 3.21 at the end of March. These changes, of course, brought the FHA interest rate into the range of the yield pattern that could be considered competitive with other available investments. The immediate result was that a mad scramble occurred to secure commitments with the high discounts that prevailed late 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 loans, and as much as four points on VA loans. The removal of discount controls in recent legislation and the increase in the VA rate to 4¾% will have a healthy effect on the mortgage market. Conventional loans that were generally at 6% the first part of the year are now at 5½, although 5¾ in some areas still seems to be the rate. The conventional residential 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 is going to be their year, that is, if available mortgage funds have been the problem in the past year or two. We have all had an opportunity of looking over our business, understanding better the profits that are available in certain phases of our operations. We have all taken stock of our staffs in an effort to make them more efficient and to eliminate wasteful practices that occur during a period of high productivity. We are finding, in spite of a recession, that borrowers are making payments regularly, and the delinquency ratio 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 them without a firm takeout? Can we hold our builders to terms that we give them in today's market if the mortgage market changes drastically during the next six months to a year? How long is 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 a continued decrease in corporate demands for funds during 1958 and 1959. Now, of course, the Treasury may decide to refinance 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 experience, nothing should be done that will retard progress toward elimination of unemployment and creating a healthy economic atmosphere.

It isn't likely that the Federal Reserve policy will be too much different than the Treasury. It has taken some steps for relaxation of credit, but during the next year and a half we shouldn't expect too much from them that will change the current picture.

This looks like a good time for making advance commitments. Builders may feel that interest

Continued on page 37

*An address by Mr. Nelson before the Western Mortgage Clinic of the Association, Wichita, Kansas, April 21, 1958.

Securities Salesman's Corner

By JOHN DUTTON

This May Not Be in the Mood of the Times But It Works!

There are certain truths in the experience of life that will stand up and endure. All human effort is based upon these laws and it is in the striving to survive that nature itself pushes the roots of the most tender plants around the stone into the fertile soil; and in so doing the tree grows. The ability to stand up and continue to strive *intell gently* will eventually bring rewards to the investor who has made many unsound moves, as well as the investment salesman who is also striving to build a clientele of loyal customers. I have witnessed a few openings of safe deposit boxes in my time and some of these deceased friends and customers were considered to be astute, competent, and successful investors. I can assure you that every one had made some grievous mistakes which they passed along to their heirs in the form of worthless investments. But they also owned some excellent securities that had paid them handsomely in capital gains and in income as well. They kept trying, and learning, and doing!

Patience and Endurance Are Dynamic Qualities

And so it is with the salesman. I am talking here of the salesman in the vein of the man who believes he is performing a service and tries to do so. Not the order taker, not the opportunist, not the man who is looking for an easy way to make some extra spending money; but the salesman who believes in his work, who desires to assist others, and who isn't in his profession on a superficial basis.

About a year ago a young man I know came out of the army and decided to make the investment business his career. With sound basic intelligence, a good education, a strong constitution, a very modest amount of resources, a cheerful and encouraging wife and a young baby to spur him on, he began to build an investment clientele almost from "scratch." It was not easy. I happen to know the weeks of effort that turned into months of the same. Discouraging markets and investor lassitude were added burdens. Then came a series of "near misses" the like of which I believe would have completely discouraged a man of lesser endurance. He would build up situations, some of them involving substantial transactions, and one by one they would come almost to fruition and something extraneous would interfere with the consummation of the deal. But he continued to work day after day and he slowly added a few small accounts but like many others he found that "Rome was not built in a day."

Last December, with Christmas not too far away, he decided that he would work as an extra, at night, in a large department store, after he had finished his day at his desk in his securities firm. So without any fuss, or discussion, he did so. While standing at his post one evening about seven-thirty he heard a familiar voice ask, "I'd like to buy four cashmere sweaters." Looking up he recognized an old army buddy that he had known in Korea and jokingly he replied, "What do you want with four c a s h m e r e sweaters, you haven't even got enough money to buy one of them." After a laugh, a reunion, and a cup of coffee later that evening, he learned that his old friend had worked up into a commanding position in one of the largest private investing and holding firms in the country. He could well afford to buy the four sweaters.

Several months passed and our young salesman continued to work and build his investment business but with only moderate success. Meanwhile, he kept in touch with his old army buddy. Last week he received a telephone call and an order for $500,000 worth of bonds of an attractive issue that had been placed on the market. He had opened up one of the prize accounts that every good salesman would like to have.

This happened because he wasn't too big to sell sweaters at night when he needed some Christmas money. It happened because he did not become discouraged. *No man who works at a basically honorable endeavor and who constantly exposes himself to people can fail in the investment business if he has the patience and endurance to work and to learn.*

* * *

Time and again I am reminded of similar experiences that have come out of the lives of men who have followed the career of salesmanship in its higher sense. If we could only bring about a rebirth of this attitude of "self reliance and courageous patience" among our youth and all our people, I think it would lead ourselves and the world to a better way of life. Not all of us can be the most important man on top of the flag pole; there isn't room enough up there for that. But we surely can try to climb it ourselves rather than adopting the attitude that we should ride up on a gold plated elevator to this thing we call "success."

Wayne R. Benzing V.-P. Of Value Line Dist.

Wayne R. Benzing, Executive Vice-President of Pioneer Fund Inc., has become associated with Value Line Fund Distributors, Inc., 5 East 44th Street, New York City, as Vice-President and director. Mr. Benzing will be a member of the investment committee of The Value Line Fund, Inc., Value Line income Fund, Inc., and Value Line Special Situations Fund, Inc.

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. Tobin, Executive Director of the bi-state agency. Mr. Doyle came to the Port Authority in 1952 as its Deputy Comptroller and was appointed Comptroller in 1953.

James J. Doyle

Eugene A. Mintkeski

Carl M. Wahlberg

Mr. Tobin also announced that Eugene A. Mintkeski, who was A s s i s t a n t Treasurer for three years before his appointment as Treasurer in 1951, has become Deputy Director of Finance while continuing as Treasurer.

Carl M. Wahlberg, who was appointed Deputy Comptroller in 1957, will succeed Mr. Doyle as Comptroller.

Prior to coming with the Port Authority, Mr. Doyle was associated with the Pratt and Whitney D i v i s i o n, Niles-Bement-Pond Company, West Hartford, Conn. Earlier, he was affiliated with the Ford Motor Company, Smith and Bellenoit, Certified Public Accountants, and the General Electric Company. He is a member of the C o n t r o l l e r s Institute of America and of the National Association of Accountants.

Mr. Mintkeski previously was a division head of Blyth & Company, investment bankers. As United States Navy Reserve Officer, Lieutenant, j. g., he was attached to the Office of the Resident Inspector of Naval Materiel, Newark, N. J., and later was a Commander attached to the Office of the Assistant Secretary of the Navy, Inspection Administration Branch, in Washington.

Mr. Wahlberg was formerly Assistant Controller of the Republic Aviation Corporation in Farmingdale, Long Island. He was also affiliated with John A. Roebling's Sons Corporation and Scovell, Wellington & Company as an Accountant and Auditor. He is a member of the American Institute of Accountants, the National Association of Accountants and the New Jersey Society of Certified Public Accountants.

R. J. Mahlmann With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Russell G. Mahlmann has become associated with E. F. Hutton & Company, 160 Montgomery Street. He was formerly in the trading department of Hill Richards & Co. and prior thereto was trading manager for Davies & Co.

NSTA Notes

UTAH SECURITIES DEALERS ASSOCIATION

Richard W. Muir

Richard W. Muir, Schwabacher & Co., has been elected President of the Utah Securities Dealers Association.

Thomas H. Ivers, J. A. Hogle & Co. has been appointed Chairman of the Advertising Committee.

DENVER BOND CLUB

The Denver Bond Club bowlers completed the 1957-58 season Friday afternoon and evening, April 11, with the final session and banquet for members and alternates at the American Legion.

Prizes and trophies were awarded to winners for the season by Bob Kirchner (Kirchner, Ormsbee & Weisner, Inc.), President of the Denver Bond Club, who acted as Master of Ceremonies.

Final standing of teams for the season:

	Won	Lost
Bosworth, Sullivan & Co.	47	31
J. K. Mullen Investment Co.	43	35
Boettcher & Co.	42	36
Garrett (Garrett-Bromfield & Co.)	42	36
Merrill Lynch, Pierce, Fenner & Smith	41½	36½
Currie Securities	41½	36½
Founders Mutual Fund	40½	37½
J. A. Hogle & Co.	38½	39½
Peters, Writer & Christensen	37½	40½
Bromfield (Garrett-Bromfield & Co.)	35½	42½
Kirchner, Ormsbee & Weisner Inc.	34	44
Harris, Upham & Co.	34	44

High Team Game: Bosworth, Sullivan & Co. 592

High Team Series: J. A. Hogle & Co. 1,598

High Individual Game: Jim Hill (Boettcher & Co.) 256

High Individual Series: Jim Struthers 615
Garrett (Garrett-Bromfield)

League Committee Members for the Season—Oscar Hasselgren, Trevor Currie Investments; George Davis, Harris, Upham & Co.; Andy Beasley, J. A. Hogle & Co., and Karl L. Mayer, J. A. Hogle & Co.

Newly Elected Committee Members for the Season 1958-59: Oscar Hasselgren, Trevor Currie Investments; Frank Barger, Founders Mutual Fund; John Hershner, Trevor Currie Investments, and Karl L. Mayer, J. A. Hogle & Co.

SECURITY DEALERS OF NASHVILLE

The Security Dealers of Nashville will hold their annual spring party May 22 and 23. Cocktails and dinner will be held at the Hillwood Country Club on May 22. Field Day will follow on May 23 at the Belle Meade Country Club, with golf, and other sports and special events.

Reservations may be made with Thomas Mitchell, Cumberland Securities Corporation.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles will hold its annual spring party June 13-14-15th at the Coronado Hotel, Coronado, Calif.

STANY GLEE CLUB

The Security Traders Association of New York Glee Club will hold its fourth annual cocktail party, dinner and dance on May 23 at the Belmont Plaza Hotel in New York. Reservations should be made with Murray Barysh of Ernst & Co.

Yes, On Guard!

"But we should be on guard against the effort to palm off as anti-recession measures projects which have little if any value for that purpose and whose own soundness is doubtful or which ought to have a low priority claim on the Federal Treasury.

"An example of the first—measures of doubtful soundness—is the rivers and harbors bill. An example of the second is the proposed community facilities bill which, though having a definite value in a limited area, is certainly not entitled to having a first priority for Congressional consideration."
—Senator Clifford P. Case.

There are many more that the Senator might list — and oppose.

THE MARKET . . . AND YOU

By WALLACE STREETE

The continuing flood of poor first-quarter earnings reports, plus some scattered dividend casualties, 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 seemed mostly to be a case of high hopes that the second quarter results will be far more cheerful and help offset the bleak figures so far spread 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 on hopes of legislative relief had simmered down to little better than a one-day stand.

Pinch on the Oils

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 stocks were 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 few issues in the red metal group made any important progress.

* * *

The chemical company reports weren't very cheering and for Eastman Kodak, particularly, a moderate decline —from 91 cents a share to 76 cents—apparently was unexpected since the stock was rather harshly handled on the news.

Even IBM in Reverse

International Business Machines had been nudging to new highs after it boosted its net income 25% in the first quarter but turned reactionary after this week's annual meeting was told that there had been a marked decline in new orders from last August until February of this year when a pickup set in. As the holders were told, "IBM will do well in sales this year but we believe it prudent to inform stockholders that IBM has felt the effects of the recession 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 in some cases where the payment wasn't covered by first quarter earnings or just about matched the profit. 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 by the fact that 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 $62 million profit reported. Armco Steel, which in some circles was adjudged a dividend jeopardy case, was a bit of a surprise in that it just earned the 75 cents which is the quarterly payment and maintained the dividend despite the fears around.

* * *

Auto shares were quiet for most and even the big play in American Motors was dying out after the low-priced issue had turned in a half million turnover week which is the first time any issue has hit that busy mark so far this year. Chrysler was buoyant for the most after the momentary chill of a record quarterly loss and a badly trimmed payment, 25 cents against 75. It was perhaps the leading illustration of how the market refuses to go into a tailspin despite a flood of dreary news.

Highs Still Outnumber Lows

Another illustration is that while the new highs per day were trimmed about in half when easiness took over the market they still continue to show a commanding lead over the new lows consistently. Many of the erstwhile market leaders have drifted for the most 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 foods and drug shares. While the drugs have for the most had a good runup, the foods 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 hailing 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 for the fiscal year that ends next month, which would be more than a dollar ahead of the 1957 results. It also makes the $3 dividend a candidate for eventual improvement although on the present payment the return is a shade above 4%.

* * *

Best Foods, which offers a return of well past 5%, is another in the food group that usually appears in analytical tabulations with an "undervalued" tag. Like so many of the food companies, Best Foods is somewhat obscured by the names much more familiar to consumers such as Hellmann's in mayonnaise, Nucoa in margarine and Shinola in the shoe polish line. There is general agreement that the fiscal year earnings up to next June 30 will show around $4.30 against $4.12 in the previous fiscal year, all of which virtually guarantees the $3 dividend requirement so well sheltered.

Boost in Tobacco Earnings

Tobaccos are another group that has been showing better than average ability to boost earnings despite the recession. Latest to join the parade was giant American Tobacco which raised results by 22%. American has improved recently in tune with the other tobaccos and its yield has fallen slightly under 6% but that return would have to be revised hastily if, as expected, the payout of American Tobacco is lifted 10% over the $5 current rate.

* * *

The drugs, naturally, are expected in time to liberalize their dividends in view of their good earnings. Rather prominent as a dividend increase candidate is Warner Lambert which has raised its payment 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 Sloan's Liniment, Bromo-Seltzer and Listerine and offers a bit of extra diversification in its plastic and glass container lines which now contribute 14% to sales. Since 1953 the company has lifted sales from $48 to $158 million, quadrupled its net income, 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 "Chronicle." They are presented as those of the author only.]

Texas Group IBA Elects 1958 Officers


John P. Henderson


B. F. Houston, Jr.


Russell R. Rowles


John W. Turner


Walter M. Sorensen


William C. Porter


Milton R. Underwood

HOUSTON, Texas — John P. Henderson of San Antonio was elected Chairman of the Texas Group Investment Bankers Association during the association's 23rd 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. Gadsby, Chairman of the Securities and Exchange Commission; and member of the New York and Massachusetts bars; W. C. (Tom) Walker, Chairman of the Board of Transcontinental 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 Country Club and the President's Ball honoring the association's national President, Mr. Jackson.

Other officers elected were B. F. Houston, of the Dallas Union Securities Co., First Vice-Chairman; R. R. Rowles of Rowles, Winston & Co., of Houston, Second Vice-Chairman, and Frank E. Newton of Lentz, Newton Co., of San Antonio, Secretary-Treasurer.

William Beinhorn, Jr., of the San Antonio firm of Russ & Co., was named three year committeeman; John Turner of the Dallas firm of Eppler, Guerin & Turner, two-year committeeman, and Walter M. Sorensen, of the Houston firm of Rotan, Mosle, one-year committeeman.

Mr. Henderson succeeds as Chairman Earl G. Fridley of the Houston firm of Fridely, Hess & Frederking, who becomes an *ex officio* Chairman.

Other *ex officio* members are William C. Porter, of the San Antonio firm of Dittmar & Co., Inc., and Milton R. Underwood, of the Houston firm of Underwood, Neuhaus & Co. Inc.

Houston Mayor Lewis Cutrer welcomed the investment men to the city at the start of the business session Thursday morning.

Pictures taken at the Texas Group IBA Convention will appear in the "Financial Chronicle" of May 15.

Form Netherlands Secs.

Netherlands Securities Company, Inc., has been formed with offices at 30 Broad Street, New York City, to engage in a securities business. Officers are Louis Berg, President and Secretary, and Alton Blauner, Vice-President and Treasurer. Mr. Blauner was formerly an officer of Weill, Blauner & Co., Inc.

Real Estate in the National Economy

By H. WALTER GRAVES*

President, National Association of Real Estate Boards

New record level for real estate in 1958, after a short readjustment period to allow full benefit of eased home-buying credit restrictions to be felt, is predicted by Mr. Graves. The N. A. R. E. B. President cites as essential ingredients for continuing high housing demand our growing population, improved flow of mortgage money, high demand, and consumers 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 better year in 1958 because of improved flow of mortgage money, high demand, and a good financial position for consumers. These are the ingredients for an upward trend this year that can build momentum to new record levels.

H. Walter Graves

When we consider that our nation grows in population by about three million each year; that a million new non-farm families are formed each year, and also that about half a million dwellings are eliminated from the housing inventory annually through demolition or conversion of structures, then the inadequacy of million-unit-a-year production becomes apparent. Difficulties in obtaining home-buying credit, which have held hundreds of thousands of families back from home purchase during the past two years, are fast disappearing in a trend that will continue. The same credit trend, favoring the borrower, will spur business building and expansion, particularly by small business which has shared the difficulties of the would-be home buyer in recent years. Even before the more favorable trend in financing had become so apparent, projected 1958 business expenditures for new plant and equipment were greater than for any of our booming postwar years prior to 1956.

Personal income in February was at the seasonally adjusted annual rate of $342 billion — very close to last year's record rate and higher than any previous rate in our history. With average family income now above $5,000 per year, with last year's increase in liquid assets by individuals, with moderation in expansion of personal debt in 1956 and 1957, our people have the largest volume of resources on record, the United States Department of Commerce reports.

In dramatic contrast to the tight money situation, which postponed the day of home ownership for so many families in the period from which we are emerging, money is now in spirited competition to seek placement in insured residential mortgages. Our studies show a striking decline in discounts in this field, and FHA, quite logically, is predicting a continued upswing in home purchase under the insured mortgage program, with application in the first three months of this year considerably higher than in the same months of 1957. FHA is to be commended for streamlining its processing of applications to give better service to home buyers. The GI program, which came to be looked upon as almost inoperative last year, has picked up with a March increase of 39.4% over February in appraisal requests for existing homes, and 58.6% for proposed structures. There was also an upturn in applications for guaranteed loans to purchase homes. With the passage of recent legislation there is likely to be a resurgence of the program if lenders are willing to make money available at 4¾%.

Another important real estate trend that will move on a high level this year is the trend toward "a new home at the old address"—that is, the booming process of home modernization and improvement. While it is generally felt that we need more precise information about this activity, the best data available indicate that home improvement has grown to be just about as big a business as is home building.

We would have short memories indeed if we were to forget that removal of credit restrictions never has the immediate effect that accompanies the clamping on of controls. When Regulation X was instituted to curb credit in 1951, home buying and home production fell sharply at once. As realtors warned, removal of that direct type of credit restriction would not be followed by the desired reaction at once; that a readjustment period would intervene. That is exactly what happened. Just now we are emerging from a period of indirect credit restrictions which, although indirect, have acted just as effectively as a brake on home buying and home production. As these controls are being lifted, we are finding that a readjustment period again intervenes before momentum gathers for the step up in activity that is sure to come. With supply and demand factors so favorable to a robust new trend in real estate activity, we can expect the readjustment period to be brief.

Real estate activity moves in the vanguard of new development and business expansion. For example, the vast interstate highway program that has been projected will be a major consumer of many business services, products, and materials in future years. But realtors engaged in the specialized work of real estate appraisal have been busy for a year or more in essential preliminaries that precede even the acquisition of real estate to be used for highway routes. Much the same may be said of the vast economic activity that will be represented by the new field of urban renewal which as yet is scarcely known beyond the specialized working area of real estate, city planning, and municipal government.

Real estate men are acutely aware of the economic significance of the crowded school conditions we face in every community. The real estate needs of school systems represent one of the earliest real estate demands of the growing population and present a reliable preview of the expansion that must take place, not only in school construction, but in homes, apartments, stores, office buildings, factories — everything —not a generation hence, but in the very near future when you consider the school-age generation that began to overload school facilities at the end of World War II.

In the same way, realtors are early observers of dynamic new frontiers in our economy that are being established by the inventiveness of our science and industry. As a result, stirrings in the real estate economy present a vantage point that has always been one of tangible insight into the business day ahead. And today they present the outlines of a robust national economy that could hardly be deflected from the higher levels of production, employment, and living standards that they promise.

*An address by Mr. Graves before the Philadelphia Mortgage Bankers Association, Philadelphia, Pa., April 21, 1958.

Detroit Basis Club To Hold Meeting

DETROIT, Mich.—On Thursday, May 18, 1958, Harold Schone, Director of the Department of Public Works, Oakland County, Mich., will address The Basis Club at the Norton Hotel at 12:30 p.m.

The Basis Club, recently organized, is restricted to the young men in the municipal securities field in Detroit, and has a membership of 32. The organization adopted a constitution on Jan. 16, 1958 and has, as its purpose, the promotion of benefits derived from personal relationship among the younger men in the municipal fraternity in Detroit. Membership is composed of personnel from the following firms:

Blyth & Company, Inc.; Braun, Bosworth & Company, Inc.; First of Michigan Corp.; Goodbody & Company.; Kenower, MacArthur & Company; McDonald, Moore & Company; Merrill Lynch, Pierce, Fenner & Smith; Municipal Advisory Council of Michigan; John Nuveen & Company; Paine, Webber, Jackson & Curtis; Ryan, Sutherland & Company; H. V. Sattley & Company, and Watling, Lerchen & Company.

Regular luncheons, usually preceded by a short business meeting, are held on alternate Thursdays. The first of these luncheons was held in November, 1957. Plans are currently being formulated for a summer outing to be held at St. Clair Inn. The outing will consist of golfing, swimming, tennis, and a cocktail party followed by dinner and dancing. In addition to the club members and their wives, others engaged in underwriting, trading, and/or marketing municipal securities are invited to attend. It is anticipated that there will be guests representing firms located in Kansas City, New York, Chicago and other cities.

Shortly after the formation of The Basis Club, a Christmas party was held to afford members' wives the opportunity of becoming acquainted, as they participate in a majority of the social events sponsored by the Basis Club. It is hoped that both the Summer Outing and he Christmas party will grow to become annual events.

In an effort to stimulate active participation on the part of younger members, constitutional provisions of the Club prohibit anyone who has attained the age of 40 from holding office. Present officers are H. Richard Doke of First of Michigan Corp., President, Harry H. Jones II, Treasurer, and Donald R. MacLaren, Secretary, both of Kenower, MacArthur & Company. A Board of Directors, consisting of the above mentioned officers and Richard Spaulding of H. V. Sattley & Co., and Richard King of Merrill Lynch, Pierce, Fenner & Smith, governs the Club.

Chairmen of the Social and Publicity Committees are, Edward Parr, of Merrill Lynch, Pierce, Fenner & Smith, and W. Robert Studt of the Municipal Advisory Council, respectively.

Robinson Opens Office

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Wm. C. Robinson is conducting a securities business from offices at 2975 Wilshire Boulevard.

Fannie May—the Big Payoff

By HUGO STEINER

President, Hugo Steiner, Inc., New York City

Forthcoming Fannie May's $100,000,000 redemption of 4¼% debentures presages "better things ahead for this Agency," according to New York mortgage banker. Predicts increasing cash flow, consequent higher earnings and bullish impact on its common stock.

The Federal National Mortgage Association was created by Congress in 1938 as a government owned Agency with funds supplied by the United States Treasury. Its purpose was to furnish a secondary market for Federally sponsored mortgages whenever economic or credit conditions were adverse to the free flow of funds from primary investors into Federally underwritten mortgages. By absorbing these first mortgages (FHA Insured or VA Guaranteed) at various prearranged discounts, Fannie May was the chief instrument through which the originating institution was able to obtain funds to create new loans when their private sources were, for varying reasons, unable to keep them liquid with mortgage money.

Hugo Steiner

Operates on Plus Side

In the first 16 years of its corporate activity (to 1954), Fannie May bought in excess of $4.4 billion of mortgages during various periods of stress and strain in the mortgage market and liquidated $1½ billion for a handsome profit to the government of about $165 million — one of the very few agencies that has operated on the plus side. When Fannie May was rechartered in 1954, Congress intended that both the debt and equity (common stock) should become publicly owned. With that aim in view, debenture obligations were sold to provide funds to purchase mortgages. Common stock was sold to originators who presented mortgages to Fannie May for purchase; the stock was issued at a par value of $100 per share in amounts equal to 2% of the unpaid principal amount of the mortgages accepted by Fannie May. Due to a sizable increase in mortgage purchases, during the stringent money period in 1957, Fannie May bought slightly over $1 billion—twice the amount purchased in 1956 and more than 10 times the volume in 1955. This caused an expansion of outstanding stock to the present figure of approximately 360,000 shares. Dividends are paid on a monthly basis of $0.17 per share. At the current price of 58, the yield is 3½%.

With the sharp reversal in the interest rate structure, since Nov. 15th, Fannie May's pocket book will be less urgently in demand. For varying reasons, institutional funds will become progressively more available for the seasoned loans held in Fannie May's portfolio.

The announcement that on May 8th Fannie May will redeem $100,000,000 4¼% secondary market operation debentures indicates its sales volume has been rising rapidly since the first of the year. Fannie May has sold more than $80,000,000 out of its portfolio compared with $6,000,000 for the same period in 1956 and this amount is increasing daily.

Better Things Ahead

Redemption on May 8th is a broad hint of better things ahead for this agency. The swing to lower interest rates will react very favorably upon its large portfolio of $1.6 billion as these FHA's and VA's become more seasoned and attractive to private investors. The impact on the common stock quoted over the counter at a price of 58 and with a book value in excess of $100 should be definitely bullish and result in a handsome profit.

It will be interesting to observe the method of handling the following near-term debenture maturities due within six months:

Amount	Int. Rate	Due Date
$165,000,000	4⅜%	7/10/58
200,000,000	4.70%	8/11/58
100,000,000	4.20%	10/10/58

Regardless of whether these debentures are refunded or redeemed, the resulting action will be favorable. Either operation must increase the cash flow to Fannie May thereby enhancing its earnings capability.

Scott, Horner Co. Will Merge With Francis I. duPont Co.

A merger, effective May 15, between Francis I. du Pont & Co., a member of the New York Stock Exchange and Scott, Horner & Co., of Lynchburg, Va., has been announced by A. Rhett du Pont and Edmond du Pont, senior partners of the New York firm and Edwin B. Horner, President of the Virginia Corporation.

Mr. Horner will become a general partner of Francis I. du Pont & Co., subject to New York Stock Exchange approval.

Scott, Horner & Co., with offices and sales headquarters in Lynchburg, Richmond, Norfolk, Danville, and Roanoke, Va., and Bluefield, W. Va., has specialized in the underwriting and distribution of corporate and municipal securities in Virginia and the South.

Scott, Horner & Company was founded in 1932 in Lynchburg and will continue its present investment banking business and will now have the additional facilities of a nationwide brokerage and investment service with memberships in all leading security and commodity exchanges.

After the merger, May 15, the firm will operate as Francis I. du Pont & Co., and will have 71 offices in cities from coast-to-coast with capital of approximately $20,000,000. Francis I. du Pont & Company was founded in 1931 by the late Francis I. du Pont, father of the present senior partners. He was a former director of E. I. du Pont de Nemours, and organized the Central Experimental Department of that company.

Since its founding, Francis I. du Pont & Co., has had one of the most outstanding records of growth in the history of New York Stock Exchange firms. It has expanded from one office in 1931 to its present 66 offices in the United States and two overseas: in London and Lausanne, Switzerland.

W. B. Jenkins Opens

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Walter B. Jenkins is conducting a securities business from offices at 703 Market Street.

Commodity Exchange 25th Anniversary

The 25th anniversary of the founding of Commodity Exchange, Inc. will be observed on Thursday, May 1, 1958, when brief ceremonies will be held on the floor of the Exchange prior to the opening of trading, Harold A. Rousselot, Francis I. du Pont & Co., President, announced.

H. A. Rousselot

Scheduled to get under way at 9:45 a.m., the occasion will be highlighted by short talks by Mr. Rousselot and Jerome Lewine, 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 Broad Street, 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 13 Banks for Cooperatives was made on April 30 through John T. Knox, fiscal agent, 130 William 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 1.70% 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 13 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. Although 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 Hear

PHILADELPHIA, Pa.—J. Simon Fluor, President of Fluor Corporation, will be guest speaker at a luncheon meeting of the Philadelphia Securities Association to be held on Monday, May 5, 1958, at the Barclay Hotel.

Warren V. Musser of the Philadelphia Securities Co., Inc., is in charge of arrangements.

Cruttenden, Podesta Sales Meeting

CHICAGO, Ill.—More than 100 registered representatives from Cruttenden, 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. 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 committe, headed by Robert L. Hoguet, expressed its views 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. 3013, 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.

Wall Investment Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Wall Investment Co. is engaging in a securities business from offices at 258 South Beverly Drive. Officers are S. Charles Lee, President; George E. Keiter, Vice-President; and M. S. Merrill, Secretary-Treasurer.

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 2½ years as Public Relations Director of the Sales Executive Club of New York. He previously was a Vice-President of Brief Publications, Inc. from 1952 to 1955.

Sterling's Brighter Prospects And Full Convertibility

By PAUL EINZIG

How farfetched is the idea of free sterling convertibility? That question is seriously raised and answered by internationally known economic writer in indicating the current increasing fundamental soundness of the British pound. Dr. Einzig believes the British Government is strongly "tempted" to achieve convertibility for current transactions rather than the half-way measure of only removing the upper-exchange limits.

LONDON, Eng.—The firmness of sterling during the greater part of April has been due not so much to the immediate position as to the revival of optimism about its prospects. For the first time since 1955 it is no longer considered to be safe to take it for granted that there would be yet another sterling crisis in the autumn. The increase in the gold reserve is the direct cause of this optimism, even though that reserve is still very far from sufficient to remove the risk of a crisis as a result of even relatively moderate adverse influences.

Paul Einzig

Government spokesmen seek to stimulate unwarranted optimism in this respect, by their failure to make it plain that part of the increase in the gold reserve is represented by borrowed dollars which will have to be repaid next year. Even though experts are well aware of this fact, the general public is apt to overlook it, and official figures and statements do not go out of their way to enlighten the man in the street in this respect.

Sounder Internal Economy

This optimism seems justified, not on account 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. There has been practically no increase in the cost of living since November last, and pressure for wage increases appears to have abated to some degree. Even though the outcome of the wage dispute in nationalized transport organizations is still uncertain, at the time of writing, it does look somewhat more hopeful. Some manufacture prices have been reduced, and there appears to be a possibility that the downward movement might gather 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 continued rising trend in the United States, Germany and other western industrial countries. Should this contrast become accentuated it would affect the British balance of payments favorably. What is perhaps even more important from the point of view of sterling's prospects in the near future, there now seems to be a possibility of a flight to the pound. Not only will the much-delayed covering of the short positions in sterling be hastened but "hot money" is likely to flow to London. Yet the chances of a future appreciation of sterling appear to be limited. It has been for weeks in the close vicinity of its upper limit of $2.82 above which the authorities do not allow it to rise. But there have been persistent rumours that, should the firm trend continue, the Government might allow it to produce its natural effect on sterling, if only to teach speculators in sterling a much-needed lesson.

The argument in favor of such a policy stresses the fact that there is now an opportunity for playing this game from strength. A restoration of the flexibility of sterling at a time when it is weak would gravely accentuate selling pressure. On the other hand, it is argued, the removal of upper limit at a time when sterling is inherently strong would greatly accentuate the buying pressure. The Government is not likely to allow itself to be convinced by such arguments. For one thing, speculative buying of sterling would only increase the volume of "hot money" which is liable to be withdrawn at a most inconvenient moment. Nor are the authorities keen on allowing wide fluctuations. The only argument which might conceivably carry weight would be that an appreciation of sterling would further accentuate the decline in the prices of imported goods in terms of sterling, which would make it easier to resist the pressure for higher wages.

Even so, on balance it seems unlikely that the Government would yield the temptation of following the advice. Apart from any other considerations, it is feared that the removal of the upper limit of $2.82 would materially weaken confidence in the Government's determination to hold the lower limit of $2.78 during a period of selling pressure.

Convertibility Practicability

On the other hand, it seems to be well in the cards that the Government will take advantage of the prevailing firmness of sterling for restoring its full convertibility for current transactions. Now that the rate of transferable sterling has been above the lower limit of $2.78 for some time, the unification of that rate, and even of the rate for security sterling, with the official rate is considered to be feasible. For the first time a return to convertibility appears to be practicable.

The Government is strongly tempted to take the remaining steps needed for achieving convertibility. It would be consistent with the officially announced policy of removing the remaining controls. And it would greatly increase the difficulties of a Socialist Government after the next general elections. It is the declared intention of the Labor Party to restore many of the controls which the Conservative Government has removed or is removing. Much of it would require legislation. This means that for some time after its advent the Labor Government would be kept busy with restoring controls, so that it will not have so much Parliamentary time for initiating its program of nationalization and other Socialist policies. Moreover, the freer sterling is the more it is likely to be exposed to the fears of a Socialist victory at the general election.

Dillon, Read Group Offers Texas Co. 3⅝% Debentures at 99½%

An offering of $150,000,000 3⅝% debentures of The Texas Co. was made yesterday (April 30) by a nationwide investment banking group headed by Dillon, Read & Co. Inc. The debentures are due May 1, 1983, bear interest at 3⅝%, and are to be sold at 99½% to yield about 3.65% to maturity.

They are redeemable at the option of the company, at any time, at prices scaling downward from 104½% if redeemed on or before May 1, 1961 to 100% for those redeemed on and after May 2, 1981. In addition, the company may, at its option, redeem at par up to $5,000,000 during each 12 months commencing with the year ending May 1, 1969.

Of the net proceeds from the sale of the debentures, $50,000,000 will be used by the company to repay outstanding bank loans. These bank loans are the balance remaining of $150,000,000 borrowed in September 1956 in connection with the company's acquisition of the Trinidad Oil Co. Ltd. The remaining proceeds from the sale of the debentures will be available for capital and exploratory expenditures and for such other purposes as the company may determine. The company estimates that, for the year 1958, capital and exploratory expenditures will be about $500,000,000.

The company has applied for listing of the debentures on the New York Stock Exchange.

The Texas Co., a leading integrated organization in the petroleum industry, is engaged in the production, transportation, refining and marketing of crude oil and crude oil products. The operations of the company, and of those companies in which it has stock interests, are world-wide in scope. Statistics on world-wide operations of The Texas Co. for 1957, including the Texas Company's equity interest in the operations of companies owned 50% or less, were as follows: an average of 1,053,000 gross barrels per day of crude oil produced, 1,063,000 barrels per day of refinery crude oil runs, and 1,055,000 barrels per day of petroleum sales.

R. B. Williams V.-P. Of Kidder, Peabody

Richard B. Williams has been elected a Vice-President, of Kidder, Peabody & Co., Incorporated, 17 Wall Street, New York City, it has been announced.

Mr. Williams, who has been with Kidder, Peabody for 11 years, will supervise the company's investment mangement and research departments. Previously he had been with Adams Express Company and before that with The Ford Motor Company in Detroit.

Loeb, Rhoades Branch

ENDICOTT, N. Y. — Carl M. Loeb, Rhoades & Co. has opened a branch office at 14 Washington Avenue under the direction of Joseph L. Miller, Jr.

Now Laney Planning Co.

BROOKLYN, N. Y.—The firm name of the Empire Planning Co., 2846 West 27th Street, has been cnanged to Laney Planning Co.

Dickson & Co. Formed

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Dickson & Co. has been formed with offices at 9 Sutter Street to engage in a securities business. Officers are Russell M. Dickson, President; Harry Mallory, Vice-President; and Darwin Bryan, Secretary.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The Chase Manhattan Bank, New York, has leased 36,500 square feet of space in the 21 story office building at 410 Park Avenue, now being constructed at the southwest corner of Park Avenue and 55th Street. This will be the 101st branch of the bank.

* * *

The appointment of James J. Ryan, Jr. as Assistant Vice-President of **The First National City Bank of New York** was announced on April 29. Mr. Ryan was previously Assistant Cashier. He makes his office at the 26 Broadway, N. Y. branch of the bank.

* * *

The appointment of John Prichep as an Assistant Vice-President of **Manufacturers Trust Company, New York,** is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Prichep joined the bank in 1926 as a clerk and in 1949 he was appointed an Assistant Secretary. From 1950 to 1956, Mr. Prichep was in charge of the bank's Chelsea area office. In October, 1956, he was transferred to the bank's West Side Office, Eighth Avenue at 34th Street—the branch office to which he is presently assigned.

* * *

Howard P. Allen, an account officer with the Rockefeller Center Office of **Bankers Trust Company, New York,** has been named an Assistant Vice-President, it was announced April 24 by William H. Moore, Chairman of the Board.

Simultaneously, Mr. Moore made known the appointment of Harry C. Dever to Assistant Treasurer and of Arthur P. Sullivan to Assistant Secretary. Mr. Dever is assigned to the bank's new Third Avenue Office and Mr. Sullivan is with the Corporate Trust Division of the bank's Trust Department.

Mr. Allen joined Bankers Trust Company in 1928. He was named an officer of Bankers Trust Company in 1947 and has been associated with the bank's midtown branch since its inception in 1946.

* * *

American Trust Company, New York, announced the election of H. Eugene Dickhuth as Trust Officer in addition to his other duties as Vice-President.

According to Harvey L. Schwamm, Chairman of the Board, Mr. Dickhuth will head the bank's enlarged mortgage department with the assistance of Joseph A. Hnatt, who was elected Assistant Vice-President and Assistant Trust Officer.

Mr. Hnatt was formerly associated with the **Southington Savings Bank in Southington, Conn.**

* * *

Twenty-five employees, who have worked for **The Bowery Savings Bank, New York,** for 25 years, were inducted into the Silver Jubilee Club, on April 29. Each employee received a gold watch from the bank.

The presentations were made by Earl B. Schwulst, President, and Robert W. Sparks, Executive Vice-President, at a special Silver Jubilee Program. More than 350 Bowery employees helped celebrate the event.

Active members of the Club total 136. The senior member is Howard S. Hastings, Assistant Vice-President, who came to the bank in 1912 as an office boy.

* * *

John T. Madden, Chairman of the Board of **Emigrant Industrial Savings Bank, New York,** announced April 23 that James P. Murray, Chairman of Coca-Cola Bottling Co., of New York, had been elected a trustee of the bank.

* * *

Walter Jeffreys Carlin, bank executive, died April 24. Mr. Carlin was in his 70's. He was Chairman of the **Lafayette National Bank of Brooklyn, N. Y.**

* * *

Raymond A. Mieczkowski, Secretary-Treasurer of **The County Trust Company, White Plains, N. Y.,** completed 30 years of service on April 28. He started with the bank as a messenger, was named an officer in 1941, elected Treasurer in 1950 and assumed his present position in July, 1957.

* * *

The Luzerne-Hadley Bank, Lake Luzerne, N. Y., and **The Emerson National Bank of Warrensburg, Warrensburg, N. Y.,** merged under charter and title of the latter bank.

* * *

Plan of merger together with Certificate of Compliance of the respective corporations providing for the merger of **The Union National Bank of Friendship, N. Y.** into **The First Trust Company of Alleghany County, N. Y.,** under the title The First Trust Company of Alleghany County was filed with the New York State Banking Department.

* * *

The First Trust Company of Alleghany County, Wellsville, N. Y., was given approval to increase the capital stock from $321,150 consisting of 32,115 shares of the par value of $10 each, to $421,150 consisting of 42,115 shares of the same par value.

* * *

Harrison Gardner Reynolds died April 27, at the age of 62. Mr. Reynolds was a former director and Vice-President of the **Rockland Atlas National Bank of Boston, Mass.**

* * *

Permission was granted to open a new bank by the Comptroller of the Currency to the **Pilgrim National Bank of Boston, Boston, Mass.** Allan H. Sturges is President and Edwin J. Lennon is Cashier. The bank has a capital of $1,500,000 and a surplus of $2,422,713.46.

* * *

The Danvers National Bank, Danvers, Mass., has increased its common capital stock from $100,000 to $200,000 by the sale of new stock effective April 16. (Number of shares outstanding — 2,000 shares, par value $100.)

* * *

After careful consideration **New Jersey Bank and Trust Company** has been selected as the name for the new consolidated banking institution which will result from the merger of **County Bank and Trust Company** and **Passaic-Clifton National Bank and Trust Company.**

The name for the new bank was jointly announced April 29.

* * *

The merger of **Girard Trust Corn Exchange Bank, Philadelphia, Pa.,** and **Upper Darby National Bank, Pa.** will be effective April 26.

Girard has 26 offices in Philadelphia and in suburban Montgomery County. Upper Darby has 12 offices throughout adjoining Delaware County. Thus the merger will create a combined organization with 38 offices in three counties.

Geoffrey S. Smith, President of Girard Corn Exchange and Joseph

C. Wilkinson, President of Upper Darby, announced that the 12 offices of Upper Darby will be operated as a separate division of Girard to be known as the Delaware County Division, with headquarters in the Upper Darby office at 6910 Market Street, directly opposite the 69th Street Terminal.

Mr. Wilkinson, President of Upper Darby, is becoming a member of the board of Girard Trust Corn Exchange. All other officers and employees will become members of the Girard staff, and the directors of Upper Darby National Bank will form the Advisory Board for the Delaware County Division.

In addition to Mr. Wilkinson as Chairman of the Advisory Board, other members will be: William L. Beck of Havertown; Robert W. Deacon of Swarthmore; Donald L. Helfferich of Collegeville; John A. Raidabough of Upper Darby; Thomas J. Reilly, Upper Darby; Howard S. Schaeffer, Upper Darby; W. Harvey Smock, Lansdowne; C. Walter Stubbs, Havertown, and Harrison M. Willis of Drexel Hill.

Mr. Helfferich, Executive Vice-President of Upper Darby National Bank, has been appointed Senior Vice-President of Girard Corn Exchange. Other Upper Darby officers who became members of the official staff of Girard are: W. Harvey Smock and G. Lee Toole, Vice-Presidents; Thomas E. Burns, Jr., and A. Bruce Waldron, Assistant Vice-Presidents; Martin A. Bosch, Alexander J. Grace, Gregor V. Schriefer, and Donald R. Simpson, Assistant Treasurers; Joseph H. Adams and Michael Pintavalle, Assistant Secretaries.

The merger was effected through an exchange of stock, the shareholders of Upper Darby receiving four-fifths of a share of the stock of Girard for each share of Upper Darby.

* * *

An open house to introduce **Mellon National Bank and Trust Co., Pittsburgh, Pa.,** new Pleasant Hills Office will be held on May 6. The new Mellon Bank Pleasant Hills Office, for which ground was broken last August, replaces the bank's present office in the Bill Green Shopping Center at the Pleasant Hills cloverleaf. The new office is located on Old Clairton Road near the shopping center at the intersection of Glenburn Drive.

* * *

Frank V. Kovalovsky has been appointed Manager of the Turtle Creek Office of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** Frank R. Denton, Vice-Chairman of the bank, announced.

Mr. Kovalovsky started his banking career in 1925 in East Pittsburgh. He joined Mellon Bank in 1947 when the **First National Bank and Trust Company of East Pittsburgh** became an office of Mellon Bank. At that time he was named Assistant Manager of the bank's East Pittsburgh Office.

* * *

James S. Clancy, formerly of New York, has been elected Assistant Vice-President of **Fidelity Trust Company, Pittsburgh, Pa.,** John A. Byerly, President, announced.

Mr. Clancy was associated with **Guaranty Trust Company of New York** prior to his election as a Fidelity officer.

* * *

Peoples Union Bank and Trust Company, McKeesport, Pa., absorbed **Vandergrift Savings and Trust Company, Vandergrift, Pa.**

* * *

Charles A. Schoeneberger has been elected Vice-President of the **National Boulevard Bank of Chicago, Ill.**

* * *

By a stock dividend, the common capital stock of the **Manatee River National Bank of Bradenton, Fla.,** was increased from $400,000 to $500,000 effective April 17. (Number of shares outstanding—50,000 shares, par value $10.)

* * *

Permission has been granted by the Office of the Comptroller of the Currency to the **Chimney Rock National Bank of Houston, Houston, Tex.** to open a new bank. Peter G. Brooks is President and Gerald H. Smith is Cashier. The bank has a capital of $250,000 and a surplus of $250,000.

* * *

Joseph A. Carrera has been elected Vice-President in charge of branch operations of the **Bank of America, San Francisco, Calif.**

* * *

The first new independent bank in downtown Portland, Ore., in 34 years opened its doors April 7, when **Security Bank of Oregon, Portland, Ore.,** opened for business.

State charter for the bank was granted Dec. 20, 1957. Security Bank of Oregon is a member of the Federal Deposit Insurance Corporation.

Officers are: George F. Brice, Jr., President; Maldwyn C. Evans, Vice-President; and L. R. Brokenshire, Assistant Cashier.

Mr. Brice is former President of **Oregon Mutual Savings Bank,** having been with Oregon Mutual since 1937.

W. H. Cies Opens

(Special to THE FINANCIAL CHRONICLE)

SAN MARINO, Calif.—Wm. H. Cies is engaging in a securities business from offices at 2185 Huntington Drive. He was formerly with Morgan & Co.

World Bank Bonds by Morgan Stanley-First Boston Group Expected

The International Bank for Reconstruction & Development proposes to make an offering of $150,000,000 principal amount of 10-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 through 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 cutomary 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

MONTECITO, Calif.—Hill Richards & Co. has opened a branch office at 1482 East Valley Road under the management of Sherman Asche, Vice-President.

Continued from page 5

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 years.

Human Judgment Still the Key

How is it possible, asks the layman, for economists and businessmen to examine the same statistics and yet disagree as to whether the patient has a cold which will soon dissipate itself, or whether there is a strong likelihood that the cold will develop into pneumonia with all its complications. Business forecasting, in spite of the breadth of available statistics must still be considered an art and not a science. There are still many unseen, as well as many visible factors. The isolation and analysis of the basic maladjustments which are causing the decline in business activity is not simple. It is impossible to appraise, with any feeling of assurance, the future attitudes, emotions and desires of individuals; consumers or businessmen. Above all, **the human judgment of the business analyst** is at least as important today as it ever was.

Leading Indices Ignored

Many economists were satisfied, almost a year ago, that leading indicators were accurately predicting a business recession, while others insisted on waiting for confirmation by the concurrent and lagging indicators. By the time the latter economist were convinced, even the layman was well aware that a full fledged recession was in progress. Economists as well as businessmen are not immune to the optimism of the 1920's and the 1950's characteristic of a broadly expansive environment. There judgment can be seriously effected by a "new era" environment.

Statistics Alone Do Not Provide The Answer

As Arthur Burns, the most competent student of business cycles, has so aptly stated—"Obituaries on the business cycle are romantic expressions of human impatience not records of solid achievement. They serve neither the nation nor economics, and may prove seriously harmful. . . . **Subtle understanding of economic change comes from a knowledge of history and large affairs, not from statistics or their processing alone — to which our disturbed age has turned so eagerly in its quest for certainty.** —The crucial problem of our time is the prevention of severe depressions, not of business or employment cycles.—And the first, and fundamental task is to determine why some business contractions are brief and mild while others reach disastrous proportions.

"Some insight into this problem is afforded by the experience of the 1920's. Each of the successive cyclical waves during this decade carried further the belief in a 'new era' of boundless prosperity. As speculative fever mounted, even the business declines that occurred were ignored or explained away." Dr. Burns' analysis "is based largely on American experience before World War II—a period to which all students must turn when they seek to form a considered judgment of how our business economy functions under peacetime conditions." [1] Dr. Burns has recently recommended substantial tax cuts immediately.

[1] New facts on Business Cycles, National Bureau of Economic Research, Inc., New York, Arthur F. Burns, pages 3, 4, 27, 29.

Timing of Postwar Cycles

While no firm conclusions may be drawn concerning the similarity in timing in the cycles following World War I and World War II, these similarities may still be of passing interest in spite of the many differences in the two economies. Three years after the end of World War I, we reached the bottom of a sharp decline in business activity. Four years after the end of World War II, in 1949, we reached the bottom of a relatively mild business recession, mild compared to 1921 because prices after World War II had not risen so spectacularly and the inventory correction was correspondingly less severe. Eight years after the end of World War I, in 1926 and 1957, we experienced a mild recession, and eight years after the end of World War II in 1953 and 1954 we also experienced a mild recession. Eleven years after World War I, in 1929, the postwar forces of expansion had spent themselves, and it appears that 12 years after the end of World War II in 1957, the **forces of expansion became at least temporarily exhausted.**

Analysis of Current Situation

Recessions Tend to Look Alike in The Beginning

One of the great difficulties in determining whether or not a recession is to be short lived or is to generate into a depression is that during the early stages both types of recessions display great similarity. Therefore, while we have many more tools for combating cyclical downtrends than we did in the past, these tools may not be used until considerable momentum develops on the downside, simply because of failure to diagnose correctly the type of readjustment being experienced, is it merely an inventory readjustment as opposed to a much more serious capital goods adjustment.

Gross National Product Cumbersome Index

Specifically, this third post World War II recession, until recently, closely resembled its two predecessors which were both rather mild in nature. This has been true of both the pace and the pattern of the recession. The rather cumbersome figure of Gross National Product did not decline at all until the third quarter of 1957 and even now has declined only about 2½% below its peak. Gross National Product showed no decline in 1949 remaining at $257.3 billion, the same as the 1949 figure. Furthermore, the 1953-1954 decline in G.N.P. was only from a figure of $363.2 billion to $361.2 billion and the 1955 figure rose to $391.7 billion.

Consumer Spending

Personal consumption expenditures actually rose from $177.6 billion in 1948 to $180.6 billion in 1949, and from $230.5 billion in 1953 to $236.6 billion in 1954. This record of consumer spending, as well as the willingness of consumers to go into debt to maintain their level of spending, was cited by some economists as a major force which now prevents recessions from deteriorating into depressions. Consumer spending remained high in 1957, higher than in 1956, although in the latter part of 1957 and the first quarter of 1958 consumer spending finally turned downwards. In the early stage of all types of recessions consumer spending and retail sales always hold up well and are cited as bulwarks of strength.

Business Inventories

There was a net decline in business inventories of $2.7 billion in 1949 and $1.9 billion in 1954. There was no net decline in business inventories until the last quarter of 1957, so that the year as a whole showed net additions of $800 million. However, the peak of the post 1953-1954 inventory buildup was reached in the last quarter of 1955. The rate of buildup then declined until it became negative in the last three months of last year and the decline is continuing.

A study of the statistics on Gross National Product, consumer spending and business inventories might, therefore, lead the unwary to believe that the current recession was basically similar to the recessions of 1949 and 1953-54. However, it should be realized that the patterns of recessions are almost always similar in these respects, whether the recession is to be short lived or is to deteriorate into a more serious decline.

Gross Domestic Private Investment Down Since October, 1956

Certain other aspects of the business situation are of importance. Corporate profits, on which business optimism or pessimism is based, have been on the downtrend since late 1955 with the exception of one brief three-month upsurge in 1956. The trend line of Gross Private Domestic Investment has been downward since the latter part of 1956, paced first by a slowing down and then a cessation of inventory accumulation and then the added factor of a decline in expenditures for new plants and equipment, evident in the last quarter of 1957. As noted above, at this time we began to experience a net decline in business inventories.

Capital Outlays for New Plants And Equipment Key to Decline

It is in the area of new plant and equipment expenditures that lies the key to the extent and duration of the current decline in business activities. 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 supplied to the boom. Capital expenditures for new plant and equipment declined from $22.06 billion in 1948 to $19.28 billion in 1949, and from $28.32 billion in 1953 to $26.83 billion in 1954. These expenditures were up slightly in 1957 over 1956. However, expenditures previously estimated at $38 billion for the fourth quarter of 1957, actually turned out to be $36.23 billion down from $37.75 billion in the previous quarter. It is estimated that they are currently running at an annual rate of $32.55 billion.

Sharp Decline in Capital Expenditures Recently

Not many months ago the most commonly used estimate called for a decline of 7% for plant and equipment expenditures in 1958. The decline since the third quarter of 1957 has already been 14% and there are cogent reasons for believing that the decline has by no means ended. Furthermore, construction contracts awarded are currently running at 14% below March 1957, which would mean a sharper decline from the peak months of 1957. Costs of building and acquiring plant and equipment have risen significantly since 1953 when such expenditures reached a peak of $28 billion. A return to the level of $25 to $28 billion would actually mean substantially lower unit volume than experienced in 1953 and 1954 and it is unit volume that determines employment.

In analyzing these statistics it should be remembered that there is very considerable momentum in the area of capital expenditures, because usually projects are not halted once they have been started or if they are in the advanced stage just prior to initiation. This is why the sharp decline since the third quarter of 1957 appears so significant. It should be noted, that capital expenditures by public utilities and railroads in 1930 were greater than in 1929.

The real question is not what these expenditures will be in 1958 but what they will be in 1959. Expenditures in 1959 will be authorized in the light of current business conditions and the very substantial overcapacity which has become evident in so many segments of American industry. Expenditures in 1958 were approved in a much different environment. The major support given to the Post World War II economy by tremendous capital expenditures appears to have greatly weakened. Historically it has taken a considerable time to correct maladjustments of this nature evidenced by very substantial overcapacity in major industries, steel, aluminum and paper being only some examples.

The Role of Government and the Federal Reserve

Stabilizers

Certain so-called built-in stabilizers have been added and made part of the structure of the economy in the last 25 years. These stabilizers come into play quickly and automatically when business declines. The very progressive nature of our personal income tax rates provides an automatic cushion to partly offset declines in salaries and wages without any change in tax legislation. The unemployment benefits also cushion the effects of unemployment although we have seen how quickly they may be used up. Half a million unemployed have already exhausted their benefits under existing legislation. Agricultural legislation has reduced the impact of a recession on the farming population, although it is obvious that it has only aggravated the serious maladjustments between supply and demand in that industry.

However, it was never intended that these stabilizing forces would prevent cyclical fluctuations. They merely moderate the impact of contracting forces on incomes and prices. They don't come into play until the recession is in progress. There can be no question that these stabilizers such as unemployment benefits moderate the recession and make it more bearable, but they do not get at the causes.

There are further stabilizing forces in our banking and credit system, such as the insurance of bank deposits, and shares in savings and the loan associations, control of stock market credit and the greatly broadened lending powers of the Federal Reserve.

However, these built-in stabilizers have never been really put to the test of a severe and sustained decline in economic activity. This test may be in the making.

Credit Policy

Credit policy can be changed rapidly in the light of a reappraisal of the economic outlook. It can be very much more flexible then fiscal policy. In the case of the type of recession, which by its nature is moderate in degree, or which is caused by a credit stringency, the relaxation of credit may be quite effective. However, major maladjustments broadly dispersed throughout the economy such as substantial plant overcapacity developed by overoptimism at the height of a boom, cannot be cured by easy credit. Substantial doses of easy credit may temporarily obscure the maladjustments but in the end the maladjustments are aggravated and the resulting corrections become more serious.

The effectiveness of easy credit in stemming a decline in business of a fundamentally serious nature is therefore open to real question. The Federal Reserve does have practically unlimited powers to increase the reserves of member banks. But whether or not these reserves will be used is quite another question. Specifically, the reserve position of member banks during the last four months has become easier largely due to a decline in the demand for loans rather than by Federal Reserve action. Businessmen such as Aluminum Ltd.'s management who are faced with substantial overcapacity, are unlikely to build additional capacity simply because funds are more freely available, at lower rates and more favorable terms. Furthermore, in a period in which business failures have been increasing consistently for some period of time, it is doubtful whether credit managers of banks and business firms will be willing to relax credit standards. Having gone about as far as we can in relaxing credit terms in many areas of consumer and mortgage credit during the boom, it is difficult to imagine that an easy credit policy fostered by the Federal Reserve will be of much help in these areas. Those who can secure additional credit may not want it and those who need it may not be able to get it.

The ability of credit policy to stem or even moderate a decline in business activity of serious proportions caused by major maladjustments in the economy is therefore open to considerable question. The credit managers may find themselves pushing on a string. History proves that it is much easier to curb a boom with restrictive credit action than it is to revive the economy with cheap money. The 1930's should prove this. Of course if the government is willing to guarantee loans in other areas as it does in housing and agriculture, the effects could be substantial.

Fiscal Policy

Many economists and businessmen place great faith on the purported advantages of fiscal policy as a means of stabilizing the business cycle. However, in recent years a number of economists have raised some real questions about the efficacy of contracyclical fiscal policy.

Contracyclical Policy in Booms as Well as Recessions

Even the most enthusiastic supporters realize that contracyclical fiscal policy encompasses controls and contraction during a boom as well as expansion during recessions and depressions. The theory assumes that the Federal Government will reduce expenditures during peak periods of prosperity and thus increase its ability to expand expenditures during periods of declining business activity. However, actual experience since the end of World War II, indicates that the demands of defense have had more priority in determining Government expenditures than contracyclical fiscal policy. If the Government does not restrain itself during the boom, it contributes materially to the maladjustments resulting in the contraction.

Tax Policy Can Be a Cumbersome Weapon

As far as tax policy is concerned, it is true that one factor in counteracting the mild recession of 1953-54 was the tax reductions which became effective in 1954. However, these reductions were the result of legislation passed some time earlier without reference to a recession. The present attitude of the Administration in regard to tax reductions in spite of the advice of the former Chairman of the Council of Economic Advisors, Dr. Burns, is proof of the delay that can be experienced before tax relief can be made effective. If, and when tax reductions are requested and authorized, the results are by no means clear cut. Tax relief will not help the unemployed, and seeing the unemployed, those who do receive tax relief may decide to save the added income rather than spend it. It may also be some time before corporate managers spend funds secured by lower tax rates on the construction of new plants and equipment.

Increased Government Spending

The factor of increased Government spending is even more cumbersome than tax relief. It takes considerable time before agreement can be reached on the types of additional spending even in the case of defense, and even longer before authorized spending programs actually result in a flow of funds into the economy. It is remarkable how much faith so many individuals have placed in proposed increases in Federal Governmental expenditures in calendar 1958 over calendar 1957, which admittedly will not total more than 1% of Gross National Product on the very outside.

Conclusion

(1) The basic maladjustments causing the current decline are much more serious than was the case in previous recessions encountered since 1945. These maladjustments are largely centered on the fact that in many areas the consumer, who is king, appears to have been priced out of the market and as a result substantial over-capacity has developed in major industries. The relationship of unit costs and unit prices to sales volume is at the heart of our economic mechanism.

(2) Our economy is quite different from the economy of the 1920's but the stabilizing factors may only moderate and not prevent a major readjustment. Forced credit liquidation of the type witnessed from 1929-1932 is not in the cards. This weakens the forces of cumulative decline.

(3) Fiscal policy in respect to tax relief and increased Government spending may be tardy in initiation and cumbersome in application. Monetary policy is much more effective in containing a boom than in fostering a recovery.

(4) The factor of defense has been of over-riding importance in fiscal policy during the boom which restricts considerably the flexibility of those responsible for Federal expenditures.

(5) Those who have buried the business cycle as a relic of the past may have done so a little prematurely.

Four With Henry Swift

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Tsung Chi Lee, Marvin Wong, George K. Yamamura and Jameson Young have become associated with Henry F. Swift & Co., 490 California Street, members of the Pacific Coast Stock Exchange. All were formerly with Hooker & Fay.

Phila. Exch. Member

PHILADELPHIA, Pa.—The investment securities firm of Albert Teller & Co. announces its election to membership in the Philadelphia-Baltimore Stock Exchange and to associate membership in the Boston Stock Exchange.

Albert Teller & Co. maintains offices at 123 South Broad Street, Philadelphia.

Shearson, Hammill Wire To Kohlmeyer & Co.

Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, have installed a private wire to Kohlmeyer & Co., New Orleans, La.

How to Save Our Economy

By GEORGE C. ASTARITA

Boettcher and Co., Colorado Springs, Colo.

Rushing to the other side when a ship lists characterizes our inflationary panaceas, according to Mr. Astarita who prefers, instead, a "long breather" in wages and fringe payments to allow technological improvements to restore profit margins. He also suggests a lower, but better, tax structure and is confident that these two proposals would remove excess capacity and overpriced products.

When a ship starts to list, all passengers rush to the opposite side with the result that the vessel may capsize. That would appear to be the trend of thinking today, in that inflationary panaceas are being advanced to correct a deflationary interlude. Our salvation lies not so much in immediate so-called "corrective actions" as it does in getting at the root of our economic troubles and instituting long range, sound and constructive measures designed to keep the economic ship on an even keel for the long voyage.

George C. Astarita

To cut or not to cut taxes would seem to be the question of the hour. 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 all 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 is no economy. Conceivably a well designed lower tax structure could produce as much if not more tax revenue and steps taken in that direction at this time would contribute much to a better business climate.

Advises "Long Breather" in Wages

Too much industrial capacity is the battle cry at the moment. Too much for an economy 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 housing industries have been priced out of the market and without sound conditions in these two important fields, the American economy cannot progress. To raise wages still further now, as advocated by labor leaders, is to invite the final blow. Rather, what American industry needs so vitally is a long breather in the matter of wage and fringe advances during which time technological improvement may be permitted to restore profit margins. Surely labor must realize that it has already badly bruised the goose and that if it is not careful, not even scrambled eggs will appear on the economic menu —let alone golden ones.

Simple Problem the Essence

Given time and a sound approach to our problems, the American economy will regain its historical vitality. A rising population and technological development will produce greater consumption and the "overcapacity" of today will become the "shortage" of tomorrow. High sounding economic phraseology and a lengthy, erudite dissertation might make this piece more impressive but the problem is as simple as it is stated and needs only an honest and sensible approach by Congress for solution.

Merrill Lynch Group Offers Puget Sound Pow. & Lt. 4⅛% Bonds

Merrill Lynch, Pierce, Fenner & Smith, on April 29 headed an underwriting group which offered an issue of $30,000,000 Puget Sound Power & Light Co. first mortgage bonds, 4⅛% series due May 1, 1988, at 101.47% and accrued interest, to yield 4.04%. The group won award of the issue at competitive sale on April 28 on a bid of 100.6699%.

Net proceeds from the sale of the bonds will be applied by the company toward the redemption of $20,000,000 principal amount of its outstanding first mortgage bonds, 6¼% series due 1987. 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 105.60% to par, and at special redemption prices scaling from 101.50% to par, plus accrued interest in each case.

Puget Sound Power & 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 part of Kittitas County in the central portion of the state. In 1957 the estimated population of the company's operating territory totaled 735,000, compared with 583,000 in 1950. The territory includes 270 communities and adjacent rural areas.

For the year 1957, the company had electric operating revenues of $26,983,317 and net income of $5,945,997.

Detroit Bond Club Annual Summer Outing

DETROIT, Mich. — The Bond Club of Detroit will hold its Annual Summer Outing on Friday, June 27, 1958, at Lakepointe Country Club. It will be attended by close to 200 members of the financial and banking industries along with several out-of-town guests. Milo O. Osborn, Paine, Webber, Jackson & Curtis, President of the Club, will preside at dinner.

Municipal Bond Club Of Chicago Officers

CHICAGO, Ill.—Wm. J. Corbett, Jr., Burns, Corbett & Pickard, has been elected president of the Municipal Bond Club of Chicago. Paul Stephens, Paine, Webber, Jackson & Curtis, was chosen secretary, and Elzie C. Partlow, William Blair & Co., treasurer.

Herman H. Michels

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

Shropshire, Frazer New Firm Name

MOBILE, Ala.—The investment firm of Shropshire & Company, First National Bank Annex, has announced that effective May 1, 1958, the name of the firm will be changed to Shropshire, Frazer & Company and that Frank B. Frazer will be admitted as a general partner.

Mr. Frazer, who has been associated with Shropshire & Company since 1949, is a graduate of the University of North Carolina. During World War II he served in the Navy in the submarine service.

Mr. Ogden Shropshire, managing partner of the new firm, founded Shropshire & Company in 1939. Prior to this he had served as Manager of the Bond Department of the First National Bank of Mobile. Before coming to the bank he had been associated with Ward, Sterne & Company of Birmingham.

George V. Honeycutt With Harris, Upham

LOS ANGELES, Calif.—George V. Honeycutt has become associated with Harris, Upham & Co., 523 West Sixth Street, as registered representative and administrative assistant. Mr. Honeycutt was formerly with Harbison & Henderson.

Unfettering Small Business To Cure the Recession

By ROGER W. BABSON

Well known financial advisor describes the pivotal importance of small business and their employees in an economy dominated by Big Business and Big Labor. Mr. Babson recommends a seven point program designed to allow small business a chance to cure the recession. Prefers unfettering small business to having governmentally managed economy and hopes that restoration of competition will break down too-rigid administered prices.

It is clear that unemployment results from the recession. But it is not sufficiently clear what is the cause of the recession. However, no one can doubt that it is due to some imbalance in the economy. The reaction is from some previous action. Because certain excesses have existed too long or been too great — a correction must come if we are to regain normal economic balance. Our economy, when free, is like the children's seesaw or "tetter." A fat boy pushes down one end and raises a skinny boy at the other end. In our economic seesaw the excessive weight at one end may be over-expansion of production in relation to consumer demand.

Roger W. Babson

In an ideal economy, productive capacity should always be geared to consumer demand. But actually, such gearing is not automatic. Either plant capacity is expanded faster than consumer demand; or demand drops off after temporary excessive consumer buying, as in installment purchasing. Moreover, our economy is not so free as many would like to believe. In the market place, prices no longer respond quickly to conditions of supply and demand.

Big business has given our economy many benefits, including making available to the many—by mass production and mass distribution — necessities, comforts, and luxuries. In boom times, however, big business and big organized labor together give consumers wage-and-price inflation, driven upward by annual wage-and-price increases unrelated to the annual rise in productivity. Plant capacity is expanded without relation to consumer demand.

Correcting the Unbalanced Seesaw

The government has the ability to balance too great or too long-continued imbalance by standing at the center of the seesaw and inclining its weight either to the right or to the left. But the government can also restore the balance in other ways—by assuring even weights at both ends of the seesaw, or by making the weightier force (supply or demand) move up nearer the middle.

But government should not and must not be expected to operate a managed economy. There still remains enough self-reliance in our politico-economic system to restore the ability of private, competitive small business to do the balancing—**if small business is unfettered.** Restoring competition in big industry will break down too-rigid administered prices. These prices have been fixed too long and too much.

Too great monopolistic power by Big Business and/or Big Labor must be curbed by Big Government. Remember that 95% of our American businesses employ fewer than 20 people; about 80% of our businesses are unincorporated.

Seven Definite Recommendations

As a result of the two World Wars, Big Business and Big Labor were granted too many artificial 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 cure the recession. Proposals to this end have recently been made to the Senate Committee:

(1) A tax deduction for all concerns which reinvest profits in their operations. This would provide the necessary capital for those small concerns.

(2) Equalization between large and small companies in regulations for depletion and depreciation. Used machinery and equipment, which the smaller concerns usually buy, should be given the same rates of depletion and depreciation as new.

(3) Deductions for the self-employed and other persons not members of qualified pension programs, for their own retirement.

(4) Provision for the payment of estate taxes in installments so that businesses need not be liquidated simply to accommodate the Federal Government.

(5) Federal grants to small concerns, for research and development requiring that all patents secured from research at taxpayers' expense be made 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 customers by practically shipping on consignment.

(7) Elimination of labor's exemption from the anti-trust laws.

Continued from page 9

The Fiscal Situation In Latin America

years the trend in the cost of living has slowed—in fact, figures for the fourth quarter of 1957 reflect a 15% decline. But I find it hard to believe that this single quarter indicates that the two-year-old anti-inflationary program of the Ibanez Government has really taken hold. This campaign, in partial implementation of the Saks-Klein recommendations, called for certain restraints by the private segment of the economy through curtailment of lending by the banks, reform in the foreign exchange system, and some reduction in the annual wage increases which have been matching rises in the cost of living. Nevertheless, the price index kept on rising relentlessly from the end of 1955 through September, 1957 by 147%.

The restrictions imposed on business—probably not sufficiently severe in themselves—were, in any event, not matched in fiscal policy, with Federal budgetary deficits continuing to be chronic. The 1957 deficit, alone, amounted to some 40 million pesos. Social programs currently absorb one-fourth of the budget and another one-fifth is allocated to the military. The decline in copper and, to a less important extent, nitrate earnings, for as long as it may persist, will challenge any serious attempt to balance the budget because of the loss in tax revenue and because of the increased subsidy payments required to maintain the level of employment at the smaller mines.

There are other indicators. Although the upward trend in the money supply was interrupted in November, it is expected to resume its climb in the near future due to the budgetary imbalances. The volume of credit extended by the Central Bank and private banking institutions rose by 38% during the first 11 months of 1957 in spite of officially imposed credit restraints. Both of the "free" pesos dropped about one-fourth in value during 1957, while over the first two months of this year the trade peso fell a further 10%, the financial peso, 5%.

The 50% drop in gold and foreign exchange reserves during 1957 has necessitated the imposition of further prior deposit requirements—running up to 1500% of the value of some luxury imports. While these measures should have a salutary effect on exchange reserves, they can hardly produce all of the desired results unless coupled with other effective monetary policies. Compounding these problems are continual demands for wage increases and the vicissitudes of an election year.

In brief, there does not seem to be any convincing indication that success is yet in sight in the fight against inflation in Chile.

Colombia

Nineteen-fifty-eight for Colombia will be another year of austerity and, it is hoped, of further recovery from the severe difficulties into which she was led during the Rojas regime. It is generally conceded that the country made notable progress last year in achieving political stability and in introducing sound measures aimed at return of balance to the business community. However, a recent Finance Minister has warned that years of austerity will be required to right the situation.

After incurring a trade deficit in the years 1954 to 1956, a surplus was achieved last year although the net effect was still a balance of payments deficit. With virtually the entire external debt having been refunded, immediate financial pressure has been considerably relieved, but Colombia faces a severe repayment schedule over the next five years. Additionally, the uncertain outlook for coffee, which is the backbone of the economy and from which as much as 90% of export earnings are annually derived, tends to aggravate the nation's difficulties —and lower coffee earnings thus far in 1958 have, in part, been responsible for a weaker peso.

Money and credit have become considerably tightened by the imposition of further controls. These include a 100% advance deposit required on most imports, which now is retained for an additional two months by the Banco de la Republica, and regulations limiting the financing of trade bills by commercial banks. In fact, recent measures have had the effect of virtually freezing the amount of bank credit. These controls have helped to produce the result that —while the monthly average of already declining import registrations in 1957 still amounted to $33 million—there was a further drop to $26.5 million monthly in the last quarter of 1957. In January of this year, registrations were down to as low as $20.5 million. Whether this lower level can be sustained is somewhat doubtful, but the trend is nevertheless quite encouraging.

Inflationary pressures continue to be severe, with the cost of living in the first ten months of last year having increased 22%, compared with an average annual increase of just under 10% for the period 1946 to 1956. Money in circulation has increased 115% in the last five years, including rises of 25% in 1956 and 21% last year. A reduction was achieved last fall, only to have a record high reached at the year-end, attributable presumably to seasonal factors, however, since the total circulation in January of this year declined notably. As against a background of budgetary deficits in 1956 and 1957, a surplus is again doubtful this year although earnest efforts are being made to bring about a balance. Despite these anti-inflationary measures, employment is said to have increased during the second half of last year.

Reflecting — and augmenting— Colombia's difficulties of the past two or three years has been the sharply reduced flow of capital from overseas. In 1957, it was but one-half of that for 1955 and 1956. While investors have regained some of their confidence, they will watch with keen interest the presidential elections set for May, looking for hopeful signs that sound national stewardship will be continued under the new regime.

Cuba

The economy of Cuba would seem to be in relatively sound condition in spite of irritants which are tending to restrain growth temporarily, and one or two trends which warrant continuing attention. Disturbances, essentially of a political nature, have naturally had a dampening influence on business as a whole.

The national debt has increased markedly, rising by more than 500 million pesos, over the past five years, to some 750 million pesos, largely due to Cuba's Economic and Social Development Plan. Bond issues in recent years have increased at an annual rate of 100 million pesos. Nevertheless, only about 10% of the total debt is eternal. The national budget has been kept in balance and, as a matter of fact, showed a 13 million peso surplus last year.

Official gold and foreign exchange reserves last year continued their slow down-trend and December figures were the lowest for any year since 1950. On the other hand, at the equivalent of $441 million, they were second only to Venezuela in Latin America—equal to some nine months of normal imports.

Money in circulation reflects a constant rise but an impressive increase in the physical volume of production over the past decade—plus close ties with the dollar area —have kept price boosts in moderate proportions. In recognition of latent inflationary forces, the National Bank has resorted to orthodox money controls in the form of higher interest rates and increased reserve requirements for the banks. Overall, it would appear that events in the political arena will have, hopefully, only a transient effect on the economy and that Cuba can look forward to a continuation of growth conditions.

Mexico

Mexico continued to move ahead last year and is certainly among the brighter spots in the Latin American picture, with gross national product having increased 7% in 1957 and economic activity remaining on the uptrend this year. One aspect which, however, dulls the luster of Mexico's accomplishments has been the increase in the cost of living which, according to one survey, rose as much as 21% last year. This compares with a fairly moderate average annual increase of about 8% during the period 1946 to 1956.

Stability has been characteristic of Mexico's performance over the past several years, with sound national management being perhaps the factor of greatest underlying strength. The peso has remained stable and the atmosphere is generally one favorable to free enterprise. The confidence thus created has attracted a good flow of foreign investment — to the extent that U. S. direct investment in Mexico now totals $800 million, or nearly double that in 1950. The value of pursuing good fiscal policies, as they help to maintain an attractive investment climate, becomes increasingly evident when measured against lower export prices for cotton and coffee and the fact that Mexico's imports from the U. S. during the first nine months of 1957 were just double her exports, netting a trade deficit of $325 million. This gap is again closed by the inflow of foreign capital and tourism, which continues as an expanding source of foreign exchange earnings.

Mexico's number one problem in 1958 will be the stemming of inflationary pressures, and one evidence of fiscal stability lies in the prospect of a balanced budget again this year, notwithstanding that it calls for a record expenditure of $673 million. While money in circulation increased markedly in 1957—as it has generally over the past decade—the rate of issue has been offset in large part by increases in production. The national election coming up shortly is not expected to disturb the political stability that has prevailed under the present regime.

Peru

The conclusion, I think, to be drawn from the recent experience of Peru is that here we have a country which, for a period of about three years, managed its affairs admirably—being, for an under-developed economy, almost a model of stability and free enterprise—so that, with this good national housekeeping, she has been able to moderate the impact of current difficulties.

The nation's present problem is primarily the result of an unbalanced fiscal situation. Reflecting this, the Peruvian Sol—firm at a rate of 19 to the U. S. dollar for several years—weakened last year to a rate of 22, with indications that it may well settle at this level. While export income of $322 million last year was about the same as for 1956, imports reached a record level of $400 million although $50 million of this did represent imported equipment which might be classified as foreign investment.

Central Bank reserves declined during the calendar year from $42 million to $10.5 million although a slight uptrend was noted toward the year's close. Corrective action has already been instituted, primarily in the form of credit restrictions and the placing of government finances on a sounder footing. To support her reserve position, Peru has arranged for stabilization credits totaling $60 million from the International Monetary Fund, the U. S. Treasury and a group of U. S. commercial banks.

As indicated above, Peru's position has enabled her to meet these problems without an undue distortion of the economy. The fact that Peru has been able to conduct her external trade for several years without the existence of import and exchange controls, while maintaining a stable currency until the recent weakening, has helped create an atmosphere attractive to foreign investors. From 1952 through 1956, U. S. investment jumped from $242 million to $354 million. Furthermore, Peru has been able to diversify her economy, which has also cushioned 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 effect that is intended. The government is planning to raise additional taxes so as to bring the 1958 budget into balance and further tightening in the money market since the turn of the year 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 58%. 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 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 quantity of either.

Never before have governments been subject to so much pressure for higher living standards as they are today. Burgeoning 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 long-term view of these countries when contemplating investments, increasing attention must be given to the extent to which future prospects are being encumbered by the rising weight of debt service on overseas obligations and the rigidity that this injects.

Therefore, an evaluation of the opportunities and the pitfalls places a premium on far-sighted economic planning, sound fiscal policies and good administration. These will take on even greater importance if the present leveling-off period should become at all extended. We all learn with time that there are no "short cuts" in economic advance. There *is* the "shortest *route*"—through the prudent national management to which I have just referred—but we know with respect to fiscal sleight of hand that, sooner or later, the taxpayer pays the price for such expediency.

A strong case can be developed, I think, in support of the contention that the soundest progress has been made where countries have combined good fiscal direction with the creation of a healthy atmosphere encouraging free enterprise.

To Form H. V. Southwood

H. V. Southwood & Co., members of the New York Stock Exchange, will be formed as of May 8 with offices at 15 Broad Street, New York City. Herbert V. Southwood and Gerald J. Coghlan, both members of the Exchange, will be general partners, and Marjory C. Southwood will be limited partner.

James L. Fallon Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edw. L. Bushman, Julius Fabian, Tony R. Grubisich, Robert G. Hansen, Arthur M. Newhard, Leonard G. Pickard, Alfred R. Puddy, James E. Ryan, David L. Schloredt, Ira B. Smith and Joseph Zastro are with James L. Fallon Co., 7805 Sunset Boulevard.

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 mnager of municipal bond investments at Northwestern Mutual Life Insurance Co. in Milwaukee, Wis.

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The Economic Outlook And Its Implications

cators will show further declines in March when these figures become available over the next few weeks. The decline now has been as great, if not greater, than at the low point in either 1948-49 or 1953-54. Furthermore, it is difficult to discern any signs from the economic indicators which usually change earliest that the decline is slowing significantly or that the bottom is likely to be reached soon.

The mainspring of the present contraction in economic activity is the sharp reduction in business spending for new plant and equipment plus the resulting liquidation of inventories, declines in consumer incomes and accompanying cuts in consumer spending. Since the third quarter of 1957, business spending for new plant and equipment has dropped almost 10%. According to the latest Commerce-SEC survey, business plans a further reduction through this year so that such expenditures may be 13% less this year than in 1957. By the fourth quarter of this year, such expenditures will be about 20% below the peak in the third quarter of 1957. It should be noted that such surveys in the past have underestimated the extent of declines in business capital expenditures so that the actual decline could turn out to be greater than now indicated.

On the basis of surveys of business spending plans, new orders, contract awards, and capital appropriations by business, it seems wise to assume that business spending for plant and equipment will continue to fall into the first half of 1959. According to most experts, the cause of this capital goods decline is the appearance of excess capacity in many key industries. This development arises because capacity has been growing faster than aggregate demand in real terms. For example, manufacturing capacity seems to have increased about 10 to 12% between 1955 and 1957, while output rose only 4%, and is now about 8 to 9% below its level at the end of 1955. For the economy as a whole, capacity has probably been increasing by at least 3% per year or more, although total demand in constant prices rose only about 1% per year from the end of 1955 until the third quarter of 1957 and has declined perhaps 4 to 5% since then.

Costs and Liquidity Squeeze

The depressing effect on business investment of this apparent excess capacity has been reenforced by two other factors. Costs of new capital assets have been rising 6 to 8% per year since at least 1955, or about double the rate of rise in final product prices. This, together with rising labor costs and lower rates of operation of capacity, has resulted in profit margins narrowing. Second, business firms have experienced a reduction in liquidity since 1955 at a time when cash requirements have been rising. A sharp fall in corporate profits seems to have taken place since mid-1957 and to be still continuing. On the average, business spending on new plant and equipment cannot be expected to turn up again for six months or more after profits again start to rise.

The current situation therefore differs significantly from that in 1948-49 and in 1953-54. In 1948-49 the contraction was largely a matter of inventory liquidation. Total final purchases continued to rise throughout the recession. In 1953-54, the key factor was a decline in Federal expenditures for national security from an annual rate of $53.5 billion in the second quarter of 1953 to $40.2 billion in the fourth quarter of 1954. In spite of this decline of $14 billion per year in purchases of goods and services for national security purposes, total gross national product fell only about $8 billion by early 1954 and by the fourth quarter the continuing rise in private purchases had pulled gross national product back to the 1953 peak. It is noteworthy that this continued rise in private expenditures was materially aided by the large tax cuts of 1954 which made it possible for disposable personal income to rise almost every quarter of the 1953-54 recession. Furthermore, the monetary authorities followed a policy of aggressively supplying the market with reserves so as to create an ample supply of funds for loans to consumer and business borrowers.

Future Trends

When we turn to future prospects the situation is more mixed. I have already reviewed prospects for business buying of new plant and equipment. These expenditures seem likely to continue to fall through the year by $2 billion per year each quarter so that the annual rate may be $9 to $10 billion lower in the fourth quarter of this year than in the fourth quarter of 1957.

Residential nonfarm construction has leveled off or declined slightly after a rise which began in May or June of last year. Housing starts have fluctuated for several months around the million per year level. However, applications for FHA and VA insured mortgages have risen sharply since December and are expected to rise even more as a result of the recent enacted housing legislation.

Early this year the President, in his Economic Report, placed a good deal of emphasis on the prospective pickup in housing for halting the recession and initiating business recovery. Congress soon became convinced, however, that the actions taken by the Administration last fall in liberalizing FHA mortgage requirements would not be adequate to bring about the hoped-for expansion of housing activity. The 1958 Emergency Housing Legislation, which was initiated and passed in the Congress, was sent to the President on March 21. The legislation provides for (1) substantial reductions in down payments, particularly on low- and medium-priced housing; (2) $1.55 billion of additional authority for FNMA purchases of VA and FHA mortgages, with $1 billion reserved for mortgages not exceeding $13,500; (3) extending the direct loan program of the VA with $150 million additional authorization for each of the next two fiscal years; (4) extending the loan-guaranty program for two years with an interest-rate ceiling of 4¾%; (5) an interest rate ceiling of 4½% for military housing mortgages; and (6) elimination of certain provisions concerning mortgage discounts which proved to be unworkable and have impeded the flow of funds to the mortgage market.

The effects of this legislation, plus the increased mortgage funds becoming available from private sources as demand for funds for financing business investment falls, can have a stimulating effect on housing activity this year. To the extent that housing activity rises, it can stimulate higher expenditures for consumer durables. The real question is whether any foreseeable increases in such construction can bring about a material reversal of the decline in general economic activity. On the basis of housing starts and contract awards up to this time, it seems possible that residential construction put in place will continue the mild decline prevailing since December, 1957, at least through the second quarter. Some experts believe the trend in the second half of the year will depend on the trend on employment and incomes rather than rising independently as in other postwar recessions.

Turning to consumers, the movements in their expenditures in relation to disposable personal incomes indicate a tendency to adjust spending to income changes though with some lag and by a lesser proportion than the change in incomes. This is reflected mainly in reduced purchases of durables but has begun to be reflected in lower spending for nondurables and a slowing up in the rate of rise in spending for services. The 1958 Federal Reserve Board Survey of Consumer Finances (made prior to the housing legislation just discussed) indicates that consumers now plan to purchase fewer houses than in other recent years as well as make fewer purchases of household appliances, furniture, and new cars. One can only conclude that a renewed rise in consumer expenditures will not come until disposable personal incomes begin to rise. This tendency would be in sharp contrast to the strong support to total demand which consumers provided in the previous postwar recessions.

Net foreign investment declined from a peak of $4.1 billion per year in the first quarter of 1957 to $2.0 billion in the fourth quarter. This decline appears to have continued into the first quarter of this year. The President's Economic Report in January expressed an expectation that the decline would continue this year. Nothing has happened since to indicate a change in trend.

Cites Strong Factor

The strong factor in the situation is government expenditures. State and local government expenditures for goods and services continue to rise at a rate of roughly $3 billion per year. Federal outlays picked up in the latter part of 1956, continued upward in the first half of 1957, and then underwent a slight reduction in the third and fourth quarters. Not much change has occurred so far in 1958 in these outlays. However, plans call for higher defense and nondefense outlays later this year so that the annual rate of Federal purchases of goods and services may be $3 billion higher by the fourth quarter of this year.

There remains the question as to possible changes in business inventory policies. In the first quarter, inventory liquidation was proceeding at a rate of $6 billion per year or more in contrast to an accumulation of $3 billion per year in the third quarter of last year. If business firms should move toward stability of inventories, then output could be boosted by $6 billion per year or more by the fourth quarter. Some slowing up in the rate of liquidation seems a reasonable expectation over the next six to nine months, but a shift of policy to no liquidation, or even to renewed accumulation, would seem to require a leveling out of the decline in total sales or even a renewed rise.

Do these prospects taken together point to an early halt to the contraction in total output, employment, and incomes without further action by the government?

No one likes to be "out on a limb" in predicting the future of our huge, complex and ever-changing economy. But we do need to reach a conclusion as to what it is reasonable to assume may happen. Such a reasonable assumption is required as a basis for decision about possible changes in private and public policies. I am confident that the current recession will eventually "bottom out" and that recovery to full employment will occur. But in view of the prospect that the severe capital goods decline may continue into 1959, and that consumer spending on goods, services, and houses will depend upon employment and income changes generated by business and government spending, it would be dangerous to assume that total demand will rise significantly any earlier than the fourth quarter, or perhaps in the first half of 1959. Certainly it would be very risky to base policy decisions on the assumption of an early strong recovery to full employment of labor and capital.

The implication of the preceding analysis is that the Nation must soon choose whether to wait and risk a prolonged, deeper contraction or to proceed vigorously at once with measures to create a climate favorable to an early reversal of business trends and a resumption of economic growth at a high rate of utilization of our productive resources. That the risk involved in a "waiting" policy is considerable can be seen by examining the possible implications for unemployment. Suppose the economy soon "bottoms out" and, by the first quarter of 1959 Gross National Product in constant prices recovers to the peak of the third quarter of 1957. That would be a rapid recovery; yet, unemployment in early 1959 might under these conditions average as much as 6 to 7 million, seasonally adjusted, or an actual unadjusted figure of 6.5 to 7.5 million, compared to 5.2 million this March.

What has the Government done so far and what could it do next?

Government Action

The Joint Economic Committee, in its March 1 report on the President's Economic Report, recommended that monetary action be used without hesitation, and in such degree as the situation required; that a number of government expenditure programs be accelerated; and that if these actions, plus private activities, fall short of bringing about recovery, that tax reduction would then be in order though not called for at the time the report was filed with the Congress. The monetary authorities have acted to create a further easing of credit, and are expected to take further action as the situation seems to require. Many experts would welcome an even more aggressive policy of credit ease.

In regard to the Federal Budget, it is rapidly becoming apparent that the estimates of revenues submitted in the January Budget were based on assumptions of a much milder downturn and a much quicker revival in total economic activity than any economic observer could now expect as even faintly possible. Expenditures are likely to rise more than the January Budget assumed. For reasons of national security rather than aid to economic recovery, defense spending will rise more rapidly than implied in the Budget estimates.

As you may know, the Federal Aid Highway Act of 1956 included provisions which limited expenditures on highway construction and improvement to amounts available in the Highway Trust Fund. Of course, the receipts of this fund will shrink when a decline in economic activity occurs, although this is the very time when road-building activity should increase. Under the inflationary conditions of 1956 and 1957, concern with the topsy-turvy effect of these provisions was largely academic, since restraint on Federal outlays was part of a total anti-inflation program. But under today's conditions, any rule which requires the Federal Government to reduce its expenditures for needed improvements in the Nation's public capital at a time when private economic activity is falling is no longer a matter for theoretical discussion. The Congress has laid on the President's desk a bill which, if promptly put into effect, can add $100 million to road outlays before the end of this calendar year. Moreover, it is not merely a quick one-shot stimulus. It provides an increase in outlays in fiscal 1959, beginning July this year, and authorizes additional appropriations of $900 million for both fiscal 1960 and 1961. It will, therefore, provide strong and continuing support for major sectors of the economy in the years to come.

Another major effort to arrest further economic softening is the emergency extension and liberalization of unemployment compensation benefits. The rapid rise in the rate of exhaustions of insurance benefits while total unemployment is still mounting has made it clear that positive action to extend and liberalize these payments is essential now.

Two bills, H. R. 11326 and H. R. 11327, introduced in the House provide for the Federal Government's continuing unemployment compensation benefits for an additional 16 weeks at an amount equal to 50% of the unemployed worker's weekly wage for a period up to two-thirds of the average State benefit period. These additional benefits would be financed out of the general revenue of the Federal Government, at an estimated cost in the current calendar period of between $800 million and $1 billion.

The Administration has introduced its own bill, H. R. 11679. This bill calls for payment at existing State rates for an additional period equal to one-half of the duration of the individual's benefit period under the State law. The States would be required to reimburse the Federal Treasury either by increasing payroll taxes, by transferring funds from its credit in the unemployment compensation trust fund, or through direct payments out of its own revenues. These bills are now under consideration in the Congress.

Taking all of these actions together, it is estimated that Federal purchases of goods and services may rise by $3 billion per year in the fourth quarter. In addition, transfer payments, such as unemployment payments, etc., should continue to rise, providing additional support to the economy. But, as I have already indicated, it seems unwise to assume that even with these actions the decline will be arrested soon and a strong recovery started in the second half of the year. Under the circumstances, a deficit is in prospect for the current fiscal year ending June 30, and an even larger one in fiscal 1959.

Considers Tax Cut

The remaining question of public economic policy before the Nation is whether to reduce Federal taxes now in order to bring about a rise in disposable income and, hence, a rise in consumer spending which could bring an end to inventory liquidation, thus promoting an early rise in total output and employment. In deciding the issue it is important to keep in mind that State and local tax rates will rise this year and in 1959. Therefore, the total burden of Federal, State, and local taxes combined will rise if Federal taxes remain at present levels.

I cannot forecast whether the Administration or the Congress will reduce taxes this year. Indeed, it would be inappropriate for me to do so. In view of the record of Congress since World War II, however, I do feel confident that, as the economic situation clears in coming weeks, Congress will take appropriate action, taking into consideration both the possibility of a continued rise in unemployment, on the one hand, and the danger of contributing, by present actions, to inflationary pressures later in 1959 or 1960.

I suppose some will view my analysis as pessimistic. It is certainly not so intended. Being a nonpartisan, nonpolitical employee of the Congress, I have no "axe to grind" in the political arena. I have great faith in the American people moreover — in the calm maturity with which they can face the facts of any situation and arrive at reasonable changes in private and public policies to adapt them to changing conditions that continually occur in our ever dynamic and growing economy. We have the ability and resources to increase standards of living by at least one-third over the next decade and still accommodate any increases in Federal, State, and local expenditures that might be required to provide schools, hospitals, roads, water systems, etc., for our growing population and to provide for our national security.

If public and private policies are well coordinated and thought-out, I am confident that the economy can soon be on the road to recovery and to the attainment of the high rate of economic growth that our resources and knowledge make possible. I do not believe that businessmen or consumers are going to lose confidence, or despair of prosperity, simply because the facts about the economic situation are temporarily disappointing.

Rather, I believe that, presented with the facts of the economic situation and given the assurance of vigorous unhesitating action by the government to create a favorable climate, consumers, business, and labor will adopt such policies as will, by restoring our economy quickly to its long-term rapidly-rising growth trend, confound the Communist prophets of the doom of capitalism.

Some fluctuations in economic activity are only natural in a free society. We must recognize that the government cannot guarantee constant, perpetual prosperity for everyone as long as this country holds fast to its ideals of freedom —especially our ideal of a free private competitive economy. Such guarantees are devices we prefer to leave to totalitarian governments which promise everyone a job but exact in return the sacrifice of individual liberty, assigning each to work by coercion.

With Spencer Trask

David G. McMillan has joined the institutional department of Spencer Trask & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

F. I. Newfield Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — F. I. Newfield is engaging in a securities business from offices at 3655 Wilshire Boulevard.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

FAYETTEVILLE, N. C.—William B. Little Jr. has become associated with Harris, Upham & Co. He was formerly with R. S. Dickson & Company.

M. J. Ross Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Louis Cirmell, William N. Devona and Marvin Whitman have been added to the staff of M. J. Ross & Co., Inc., 6505 Wilshire Boulevard.

"What's Ahead for the American Economy?"

By DR. JOHN K. LANGUM*

President, Business Economics, Inc.

Dr. Langum expects troubled months ahead to provide the setting for unusual investment opportunities, and a further decline in interest rates. Sees declining rate of decline in period immediately ahead followed by slow but certain recovery and less inflation in long-run growth outlook.

The months immediately ahead will continue to be a real period of testing of the present American economy under the impact of significant recession. Gross national product and industrial production have already fallen more than in the two previous postwar recessions' unemployment is greater, and the drop in corporate profits is very much greater.

John K. Langum

We face some further decline ahead, extending probably into the third quarter of this year. The impact of the recession will be the dominant circumstances of the next six months rather than the start of an upturn. Nevertheless, the proper word is recession, a decline of the severity and magnitude implied by the word depression is simply outside of the reasonable range of probabilities. Furthermore, we face very much less decline in business activity in the period immediately ahead than in the last few months. I doubt that we shall see any more months in this recession in which the Federal Reserve index of industrial production drops three points on any more quarters ahead in which GNP drops $8 billion.

The chief problems in the months ahead will be those that result from the drop in the level of business activity which has largely happened. Inventory adjustment has been very important in recent months in pushing down production and employment, but more still remains for the future. This is definitely more than an inventory recession, however, and levels of sales and consumption are going down. Business expenditures on plant and equipment have entered upon a substantial decline which will extend into 1959. The consumer area, already weakened by resistance to higher prices and record personal indebtedness repayments, will suffer from the impact of continued unemployment.

Corporate profits, for at least the first three quarters of 1958, will be far below year-ago figures, both generally and in total. This follows from a comparison of even the present level of industrial production with year-ago levels, the substantial inventory profits in 1957 against which comparison is made and the severe effects on net income of intensified price competition. The circumstances of at least three quarters of severely adverse profit comparisons will cause some further diminution in business and investment confidence.

A major drop in demand for funds from business firms as 1958 proceeds will bring about further declines in interest rates. Continuing policies of active ease by the Federal Reserve will also contribute to this result. Substantial Treasury financing, brought about by Federal deficits, will be financed in good part by expansion of bank credit.

The troubled months ahead will be difficult. Nevertheless, they will provide the setting for unusual investment opportunities. For all the anxious politics and different viewpoints, this recession will go down in history as a successful meeting by private action and public policy of the challenge of severe recession. Beyond our present difficulties lies recovery, perhaps slow, but nevertheless certain. Growth over the years ahead, with changed patterns but with less inflation, remains the long-run outlook.

*From a talk by Dr. Langum before the 65th Annual Meeting of The Savings Banks Association of the State of New York, New York City, April 23, 1958.

Chicago Analysts Nominating Committee

CHICAGO, Ill.—The Investment Analysts Society of Chicago has appointed the following Committee on Nominations to draw up a slate for the annual election:

Stanford O. Ege, Duff & Phelps, Chairman; Ed. K. Hardy, Jr., The Illinois Company; Roberg A. Sjostrom, Shearson, Hammill & Co.; Lucian B. Wilkinson, First National Bank of Chicago; and Harold J. Passaneau, Smith, Barney & Co.

Herman H. Petersen, Marshall & Illsley Bank, George L. Struck, The Milwaukee Company, and Walter B. Gerken, Northwestern Mutual Life Insurance Co., have been appointed by the president of the Society for the Milwaukee Chapter.

The Society has also announced that Morehead Patterson, chairman of the board of American Machine & Foundry, will be speaker at the luncheon meeting to be held May 1 in the Adams Room of the Midland Hotel.

Byrd & Company Is Formed in Atlanta

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — W. A. Byrd has formed Byrd & Company to engage in a securities business from offices in the Fulton Federal Building. Mr. Byrd was previously Securities Commissioner of the State of Mississippi.

Powell & Co., Inc., to Be NYSE Member Firm

FAYETTEVILLE, N. C.—As of May 8, Powell & Co., Inc., 120 Anderson Street, will become members of the New York Stock Exchange. Officers are Robert J. Powell, President; Robert J. Powell, Jr., Vice-President and Secretary; and Charles E. Kistler, Vice-President and Treasurer. Mr. Kistler will hold the firm's exchange membership.

A. G. Becker to Elect Officers

CHICAGO, Ill.—A. G. Becker & Co., Inc., 120 South La Salle Street, members of the New York and Midwest Stock Exchanges, on May 8 will appoint William L. Saunders and Harry F. Weber, Jr., Vice-Presidents. Mr. Weber will make his headquarters at the firm's New York office, 60 Broadway.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Despite their blue chip characteristics so far as outright quality is concerned, the bank stocks never did sell at the inordinately high ratios to earnings that we saw in the high grade industrials. Of course, they did not have the growth potential that many industrial top grades did, but today, in a time of decided uncertainty as to the course of the equity markets, the banks have held up far better than the quality issues among the oils, chemicals, etc.

The favorite industrials that, in early 1957, sold at such high price : earnings relationships are still high, relatively, with earnings continuing to decline. During the bull phase price : earnings ratios of 25, or 30, or even 40 times weren't hard to find; but the purchasers of these stocks in the advanced stages of the bull market have seen such stocks as duPont, to use one example, decline 30% or more.

Not so the banks, where the high grade industrials during the rising market kept registering higher price : earnings relationships, the stocks of the large New York City bank saw this ratio decline steadily. The result has been that since mid-1957 when the bear market got under way the price : earnings ratio has been in the process of adjustment to a more reasonable basis, while in the bank stocks the trend toward a low correlation has continued.

In the accompanying tabulation for the banks we have shown the price : earnings ratio for March, 1950, versus that for this year's first quarter date. Also given is the percentage change in the period.

Another important approach is the rate of earnings on book value. And here, too, we use the 1950 and the 1958 first quarter date. Back at the earlier date, with interest rates materially lower than they are now, one of the crying needs, as often expressed by bank officials and analysts, was an adequate return on capital funds, or book value. This factor, the return to the bank on its equity, had been a quite painful statistic as a result of both the depression and the war. In the case of the war it, of course, had to be fought as economically as possible. As to the depression years, the New Deal Administration forced interest rates down, both to try to stimulate the recovery and as a punitive measure against the "wicked" bankers.

Anyhow, it is in the records that two large New York City banks, in the 12 months ended with March, 1950, earned only 4.7% and 4.5% on book. In the same period ended in 1958 these two reported, respectively, 7.8% and 9.8%!

These two important betterments in bank statistics have been given scant heed by the investor. Otherwise bank stocks would in the past few years have been given more investor attention. And it is not the point that the 1958 data is so much better than 1950; but rather that we have had a steady trend—downward since 1950 in the price : earnings ratio; upward on the rate of earnings on capital funds, or book value. It is to be noted here that the expression "earnings" means operating earnings, as otherwise we would become involved in security profits and losses, charge-offs, recoveries, etc., that would distort the time comparison.

	—Price : Earnings Ratio—			—Earned on Book Value—		
12 Mos. Ended Mar. 31—	1950	1958	% Change	1950	1958	% Change
Bankers Trust	15.3	11.5	—25	5.5%	8.9%	+ 62
Bank of New York	15.2	10.3	—32	5.1	10.4	+104
Chase Manhattan	15.8	11.7	—26	5.1	9.3	+ 82
Chemical Corn	16.7	12.7	—24	5.7	8.4	+ 47
Empire Trust	12.4	9.0	—27	6.5	11.1	+ 71
First National City*	13.9	13.2	— 5	6.3	7.9	+ 25
Guaranty Trust	17.5	14.1	—19	4.7	7.8	+ 66
Hanover Bank	15.3	11.5	—25	5.1	9.1	+ 78
Irving Trust	13.5	11.7	—13	5.9	10.6	+ 80
Manufacturers Trust	11.6	10.8	— 7	8.0	9.7	+ 21
J. P. Morgan & Co.	20.0	11.4	—43	4.5	9.8	+118
New York Trust	13.6	13.1	— 4	6.0	8.8	+ 47
U. S. Trust	15.4	12.2	—21	5.6	8.5	+ 52

*Includes City Bank Farmers Trust Co.

The average improvement (i.e., contraction) in the price ; earnings ratio was 21%; and the average increase in the rate of earnings on book value was 66%. We, of course, realize 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

values, and once he decides the project has merit and promise, he will interest these people who can well afford and understand the inherent risks. For these services, the banker may receive a fee payable in cash or perhaps in the company's stock.

Now the outlay of time and expense on such a project is out of all proportion to the compensation. It should likewise be noted that the banker is risking his reputation with important clients of his house when he suggests the purchase of these securities. The banker could make a far more remunerative investment of his time and his money and a less risky one, but if he has reasoned soundly and made a wise appraisal of the company's prospects, he has established a corporate relationship that may last for many years and he has served his clients well.

If the company has shown equal discrimination in selecting its investment banking house, it will have gained sympathetic, able guidance and counsel for its financial affairs. All of this means that a mutually profitable and equitable relationship has been established between the corporation, the investment banking house, and the original investors.

Other Ways to Obtain Capital

To be sure, there *are* other ways by which a relatively small business can obtain equity capital. Stocks of small companies *are* sold to the public, usually at low prices, and at high cost both to the purchaser and to the issuing company. I believe that our California Commission limits gross underwriting fees to 20% of the gross sales price, a generous slice.

Such issues are usually not truly underwritten, but are offered on a "best efforts" basis. This simply means that the broker or dealer offering the stock for sale uses his best efforts to move it. If he can't sell any of it, or can only sell a portion of the issue—that's it. He has no obligation to sell the entire offering, but he is compensated for any portion of the total that he is able to sell. The company that needs $200,000 badly may find that all this salesman can sell is $25,000 worth of its stock, for which he receives $5,000 in commissions. The company, of course, is shy $175,000.

Many of the people who do this sort of business are totally uninterested in the merits of what they offer. All they want is something to sell to a far too gullible public. The salesmen's claims of profits to be made in such enterprises are as fascinating as science fiction . . . their offerings are far more enticing than the drab complexities we are permitted in a prospectus or circular — those documents designed by lawyers for the total confusion and frustration of security buyers.

These houses and their salesmen, I think, bear about the same relationship to investment banking that the "gas given—one day plate service" advertising dentists bear to the dental profession, or that our old friend, Doctor Brinkley, the Kansas goat gland specialist of Del Rio, Texas, bore to the medical profession. I sometimes wonder how those transplants came out.

"Boiler Shop Boys"

Then there is that group of outright crooks . . . the boiler shop boys, who operate by telephone and sell fraudulent securities. It's amazing how readily people part with their savings purely on the basis of a convincing telephone call, particularly ones that come from far-away New York or Canada. As a matter of fact, someone apparently can be found to purchase almost any bit of gaudily engraved or printed paper that ever came from a press.

The story I like best concerns one of these Canadian thieves who told his story so persuasively so many times that he finally put his own savings in the stock he knew was worthless. More stringent regulation has curbed this sort of thing but it has always been with us, and always will be in some degree, as long as men and women are motivated by cupidity and larceny.

The sale of fraudulent securities to a gullible public is not new. Macaulay in his History of England, speaking of the abundant capital available in the last part of the 17th Century, says, in part:

"The natural effect of this state of things was that a crowd of projectors, ingenious and absurd, honest and knavish, employed themselves in devising new schemes for the employment of redundant capital. It was about the same year, 1688, that the word 'stock jobber' was first heard in London. In the short space of four years a crowd of companies, every one of which confidently held out to subscribers the hope of immense gains, sprang into existence. Some of these companies took large mansions and printed their advertisements in gilded letters," —and so on.

One of these early promotions which has always intrigued me is described by Walter Bagehot. It took place at the time of the South Sea bubble about 1720 and was entitled, "For an undertaking which shall in course of time be revealed." Each subscriber was to pay down two guineas and later to receive a share of 100 guineas, together with a disclosure of the object of the project. One thousand subscriptions were paid in the morning with which the promoter absconded in the afternoon.

Unfortunately, some of this sort of thing goes on today. All professions and businesses suffer from a dishonest fringe—quack doctors, shyster lawyers, diploma mills, shoddy manufacturers. Fortunately, we in the securities business have some protection in the securities acts, both Federal and State. It might be kept in mind, however, that the Federal act is a disclosure statute . . . as long as your prospectus or circular is truthful and tells all of the pertinent facts, you will have complied with the law. The Securities and Exchange Commission does not pass on values and let's hope that they never do.

Interesting and colorful as all this is, it is rather aside from our topic, so let's get back to the problems of our small, growing and successful companies.

Most Difficult Area

Companies whose need for equity capital are in the $25,000 to $500,000 bracket present the most difficult problem to the investment banker. For one thing, an investment usually means the purchase of a minority position in a relatively small and unknown company.

The investment banker's source of equity capital is the public and the investing public wants not only growth prospects, but liquidity in its investments . . . an ability to sell the shares purchased, and sell them easily and quickly whenever judgment or necessity dictates that they should be sold. In short, capital likes the agility and flexibility of the market place.

Issues in the $25,000-$500,000 bracket make it mathematically impossible to provide the number of shareholders which would insure a good market for the stock. I have sometimes thought that it might be possible to create a larger investment vehicle which would meet this need . . . one that could commit funds to a large number of small enterprises. It's capitalization would be large enough to command a good market and such a company would have the advantages both of size and of diversity.

Something of this sort has been tried without much success, so perhaps the idea isn't practical—certainly not in any form so far proposed. I believe a bill has been introduced in Congress to establish a government agency with this same purpose . . . a sort of equity bank — further convincing proof that the idea is unsound.

Other Sources of Capital

So much for the problem of raising equity capital for the small firm. If our company wishes to borrow money, it could no doubt do so from its bank or possibly from an insurance company, or if it fails at both of these sources, it might try the Small Business Administration. Up to March, 1958 the Small Business Administration had made some 9,200 loans for a total of $427,244,000 since the agency's establishment in 1953. Of course, the difficulty with loans, whatever their source, is that the lender expects to be repaid and also expects interest. Installment payments and interest are a drain on a small growing company's working capital.

A good many hands are wrung and eyes dampened, particularly in Congress over the plight of small business. I believe that any legitimate promising small business can find needed capital readily through his investment banker, his commercial banker, or through other sources. True, the purse strings won't loosen simply because the request is made . . . there has to be a reason and a good one for investment in the securities of any company, whether it be large or small, but loosen they will and readily if the potential is there and can be shown to exist.

We have become so conditioned to the helping hand that protects us from our own mistaken judgments that we come to think no one should be permitted to fail. Mental discipline became outmoded many years ago. According to the modern educational theory, we should be allowed to follow our inclinations and be shielded from the consequences.

There is no earthly reason why a company should be financed whose sole asset is a wild promotional idea. There is no reason to save the borderline company temporarily with others' money, or save those who create their own financial troubles through a demonstrated inability to manage their own affairs. There is no reason for hard earned savings to alleviate a financial mess caused by living beyond corporate means. If such companies do succeed in obtaining capital from the public, they will find that the price is high because the risk is excessive. An improvident corporation has the same sort of credit trouble as an improvident individual.

Now let's skip a few years in the life of our fledgling company. In these intervening years it has grown, become of age. All of the cash the company can generate has been plowed back into the business, but it's own cash generation does not cover the company's need . . . new equity capital must be found.

So the investment banker and his staff and the company management sit down to discuss the needs of the business, present and prospective. The company has a good past history, a fine management. It has grown, it's future is promising—it is now entitled to ask the public to share in its ownership.

The investment banker studies the figures, the record of sales, the costs, the percentage of sales brought down to earnings before and after taxes, the costs of manufacture, the costs of administration, and he studies these factors for a period of years. He studies the balance sheet . . . what is the net worth? Are there any intangibles? What is the debt? The working capital position, the cash? Does it have stock options—profit sharing? He studies the cash flow, depreciation, depletion, if any. He studies the business, the industry, about which he may be absolutely ignorant at the start. He studies the competition, the markets for the company's products, its methods of distribution, its labor relations. By examining the parts he is trying to comprehend the whole . . . and on this study he will base an informed judgment.

He studies the securities markets, consults with his sales department, and weighs the elements that could make this issue a success or failure. He keeps in mind the future capital needs of the company.

He prepares comparative statistical schedules, showing the prices of stocks of comparable companies in the same industry, the dividends paid, the current earnings and those for past years, the book values, the profit margins, the capital structures . . . all the data needed to arrive at a practical price at which the stock might be sold.

Into all this goes not only study and mathematical computations, but the considered professional opinion of the investment banker, the indefinable feel he has of this company and its securities and the market. This is an opinion distilled from years of experience in catering to the investments needs —and whims—of the public.

Markets go through fashion changes. We have our chemise and trapeze phases, as well as dress salons. When I first entered this business, traction securities were on the wane but popular — few people appreciated the automobile potential, railroads were prime investments and public utilities were considered rather second grade. In more recent years we have gone through a drug phase, a chemical phase, an electronic phase and currently, a missile phase. One of my friends once made an analysis of some 30 electronic stocks. He came to the conclusion that the more complex and incomprehensible the product, the higher the price of the shares.

Now the banker arrives at a decision whether or not this financing is feasible—"a do-able deal" it is called and if so, at what price.

Abiding By SEC Regulations

Assume that agreement is reached. Lawyers are called in for the company and separate lawyers for the investment banker. Accountants go to work and the long laborious and costly work of registration with the Securities & Exchange Commission and State authorities commences. If the amount is under $300,000 the company files a simplified circular, one less complex and costly to prepare. If the amount involved is over $300,000, a more complete and searching document must be prepared. The first is called an "A" filing, the seecond an "S-1." The difference in the amounts registered under these two provisions of the law are something on the order of $15 billion annually, of which perhaps $250 million may represent "A" filings.

Once these papers are filed and usually just prior to the effective date of the registration statement, the company and the underwriter, or underwriters, sign a Purchase agreement with the company. And, if there is more than one underwriter, an agreement known as "The Agreement Among" serves as the contract between the various underwriters. Now everyone is cozily bound to everyone else—for this one deal—and under the conditions stated in the agreement, are obligated to purchase the securities.

This is a vital point to keep in mind—the investment banker, or bankers, purchase the entire issue of securities. On settlement day they give their check to the corporation for the proceeds of the issues . . . the entire amount due, whether or not the securities have been sold. The risk of sale lies with the investment bankers . . . the company gets its money regardless.

Bringing Securities to Market

The investment banker's job now is to sell the securities. If the issue is beyond his own capabilities, or if he wishes to secure wider distribution of the issue, he will invite other investment houses to join in its sale. Each of these houses is an underwriter, each has agreed to be responsible for a designated portion of the issue, each owns a part of it.

The issue is cleared by the Securities and Exchange Commission, the Blue Sky authorities in those States where it is to be sold . . . the distribution process has begun. In order to have a broad and healthy market, the investment banker will distribute the issue as widely as possible—sell to as many different people as he and his associates can. If he has associates in the business, he will keep a constant check to make sure the associates' stock is sold—he will take back unsold shares and re-allocate these to others who have shown greater enthusiasm for the issue. As manager of the account, he will go short some stock . . . over-sell the issue. This short position must be covered and if the issue is successful, covered at a loss but this shortage represents a market cushion which will absorb the first impact of the issue on the securities markets. The short position creates an immediate demand for the stock that has not been well placed by the underwriting group.

The issue is distributed, the company has its check for the proceeds, hundreds or thousands of new shareholders, and a new director. This, however, is not the end of this affair. The investment banker has a continuing obligation to those who purchased the stock and to the issuing corporation—he must keep currently informed about the company's affairs, he must maintain a market in its shares . . . assuming that the initial market is over-the-counter and not a listed one. He maintains this market by continuing to sell the stock to customers and to other dealers after the initial distribution is completed. He is long stock, that is, he buys stock for inventory when more is available than can be readily sold. He is short stock when the demand is greater than the supply. He does the best he can to maintain an orderly market in the shares . . . he continually tries to interest other dealers in the issue, to get them to trade the stock, to sell it to their customers. The more interest he can generate in others, the broader and better the market will be. A good broad market, satisfactory performance of the shares in the market, means that when the company comes to the well again its task of raising new money a second time will be easier. Although I have talked about flotation of a stock issue, the process for the distribution of bonds is essentially the same.

Bringing corporate bonds and stocks to market is one phase and probably the most important phase of the investment banker's role in financing business, but there are others.

Private Placement

Another phase of financing the needs of business is the private placement. This is simply the sale of a large block of stock or an entire issue of common or preferred . . . or more frequently, a note or bond issue with a single investor or a relatively small group of investors, usually insurance companies, pension funds, or other institutional buyers. First of all, the investment bankers know the likely markets for certain classes of securities and they know how to present the company's story. More important than all this, they can more easily negotiate the terms of a loan and the details of placement than the borrower . . . they can make suggestions to the lender or purchaser that the management cannot appropriately make.

Finally, the investment banker can be a useful intermediary in the merger of one company with another.

Quotes Judge Medina

This, then, is investment banking as it exists today. Judge Harold R. Medina, in his opinion in the investment banking anti-trust suit, had this to say in part:

"The present method for issuing and distributing new security issues has its roots in the latter part of the 19th Century. It is the product of a gradual evolution to meet specific economic problems created by demands for capital, which arose as the result of the increasing industrialization of the country and the growth of a widely dispersed investor class. It was born in large part because of, and gradually adapted itself to, conditions and needs which are peculiar to the business of raising capital."

We might add to this comment that the function of our business in a free economy is to see that available capital is wisely used to meet the legitimate needs of government and municipalities and of private industry.

The investment banker relies for his existence on a society which permits the accumulation of capital and creates a demand for capital. Bureaucracy constantly encroaches on free society fixing the prices at which goods or services can be bought or sold . . . a Tennessee Valley Authority . . . a municipally owned garage . . . threaten competitive enterprise and the basis of our civilization in some degree. The battle between government dictation, and freedom to act, to save and to spend, according to one's individual wishes and conscience, is unremitting and constant. Everyone concedes the need for an umpire, but when the umpire displaces the pitcher, that's another matter. The antagonisms between government and free enterprise are not new but as Reynolds Girdler, writing in a recent issue of the Saturday Review, says "are built into every society of which we have had any knowledge." Mr. Girdler goes on to say:

"The businessman, therefore, must reckon as permanent his differences of opinion with the ruling political power. He must accept as permanent the skepticism and hostility of the dramatist, the artist, the poet, the teacher, and often the clergy. He must face the fact that he must take these inherent antagonisms into daily account, even as he does the resistance of the consumer, the bargaining power of his labor, and the economics of transportation as they affect him and his competitors. These manifestations of other institutions are not just bothersome flies that will disappear with a kindly, killing frost—they are permanent forces which figure into his consolidated income account and, curiously, when properly used, can figure profitably in that all-important final summation."

With all its faults, no one need ever apologize for this . . . the capitalist system. After all, no bureaucracy has ever done it quite so well.

Bankers Suggest Program to Meet Small Business Equity Capital Needs

Federal loans to federally and state charted Development Credit Corporations to meet equity capital needs of small business is recommended by American Bankers Association to Senate Banking Committee.

Enactment of a temporary program of Federal Government 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.

Carl M. Flora

Carl M. Flora, Chairman of the A.B.A.'s Credit Policy Commission made the recommendation in testifying April 25 before the Small Business Subcommittee of the Senate Banking and Currency Committee.

"To start an effective program of equity financing for small business as quickly as possible, existing development credit corporations should be used," Mr. Flora said. "Federal legislation should temporarily stimulate the flow of investment funds through existing development credit corporations and encourage the creation of additional development credit corporations where needed."

Temporary Stimulant

Emphasizing that "any government-sponsored program should be intended as a temporary stimulant and supplement to private financial facilities for financing small business." The Association witness who is Vice-President of the First Wisconsin National Bank in Milwaukee, Wis., suggested to the Senate Subcommittee:

"Such development corporations, whether incorporated under State or Federal law, should be eligible to borrow appropriated funds from a presently existing Federal agency which would be designated to institute and maintain the program. The maximum amount of Federal funds which may be on loan to any such development corporation should be limited as follows:

"(a) Subordinated debt (in lieu of purchasing equity shares) not to exceed an amount equal to capital and surplus of the development corporations.

"(b) Unsubordinated debt not to exceed an amount equal to funds provided by banks and other private lenders."

Mr. Flora's testimony was based upon a report of a special committee headed by Kenton R. Cravens, President of the Mercantile Trust Company, St. Louis, Mo., which was approved by the Association's Executive Council on April 22.

"We have been gratified to note that the study of the Board of Governors of the Federal Reserve System confirms the fact that the short- and intermediate-term credit needs of small business are being adequately met by commercial banks and other private lenders," Mr. Flora said.

Commercial Banks Are Restricted

Pointing out that commercial banks generally are not authorized to supply equity funds, he said that the A. B. A. recognizes "a real need at this time to stimulate the availability" of such funds to small business. Among features which should be embodied in the legislation, he cited:

"The development corporation should pay interest to the Federal lender at a rate equal to the prevailing rate on long-term government borrowings, plus a premium of 1% to the extent the premium is earned. These loans should have a maturity of not more than 10 years with renewals limited to an additional 10 years.

"There should be some ceiling on the aggregate amount which may be on loan to various development corporations located in the same state. A limitation of $200,000 for each 100,000 population would appear to be fair and reasonable."

"No Federal funds should be invested in stock, but the use of Federal funds should be limited to the making of loans to development corporations formed or to be formed with private capital."

Federal Reserve to Supervise

"We believe that there is no justification for creating a new Federal bureau to institute and administer the program. Of the existing agencies, the Federal Reserve System is best equipped, in our judgment, to implement such a program and, therefore, we recommend that it be named as the Federal administering agency."

Mr. Flora also proposed "appropriate special tax treatment" under the Internal Revenue Code of both Federally-chartered and State-chartered development corporations and provision for private lenders which makes loans to the corporations to maintain a separate deductible reserve for losses on such loans.

He said the Association believes that the banking industry should participate in such a program "to the greatest extent possible consistent with sound banking practices."

Forest Shipley V.-P. of Marache, Dofflemyre

LOS ANGELES, Calif.—Forest W. Shipley has become associated with Marache, Dofflemyre & Co.,

Forest W. Shipley

210 West Seventh Street, members of the Pacific Coast Stock Exchange, as vice-president. Mr. Shipley was formerly trading manager for Morgan & Co.

Marache, Dofflemyre & Co. has installed a private wire to Greene and Company in New York City.

Mutual Funds Inv. Co.

BILLINGS, Mont. — Mutual Funds Investment Company has been formed with offices at 2801 Glenwood Lane to engage in a securities business. Donald F. Field is a principal of the firm.

Form Stanton-Lewis Co.

HARTFORD, Conn. — Stanton-Lewis and Company has been formed with offices at 742 Asylum Avenue to conduct a securities business. Maurice Stanton is a principal.

Public Utility Securities

By OWEN ELY

Wisconsin Public Service Corporation

Wisconsin Public Service, third largest of the leading Wisconsin utilities (it is only a little smaller than the number two company, Wisconsin Power & Light) is celebrating the 75th anniversary of its incorporation this year. Prior to 1952 the company was a subsidiary of Standard Gas & Electric Company, but in that year the stock was distributed to the public with the exception of a small amount retained by the holding company.

The company supplies electricity to 278 communities (and at wholesale to nine municipalities) in northern Wisconsin and upper Michigan. Gas is distributed in 19 communities. The principal cities served are Green Bay, Sheboygan (gas), Oshkosh, and Wausau. The area is well diversified with farming, dairying, and light industry, which includes paper products, aluminum goods, malt liquor, building supplies, household ware and metal products.

In 1957 electricity provided 80% of revenue, gas 19% and motor-bus and miscellaneous 1%. Residential revenues accounted for 23% of electric gross, rural 19%, commercial 13%, industrial 33% and miscellaneous 12%. Annual residential usage of 3,111 kwh was about in line with the national average.

In 1957 total revenues of $40.5 million showed an increase of 8.8% over 1956, with all divisions of the business participating. Net income showed a gain of about 3% despite several unfavorable factors—rate reductions amounting to about $500,000 effective in February; loss of the use of a 30,000 kw steam generating unit (ten years old) for ten months due to rebuilding; a 10% price increase in the cost of coal; and hydro generation below normal. In addition, daylight saving time became effective for five months of the year for the first time in history, adversely affecting electric consumption.

Generating capacity at the 1956 year-end aggregated 338,046 kw of which 63,296 kw was hydro. The company also has a one-third interest in (and is entitled to one-third the power produced by) the 35,000 kw Wisconsin River Power hydro plant. Steam now accounts for 78% of capacity, hydro 21% (including Wisconsin River) and diesel 1%. In 1957 hydro generation was unfavorably low, accounting for only 14% of total generation and purchases as compared with 34% in 1951 and 19% in 1955. In addition hydro power available from the Hudson River Power Company, has declined nearly 40% since 1951.

Further expansion in the gas business is dependent on additional supplies being obtained. There is a substantial demand for space-heating in the areas now served with natural gas, and about 13% of gas service area is still served with manufactured gas. The company remains on an allocation basis and last fall obtained 2,008 new space-heating permits; saturation at 1957-end was 39%.

The gas supplier, Michigan-Wisconsin Pipe Line Company, in September filed a request to expand its capacity by 15 billion cf a year, this gas being obtainable in a new field in Oklahoma. Proceedings before the FPC are also moving slowly on competing applications of Michigan-Wisconsin Pipe Line and the proposed Midwestern Gas Transmission Company to furnish natural gas to the municipalities in Wisconsin and Michigan now using manufactured gas.

The price of natural gas from the company's supplier has been increased three times in the past three years, from 31.6 cents to 37.5 cents per mcf. The first increase was disallowed by the FPC, but is now in the courts; the remaining two are in effect under bond.

Construction expenditures last year approximated $12 million and in 1958 are estimated at $17 million. Of the latter amount some $8 million will be spent on the 75,000-kw unit at the Pulliam Plant at Green Bay, scheduled for completion late this year, and $1 million to begin construction of a 75,000-kw unit at the Weston Plant, expected to be completed late in 1960.

Financing last year included the sale of $7 million first mortgage bonds and $4.6 million common stock, the latter resulting in a 10% equity dilution. The company expects to raise $12.5 million in the second half of this year, probably through sale of preferred stock and bonds. As of Dec. 31, 1957, capitalization was approximately as follows:

Funded debt	$57,500,000	49%
Preferred stock	16,200,000	14
Common stock equity	44,300,000	37
Total	$118,000,000	100%

The company uses accelerated depreciation, but this is normalized by making an extra charge for accrued depreciation, amounting to about 10 cents a share. This method of handling the tax saving had been ordered by the Wisconsin Public Service Commission. It results in a reduction of the rate base by the amount of tax saving although this would be offset by use of the available cash for plant construction. At present the company has a substantial depreciation reserve amounting to nearly 25% of depreciable property.

The company has been building up the common stock equity in the past decade, from 25.7% in 1948 to over 37% currently, and this has doubtless retarded the increase in share earnings. However, following some irregularity in years before the stock was distributed to the public, these have shown improvement since 1952 when the distribution was made. Earnings have increased from $1.36 in that year to $1.80 last year, based on average shares.

The outlook for future gains in earnings seems dependent in part on the hydro outlook. Unfortunately reservoirs and water levels continued low in Wisconsin, according to the March "Water Sources Review" of the U. S. Geological Survey. Increased supplies of natural gas, when obtained, should be a favorable factor for the gas division.

The common stock has been selling recently on the New York Stock Exchange around 22⅝. Based on the current $1.20 dividend rate the yield is 5.3% compared with 4.4% for the Moody average of electric power stocks. The price-earnings ratio is 12.6 (or 13.5 if earnings are based on outstanding year-end shares) compared with an industry average of 15.2.

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As We See It

could exist, and in fact has not infrequently existed, in the absence of great economic well-being.

We need go no further than World War II years to find such a state of affairs. There was no unemployment, and although we fought and won a war to keep our freedom, no one is likely to regard those years as a period of general economic well-being. In point of fact employment of itself is not an economic goal or should not be. It is the fruit of employment that is important. In anything that approaches economic utopia, employment must be general, but it must be devoted to efficient production of the things which are regarded as the good things of life. Unemployment is likely to be least in the most backward and poorest countries. Yet in 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.

"An Expanding Economy"

"An expanding economy" is another cliche of the day which is taken by and large by most commentators to have some sort of strange magic. An expanding economy? Of course! That is what we have always had, and that is what we shall always have in the future so long as our resources hold out, our population continues to grow—and government takes care not to impede natural progress! One does not need a long memory to recall the early New Deal days when ours was described as a "mature economy." That idea exploded, and some bright New Dealers came up with this "goal" of an expanding economy. It has been a by-word with politicians and economic planners ever since. There is no need to stand on our economic head to promote economic growth; in fact, one of the best ways to prevent growth is such antics as that.

Then there is the all but universal habit of regarding Gross National Product—GNP as it is familiarly called—as an accurate measure of economic well-being and progress. This, of course, is but a highfalutin word for the total output of the people of the country. To suppose that the totality of the output of the nation measures economic well-being is to assume that it makes little or no difference what is being produced—an absurdity on the face of it. GNP was a great deal larger during World War II than it had ever been before, but not very far from half of it consisted of the production of goods and services (fighting bloody battles very often) that that conflict demanded. There was but little increase in the production of goods ordinarily needed and used by individuals and those expenditures required for expansion of the output of the good things of life all but disappeared. We must know much more than merely the totality of output of a people in order to determine the degree of their economic well-being.

Enlarged purchasing power, particularly in the hands of the great rank and file, is another goal commonly sought by the economic managers and planners. Of course, it was long ago realized by thoughtful economic students that purchasing power is but the obverse of production, that the act of producing any good or service automatically created purchasing power wherewith to take it off the market. It is likewise a fact of common knowledge among the matriculate that purchasing power in the hands of any one group in the community must, if used, be distributed throughout the population. Of course, it is of first rate importance that this purchasing power be actually used—and for that reason it is essential that its creation arise from the production of the things consumers want. Here again is a negation of the notion that mere volume of production—without reference to what is being produced—is or can be any measure of economic welfare.

"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 means or its economic relationships and implications. We used to talk about the availability of bank credit and the like. It was then understood that in a well ordered economy where banking facilities were adequate, the very process of production and trade created what is now termed money supply in amounts needed. Not very many now stop to inquire whether there is demand for more credit (or money) than is available. The idea now is that money must be created in such amounts that low interest rates resulting will persuade borrowers to make use of this "purchasing power."

And the way this increase is to be achieved is a blessing to a Treasury which is required (in times of distress) to find billions with which to prime the pump. It is done by the simple means of placing government obligations in the hands of the Federal Reserve, or by reducing reserve requirements of member banks so that pressure builds up for lower interest rates and active effort to find borrowers somewhere in the business world or among consumers. Here again in this modern scheme of things it is of no importance, or at all events but secondary importance, how the borrowed funds are to be employed. The main point is to get them into circulation. It is all very simple for the easy reasoners who take it upon themselves to direct or to manage our economic affairs.

The saddest part of it all is that so few understand that we are being victimized or are victimizing ourselves with this kind of nonsense.

Continued from first page

The Financial Condition Of the United States

Those economies of the world which are having trouble in growing lack one or more of these essentials for growth. The current recession has not significantly altered any of these three basic capacities of our economy.

(1) The capacity of the economy to increase productivity. Observation of the economies of the world shows that capacity to raise productivity depends far more upon the people and their institutions than upon natural resources. Institutions are important because they determine opportunity and security, but most important of all are the qualities of the people — their desire to better themselves, their courage, their spirit of enterprise, and their know-how. In this day and age the kind of know-how that counts most in determining productivity is that of the scientist, the engineer, the business administrator.

Both the number of technicians and the scale of research in the American economy are growing rapidly. An even faster growth would be desirable, particularly in view of the rapid progress of Russia, but know-how in American industry is growing faster today than it has increased in the past. For example, the number of scientists and engineers employed in specialized research more than doubled between 1941 and 1953, increasing from 87,000 in 1941 to 192,000 in 1953, and expenditures by industry on research and development more than doubled between 1953 and 1956.[1] American industry will be spurred in the McGraw-Hill capital expenditures survey just issued (April 18), reports that research spending by industry will increase 14% in 1958 and by 1961 will be three times the level of 1953. American industry will be spurred in the years immediately ahead by the research now in progress.

Research today is an industry—and an industry that is booming right through the recession. The growth of research is broadening the basis for success in business—success depends not only upon the quality of the operating organization and of the equipment, but upon the quality of research. The growing importance of research is leading to the founding of an increasing number of new concerns (most of them of small or of modest size) whose principal assets are the brains of their research staffs and the ability of the concern to attract men with first-rate minds.

American management in the last half century has deveolped methods (especially in cost control and industrial engineering) much admired by visiting productivity teams, but important new improvements in the art of management may be expected. We need and are gradually getting business men who are also scientists and engineers and who are good at working with scientists and engineers. In addition, it is reasonable to expect that special efforts will be made to speed up staff work and to solve the problem of reconciling originality and individuality among managers with good teamwork.

Productivity per manhour apparently had a sensational spurt between 1947 and 1952, increasing by 21.7% in five years. But this spurt was probably more apparent than real and seems to have reflected abnormalities in the figures for 1947.[2] Productivity in 1947 was probably affected by the absorption of a large number of soldiers, but the figures for 1947 may have been affected by statistical errors. In the next five years, from 1952 to 1957, the increase in productivity was much less—12.6%, and in the two years 1955 to 1957, only 2.6%. Labor productivity of agriculture in recent years has risen twice as fast as labor productivity in nonagricultural industries, as the following table shows:[3]

The reasons for the poor record in productivity from 1955 to 1957 are not understood. The fact that the poor showing is made by all branches of industry suggests that it may be attributable to statistical errors. At any rate, the United States is building up rather rapidly a group of technicians who specialize in changing either the products or the processes of industry.

(2) The capacity of the economy to increase the demand for goods. As rising productivity makes goods more abundant, perhaps we shall eventually pause and ask what all this eager striving for more output is for. Up to the present, however, few Americans have asked that basic question. Living standards in this country are highly dynamic. This is not an accident. It reflects the great capacity of changing technology to stimulate demand by making available new goods (bicycles, phonographs, automobiles, telephones, radios, television sets, refrigerators, outboard motors, movie cameras, and scores of others) that people have been eager to incorporate into their standard of consumption. People have done this by spending a more or less constant proportion of their rising per capita incomes on consumption. And technological progress has also stimulated enormous investment spending by developing innumerable new kinds of capital goods. This process will continue on an increasing scale. Keynes, who was the great believer in a chronic deficiency of demand, was led into his error by his failure to grasp the effect of technological research upon the demand both for consumer goods and for capital goods.

Success in increasing the demand for goods depends in part upon the strength of the spirit of enterprise in the community and upon the number of persons who have the optimism and courage to start new concerns. The business birth rate in the American economy is high. The number of business enterprises outside of agriculture has increased from 2,995,000 on Jan. 1, 1947, to 4,182,000 at the beginning of 1955 and to 4,332,000 on June 30, 1957. There were 341,000 business births in 1953, 331,000 in 1954, 380,000 in 1956, and 211,000 in the first half of 1957.[4]

(3) The capacity of the economy to finance expansion. The economy is well supplied with funds to finance the expansion of industry. In spite of the great increases in tax rates on both corporations and individuals, gross private saving in the economy is virtually as large a proportion of the gross national product as it was back in 1929 when tax rates were low. It was 15.0% of the gross national product in 1929 and 14.7% in 1957. Personal saving as a percentage of disposable income has risen in spite of high taxes from 5.0% in 1929 to 7.0% in 1956 and 6.5% in 1957. Gross business saving has had a small drop as a ratio of gross business product from 12.1% in 1929 to 11.3% in 1956.

Though one has heard much about the scarcity of savings in recent years, interest rates have been extraordinarily low. The yield on high grade municipal bonds in 1957, according to Standard & Poor's, was 3.60 in comparison with 4.27% in 1929, and the yield on Aaa bonds, according to Moody, was 3.89 in comparison with 4.73 in 1929.

Business relies much less upon short-term debt for financing its operations than it formerly did. Thus between 1929 and 1957 when the gross privately produced output increased nearly three-fold (from $100.0 billion to $395.5 billion), the loans of all commercial banks increased only a little more than half as fast — 163% (from $35.7 billion to $93.9 billion).[5]

It is of some interest that the cost of small loans ($1,000 to $10,000), as reported in the *"Federal Reserve Bulletin,"* is less in New York City than in 11 southern and western cities. For example,

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1 *Economic Report of the President,* January 1954, p. 163. The research and development expenditures of industry increased from $1,430 million to $3,250 million, and total research and development expenditures for the country as a whole (including government and university expenditures) increased from $4 billion in 1953 to $6.5 billion in 1956. *Statistical Abstract of the United States,* 1957, p. 495.

2 The figures for the gross private product of the economy, when expressed in dollars of constant purchasing power, show considerably less output in 1947 than in 1944 and about the same gross product as in 1945. But non-government employment in 1947 was about 4,800,000 greater than in 1944 and nearly 5,600,000 larger than in 1945. The large drop in output between 1944 and 1947 is not easily reconciled with the substantial rise in employment.

3 *Economic Report of the President,* 1958, p. 107.

4 ***Survey of Current Business,*** April, 1955, p. 15, and January 1958, p. 6. Discontinued businesses were 338,900 in 1956 and 176,000 in the first half of 1957.

5 Both short-term corporate debt and long-term corporate debt have increased much more slowly than sales of corporations:

	Corporate Sales	Corporate Debt Short-term	Corporate Debt Long-term
	(billions)		
1929	$138.6	$41.6	$47.3
1950	431.9	81.9	60.1
1956	605.5	110.9	97.3
1957	----	109.5	106.0

Sales in 1929 were 3.3 times short-term debt; in 1956, 5.5 times short-term debt.

Percentage Increase in Productivity per Manhour Paid for—	1947-52	1952-57	1955-57
All private industry	21.7	12.6	2.6
Agriculture	38.7	32.5	8.3
All private nonagricultural industries	17.5	9.4	1.4
Manufacturing industries only	16.4	13.7	1.1
All private nonagricult'l & nonmanufacturing	18.1	7.6	1.9

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 5.42%. During the period of credit restraint, the spread between small loans ($1,000 to $10,000) and large loans narrowed from 1.5% in 1955 to 1% in 1957.[6]

In spite of the large volume of investment-seeking funds, the view is often expressed that there is a shortage of capital willing to take long chances for the sake of the possibility of large profits. The high business birthrate shows that there are a large number of persons who are willing to start enterprises, and it is common knowledge that many of these persons could use more capital. But the high infant mortality rate among new enterprises shows that a large proportion of business starters have more courage and hope than judgment or skill. Hence, the would-be supplier of venture capital has a difficult problem of choice and he must have a fair proportion of big successes to compensate for his losses. Progress in the art of judging business risks would make feasible increases in investment in new concerns, but, in view of the difficulty of sizing up risks and the high mortality rate among new concerns, the assertion that the new enterprises as a whole are failing in subtantial measure to get the amount of capital which they could put to good use is unproved.

The view is also held that there is a serious shortage of capital available for intermediate term loans to small enterprises—loans too long to be suitable for commercial banks and too small to be made in the open market through banking middlemen. There is some shortage of medium-term loan capital, but there is a greater shortage of attractive risks. These facts are demonstrated by the recent growth of industrial development corporations. Each of the six New England states has an industrial credit corporation. The most striking thing about these six companies is the fact that they have grown only at a moderate rate.

The Massachusetts Business Development Corporation, the largest of the six, made or participated in 99 loans totalling $13,894,500 since 1953. The importance of these loans to various firms and communities is considerable, but the modest growth of the corporation indicates that attractive risks are not numerous and underlines the conclusion that attractive investment opportunities suitable for small, medium-term loans are more scarce than investment funds. In a highly competitive economy, such as the American one, in which profit margins tend to be low, the new concern must have a product of unique merit or it must have unique operating advantages or other special characteristics in order to offer an attractive risk for a development bank.

II

The General Nature and Extent Of the Current Recession

Of the $16 billion drop in the annual rate of gross national product between the third quarter of 1957 (the peak quarter of the boom) and the first quarter of 1958, about $10.5 billion, or 65.6%, is accounted for by a shift from the accumulation of inventories at the rate of $3 billion a year to the liquidation of them at the rate of $7.5 billion a year. Total personal consumption expenditures dropped less than 1%, but outlays for durable consumer goods dropped 10% and investment in business plant and equipment about 5.9%—and plans for future investment had dropped much more.

The drop in output is concentrated in the manufacture of durable goods, both industrial equipment and consumer durables, in mining, in parts of construction, and in transportation. Of the drop of 2,112,000 in non-agricultural wage and salary employment (seasonally adjusted) between August and March, considerably more than half (53.8%) was in durable goods manufacturing — which ordinarily supplies less than one-fifth of the non-farm jobs. In the fields of retail and wholesale trade, government service, and miscellaneous industries, which supply more than half the non-farm wage and salary jobs, the drop in employment between August and March was only one-third as large as in durable goods manufacturing. Although the recession has been concentrated in durable goods manufacturing and related parts of the economy, it has been spreading slowly and has been becoming broader. For example, most of the small drop of employment in trade and in the service and miscellaneous industries has come since December.

The recession is marked by widespread and vigorous efforts of business enterprises and banks to improve their liquidity—to reduce short-term liabilities and to build up short-term assets. This strong passion for liquidity seems to have started last September. Evidence of the pursuit of liquidity is found in the liquidation of inventories for the purpose of passing off short-term liabilities, in the high level of new long-term corporate bond issues, which have the purpose in part of providing funds for the repayment of bank loans, in the reduction of the business loans made by banks which, in the case of the weekly reporting member banks, have fallen by $1,409 million between Dec. 31 and April 2 (in comparison with the rise of $225 million in the same period last year), in the strong preference for short-term securities resulting in a widening spread between short-term and long-term interest rates, and in the reluctance of business concerns to start new projects involving long-term capital expenditures. One reason why an easy money policy is important in a period of recession is that it facilitates and accelerates the achievement of greater liquidity.

Once enterprises have improved their liquidity to their satisfaction, they will undertake many expenditures that they are not now willing to make. The pursuit of liquidity has at times in the past been quite disastrous, producing re-enforcing reductions in disbursements and incomes. An encouraging feature of the current recession is that the pursuit of liquidity has not produced a self-sustaining spiral of contraction. On the contrary, the recession, as I have pointed out, has been characterized by a widening gap between the rate of final sales and the rate of production. At the peak of the boom, in the third quarter of 1957, production was exceeding final sales to individuals, government, industry, and foreigners by about $3.0 billion a year. By the first quarter of 1958, however, final sales were exceeding production by $7.5 billion a year. Between the third quarter of 1957 and the first quarter of 1958, production dropped by about $16 billion a year, but final sales dropped only about one-third as much, or about $5.5 billion a year.

The marked excess of final sales over production has been made possible by the failure of cuts in production to pull down buying of goods by the government or to reduce appreciably the general level of personal incomes, which in March were only 1.7% below the all-time high of last August. In addition, sales appear to have been helped by a small drop in the rate of personal saving between the third quarter of 1957 and the first quarter of 1958.

III

The Causes of the Recession

Proper analysis of the causes of the recession must await a more thorough examination of the existing data than has been possible up to now and the collection of additional data.

One way of looking at the recession is to regard it as a normal adjustment to a slower rate of growth aggravated by some unfortunate outside events such as credit policy, the procurement policies of the defense department, and the failure of most of the 1958 cars to meet the approval of the public. The high level of investment activity attained in 1956 made the economy vulnerable to contraction, since it was natural for enterprises to slow down the increase in their investment spending. It is always true to a considerable extent that the economic activity of today is determined by the economic activity of yesterday. To the extent that this is true, the economy tends to generate cycles. Thus, the adjustment of the economy to a slower rate of growth tends to take the form of a temporary contraction, since a drop in the rate of expansion means an absolute drop in the orders to equipment makers and suppliers of raw materials.

Decisions to cut the current rate of buying of plant and equipment were made in late 1956 and early in 1957. In durable goods manufacturing, which felt the effect of the drop in automobile sales in 1956 and the failure of the sales of durable household goods to increase, appropriations for capital expenditures, according to the quarterly survey of the National Industrial Conference Board and "Newsweek," apparently began to be cut either in the third quarter or the fourth quarter of 1956.[7] In non-durable goods manufacturing, where orders held up better than in the durable goods, the drop in capital goods appropriations began to decline in the second quarter of 1957. The drop in new capital appropriations was accompanied by a drop in new orders of manufacturers. The drop in new orders began in durable goods manufacturing in November, 1956, and in non-durables in January, 1957.

Important to note is the fact that actual outlays on manufacturers' plant and equipment continued to expand long after new appropriations for capital spending started to be cut. In fact, the expansion of spending for business plant and equipment did not reach a peak until the third quarter of 1957 by which time new appropriations for capital spending had dropped in the reporting companies in durable goods manufacturing to less than half the appropriations of the third quarter of 1955 and to nearly 30% below the new appropriations in the third quarter of 1956.[8] The fact that new capital appropriations in durable goods manufacturing began dropping late in 1956 and new orders began dropping early in 1957 is interesting in the light of the testimony of Mr. William McChesney Martin, Jr., before this Committee on last Aug. 15 to the effect that ". . . the inflation spiral . . . seems to have begun about a year ago in the summer of 1956."[9]

Now it is never true that the economic activity of today is completely determined by the economic activity of yesterday. Various "outside" events initiate new responses of consumers and businessmen. The outside events may encourage or discourage expansion. They include the acquisition of new knowledge opening up important investment opportunities, changes in the desires of consumers, the introduction of an immensely popular consumers' good (such as the "new look" in cars in the fall of 1954), the introduction of an important new good that people do not like (such as the weird collection of headlights, fins, tails, wings, etc., that is called an automobile in 1958), or a change in credit policy or in fiscal policy. These outside events may reenforce or dampen the cycles generated by the dependence of today's economic decisions upon yesterday's results.

Three Aggravating Influences in 1957

In 1957, three outside influences (credit policy, Federal fiscal policy, and the failure of the automobile industry to produce cars that met favor with consumers) combined to aggravate the tendency of the economy to react to a slower rate of growth by going into a temporary contraction. Tight credit policy tended to aggravate the tendency of the economy to contract because it retarded growth in new areas which might have offset to some extent the drop of investment in business plant and equipment. For example, overdoing credit restraint undoubtedly retarded the rise in investment in housing — this rise began in the late spring of 1957. A faster rise in housing would have helped offset the plans of business to cut investment in plant and equipment, and, in addition, it would have stimulated the demand for household goods thereby discouraging cutbacks of investment plans by the makers of durable consumer goods.

By late July, 1957, when the second quarter figures on the gross national product became available, it became evident that credit restraint was being overdone. The figures on industrial production, new orders of manufacturers, and unfilled orders had for some months been strongly suggesting that the Federal Reserve was applying the brakes too hard. The figures on gross national production showed a drop in spending on durable consumer goods from an annual rate of $35.9 billion in the first quarter of 1957 to an annual rate of $35 billion in the second quarter. The figures on industrial production in June, which became available about the middle of August, showed no gain in the seasonally adjusted index of output of non-durable manufactures between December, 1956, and June, 1957; a drop in the index of output of durable manufactures from 167 in December to 163 in June; a drop in the index of primary metals production from 145 in December to 132 in June; a drop in the index of output of durable consumer goods from 141 to 129; a drop in the index of output of electrical machinery from 223 to 209. New orders of manufacturers had decreased from a high of $30 billion in November, 1956, to $27.1 billion in June—well below new orders in June, 1956, when new orders were $27.7 billion. Deliveries had been running behind new orders for six successive months, with the result that unfilled orders had fallen from $64.2 billion in December, 1956, to $60.3 billion in June.

In the face of this overwhelming evidence that the economy was not expanding, the Federal Reserve continued to tighten credit and money. The bill rate increased from an average of 3.165% in July to 3.404% in August and to 3.578% in September; the yield of Baa corporate bonds rose from 4.73% in July to 4.82% in August and 4.93% in September. I do not know what tests led the Reserve to continue to tighten credit after production had ceased to expand or had started to decline and after new orders were declining. Apparently, the Reserve was attaching excessive weight to the movement of the price level and insufficient importance to the movement of production and new orders.[10]

By early October it was evident that a recession was beginning, but the Federal Reserve allowed the bill rate in October to rise to 3.591%, and other interest rates rose as well. Even after the Federal Reserve finally acted to relax credit, it moved very slowly. The bill rate in November averaged well above November, 1956, and even in December the bill rate averaged about 3%. Not until the week ending Feb. 12, 1958, when the recession had been in progress for about six months did the volume of Federal Reserve credit exceed the volume of the previous year.

The tendency of the economy to adjust itself to a slower rate of growth by going into a temporary contraction was aggravated by the unfortunate timing of changes in Federal fiscal policies. New defense contracts were cut from about $18 billion in the first half of 1957 to $12 billion in the second half. This cutting of orders seems to have been partly the result of the debt limit aand partly the result of the failure of the Defense Department to keep up to date in deciding what to buy and what not to buy. It postponed much buying in order to re-evaluate its program, and these postponements came just when they aggravated the tendency of the economy to contract.

Finally, a late influence in aggravating the recession has been the failure of most of the 1958 cars to appeal to the public. Although poor automobile sales are partly a result of the recession, the unattractiveness of the 1958 cars appears to be an independent contributing cause of the recession. In spite of the recession, the drop in the buying of houses and most household durables is much less than the drop in the buying of cars.

No Rolling Adjustment

Another way of looking at the recession is to regard it as the result of the failure of new dynamic influences in the economy to develop at the precise time they were needed to replace old dynamic influences that were petering out. This explanation is not inconsistent with the one previously offered, but it has a different emphasis. Whereas the first explanation stressed the dependence of today's decisions upon yesterday's results, the second explanation stresses the looseness of the connections between the ever-changing succession of dynamic influences that keep the economy growing.

The way in which a changing succession of influences produces expansion is illustrated by the period 1954 to 1957. Early in 1954, when slow recovery from the recession began, three principal influences produced expansion. They were a drop in the rate of liquidation of inventories and finally a shift to the accumulation of inventories; a rise in consumption expenditures stimulated

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6 *Federal Reserve Bulletin*, March 1958, p. 323. The rate on small loans was 5.0% in 1955 and 5.5% in 1957; on loans of $200,000 or more, 3.5% in 1955 and 4.5% in 1957.

7 National Industrial Conference Board, *Business Record*, March 1958, pp. 92-93. Because of possible effect of the steel strike upon appropriations, there is some doubt as to whether the drop began in the third quarter or the fourth quarter of 1956, though the evidence on the whole indicates the third quarter.

8 National Industrial Conference Board, *Business Record*, pp. 92-93.

9 *Hearings before the Committee on Finance, United States Senate*, 85th Congress, first session, Part 3, p. 1319.

10 In August 1957, when the Federal Reserve made the blunder of tightening credit instead of relaxing it moderately, the index of wholesale prices other than farm and food prices had scarcely moved since February 1957. The upward movement in wholesale prices was largely a result of the rise in farm prices, and it was the policy of Congress to encourage a rise in the prices of farm products. The consumer price index was rising, but much of this represented the price of food, and the policy of Congress is to encourage rises in the price of food up to so-called "parity." Most of the non-food part of the consumer price index is not sensitive to credit policy.

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The Financial Condition Of the United States

by a drop in the rate of personal saving; and a slow rise in investment housing stimulated by an aggressively easy credit policy. In the early part of 1955 recovery reached its second phase. A falling rate of personal saving ceased to be a stimulant, and investment in inventories became erratic. But the demand for housing continued to grow, and a strong demand for durable consumer goods developed. Both of these last two sources of demand reached their peak either just after or just before the middle of 1955. But about the time these influences for expansion petered out, three new influences for expansion took over. They were growing expenditures by governments for goods and services, business outlays on plant and equipment, and net foreign investment. These three influences sustained further expansion until early in 1957.

The recession may be regarded as a failure of new dynamic influences to develop to take the place of falling outlays on plant and equipment, falling defense orders, and falling net foreign investment. Technological research, though going on at a high rate, was not ready with enough new products or investment opportunities. The electric light and power industry began a rapid expansion, and the housing industry began to grow slowly even in the face of a tight credit policy. Had there been a good rise in non-defense spending by government (say on roads and schools) to offset the drop in defense spending, had an unreasonably low debt limit not been imposed on the government in 1957, and had the 1958 cars been more popular, a new succession of dynamic influences would have kept the economy slowly expanding. The recession must be regarded not as an inevitable result of the internal operation of our economy, but as the result of a mixture of bad luck and of our failure to see the problem in time to do something about it.

Averting Recession

Could the recession have been averted? In the year 1957 we did not understand the situation well enough to take the action needed to avert the recession. Today we know much more than we knew a year ago, but even today we probably do not know enough to avert the sort of recession that hit us last year. Possibly ten years hence we shall have improved our arrangements for checking recessions sufficiently so that we shall then be able to handle the problem which we failed to see last year and which is still beyond our powers to handle.

The difficulty arises from the long lead time in modern industry between decisions to spend and the actual date of spending. As a result of this long lead time, decisions by business to reduce the initiation of new projects may be laying the foundations for future contraction when actual spending it still rising, and when the immediate problem is one of controlling inflation. This was true in late 1956 and early 1957 when the deflationary decisions began to be made in the durable goods industries before the end of 1956 and in the non-durable goods industries early in 1957. The dilemma confronting the policy makers from this situation is how simultaneously to discourage both deflation and inflation — how to discourage *future cutbacks* in spending while discouraging *present increases* in spending. The problem is aggravated by the fact that considerable time is required for the statistics to indicate a trend. Hence, before one really knows that deflationary decisions need to be combatted, the contraction may be imminent.

The effect of credit restraint in a period of boom is probably to aggravate any tendency to postpone the initiation of new projects. This conclusion is not necessarily an argument against the use of credit restraint to force the stretchout of spending on old commitments. It means, however, that special steps need to be taken to offset the bad effects of credit restraint upon future spending plans.

I see no way of simultaneously discouraging present intentions to spend and encouraging future intentions to spend. Hence, when present spending (and incidentally, future spending) is discouraged, measures to *offset* the discouraging effect of credit restraint on future spending are needed. One procedure might be to offset impending cuts in private investment with increased purchases of goods and services by the government. The authorization of these government purchases should not be delayed until recession begins. Since the government (as well as business) requires considerable time before it is ready to make contracts, the time to authorize increased government spending is immediately after the reports show that private industry is reducing the initiation of new projects — no matter how much spending on old projects may still be growing. As a result, authorization for increased government spending may occur in the midst of a boom when the monetary authorities are struggling to control the amount of demand.

IV

The Prospects for Recovery

Four present trends in the economy may be predicted with reasonable certainty. One trend is that government spending will continue to rise, though for some months to come the rise will be moderate. The Federal Government, in particular, has been moving only slowly to increase its spending. A second trend is the liquidation of inventories which will continue for some months longer. It is impossible to judge how far the current drop in inventories will go. In the current recession the drop in inventories will be stimulated by the planned cuts in outlays on plant and equipment. Up to the end of February, the drop in the book value of inventories from August was half as large as the total drop in the recession of 1953-54. In the recession of 1953-54 liquidation of inventories continued for nine months after new orders of manufacturers began rising. But the volume of new orders of manufacturers, according to the latest figures (those of February), has not begun to rise. One may expect, however, some drop from the present exceptionally high rate of inventory liquidation. Liquidation of inventories was high in manufacturing in December, so that February marked the third month of high liquidation of manufacturers' inventories. A third trend is declining expenditures on business plant and equipment. A continued drop in these outlays is indicated by the recent reports of the Department of Commerce and the Securities and Exchange Commission. A fourth trend is a fairly steady rate of investment in housing. The slow rise in investment in housing in the face of general contraction was interrupted in the winter, though spending for housing held up quite satisfactorily. New measures to stimulate housing will probably require several months to take effect.

The principal uncertainty in the economy is what consumers will do about paying their debts and spending their incomes. In the recession of 1953-54, consumers cut their rate of saving substantially and continued slowly to increase the amount of their short-term indebtedness. But today consumers owe far more than they owed several years ago, and in February consumers cut their indebtedness by moderately more than the usual seasonal amount. Decisions of consumers to cut their debts rapidly could be dangerously deflationary. We lack experience to guide judgment concerning the probable behavior of consumers, but the strong long-term upward trend in consumer indebtedness, the plans of consumers to buy more second-hand cars than they purchased last year, and the use of easy credit terms as a selling device give reason to believe that a rapid reduction in consumer indebtedness will be avoided. An encouraging fact is that there appears to have been a moderate drop in the rate of personal saving between the last quarter of 1957 and the first quarter of 1958.

Recovery Prediction

The net result of these several trends will be no great change in the level of economic activity in the next several months. Rising government expenditures and reduction in the rate of liquidation of inventories will tend to pull us up, and falling outlays on plant and equipment and possibly liquidation of short-term consumer indebtedness will tend to pull us down. Spending on housing will not make much difference one way or the other. Recovery will begin slowly when the rise in government spending and the drop in the rate of liquidation of inventories will more than offset the drop in spending on plant and equipment and possibly a slow reduction in short-term consumer indebtedness. It is difficult to judge when this will be, but my guess is that it will occur in the second quarter so that the first quarter of 1958 will mark the low point of the recession. At any rate, in the first phase of recovery the two principal expansive influences will be rising government spending and a declining rate of liquidation of inventories. Personal incomes and personal consumption expenditures will cease to fall.

In the second phase of the recovery, which will probably begin in the latter half of 1958, government spending will continue to grow and liquidation of inventories will give way to accumulation of inventories, but two new expansive influences will develop. Housing will begin to expand, consumers will begin to increase their short-term indebtedness, and personal consumption expenditures will rise slowly. But business spending on plant and equipment will undoubtedly continue to decline—business already made that decision and is not likely to alter it.

Some time in 1959 business outlays on plant and equipment will start to rise. That will mark a third phase in the recovery. A slow rise in spending on plant and equipment is preferable to a rapid rise. It should be understood that the United States does not have the instruments through which to combat a sudden upsurge in buying. For example, after the poor car year of 1958, the automobile makers may come forward with models that meet the people's fancy, and small, economical cars may become the rage. We could have in about 1960 or 1961 a rush to buy cars that would be quite as disturing as the 7.2 million car year of 1955.

When recovery occurs, one may count on its being accompanied for the first year or so by a rapid rise in the productivity of labor. This gain in productivity will retard the absorption of the unemployed. Unemployment in June, when the graduates and school children hit the labor market, will be well in excess of 5½ million. In no months of 1958 will unemployment drop as low as 4 million. If, by the last quarter of the year, we raise the gross national product to $445 billion a year (about $20 billion a year above the rate of the first quarter), and if efficiency in the current year rises by the normal rate of about 2.5% a year, we shall have about 4.4 million people unemployed.

V

How Recovery Can Be Stimulated

What action is indicated by this prospect — particularly the prospect that we shall have more than 4 million unemployed throughout 1958 and probably well into 1959? Unfortunately the failure of the Administration and of Congress to move promptly against the recession last fall or early in the winter increased the danger that we shall try to overstimulate recovery. Let me discuss first the steps that business might well take against the recession and then the steps that government might take. Most discussions of anti-recession policy have neglected the important role that business might play.

(1) Steps that business might take. Business is at all times attempting to enlarge its markets and to sell goods. Hence, the essential contribution that business can make to mitigating the recession is to do better and more vigorously the things that it usually does. But there are three principal aspects of business activity that deserve special emphasis. One is to prepare the way for the introduction of new and more attractive products by clearing out stocks of old products. This means price cutting, but it is price cutting that will have important advantages for the price cutter since it will prepare the ground for expanding the sale of new and better products.

A second step is for business to speed up its efforts to bring out new products or new models of old products. Since years are usually required to develop new products, the amount that can be done to speed the introduction of new products is limited. But in the case of products that are to be introduced late this year or early next year some acceleration may be possible. For example, it may be feasible in the case of some articles to incorporate in 1959 models some features originally planned for 1960 models.

Part of the process of making new models attractive is to surprise the consumer with attractively low prices. The recession is giving many enterprises both the incentive and the opportunity to take stock of their operating methods and to eliminate inefficiencies and wastes. Passing on much of the savings in cost to consumers is likely to be the most effective form of advertising.

At this point let me add a special word on the prices of consumer durable goods. These are the articles that are customarily sold at so-called "administered" prices, and there has been much ill-informed comment to the effect that firms selling at administered prices had increased their prices rather freely and that these increases had been the principal cause of the recent inflation. Nothing could be farther from the truth. The index of the prices of durable commodities (household appliances, furniture and bedding, floor coverings, dinnerware, automobiles, tires, radios and TV sets, durable toys, sporting goods, water heaters) in February, 1958, stood at 110.3 (1947-49 = 100), whereas the consumer price index as a whole was 122.5. Between 1955 and February, 1958, the index of prices of consumer durables rose by just under 5%, whereas the consumer price index as a whole rose by nearly 7%. Sometimes it is said that prices of consumer durables have risen beyond the reach of consumers, but in February, 1958, personal incomes were more than 12% above 1955.

A third principal step that business concerns might take is to review their investment programs for 1958 and 1959. Reports of the Department of Commerce show that investment programs initiated by manufacturers in 1958 will represent expenditures of about $10 billion, or 29% less than programs started in 1957. The rate of $10 billion a year, after correction for the drop in the purchasing power of dollars invested in capital, is the lowest rate of investment in manufacturing in any postwar year—even about 15% below the investment in manufacturing in 1946 when the Gross National Product in physical terms was about one-third less than it is today.

Various factors have influenced the investment programs for 1958. One influence has been the desire for liquidity that I have already mentioned. Another influence has been the widespread illusion that a considerable excess of productive capacity has been created. This view is ill-founded. There are a few industries which grew too fast relative to industry as a whole, but in manufacturing as a whole there has been a very modest rise in capacity during the last several years. The best way to measure the increase in capacity in manufacturing is to compare the change in the seasonally adjusted index of output for two periods of peak production. The following table shows the changes between May, 1953, when output set an all-time record up to then, and December, 1956, when output set a new all-time peak:

	May 1953	December 1956	Percentage Increase	Average Weekly Hours May, 1953	Average Weekly Hours Dec., 1956
Total manufactures	139	149	7.2	40.7	41.0
Durable	156	167	7.1	41.5	41.9
Nondurable	123	130	5.7	39.5	39.7

The hours worked indicate that durable goods manufacturing was operating close to capacity in each of these two months. The percentage increases in output in this period of over two and a half years falls far short of the 3%-a-year rise that is about normal for the economy.[11]

(2) Steps that the government might take. The outstanding issue in government policy toward the recession is whether or not a tax cut would be desirable. But this question has been virtually decided. Congress has not passed a tax cut and it has not squarely faced up to the issue of whether or not a tax cut is desirable. Nevertheless, it has passed a number of measures that will lead to substantial increases in ex-

11 The recent large increases in capital expenditures in America represented rising prices to a greater extent than an increase in real capital. For example, though expenditures on industrial equipment increased by 25.5% between 1953 and 1957, in dollars of constant purchasing power the rise was only 8.9%. So 61% of the increase in expenditures on equipment was pure inflation representing no physical expansion. And while outlays for equipment in terms of constant dollars rose by 8.9%, the labor force increased by 6.5%. And the story of industrial construction is essentially the same—more than two-thirds of the increase in expenditures on industrial construction between 1953 and 1957 was pure inflation and less than one-third represented an expansion of physical plant.

penditures in the fiscal year 1958-59. At the same time, the recession has been cutting the yield of existing taxes. Hence, there is good reason to expect a deficit of at least $5 billion to $6 billion in the cash budget for 1958-59, and the deficit may well rise to $7 or $8 billion. A tax cut would increase the deficit above this amount. Furthermore, a tax cut would not begin to stimulate the economy until about the time that the steps already taken (accelerated placement of contracts and new spending measures passed by Congress) would begin having a pronounced effect.

Government Spending, Deficit and Tax Policies

The economy will undoubtedly need a substantial budget deficit to stimulate expansion next year. The immediate question is whether the economy will need a larger deficit than will be produced by present taxes and present planned expenditures. The prospective deficit will be more than sufficient to offset the drop in the rate of investment in industrial plant and equipment below the all-time high of the third quarter of 1957. It will not be sufficient to produce full employment, but it will be large enough to give the economy all the stimulation it can stand without rapidly pushing up costs and prices. Hence, I believe that the tax cut should be confined, as I shall explain presently, to temporary reductions in excise taxes.

The government has done a remarkably poor job of speeding up its spending on goods and services. Mr. Eisenhower had announced in the middle of February that the Government planned to place $13 billion of major defense procurement contracts in the first half of 1958. At the rate at which procurement contracts were being let in January and February, actual contract placing will fall far short of this goal. Furthermore, actual spending for goods and services by the Federal Government for the first quarter of 1958 was no greater than in the fourth quarter of 1957. It will be anti-inflationary for the Government to spend as much money in the calendar year 1958 as possible, and particularly in the first half of 1958. The reason is that the economy will have more unused capacity during this period than it will have later on.

In addition to stepping up spending in the immediate future as much as possible, moderately large long-term increases in spending should also be planned. The United States is a growing country, with its population rising by about three million a year and with its output growing at a normal rate of around $14 billion a year or more. Such a growing economy needs more and better schools, roads, recreation areas, and projects for the development of its resources. If the economy were to succeed in achieving full capacity operation by the early fall of 1959, the gross national product should be around $470 billion a year, or about $45 billion above the present rate. Certainly a substantial part of this increase of $45 billion in the gross national product should go for much-needed public works of various sorts.

There are two steps for mitigating the recession that deserve specific comment. One step is to provide the states with funds to pay extended unemployment benefits but at the same time to impose higher standards on the states. The imposition of higher standards is quite as important as producing funds for the payment of extended benefits. Unless higher standards are imposed, the states will neglect to improve their unemployment compensation schemes, expecting the Federal Government to bail them out. The higher standards should include a minimum rate of contribution and should raise the ratio of benefit payments to weekly wages. In 1957 the average weekly unemployment benefit paid by the states was only 34.0% of the weekly earnings of factory workers. In 1939 benefits averaged 44.7% of the weekly wage of factory workers.

A second step is to suspend (or at least cut in half) until Oct. 1, 1958, or Nov. 1, 1958, the 10% excise tax on automobiles. This tax cut would diminish rather than aggravate the long-run danger of inflation. The temporary cut would encourage many people to buy 1958 cars rather than to wait for 1959 cars. This would put thousands of idle automobile workers back to work, increase personal incomes and corporate profits, and raise the revenue yielded by personal and corporate income taxes. It would have little or no net effect on the size of the budget deficit in 1958-1959, it would limit slightly the increase in demand for goods in 1959 when demand will be large and rising, and it would increase to some extent the supply of second-hand 1958 cars on sale in 1959 and 1960 when the availability of these second-hand cars would furnish desirable competition for new cars and thus be a useful check on inflation.

Of great help would be a good supply of mortgage money for that would stimulate housing by reducing interest rates. The desire for liquidity has temporarily been limiting the effect of Federal Reserve policy upon long-term interest rates and, therefore, upon the supply of mortgage money. The new reductions in Reserve requirements announced the morning of April 18 may soon produce some effects upon the long-term part of the mortgage market. The gradual achievement of liquidity will eventually increase the supply of long-term money and push down interest rates on mortgages and other long-term obligations. It is important, however, that this effect be achieved promptly because building is sensitive to the cost of mortgage money. If the long-term money market continues to be more or less isolated from the short-term, the Federal Reserve should consider small direct purchases of long-term government securities.

Disagrees With W. McC. Martin

Let me digress briefly to express disagreement with the proposal made by Mr. William McChesney Martin, Jr., before this Committee on Aug. 13, 1957, in which Mr. Martin urged that the Employment Act be amended "by a straightforward explanation and directive to all agencies of the government that anti-inflationary actions are to be taken promptly whenever the cost of living begins to rise."[12] Since the cost of living has been rising right through the recession, such an amending of the Employment Act, had it been in effect, would have forced the Federal Reserve and other government agencies to have been taking anti-inflationary actions right through the recession. The inadequacy of price movements as the sole guide to government economic policies is also illustrated by the experience of last summer, when too much attention to price movements and too little attention to production movements caused the policy of credit restraint to be carried to excess and aggravated the recession.

VI

The Problem of Inflation

An economy which has a great capacity, through large and expanding technological research, to increase the demand for goods and which possesses a powerful trade union movement should not be surprised at finding itself confronted with a more or less chronic problem of inflation. The tendency for demand to outrun productive capacity can be controlled by a policy of credit restraint, though the operation of credit restraint obviously poses many problems. Far less tractable is the problem resulting from the tendency of trade unions to push up wages far faster than the increase in output per manhour. In the period 1947 to 1956, average hourly compensation of employees in non-agricultural industries increased 61.4% while real product per employee hour increased only 26.1%. The excess of the increase in compensation over the increase in productivity averaged over 3% a year. The increase in compensation exceeded the rise in productivity in all but two out of the last nine years.

There is no quick and early solution to the problem of wage-push inflation. The problem can be mitigated to an important extent by inventions and administrative improvements that increase the productivity of labor without raising the demand for capital goods. But these methods can hardly be expected to raise productivity as fast as unions put up wages. So we come face to face with the essential fact that most employers are not strong enough to resist the demand of unions.

The current recession, I think, is making the problem of wage-push inflation slightly more tractable by increasing the opposition of both employers and the public to wage demands that outrun productivity. The recession is stiffening the resistance of employers to excessive wage increases because it is teaching some employers the costliness of agreeing to substantial wage increases far in advance. It is safe to say that the steel industry will long remember the wage increases for 1958 which it agreed to back in 1956. Contracts of two or three years' duration are almost a necessity in modern industry, but the experiences of 1958 will warn employers to go easy in committing themselves to large future wage increases.

More important than the effect of the recession upon the resistance of employers will be its effect upon the attitude of the public toward wage increases. The recession, however, has helped the public see more clearly than ever that rising wages are a principal cause of rising prices. The issue had been confused by the honest belief of many people that rising wages simply reflected a strong demand for goods. But wages have continued to rise throughout the recession in the face of falling demand for labor and goods. Thus the recession has given the public a clearer picture than ever of the responsibility of rising wages for rising prices. The more plainly the public sees the relationship between wages and prices, the more carefully it will appraise the demands of the unions. The public is obviously getting tired of the stiff annual rounds of wage increases that far exceed the contribution of the workers to productivity. An atmosphere is being built up in which employers who take long and costly strikes in an attempt to hold wage increases down to increases in productivity will have strong public support. These changes do not promise an early disappearance of the problem of wage-push inflation, but they give reason for believing that the tendency of wages to outrun productivity will be less in the future than it has been during the last ten years.

12 *Hearings Before the Committee on Finance*, U. S. Senate, 85th Congress, 1st Session, Part 3, p. 1271.

H. A. Riecke Branch

WILKES-BARRE, Pa. — H. A. Riecke & Co. Inc., has opened a branch office in the Miners National Bank Building, under the management of Joseph J. Tannenbaum.

New Order Situation Continues as "Bright" Spot In Business, Say Purchasing Agents

For the second month in a row, purchasing agents report slight improvement in new orders but find recession still has not reached its critical turning point. They note that commodity prices are now moving in normal downward recessionary direction and that efforts to reduce inventories continue.

Purchasing executives report to The National Association of Purchasing Agents that business is coasting and still seeking the critical turning point in the present recession.

According to the composite opinion of purchasing agents who comprise the N.A.P.A. Business Survey Committee, whose Chairman is Chester F. Ogden, Vice-President The Detroit Edison Co., Michigan, the new order situation remains as one of the bright spots. This month there is again a slight improvement from last month's figures. 27% say their position is better, 44% report no change, and 29% tell of decrease.

During the past month, there has been little change in the production figures. 54% say their production is the same, while 30% report decreases, and 16% increases.

It is significant that committee members report prices of more and more of the items they buy are beginning to move downward, in the normal recession direction.

Buyers are still reluctant about making forward commitments and, with nothing in short supply, they will continue to "play it close to the chest."

Unemployment remains as a major problem, particularly in the large manufacturing communities.

Purchasing executives are still not satisfied with their purchased material inventory levels, and strong efforts are being made to reduce them further.

For April, we asked our members to comment on the role vendor-warehousing is playing in keeping their inventories down. Many mentioned that it has been a part of their inventory picture for years and is getting no more consideration now than in the past. As a matter of fact, the consensus of those reporting is that no special attention is being given to this matter now. Those indicating the use of more vendor warehousing equaled those using it less, with most showing it in a normal role.

Commodity Prices

More commodity prices are showing signs of moving in the normal recession direction—down. While major raw material markets have been weak for months, it is only recently that prices of many manufactured industrial items have begun to slide. The magnitude of the drop is small but significant. Most of our members are finding that real competition is reducing prices on many of the items they buy. Only 6%, the smallest number since early 1954, say they are paying more. No change is reported by 71% and reductions are reported by 23%.

Inventories

Further efforts are being made to reduce purchased material inventories — so say our reporting members. A few warn that the inventory reduction program is fine as long as all materials remain in their present, abundantly available, state, but that a scramble for materials could develop if any significant group were to make "buy decisions," depleting present vendor stocks. Overall, only 9% report any inventory increase, 47% no change, and 44% reductions.

Employment

While the general consensus for April again reflects the slightly improved position indicated in March, several critical areas are mentioned by purchasing executives. These seem to be centered in the major manufacturing communities as might be expected. Where 45% still show employment as worse, 9%—the highest number since last November — indicate an improved situation. Reports from some, telling of 12% to 14% of the employables out of work, tend to lend a generally pessimistic note to their business survey reports.

Buying Policy

Not much change is reported in the forward buying practices of purchasing executives this month. "Buying only what's needed" seems to be the most frequent comment.

Per Cent Reporting

	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. 1 Yr.
April					
Production materials	14%	43%	34%	6%	3%
MRO supplies	33%	49%	14%	3%	1%
Capital expenditures	16%	9%	20%	22%	33%
March					
Production materials	10%	41%	38%	9%	2%
MRO supplies	33%	46%	15%	4%	2%
Capital expenditures	11%	10%	18%	20%	41%

Specific Commodity Changes

Price concessions in local areas are resulting in spotty reporting of lower prices on items when there has been no announced price reduction.

On the *up* side are: Raw sugar, electrical equipment, caustic soda, and welding rod.

On the *down* side are: Aluminum, copper, lead, scrap iron and steel, paper containers, coal, residual fuel oil, cotton, paint, and valves.

In *short* supply: As in March, nothing.

Hare's Ltd. Branch

WEST SPRINGFIELD, Mass.—Hare's Ltd. has opened a branch at 193 Cayenne Street under the direction of Norman H. Richards.

Mt. States Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Charles H. Hunley is now with Mountain States Securities Corporation, Denver Club Building.

New Larkin Branch

LITTLE ROCK, Ark.—Larkin Investment Company has opened a branch office at 904 East Third Street under the direction of Sterling W. Bennett.

With First Southern Corp.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Charles C. Williams is now with The First Southern Corporation, 652 Peachtree Street, N. E.

Continued from first page

What Actions Are Justified To Reverse the Recession?

in mind. The Soviet economy has made formidable strides in the first 40 years of the USSR.

The Soviet economy is growing faster than ours.

The Soviet Union, because of its autocratic control over its people, can concentrate its lower productive capacity in those areas of the world struggle which will best serve its objective of world domination.

Finally, we must recognize that economic competition between the Free World and the Communist World may well decide the world conflict.

The position we must take, therefore, is clear.

We are well ahead of the Soviet Union economically today.

But the only way to stay ahead is to move ahead.

We cannot afford to stand still. Our nation's security requires that the American economy produce as efficiently and as abundantly as possible.

In this context let us examine the characteristics of the current economic downturn in the United States and the actions which may be justified to reverse it.

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 great depression, the answer is that the present economic downturn is under no circumstances comparable in character to the depression of the 1930's.

In 1929 literally millions of people were dealing with inflated and imaginary values.

The economy then did not have the cushioning effect of certain social welfare laws and monetary policies which are available today.

We can state this one conclusion categorically. There will be no depression in the United States. This is true both because of the basic strength of our economy and because it is backstopped by the determination of the national Administration to use every proper governmental action to stop a prolonged recession and to help stimulate early resumption of a high rate of economic activity.

Mr. Khrushchev's claim that our economic downturn is proof of the inherent weakness of a free economy is another conclusion which will not stand examination.

A normal economic system, just like a normal human body, does not and should 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 practices corrected.

If these needed changes are made, the system will be stronger at the end of the corrective period than before it began.

In examining the characteristics of the present slowdown we find that it is a result of some normal shifts in the economy, plus some bad habits that got out of hand in recent years.

Let us look at one development which can be characterized as a normal shift.

We emerged from World War II with a great many worn-out plants, too small for our growing population, and obsolete in terms of current technology.

There was a rush to expand and modernize.

As a result, in many cases, capacity has outrun current demand.

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

Such changes as this are normal. They reflect change and growth in a free economy. They give us no cause for concern.

Cost-Price Squeeze and Inflation

But there are factors which contributed to the downswing which stem from evils which should be corrected. If they are not corrected, our economy will not be strong enough to meet the challenge presented by the Communist 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 is a tax on life insurance policies.

It leads to consumer resistance and rebellion.

It would be a mistake to try to stimulate economic activity without also trying to curb inflation. Otherwise, in the action we take to combat our present troubles, we are simply buying more trouble later on.

A related evil is the cost-price squeeze on business. While business profits were relatively good on the whole last year, a disturbing note was that many firms reported higher volume and lower earnings.

There was talk of profitless prosperity.

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

It means that something is radically wrong when, with all of our new plants and processes, costs go up rather than down.

When we examine the reasons for skyrocketing costs, we discover a third major weakness which contributed to 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 persuasive selling and adequate service. We have become a nation of order-takers, rather than salesmen.

The same can be said of our work habits. The current joke about substituting a work break for a coffee break was not just conjured out of thin air.

Wage increases not based on increase in productivity became the rule rather than the exception. Consequently, even with all of our improved plants and modern processes, productivity did not rise as expected, and in some instances even declined.

This brings us then to the problem at hand. What should government policy be with respect to the present recession?

Governmental Program

We should not interfere with normal change. But we must help to correct the evils of inflation, profitless prosperity, and low productivity. The correction of these evils will be a powerful stimulus both for business investment and consumer buying.

We must, however, be vigilant in distinguishing between normal changes and corrections and the spiraling downswing that feeds on itself. If there are substantial signs that a decline may snowball, then government must step in and stimulate the economy.

But normal corrective action is the preferred choice; massive intervention should be used only as a last resort.

Let us examine the actions the government has taken up to this time in the light of these principles.

We have recognized that changes in our economy are inevitable, but that human suffering which may occur as a result of such changes should be alleviated as much as possible.

That is why the Administration has asked the Congress to provide Federal aid to the states in extending the coverage of unemployment compensation where the benefit period has expired.

We have accelerated normal government spending for those things we need, and we have directed that spending where possible into areas where economic dislocation has had its greatest effect.

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

We hope that these actions will be all that will be required to give the economy the help it needs. There are substantial indications that this may be the case.

I realize that there are some traditional economists who contend that under no circumstances should the government do more than it has. They say that we should let the economy go through the wringer if necessary so that it can rid itself of its unhealthy characteristics.

But let us recognize once and for all that the time is past in the United States when the Federal Government can stand by and allow a recession to be prolonged or to deepen into depression without decisive government action.

Since the days of the great depression, the government has developed a vast capacity in many areas to break a slide and to stimulate the economy. We no longer accept the finality of the operation of blindly cruel economic forces where millions would be left without work, without the ability to feed, house and clothe their families.

In addition to the human and economic costs involved in such a situation, there are international costs which almost exceed comprehension.

When the editors from many of the great newspapers abroad visited Washington last week, one of the questions asked most often was whether we were going to have a depression in the United States and what the prospects for recovery were.

Every time the U. S. economy suffers even a slight shock there are reverberations in the economies of free nations throughout the world.

A major or prolonged downturn in the United States would have catastrophic effects on not only our own country but on our friends abroad.

The greatest gainers from such an event would be Mr. Khrushchev and his cohorts in the Kremlin.

This brings us to what further action by the Federal Government might be considered if necessary to stimulate an economic recovery.

Two courses are generally debated—a massive new Federal spending program, and a tax cut.

Prefers Tax Cut to Massive Spending

I believe that there is no question but that the use of massive spending for new Federal activities to combat the current recession should be rejected.

Acceleration of spending on existing programs can have the relatively quick effect the economy needs at this time. But by the time spending on the massive new programs which are being urged as anti-recession measures began to make itself felt, the economy would already be on the way to recovery on its own, and the new spending would only contribute to more inflation.

Another objection to new spending programs is that they would have an inevitable tendency to make government larger and stronger, and private enterprise smaller and weaker. It is significant to note that in the Senate alone nine bills labeled as anti-recession measures call for \$38 billion in new spending over the next five years.

As the President put it very bluntly when I was discussing the problem with him last week, the recession should not be used as an excuse for adopting massive new spending programs of the type that would give little if any stimulation to the economy at this time.

Such programs should be approved only if they meet the test of qualifying as a proper function of the Federal Government.

We must also be on guard against what appear to be relatively small new programs, because by nibbling away we will eventually find we have ballooned our way into a massive spending program. That is why the President's veto of the pork barrel rivers and harbors bill was justified, and why similar bills of that type should receive the same treatment. A spending binge now can only lead to a hangover of debt and inflation later.

This leaves us with the other alternative—the tax cut.

As I have stated previously, I believe that, if further action should be required to stop the downturn and stimulate an upturn, a tax cut, rather than spending, is the fastest, the best, and surest method to accomplish this result.

However, a tax cut will not do the job unless it is the right kind. It must be designed to put money in the hands of investors and job creators, as well as consumers.

It will not do the job if it is used simply to provide a popular political hand-out in an election year. It can succeed in its purpose only if it is designed to stimulate more production and more jobs for the American people.

In considering what further action the government should properly take to stimulate the economy, we must bear in mind some fundamental principles:

If the economy can come through the present downturn without additional massive government intervention on either the tax front or the spending front, this would be desirable because of the inevitable deficit that either of such actions would bring.

Our objective must be for our economy to be stronger when it comes out of the present situation than when it went in.

Too great a reliance on the crutch of government support will leave the economy with the same weaknesses at the end of the recession as it had at the beginning.

We must not act in a way which appears to solve our present problem but which undermines our future growth.

There is too much of a tendency in some business quarters to say let the government bail out the economy.

Business Responsibility

Government can help but the primary responsibility for recovery must be assumed by American business and labor, and the other vital forces which make up the private sector of the American economy. As Dr. Arthur Burns said in Chicago last month, "There is nothing wrong with our economy that could not be corrected by vigorous business enterprise."

What is the responsibility of business in the present situation?

We have heard a great deal of talk lately in which the American people are urged to buy. This is sound, but a necessary counterpart for such a program is that American business must recognize that this is a buyer's market and act accordingly. New products, increased advertising, lower prices can have a dramatic effect on consumer psychology.

In this connection, I was interested to note that several publishers to whom I talked in Washington observed that their national advertising was down as much as 40% in the first quarter, while their local advertising has held up reasonably well.

I can think of no more shortsighted action than this on the part of national advertisers. The very people who have most at stake in the survival of our free economy should be betting on its growth rather than hedging on its possible failure.

America's labor leaders also have a great responsibility in the present situation.

The labor leader has a responsibility to fight for the best interests of labor union members.

Obviously union members would like to have higher wages.

But they also want jobs.

When higher costs price their product out of the market, they are out of a job.

Wage increases which are not based on increased productivity mean higher prices, lower sales, and fewer jobs for union members.

A round of this type of wage increases would inevitably have a depressing effect on the economy at this time.

The restraint I ask is in no sense anti-union.

Traditional Wage Policies

On the contrary, what we need is a return to the wage policies that have been traditional in the American labor movement. The pattern of spectacular competitive wage increases leading inevitably to higher prices is relatively new in American labor. It arose after 1946 because of special postwar conditions.

It is time to return now to the healthier, sounder approach which made American labor the greatest trade union movement in the world.

Let us return now to our basic premise.

The American economy is sound.

The practices which are bad should be corrected.

The government stands by to cushion a downturn and to stimulate an upturn but always with the primary responsibility for maintaining the sound dollar which is the only foundation on which real economic progress can be based.

I would not want to conclude my remarks without a word of faith.

We hear much today of the great strength of the Soviet Union. I have never been one to discount this strength. It would be fatal to underestimate it. But in recognizing the threat of the Communist revolution, let us not forget the promise of the American revolution.

Those who have doubts as to the dynamic strength of the American revolution need only look beyond our great accomplishments in the past to some of the new economic frontiers we have before us.

Economic Goals

It has been estimated that in the next 10 years America needs to spend:

Twenty billion dollars for electric power.

Twenty-two billion dollars for hospitals.

Thirty-one billion dollars for public and private schools.

The almost astronomical amount of \$250 billion for residential and non-residential construction and urban renewal.

To meet these domestic needs, together with the increasing costs of our programs for national security, we should set as our goal not the present rate of growth of our economy of 3% but the higher rate of 5% recommended by the

Rockefeller Report. This would project an increase in our gross national product from $434 billion today to $707 billion in 1967.

This goal to some may seem unrealistic.

It will never be achieved if we adopt a stand pat, *status quo* attitude toward our economy.

It will never be attained if we wrap it in a socialistic strait jacket.

It will be achieved if we face the future with vision, determined to tap all of the great resources which are at our disposal.

Government must play a substantial part in achieving these goals.

Our tax system must be revised so that it will encourage rather than curb new initiative, ingenuity, enterprise and energy.

Small business must be encouraged and stimulated so that it can continue its invaluable service of 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 and employment because of their minority position.

We must follow the President's leadership in developing a new program for agriculture rather than adopting the unworkable political approach of freezing America's farmers in an obsolete rigid system which can only lead to a dreary cycle of surpluses, controls and depressed farm income.

We must have vision to develop an enlightened and far-reaching program for foreign trade if we are to have adequate markets for the increasing production of our growing economy.

Governmental and Private Role

But recognizing as we do that the government has its part to play, we must never forget one fundamental principle: What distinguishes the American revolution from the Communist revolution is that we believe the most productive source of national progress is private rather than government enterprise.

All of our government policies must, therefore, be designed to encourage and stimulate individual Americans to make their maximum contributions to the realization of the nation's potential. This can be done only in a climate of freedom of enterprise.

We have no doubt whatever as to the soundness and resiliency of our free enterprise system. As in the past, we expect to come out of the present recession with a stronger and more robust economy which will exceed in production the historic records made during the past five years.

Our answer to Mr. Khrushchev then is that we accept his challenge for economic competition, confident of the outcome where free men are pitted against slaves.

But in the great tradition of our own American Revolution, we hasten to add that the American dream is not to conquer the world but to defend the right of any people to be independent of foreign domination; not to enslave men but to free them.

We challenge the Communist World to compete not only in the economic sphere but in justice, in mercy, in kindliness, in respect for the things of the spirit, in real concern for the welfare of the poor and the unfortunate of the earth.

We offer total peaceful competition with supreme faith and confidence that we shall win.

Joins Ideal Securities Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Leamon Resler has joined the staff of Ideal Securities Company, U. S. National Bank Building.

Midwest Stk. Exchange Receives Nominations

CHICAGO, Ill.—Arthur C. Allyn, partner of A. C. Allyn & Co., Chicago, was renominated for the

A. C. Allyn

Clemens E. Gunn

office of Chairman of the Board of the Midwest Stock Exchange, it was been announced by E. Cummings Parker, Vice-Chairman of the Nominating Committee.

It was also announced that Clemens E. Gunn, Vice-President of Cunningham, Gunn & Carey, Inc., Cleveland, was nominated for the office of Vice-Chairman, to serve one year, succeeding Frederic P. Barnes, partner of H. O. Peet & Co., Kansas City, Mo., who has served for the past two years.

Nominations to the Board of Governors are: Chancellor Dougall, Floor broker; Norman Freehling, partner of Freehling, Meyerhoff & Co., and Arthur C. Sacco, partner of Webster, Marsh & Co. James W. Pope, partner of Glore, Forgan & Co., was renominated to a second term.

New members of the Board from other cities are: Charles F. Ford, partner of A. G. Edwards & Sons, St. Louis; Benjamin M. Storey, Vice-President of Kalman & Co., Inc., St. Paul; and Claude F. Turben, Vice-President of Merrill, Turben & Co., Cleveland. Clarence A. Horn, Vice-President of First of Michigan Corp., Detroit, was renominated to a second term. Leslie B. Schwinn, partner of L. B. Schwinn & Co., Cleveland, was renominated to serve a two-year term.

George F. Noyes, Vice-President of The Illinois Co. Inc., Chicago, was nominated Chairman of the 1959 Nominating Committee, with the following named as members of the Committee: John H. Crago, Smith, Moore & Co., St. Louis; Charles L. Grandin, Jr., Piper, Jaffray & Hopwood, Minneapolis; George E. Hachtmann, Floor broker, Chicago; Gilbert H. Osgood, Blunt Ellis & Simmons, Chicago; Fred D. Sadler, Floor broker, Chicago; Herman J. Sheedy, McDonald & Co., Cleveland; and Edwin T. Wood, Floor broker, Chicago.

The annual election of the Exchange will be held Monday, June 2, 1958.

Joins Overton Staff

(Special to THE FINANCIAL CHRONICLE)

CORONADO, Calif. — Mrs. Jue L. Kern has joined the staff of J. A. Overton & Co., 1134 Orange Avenue. Mrs. Kern was formerly with King Merritt & Co. and H. L. Jamieson & Co.

Gooding With Stern, Frank

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles M. Goodin has become affiliated with Stern, Frank, Meyer & Fox, 325 West Eighth Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Gooding was formerly with William R. Staats & Co. and prior thereto was Manager of the statistical department for M. H. Lewis & Co.

With Malibu Inv. Corp.

(Special to THE FINANCIAL CHRONICLE)

MALIBU, Calif.—Nola L. Angell has become affiliated with Malibu Investment Corp., 23656 Pacific Coast Highway.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

After a sizable and sharp upturn, prices of Government issues have eased due to a combination of causes. Among the more important reasons are profit taking, switching from Treasuries into corporates and tax exempt obligations, as well as the shifting of funds from American Government securities into those of foreign Governments because of the higher rate of return obtainable in the latter issues. It has been evident that the Government market was vulnerable to a set-back because the fast upturn which took place in quotations of these securities. Nonetheless, the climate is still favorable for the money market, and even though future money easing action of the monetary authorities will probably be slower and not as concentrated as it has been, there will be further constructive monetary developments along these same lines until the recession has run its course. According to some money market specialists this will be well in the future.

It appears to be the opinion of not a few in the money market that another cut will be made in the not distant future in the reserve balances of the New York City and Chicago member banks.

Gold Outflow Deemed Insignificant

The outflow of gold from this country since the first of the year has amounted to $729 million and this outflow has been going on at an accelerated rate of late, but it is of no apparent concern to most money market specialists. It is evident from available data that funds (mainly gold) are being shifted from the United States to European countries, largely Britain, Belgium and Holland, in order to replenish central banks gold reserves. Then, too, the sharp decrease in interest rate in this country has made it profitable for foreigners to take home funds for investment over there. Some of these monies are being taken out in the form of gold. The decrease in gold stock which has taken place so far in the United States, and is likely to take place in the future, is not expected to reach important proportions. Also, the very sizable gold hoard held by the Central Banks in this country is much more than ample to take care of future gold outflows without effecting the money market or the reserve ratios of the Federal Reserve Banks in any appreciably way.

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 1930's, has resulted in gold being taken from the United States. Despite the recession in business here, there are no opinions around yet that the price of gold will have to be increased in order to reverse the decline. The fear in this country of the future appears to be one of inflation and the flames of inflation would be further fanned by the drafts which would develop from an increase in the price of gold.

Federal Reserve Wary of Tax Cut Proposals

The Federal Reserve Board, after a rather slow start, has pulled out a good many of the "stops" in its efforts recently to lend help to the sagging economy. It had been rumored 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 along monetary lines in order to forestall more drastic measures which would probably come through Congressional action.

Among the measures which the powers that be are still supposed to be very much in favor of preventing from gaining too much momentum are important support for a sizable cut in income taxes and support for a sizable public works program. It is evident that the monetary authorities believe that tax cuts and large Government deficits will result in the forces of inflation taking over again. This they do not want to have happen, because they evidently feel that more damage can be done in the long run by inflation than by deflation.

The fast action by the monetary authorities, or late, which resulted in successive reductions in reserve requirements and the lowest discount rate since 1955, has had a favorable influence on the money market and the market for all fixed income bearing obligations. It has also brought down the cost of borrowing, since the prime rate has been reduced from 4% to 3½% by the large commercial banks. This decrease in the prime bank rate has likewise reduced the cost of obtaining all other classes of credit.

Loan Demand Continues Low

Money and credit are plentiful and the cost of borrowing has also gone down but at the same time the demand for loanable funds is also on the wane. This means that bank funds will have to be seeking an outlet in a larger way via investments. In spite of the recent sharp increase in the supply of credit and lower interest rates, which indicates a good part of the recession money easing program is behind us, the opinions are still very strong that there will be more favorable money market conditions with the passing of time, either by way of a repetition of what has already happened or more aggressive open market operations by the powers that be.

It is reported that institutional investors, aside from commercial banks, who have been important buyers of short-term Government securities, are now turning more and more to not too long taxfree issues of the use of these funds.

H. Carl Aiken Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — David L. Terry has been added to the staff of H. Carl Aiken, 1545 Glenarm Place.

With Copley & Co.

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo. — Jack H. Lovelett is now with Copley and Company, Independence Building.

Morgan Stanley-Drexel Group Offers Phila. Electric Co. Bonds

Morgan Stanley & Co. and Drexel & Co. jointly headed an underwriting group comprising 32 investment firms which offered for public sale yesterday (April 30) a new issue of $40,000,000 Philadelphia Electric Co. first and refunding mortgage bonds, 3¾% series due 1988, priced at 99.75% and accrued interest to yield approximately 3.76% to maturity. The issue was awarded to the group at competitive sale yesterday on its bid of 99.10%.

The utility company will use a portion of the net proceeds from the sale to repay bank loans obtained for the interim financing of construction, of which $23,000,000 were outstanding at March 31, 1958. The balance will be used in connection with current and projected construction work which will require expenditures of about $134,000,000 in 1958, $112,000,000 in 1959 and $86,000,000 in 1960.

The new bonds will be redeemable at 105% to and including April 30, 1959 and thereafter at prices decreasing to the principal amount on and after May 1, 1987.

Philadelphia Electric primarily supplies electric service in southeastern Pennsylvania, including Philadelphia, and gas service in the same territory, excluding Philadelphia. Three subsidiaries of the company own and operate the Conowingo Hydro-Electric Project and one distribution subsidiary provides electricity in northeastern Maryland. The territory served covers 2,340 square miles with a population of about 3,600,000 in the electric service area and 1,300,000 in the gas service area. For the year 1957 approximately 84% of operating revenues was derived from electric operations; 14% from gas and 2% from steam.

For the 12 months ended Feb. 28, 1958 the company reported total operating revenues of $238,777,000 and gross income before income deductions of $46,930,000.

Joins Witter Staff

(Special to THE FINANCIAL CHRONICLE)

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

Railroad Securities

Florida East Coast Railway

Florida East Coast Railway, after one of the longest bankruptcies of any of the major carriers in the nation, now may have an opportunity of leaving Federal Court jurisdiction.

Last week an Interstate Commerce Commission examiner finally issued a report which would give control of the road to the St. Joe Paper Co., which is owned by the A. I. DuPont Estate. Atlantic Coast Line Railroad in a number of actions before the Commission and the Courts sought control of the road which it contacts with Jacksonville, Fla., and runs through service along the East Coast of Florida.

Southern Railway and Seaboard Air Line also sought to acquire control of the F. E. C. Under the examiner's proposal the road will be reorganized as an independent railroad.

Under the terms of the recommended plan as proposed by the I. C. C. examiner, the new railroad would have a total capitalization consisting of $53 million of debt and $36 million of common stock. The latter would comprise 1,440,000 shares with a stated value of $25 a share. The stock would be placed in a five-year voting trust for the purpose of protecting the minority holders of the first and refunding bonds against possible domination of the majority interests represented by the St. Joe Paper Co. In determining the maximum allowable capitalization, the road's future funds available for fixed charges and Federal taxes were estimated at $5 million.

Under the terms of the plan, the $7,140,000 publicly held First 4½s, 1959, would be paid off in cash. Each $1,000 principal amount of first and refunding 5s—with interest unpaid from Sept. 1, 1941—would receive $500 of new first 4½s, $500 convertible income 5s, 32 common shares of common stock and a pro rata share of excess cash. The latter might amount to as much as $20 per $1,000 bond on the basis of recent balance sheet reports. Of course, the old common stock and unsecured creditors would be eliminated under the proposal.

Continued from page 2

The Security I Like Best

port facilities for the jet age. New uses are constantly found for cement.

The five-year record of growth of Keystone Portland Cement Co. has been consistent. The following tabulation covers the period of public ownership of the company.

Year End. Dec. 31	Sales	Net Per Share	Dividend Paid
1957	$12,262,914	$3.87	$2.00
1956	12,676,442	3.97	1.85
1955	10,085,723	2.44	1.45
1954	9,740,547	2.16	1.33
1953	9,694,709	1.48	0.87½

The company is in a strong financial position. On Dec. 31, 1957, current assets were in excess of $2,653,000, while current liabilities were only $746,608 and earned surplus was $4,713,231. On Dec. 31, 1957, current ratio was 3.56 to 1.

Keystone Portland Cement common is currently paying a $2 annual dividend—40 cents quarterly and a 40-cent year end extra. With a payout of only 51%, dividends are at a conservative rate.

The favorable decision, on Oct. 18, 1957, in the suit brought by Dragon Cement and other companies, against the Tax Department, to allow percentage depreciation allowances on all manufacturing processes in the cement industry, has resulted in claims being filed by Keystone for recovery of back taxes amounting to $1,486,000 covering the years 1951 to 1955. The net income of $2,110,449 or $3.87 per share for 1957, included a tax reduction of approximately $392,000 and 1956 earnings have been restated to show the tax refund of approximately $394,000. With the further recovery of tax refunds for the years 1951 to 1955, working capital will benefit to the extent of $2.72 a share.

A comparison of Keystone with four of the largest publicly owned cement companies, shows why I believe that Keystone is *the* attractive stock in the cement industry.

Company & Recent Price	1957 Div. Paid	Div. Yield	% of Payout of 1957 Earns.	Net Earnings 1957	Net Earnings 1956
General Portland (61)	$2.30	3.77%	68%	*$3.36	*$4.58
Lone Star (32)	1.10	3.43%	54%	2.03	2.60
Lehigh Portland (32)	1.00	3.06%	46%	2.13	3.45
Ideal (62)	2.00	3.23%	77%	4.15	4.32
Keystone Portland (34)	2.00	5.88%	51%	3.87	3.97

* Before percentage depletion credits.

The first quarter of any year for cement companies operating in the northern part of the country is always the poorest quarter of the year. The exceptionally severe weather during the first three months of 1958 will necessarily result in a lower sales and net for Keystone, but against this, the fact that the company will be free of a strike in the month of July this year, gives promise of offsetting the poor winter quarter and results for the full year are expected to compare favorably with 1957. With the additional benefits of government appropriations and accelerated home starts, 1958 could well exceed present estimates of a net close to 1957.

These recent newspaper headlines foretell success for the cement industry . . .

"President signs bill for $1.8 billion for immediate road construction."

"41,000 miles of super highway to be built over the next 13 to 16 years, under the Federal Highway Act."

"President signs housing bill for $1,850,000,000, expected to start two million homes this year."

"Senate passes bill to lend $1 billion to municipalities for public works."

Certainly with such enormous appropriations by the government, the market for cement is assured. I believe that with Keystone Portland Cement common available to yield approximately 5⅞% on the investment, it is an extremely attractive stock. It offers an excellent outlook for the next several years with defensive characteristics in the interim.

Bond Club Field Day To Be Held June 6

The annual Field Day of The Bond Club of New York will be held this year on Friday, June 6, it was announced by Sumner B. Emerson of Morgan Stanley & Co., President of the club. This year's event will be the 34th outing for the Bond Club and will take place at The Sleepy Hollow Country Club, Scarborough, N. Y.

Avery Rockefeller, Jr., of Dominick & Dominick has been named Field Day Chairman this year. He will be assisted by four General Chairmen—Gustave A. Alexisson of Granbery, Marache & Co.; Robert H. B. Baldwin of Morgan Stanley & Co.; Maitland T. Ijams of W. C. Langley & Co., and William H. Todd, II of Kuhn, Loeb & Co.

Thirteen committees have been appointed to supervise the sports, entertainment and other activities at the outing. Heading these committees are the following Chairmen: Attendance — William M. Cahn, Jr. of Henry Herrman & Co.; Arrangements—Lee Prather Stack, Jr. of Bankers Trust Co.; Bawl Street Journal—George J. Gillies of A. C. Allyn & Co., Inc.; Bawl Street Journal Circulation—Evans G. Morgan of The Hanover Bank; Entertainment—Edward B. de Selding of Spencer Trask & Co.; Food and Beverage—Howard B. Dean of Harris, Upham & Co.; Golf — H. Lawrence Parker of Morgan Stanley & Co.; Horseshoe—Robert A. W. Brauns of McDonnell & Co.; Publicity—William H. Long, Jr. of Doremus & Co.; Special Features—Robert F. Seebeck of Hemphill, Noyes & Co.; Stock Exchange—Allen J. Nix of Riter & Co.; Tennis—Philip D. Baker of White, Weld & Co.; Trophy — James F. Burns, III of Blyth & Co., Inc.

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

A group of underwriters headed by Blyth & Co., Inc. offered publicly yesterday (April 30) 300,000 shares of common stock ($7.50 par value) of Portland General Electric Co. at a price of $24.25 per share.

The proceeds from this sale, together with those from the private sale of $15,000,000 of 5% sinking fund debentures, will be used to repay loans obtained from temporary financing of the company's construction program and for construction purposes.

Portland General Electric supplies electric service to approximately 40% of the population of Oregon. Included in the service area are the cities of Portland and Salem.

In 1957, total operating revenues were $36,354,000, compared with $34,510,000 in 1956. Net income increased to $5,769,000 in 1957 from $5,192,000 in 1956, amounting to $1.75 per share as against $1.73 per share in 1956.

The current annual dividend rate on the common stock is $1.20 per share, of which approximately 60% is expected to be tax-free in 1958.

With McDonald, Holman

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—John M. Ayala and Joseph J. Kudzia have become associated with McDonald, Holman & Co., Inc., 214 North Canon Drive. Mr. Ayala was formerly with Bennet-Gladstone-Manning Co. Mr. Kudzia was with Dempsey-Tegeler & Co.

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The State of Trade and Industry

for an ingot output in the neighborhood of 88 to 90,000,000 tons, or about 63% of capacity concludes "The Iron Age."

In the automotive industry last week automobile production sank to its lowest level in six months, but mid-April new car buying showed a "promising increase," "Ward's Automotive Reports," stated on Friday last. The result, said "Ward's," will be a further decline in auto dealer inventories, which totaled 860,000 units on April 1.

New car sales jumped to 14,250 units daily during the April 11-20 selling period, according to "Ward's" and compared to 13,330 a day for the April 1-10 period. This marks the first time in 1958 that mid-month sales have bettered those of the opening 10 days of the same month, this trade authority noted.

Clashing with the encouraging sales information, however, was "Ward's" production report. Scheduled last week, the publication said, were 59,517 cars, the smallest volume since Oct. 7 through 12, 1957, a period when factory changeovers to 1958 models restricted output. Last week, 73,219 cars were assembled, while the total in the corresponding week a year ago was 123,633.

Primarily responsible for the past week's production lapse, "Ward's" said, was Chevrolet, which halted car making at nine of its 11 assembly plants. It was Chevrolet's first real production cutback since 1958 model operations began last fall. Also idled all during the week were four Ford 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.

Reversing the field, "Ward's" said, is American Motors, which ran its Rambler line six days.

"Ward's" estimated truck production the past week at 16,224 units compared to 16,655 last week and 24,625 in the corresponding week a year ago.

Building permit valuations for the month of March for 217 cities including New York amounted to $564,046,356, the highest March total on record. This was 3.6% above the $544,638,151 of the comparable 1957 month and exceeded the $435,700,934 of February by 29.5%.

New York City building permits totaled $53,723,840 in March, or a decline of 33.9% from the $81,243,150 of a year ago. The level was 18.8% above the $45,210,172 of February.

Aggregate permit values for the 216 outside centers rose 10.1% to $510,322,516 in March from the like month last year, and were 30.7% higher than the $390,490,762 of the preceding month.

Steel Operations Scheduled This Week at 47.9% of Ingot Capacity

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

Chicago producers of reinforcing bars it noted, say their order backlogs are the best they have had in a long time and that they are working close to capacity to fill orders for three toll roads. The story is much the same in Detroit.

Sales of buttweld pipe are also improving with the return of good construction weather. Orders that might have been expected a month ago are coming in from the East as building activity accelerates. Both direct sales and sales to jobbers are affected, continued this trade weekly.

There is room for improvement, it added. In the first two months of this year, construction took 33% less steel than it did in the same period last year. The dollar volume of contracts was 10% lower than it was in 1957.

Signs are multiplying that automakers will show their new models as early as September, this metalworking weekly declared. Car builders are expected to step up ordering of steel in July for August delivery. In the interim, they will get along with what they have on hand. Weekly auto production is being scaled down from 87,000 to 80,000 units.

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 cans.

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 net tons of steel for ingots and castings, the smallest output of any week this year.

Leading operation-wise last week was the Far West district which worked at 66% of capacity, or a gain of 1 point over the previous week.

Absence of active mill and foundry interest in scrap is reflected in further price declines with "Steel's" composite on the prime grade off another 67 cents to $32.83 a gross ton.

Steel warehouses are having problems with 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 all they add up to is a lot of paperwork. Complaining of mill competition, Chicago warehouses are taking the offensive by adding salesmen, broadening product lines and modernizing their equipment.

Oil country goods are dormant. Drastic curtailment of drilling (eight days a month) has resulted in the accumulation of huge pipe and casing inventories. One major oil company has put 28,000 tons of pipe on the market and some of the small distributors are unloading stock at lower than mill prices.

Producers of capital equipment are becoming a little more optimistic about their chances for a good year. There was a slight upturn in dollar volume of new orders for February in the material handling equipment industry. Machine tool builders have a three month uptrend going, which is boosting morale in the industry, "Steel" magazine concludes.

The American Iron and Steel Institute announced that the

operating rate of steel companies will average *80.5% of steel capacity for the week beginning April 28, 1958, equivalent to 1,293,000 tons of ingot and steel castings (based on average weekly production for 1947-1949) as compared with an actual rate of *79.1% of capacity, and 1,270,000 tons a week ago.

Output for the week beginning April 28, 1958 is equal to about 47.9% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 47.1% the week before.

For the like week a month ago the rate was *81.7% and production 1,312,000 tons. A year ago, the actual weekly production was placed at 2,226,000 tons, or 138.6%.

***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 industry for the week ended Saturday, 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 99,000,000 kwh. above that of the previous week, but decreased by 104,000,000 kwh. or 0.9% below that of the comparable 1957 week, but increased 339,000,000 kwh. above that of the week ended April 28, 1956.

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

Loadings of revenue freight for the week ended April 19, 1958, were 13,440 cars or 2.6% above the preceding week.

Loadings for the week ended April 19, 1958, totaled 534,475 cars, a decrease of 152,475 cars or 22.2% below the corresponding 1957 week, and a decrease of 228,962 cars, or 30.0% below the corresponding week in 1956.

Automotive Output Cut in Past Week to Smallest Volume Since October 7-12, 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 changeovers to 1958 models restricted output.

Last week's car output totaled 59,517 units and compared with 73,219 (revised) in the previous week. The past week's production total of cars and trucks amounted to 75,741 units, or a decrease of 14,133 units below that of the previous week's output, states "Ward's."

Last week's car output decreased under that of the previous week by 13,702, while truck output was cut by 431 vehicles during the week. In the corresponding week last year 123,633 cars and 24,625 trucks were assembled.

Last week the agency reported there were 16,224 trucks made in the United States. This compared with 16,655 in the previous week and 24,625 a year ago.

Canadian output last week placed at 7,630 cars and 1,305 trucks. In the previous week Dominion plants built 7,684 cars and 1,326 trucks and for the comparable 1957 week, 9,717 cars and 2,016 trucks.

Business Failures Hit Lowest Level in Four Weeks The Past Week

Commercial and industrial failures declined to 329 in the week ended April 24 from 346 in the preceding week, Dun & Bradstreet, Inc., reports. While this dip brought casualties to the lowest level in four weeks, they remained considerably above the 263 occurring a year ago and the 236 in 1956. Failures were slightly 1% higher than in the comparable prewar week of 1939 when 326 were recorded.

Liabilities of $5,000 or more were involved in 282 of the week's casualties as against 296 in the previous week and 228 last year. A dip also appeared among small failures with liabilities under $5,000, which were off to 47 from 50 but above the 35 of this size a year ago. Thirty of the failing concerns had liabilities in excess of $100,000 as compared with 36 in the preceding week.

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

The Dun & Bradstreet wholesale food price index declined 0.6% from last week's $6.62 to rest at $6.58 on April 22. Compared to the $6.11 of last year, however, the current index shows a gain of 7.7%.

Flour, rye, sugar, lard, eggs, steers and cottonseed oil were all higher in price last week. Lower in price were butter, cocoa, potatoes, beef, hams, hogs, lambs, wheat, barley, corn and oats.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Eased Further Last Week and Closed Below Level of a Year Ago

There was another slight decline in the general commodity price level last week as prices of livestock, flour and eggs drifted lower. The daily wholesale commodity price index stood at 279.92 on April 21, somewhat below the 280.89 of the prior week and moderately lower than the 286.98 of the comparable date a year ago.

Corn prices advanced for the third consecutive week and trading climbed moderately. Futures prices on wheat and oats fell somewhat as purchases slackened. Growing conditions in many areas were favorable and supplies were plentiful. Wheat export buying expanded somewhat during the week. Increased buying of soybean oil and soybean meal boosted soybean futures prices.

There was a slight decline in flour prices last week, as transactions slipped, especially in hard Winter wheat bakery flours. Commercial sales of flour for export totalled 50,200,000 bushels in grain equivalent so far this season compared with 39,900,000 for the same period last season.

Although rice buying was sluggish, stocks were limited and prices were sustained close to those of the prior week. There was a noticeable rise in rice export commitments to Cuba. The prospect that the United States will enter more actively in international coffee agreement plans helped coffee futures prices continue close to those of a week earlier. Coffee buying showed some improvement in the week.

Raw sugar prices rose appreciably the past week as wholesale purchases picked up. Sugar shipped to the United States from Cuba for the season through April 12, noticeably exceeded that of a year ago. Manufacturer interest in cocoa increased during the week and prices rose substantially.

Although trading expanded slightly and receipts slipped somewhat below the prior week, cattle prices in Chicago fell fractionally. Purchases of lambs lagged resulting in a slight dip in futures prices. There was a substantial gain in the call for hogs, and prices responded by rising moderately. Following the rise in hog prices, lard futures prices displayed much improvement.

Cotton futures prices on the New York Cotton Exchange slipped somewhat at the beginning of the week, but rose appreciably at the end of the period. This was attributed to reports of unfavorable rains in parts of the Cotton Belt. Cotton consumption in March amounted to 632,000 bales compared with 640,000 bales in February and 690,000 in March 1957. For the first eight months of the season consumption was 5,445,000 bales against 5,959,000 last season. Cotton exports from the United States amounted to about 117,000 bales in the week ended on April 15, compared with 104,000 in the prior week and 162,000 in the comparable week last year. Total exports for the season to April 15 were estimated at 4,245,000 bales compared with 5,673,000 in the similar 1957 period.

Trade Volume Rose Last Week but Closed Lower Than Pre-Easter Week of 1957

More favorable weather and sales promotions helped boost retail trade noticeably over a week earlier, but volume was below that of a year ago, the 1957 pre-Easter week. Appreciable week-to-week gains occurred in the buying of women's apparel, furniture and major appliances. Spot checks indicate that purchases of new passenger cars advanced slightly from the prior week, but remained below last year.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 4 to 8% below a year ago, spot estimates collected by Dun & Bradstreet, Inc., indicate. Regional estimates varied from the comparable 1957 levels by the following percentages: East North Central States —10 to —14%; South Atlantic —13 to —15; New England —5 to —9; West North Central —3 to —7; Middle Atlantic, East South Central and Pacific Coast —1 to —5; West South Central and Mountain States 0 to —4%.

There was an upsurge in the buying of women's Spring and Summer apparel, especially sportswear and dresses. Interest in fashion accessories remained unchanged from the prior week. Continued interest in Summer lightweight suits, sports coats and slacks held total sales of men's apparel close to that of a week earlier. Sales of men's furnishings were sluggish.

Appliance dealers reported substantial week-to-week gains in consumer purchases of air conditioners, washers and television sets and volume held close to that of a year ago. Shoppers increased their buying of Summer outdoor furniture and case goods. Improvement in sales of garden tools, hardware and building materials was noted. Interest in linens, draperies and floor coverings proved sluggish.

Total wholesale volume in furniture remained below a year ago. Improvement occurred in the buying of television sets and air conditioners during the week, but interest in other major appliances lagged. Purchases of garden implements and barbecue equipment showed further gains the past week.

Interest in canned goods continued to expand, cutting wholesale stocks noticeably. Purchases of frozen foods, fresh produce and some dairy products, increased further during the week, but the call for fresh meat and poultry slipped.

Cost of Living at Record

The consumer price index edged up 0.7% in March to 123.3 (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 slight declines in prices on durable goods. Officials expect that prices in the coming months will remain steady or rise only slightly. More than a million workers will receive escalator wage increases as a result of the increase in the index.

Although new orders for machine tools rose substantially to $29,200,000 million in March from the prior month, the total was only about half that of March a year ago, according to the National Machine and Tool Builders Association.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended 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 four weeks ended April 19, 1958 a decrease of 4% was reported. For the period Jan. 1, 1958 to April 19, 1958 a decrease of 3% was recorded below that of 1957.

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 observers estimated.

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

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended April 19, 1958 declined 8% below that of the like period last year. In the preceding week, April 12, 1958 a decrease of 19% was reported. For the four weeks ended April 19, 1958 no change occurred. For the period Jan. 1, 1958 to April 19, 1958 an increase of 1% was registered above that of the corresponding period in 1957.

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Prospective Trends in The Mortgage Markets

rates and discounts will decrease during the balance of this year and may hesitate to commit themselves on the basis of the rates that are available at present. It is the job of mortgage bankers to convince our builders of the necessity of continuing a high building program to meet the demand for new housing and to help develop a sound economy. Any change that may occur in discounts or interest rates during the next six months should be so slight that a builder will not find it advisable to wait for a further change. Some, of course, will prefer to place loans in warehouse, anticipating that any change that will occur will act in their favor. Banks will undoubtedly proceed with some caution on warehousing of loans that don't have a takeout, although the experience during the past couple of years of mortgage bankers has generally been favorable in the sale of loans that were warehoused, notwithstanding the fact that the sales were made in a tight money market.

Probably the best guide to follow is to watch Government policy with respect to the housing market. FNMA represents a powerful tool. It has bolstered the mortgage market before, and it is apparent it can again. As experience develops in the purchase and sale of mortgages of FNMA, we can expect undoubtedly an increased use of this facility by the Government to assist it in its economic policy with respect to housing.

Fixed Rate Problem Remains

We still have the problem of fixed interest rates on insured and guaranteed loans. This situation was the cause of much of the shortage that occurred in the mortgage market last year. It was also responsible for the increase in funds that occurred early this year. It can be the reason for a cut-off of mortgage funds again should interest rates generally rise above those set by VA and FHA. The removal of discount controls recently adopted does restore some of the flexibility not previously available. The problem, however, of administered interest rates is still with us. Until we can free the rate, we will be at a disadvantage in the money market.

Higher discounts are disappearing and interest rates are declining to where the elimination of a fixed interest rate appears to be less of a problem. We should all recognize, however, that the best time to free the interest rate from legislative control is during a period like this when the market is right for such action to be taken.

Premiums and discounts are generally misunderstood by the public. If premiums were higher, our position would be no more tenable than that of the investor when discounts are high. The ideal mortgage market is a par market, with an interest rate that is competitive making it possible to secure a fair share of investable funds for mortgage financing. It is unsound for the Government to hold to an inflexible rate when interest rates are rising, and it's just as unwise for mortgage lenders to keep the rate high when interest rates are declining.

Let us all be realistic. Create a sound and stable market for borrowers and lenders, and we will create a sound and firm basis for our mortgage loan business.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

• Adams Engineering Co., Inc. (5/6)
April 1 filed $2,000,000 of 6½% convertible sinking fund debentures, due 1968, and 250,000 outstanding shares of class A common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** — From debentures—to retire indebtedness due on first mortgage on plant and equipment and to repay other debt; and for new construction, equipment, and other corporate purposes. The shares of common stock are to be sold for selling stockholders. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

Aeronca Manufacturing Corp.
Feb. 10 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To go to selling stockholder. **Office**—Germantown Road, Middletown, Ohio. **Underwriter**—Greene & Ladd, Middletown, Ohio.

★ Airseco, Inc.
April 22 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For design and development of new products and working capital. **Business**—Manufacturing of aircraft ground support equipment. **Office**—52 Knickerbocker Avenue, Brooklyn, N. Y. **Underwriter**—None.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

• Ampco Mfg. Co. (5/5)
March 31 (letter of notification) $275,000 of 10-year 7% convertible debentures due May 1, 1968 and 27,500 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$101 per unit, plus accrued interest on the debentures. **Proceeds**—To increase working capital; relocation for a new plant; leasehold improvement and security deposits. **Office**—9 River Road, Morristown, N. J. **Business**—Manufacture of electronic electric equipment and components. **Underwriter**—Cortlandt Investing Corp., New York, N. Y.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

★ Appalachian Power Co. (5/27)
April 23 filed $25,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (EST) on May 27 at 30 Church St., New York 8, N. Y.

Arnold, Hoffman & Co., Inc.
March 28 (letter of notification) 20,697 shares of common stock (par $10) to be offered to stockholders at the rate of one new share for each share held of record April 22, 1958. **Price** — $12.50 per share. **Proceeds**—To New York Life Insurance Co. and for working capital. **Office**—55 Canal St., Providence, R. I. **Underwriter**—None.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

Bankers Management Corp. (5/7)
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bankers Southern, Inc. (5/15-6/1)
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

★ Benrus Watch Co., Inc. (5/5)
April 18 (letter of notification) 18,150 shares of common stock (par $1). **Price**—At market (approximately $5.50 per share). **Proceeds** — To selling stockholder. **Underwriter**—Ralph E. Samuel & Co., New York.
April 21 (letter of notification) 18,150 shares of common stock (par $1). **Price**—At market (approximately $5.50 per share). **Proceeds** — To selling stockholders. **Underwriter**—L. F. Rothschild & Co., New York.
April 25 (letter of notification) 18,150 shares of common stock (par $1). **Price**—At market (approximately $5.50 per share). **Proceeds**—To selling stockholders. **Underwriter**—Ralph E. Samuel & Co., New York.

Bishop Oil Co., San Francisco, Calif.
Feb. 27 filed 112,565 shares of common stock (par $2) to be offered for subscription by common stockholders on the basis of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For reduction of bank loans, expansion and general corporate purposes. **Underwriter**—Hooker & Fay, San Francisco, Calif. **Offering**—Has been deferred.

Blacksmith Shop Pastries Inc., Rockport, Mass.
Sept. 17 (letter of notification) $100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par $1) to be offered in units of one $50 debenture and 20 shares of capital stock. **Price**—$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

Brooklyn Union Gas Co. (5/21)
April 16 filed $22,000,000 first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc., and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 21.

Builders Loans Inc.
March 27 (letter of notification) 40,000 shares of 17½c preferred stock (par $1). **Price**—$2.50 per share. **Proceeds** — To selling stockholder. **Office** — Los Angeles, Calif. **Underwriter**—Daniel D. Weston & Co., Inc., Beverly Hills, Calif.

Burgermeister Brewing Corp.
April 10 filed voting trust certificates for 60,000 outstanding shares of capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif. **Offering**—Expected this week.

★ California Texas Oil Co. Ltd., N. Y.
April 29 filed $3,000,000 of Participations in the company's Employees Savings Plan.

Campbell Chibougamau Mines Ltd.
March 10 filed 606,667 shares of capital stock (par $1), of which 506,667 were issued in connection with the acquisition of all the assets of Yorcan Exploration Ltd (latter proposes to distribute said shares ratably to its stockholders of record Dec. 16, 1957). The remaining 100,000 shares are to be sold for the account of the Estate of A. M. Collings Henderson on the American and Toronto Stock Exchanges. **Price**—At market. **Proceeds**—To selling stockholders. **Office**—Toronto, Canada. **Underwriter**—None.

Central Hudson Gas & Electric Corp. (5/26-29)
April 1 filed $18,000,000 of first mortgage bonds, due 1988. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term notes and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids**—Expected to be received during week of May 26.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock. **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Date indefinite. Statement effective March 12.

★ Chase Fund of Boston (6/3)
April 24 filed 1,000,000 shares of capital stock (par $1). **Price**—$10 per share. **Proceeds**—For investment. **Underwriter**—Shearson, Hammill & Co., New York.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York.

★ Cobb, John, Inc.
April 24 (letter of notification) 150,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—1182 Broadway, New York, N. Y. **Underwriter**—B. Fennekohl & Co., 205 E. 85th Street, New York, N. Y.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Consolidated Edison Co. of N. Y., Inc. (6/3)
March 3 filed $50,000,000 of first and refunding mortgage bonds, series O, due June 1, 1988. **Proceeds**—To retire short-term bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received by company up to 11 a.m. (EDT) on June 3.

Cosmos Industries, Inc., Long Island City, N. Y.
April 16 filed 280,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—To pay bank loans and for working capital and other corporate purposes. **Underwriter**—Netherlands Securities Co., Inc., 30 Broad St., New York, N. Y.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

Cubacor Explorers, Ltd.
Oct. 28 (letter of notification) 600,000 shares of common stock (par $1-Canadian). **Price**—50 cents per share-U. S. funds. **Proceeds** — For exploration and drilling costs. **Office** — Suite 607, 320 Bay St., Toronto, Ont., Canada. **Underwriter**—Stratford Securities Co., Inc., 135 Broadway, New York. **Offering**—Postponed indefinitely.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

Diapulse Manufacturing Corp. of America
Jan. 29 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—276 Fifth Ave., New York, N. Y. **Underwriter**—None.

Digitronics Corp.
Feb. 12 (letter of notification) 140,000 shares of class B capital stock (par 10 cents). **Price** — $1.50 per share. **Proceeds**—For general corporate purposes. **Office**—Albertson Avenue, Albertson, Long Island, N. Y. **Underwriter**—Cortlandt Investing Corp., 135 Broadway, New York 6, N. Y.

Disc, Inc., Washington, D. C.
Oct. 10 filed 400,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

Dixon Chemical & Research, Inc.
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office** — Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Indefinitely postponed. Other financing may be arranged.

Domestic Finance Group Inc.
April 3 (letter of notification) 30,000 shares of 70-cent cumulative preferred stock, series A. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes. **Office**—112A North Green St., P. O. Box 3467, Greensboro, N. C. **Underwriters**—United Securities Co., Greensboro, N. C. and McCarley & Co., Asheville, N. C.

Donnelley (R. R.) & Sons Co. (5/7)
April 16 filed $15,000,000 of debentures due May 15, 1978. **Price**—To be supplied by amendment. **Proceeds** — For improvements and additions to plant and equipment. **Underwriter**—Harriman Ripley & Co. Inc., New York.

Dresser Industries, Inc.
Feb. 28 filed 128,347 shares of common stock (par 50¢) being offered in exchange for outstanding common stock of the Elgen Corp. on the basis of one share of Dresser Industries common for 3.4 shares of Elgen's common.

No exchanges will be made unless the exchange offer is accepted by the holders of at least 80% of the outstanding Elgen common, and Dresser will not be obligated to consummate any exchanges unless the offer is accepted by the holders of at least 95% of the outstanding Elgen common. The offer will expire on June 17, unless extended. **Underwriter**—None.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

Ex-Cell-O Corp., Detroit, Mich.
Nov. 25 filed 88,000 shares of common stock (par $3) to be offered in exchange for common stock of Bryant Chucking Grinder Co. of Springfield, Va., at rate of four-tenths of an Ex-Cell-O share for each full Bryant share. Offer will become effective upon acceptance by holders of not less than 209,000 shares (95%) of all common stock of Bryant outstanding. **Underwriter**—None.

Expanded Shale Products, Inc., Denver, Colo.
Jan. 29 filed 60,000 shares of common stock (par $1) and $180,000 of 6% callable unsubordinated unsecured debenture notes due 1960-1964 to be offered in units of $600 of notes and 200 shares of stock. **Price**—$1,000 per unit. **Proceeds**—For construction of plant, working capital and other corporate purposes. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

Famous Virginia Foods Corp.
Jan. 30 (letter of notification) 19,500 shares of common stock (par $5) and 390 common stock purchase warrants to be offered in units of 50 shares of stock and one warrant. **Price**—$500 per unit. **Proceeds**—For equipment and working capital. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter** — Whitney & Co., Inc., Washington, D. C.

● **Farrar Drilling Co.**
Feb. 3 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For oil and gas drilling expenses. **Office**—316 Rogers Bldg., Mt. Vernon, Ill **Underwriter**—Paul A. Davis & Co., Miami, Fla. Statement withdrawn.

Fidelity Bankers Life Insurance Corp., Richmond, Va.
March 7 filed 450,000 shares of common stock (par $1) to be offered for subscription by holders of outstanding stock on a pro rata basis; thereafter the balance remaining, if any, will be offered to the public. **Price**—$5 per share to stockholders; and to the public at a price to be determined. **Proceeds** — For expansion and other corporate purposes. **Underwriter**—None.

First Backers Co., Inc., Clifton, N. J.
April 7 filed $1,000,000 of 12% notes, payable nine months after date of issue in units of $100 or in multiples thereof. **Price**—100% of principal amount. **Proceeds**—To be used solely for purchase of notes and other indebtedness issued in payment for improvements on homes and secured by mortgages or other liens upon the improved properties. **Underwriter**—None.

First International Fire Insurance Co.
Aug. 26 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter** — American Underwriters, Inc., Englewood, Colo.

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office** — Portland, Ore **Underwriter**—To be named by amendment. Sol Goldberg is President.

NEW ISSUE CALENDAR

May 1 (Thursday)
Virginian Railway Co.________________Bonds
(Bids noon EDT) $12,000,000

May 2 (Friday)
Western Electric Co., Inc.______________Common
(Offering to stockholders—no underwriting) $142,650

May 5 (Monday)
Ampco Manufacturing Co.____Debentures & Com.
(Cortlandt Investing Corp.) $277,500

Benrus Watch Co., Inc.________________Common
(Ralph E. Samuel & Co., and L. F. Rothschild & Co.) 54,450 shares

International Bank for Reconstruction & Development ("World Bank")____________Bonds
(Morgan Stanley & Co. and The First Boston Corp.) $150,000,000

Long Island Arena, Inc.________Debens. & Common
(Dunne & Co.) $750,000

New Jersey Bell Telephone Co.________Debentures
(Bids 11:30 a.m. EDT) $30,000,000

May 6 (Tuesday)
Adams Engineering Co., Inc.___________Debentures
(Cruttenden, Podesta & Co.) $2,000,000

Adams Engineering Co., Inc.______________Common
(Cruttenden, Podesta & Co.) 250,000 shares

Consolidated Freightways Inc.____________Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.) 273,000 shares

New Jersey Power & Light Co.______________Bonds
(Bids 11 a.m. EDT) $7,500,000

Philadelphia Suburban Water Co.__________Bonds
(Drexel & Co.) $4,000,000

May 7 (Wednesday)
Bankers Management Corp.________________Common
(McDonald, Holman & Co., Inc.) $400,000

Donnelly (R. R.) & Sons Co.____________Debentures
(Harriman Ripley & Co. Inc.) $15,000,000

International Telephone & Telegraph Corp.__Debs.
(Offering to stockholders—to be underwritten by Kuhn, Loeb & Co.) $28,692,000

May 12 (Monday)
Glassheat Corp.______________________Common
(James Anthony Securities Corp) $300,000

Public Service Co. of Oklahoma___________Bonds
(Bids 11 a.m. CDT) $16,000,000

May 13 (Tuesday)
Thompson (H. I.) Fiber Glass Co.___________Common
(Shearson, Hammill & Co.) 125,000 shares

United Gas Improvement Co._____________Bonds
(Bids 11 a.m. EDT) $15,000,000

May 14 (Wednesday)
Long Island Lighting Co.__________________Bonds
(Bids 11 a.m. EDT) $20,000,000

One William Street, Fund, Inc.____________Common
(Lehman Brothers) $37,500,000

May 15 (Thursday)
Bankers Southern Inc.____________________Common
(Bankers Bond Co.) $893,400

Merrimack-Essex Electric Co.______________Bonds
(Bids noon EDT) $20,000,000

Technology Instrument Co._________________Common
(S. D. Fuller & Co.) $2,600,000

Tel-A-Sign Inc.__________________________Common
(Charles Plohn & Co. and Clayton Securities Corp.) 200,000 shares

May 19 (Monday)
Gulf States Utilities Co.__________________Bonds
(Bids 11:15 a.m. EDT) $20,000,000

Gulf States Utilities Co.__________________Common
(Bids noon EDT) 240,000 shares

National Distillers & Chemical Corp.____Debens.
(Glore, Forgan & Co. and Dominick & Dominick) $60,000,000

May 20 (Tuesday)
Illinois Power Co.________________________Bonds
(Bids 10 a.m. CDT) $25,000,000

May 21 (Wednesday)
Brooklyn Union Gas Co.___________________Bonds
(Bids 11 a.m EDT) $22,000,000

Public Service of Colorado_______________Preferred
(The First Boston Corp., Blyth & Co., Inc. and Smith Barney & Co.) $16,000,000

May 26 (Monday)
Central Hudson Gas & Electric Corp.________Bonds
(Bids to be invited) $18,000,000

Industro Transistor Corp._________________Common
(S. D. Fuller & Co.) 150,000 shares

New York Telephone Co.___________________Bonds
(Bids 11:30 a.m. EDT) $70,000,000

Walker-Scott Corp. ___________________Debentures
(Eastman Dillon, Union Securities & Co.) $900,000

Walker-Scott Corp. _______________________Common
(Eastman Dillon, Union Securities & Co.) 40,000 shares

May 27 (Tuesday)
Appalachian Power Co.____________________Bonds
(Bids 11 a.m. EST) $25,000,000

May 29 (Thursday)
Illinois Bell Telephone Co.________________Common
(Offering to stockholders—no underwriter) $87,079,200

June 3 (Tuesday)
Chase Fund of Boston_____________________Capital
(Shearson, Hammill & Co.) $10,000,000

Consolidated Edison Co. of N. Y. Inc.________Bonds
(Bids 11 a.m. EST) $50,000,000

June 10 (Tuesday)
Virginia Electric & Power Co.____Bonds or Debs.
(Bids to be invited) $25,000,000

June 11 (Wednesday)
New England Power Co.____________________Bonds
(Bids to be invited) $10,000,000

June 16 (Monday)
New England Telephone & Telegraph Co.___Com.
(Offering to stockholders—no underwriter) 735,245 shares

Oklahoma Gas & Electric Co.______________Bonds
(Bids to be invited) $15,000,000

June 17 (Tuesday)
Community Public Service Co.________Debentures
(Bids to be invited) $3,000,000

Delaware Power & Light Co._______________Bonds
(Bids 11:30 a.m. EDT) $25,000,000

June 24 (Tuesday)
Central Illinois Light Co.__________________Bonds
(Bids to be invited) $6,000,000

Pacific Power & Light Co._________________Bonds
(Bids to be invited) $20,000,000

July 1 (Tuesday)
Florida Power Corp.______________________Bonds
(Bids to be invited) $25,000,000

July 8 (Tuesday)
Northern States Power Co. (Minn.)__________Bonds
(Bids 11 a.m. EDT) $30,000,000

August 26 (Tuesday)
New England Telephone & Telegraph Co.__Debens.
(Bids to be invited) $40,000,000

Forest Laboratories, Inc.
March 26 filed 150,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—H. Carroll & Co., Denver, Colo.; and Alfred L. Powell Co., New York.

● **Four Corners Oil & Gas Co.**
March 25 filed 400,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To pay off debts and for drilling and exploration costs. **Underwriters**—None.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. **Price**—$3.50 per share. **Proceeds**—For expansion, equipment and working capital. **Underwriter**—None.

General Electronics Distributors Inc.
Feb. 10 (letter of notification) 2,090 shares of common stock (par $25) to be offered to stockholders until May, 1958, then to the public. **Price**—$42 per share. **Proceeds**—For loans payable to bank, inventory and working capital. **Office**—735 Main Street, Wheeling, W. Va. **Underwriter**—None.

Getty Oil Co., Wilmington, Del.
April 11 filed 2,170,545 shares of common stock (par $4) to be offered in exchange for capital stock (par $5) of the Mission Development Co., on basis of one share of Getty stock for each 1.2 shares of Development stock, or five shares of Getty for six shares of Development stock.

● **Glassheat Corp. (5/12-16)**
Feb. 12 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—1 E. 35th Street, New York 16, N. Y. **Underwriter**—James Anthony Securities Corp., 37 Wall St., New York 5, N. Y.

Gly Inc.
March 4 (letter of notification) 300,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For acquisition, development and operation of oil and gas properties. **Office**—Bacon Bldg., 5th & Pine Sts., Abilene, Texas. **Underwriter** — Barth Thomas & Co., Inc., New York.

Great Divide Oil Corp.
Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. **Office**—207 Newhouse Bldg. Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo

★ **Great Southwest Fire Insurance Co.**
April 21 (letter of notification) an undetermined number of shares of common stock (par $1) and an undetermined number of shares of preferred stock (par $1), not to exceed an aggregate value of $250,000. **Price** — For common, $1.60 per share; for preferred, $5 per share. **Proceeds**—For capital and surplus. **Office**—4450 North Central Ave., Phoenix, Ariz. **Underwriter**—National Reserve Insurance Co., also of Phoenix, Ariz.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — None.

Gulf States Utilities Co. (5/19)
April 16 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds**—Together with other funds, to be used for construction program. **Underwriting** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Lehman Brothers; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. **Bids**—To be received up to 11:15 a.m. (EDT) on May 19 at The Hanover Bank, 70 Broadway, New York 15, N. Y.

Gulf States Utilities Co. (5/19)
April 16 filed 240,000 shares of common stock (no par). **Proceeds**—Together with other funds, to be used for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill

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Lynch, Pierce, Fenner & Smith and Lehman Brothers (jointly); Stone & Webster Securities Corp. **Bids**—To be received up to noon (EDT) on May 19 at The Hanover Bank, 70 Broadway, New York 15, N. Y.

• Hofmann Industries, Inc., Sinking Spring, Pa.
Dec. 20 filed 227,500 shares of common stock (par 25 cents) to be offered in exchange for outstanding common shares of Van Dorn Iron Works Co. **Underwriter**—None

Home Owners Life Insurance Co.
Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at $5 per share and 116,366 shares of class B common stock to be offered to stockholders at $6 per share at the rate of two new shares for each five shares held. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla **Underwriter**—None

Horlac Mines, Ltd.
Nov. 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loan, to purchase equipment and machinery and for working capital. **Office**—1551-A Eglinton Ave. West, Toronto 10, Ont., Canada. **Underwriter**—D'Amico & Co., Inc., Buffalo, N Y

Houghton Mifflin Co.
April 1 (letter of notification) 434 shares of common stock (par $100) to be offered to stockholders of record March 12, 1958. **Price**—$115 per share. **Proceeds**—To be added to the general funds of the company. **Office** — 2 Park St., Boston, Mass. **Underwriter**—None.

Husky Hi-Power, Inc.
April 14 (letter of notification) 15,000 shares of 6½% convertible series A preferred stock. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Address**—P.O. Box 380, Cody, Wyo. **Underwriter**—The First Trust Co. of Lincoln, Lincoln, Neb.

Illinois Power Co. (5/20)
April 23 filed $25,000,000 of first mortgage bonds, due 1988. **Proceeds** — To repay short-term bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—To be received by company in Chicago, Ill., up to 10 a.m. (CDT) on May 20.

• Industro Transistor Corp. (N. Y.) (5/26-29)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department. **Underwriter** — S. D. Fuller & Co., New York.

International Telephone & Telegraph Corp. (5/7)
April 17 filed $28,692,000 of convertible subordinated debentures due May 15, 1983 to be offered for subscription by stockholders of record May 6, 1958 at rate of $100 of debentures for each 25 shares held; rights to expire on May 21. **Price**—To be supplied by amendment. **Proceeds**—For working capital, capital expenditures, investments in subsidiaries, etc. **Underwriter** — Kuhn, Loeb & Co., New York.

★ Investment Co. of America, Los Angeles, Calif.
April 25 filed (by amendment) an additional 2,000,000 shares of common stock (par $1). **Price** — At market. **Proceeds**—For investment.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

• Lefcourt Realty Corp., New York
Jan. 29 filed 250,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—For development of property in Florida **Underwriter**—Frank M. Cryan Co., Inc., New York. Statement effective April 23.

Life Insurance Securities Corp., Portland, Me.
March 28 filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

Linair Engineering, Inc., Inglewood, Calif.
March 24 filed $200,000 of 6% convertible subordinated debentures, due April 1, 1973, and 100,000 shares of capital stock (par $1) to be offered in units consisting of $500 of debentures and 250 shares of stock. **Price**—$750 per unit. **Proceeds**—To finance increased inventories and the cost of engineering new products, to acquire new machinery and equipment, and for working capital. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

• Long Island Arena, Inc., Commack, N. Y. (5/5-9)
April 7 filed $750,000 of 6% debentures due April 1, 1970, and 75,000 shares of common stock (par 10c) to be offered in units of $100 of debentures and 10 common shares. **Price** — $100 per unit. **Proceeds** — For general corporate purposes, including construction of the Arena. **Underwriter**—Dunne & Co., New York on a best-efforts basis.

• Long Island Lighting Co.
April 8 filed 696,260 shares of common stock (par $10) being offered for subscription by common stockholders at rate of one new share for each 10 shares held on April 29, 1958; rights to expire on May 15, 1958. **Price**—$22.25 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Blyth & Co., Inc.; The First Boston Corp., and W. C. Langley & Co.

Long Island Lighting Co. (5/14)
April 8 filed $20,000,000 of first mortgage bonds, series J, due 1988. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); W. C. Langley & Co.; Smith, Barney & Co. **Bids** — Expected to be received at City Bank Farmers Trust Co., 2 Wall St., New York, N. Y., up to 11 a.m. (EDT) on May 14.

Maine Fidelity Life Insurance Co.
March 26 filed 50,000 shares of capital stock (par $4) being offered for subscription by stockholders of record April 22 at the rate of one new share for each share held (with an oversubscription privilege); rights to expire on May 9. **Price**—$12 per share. **Proceeds** — For working capital. **Office** — Portland, Me. **Underwriter** — P. W. Brooks & Co., Inc., New York.

Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

★ Merchants Credit, Inc.
April 21 (letter of notification) $300,000 of 6% subordinated participating debentures, due Aug. 31, 1958. **Price**—At par. **Proceeds** — For working capital. **Office** — c/o Harry Malasky, President, 1425 Primrose Rd., N. W., Washington, D. C. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

• Merrimack-Essex Electric Co. (5/15)
Feb. 11 filed $20,000,000 of first mortgage bonds, series C, due 1988. **Proceeds**—Together with other funds, to redeem a like amount of 5⅝% series B bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co., (jointly); Halsey, Stuart & Co. Inc.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith, and Eastman Dillon Union Securities & Co. (jointly). **Bids**—Expected to be received up to noon (EDT) on May 15 at 441 Stuart St., Boston 16, Mass.

★ Mid-America Minerals Inc., Oklahoma City, Okla.
April 28 filed $198,400 of working interest. The interests to be offered consist of three-fourths of the working interests in and under oil and gas leases in Stephens County, Okla.: and the smallest interest being offered is a 3/400th working interest, at $1,984.

Mineral Basin Mining Corp.
Dec. 30 (letter of notification) 200,000 shares of common stock. **Price** — At par ($1 par value). **Proceeds** — For mining expenses. **Office** — 1710 Hoge Bldg., Seattle 4, Wash. **Underwriter**—None.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

★ Motors Building Realty Co., New York
April 25 filed 1,156 units of Limited Partnership Interests. **Price**—$5,000 per unit. **Proceeds**—To purchase the General Motors Building in New York City and the ground lease of the land on which that building is located. **Underwriter**—None.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co. New York.

★ National Distillers & Chemical Corp. (5/19-20)
April 25 filed $60,000,000 of 25-year sinking fund debentures due May 1, 1983. **Price**—To be supplied by amendment. **Proceeds**—To repay $30,000,000 long-term bank loans, to reduce short-term loans and for capital expenditures and working capital. **Underwriters**—Glore, Forgan & Co. and Dominick & Dominick, both of New York.

National Manganese Co., Newcastle, Pa.
March 21 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For mining expenses. **Underwriter**—Johnson & Johnson, Pittsburgh, Pa.

Natural Gas Pipeline Co. of America
Nov. 19 filed $40,000,000 of first mortgage pipeline bonds due 1977. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriters** — Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York. **Offering**—Now expected in May or early June.

Nebraska Consolidated Mills Co.
Feb. 6 (letter of notification) 25,000 shares of common stock to be offered to stockholders at the rate of one new share for each 16 shares held. Rights will expire March 15, 1958. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — 1521 North 16th St. Omaha 10, Neb. **Underwriter**—None.

• New Jersey Bell Telephone Co. (5/5)
Feb. 28 filed $30,000,000 of 35-year debentures due 1993. **Proceeds**—To redeem a like amount of 4⅞% debentures due 1993. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received up to 11:30 a.m. (EDT) on May 5 at Room 2315, 195 Broadway, New York, N. Y.

New Jersey Power & Light Co. (5/6)
March 31 filed $7,500,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers, and Salomon Bros. & Hutzler (jointly); Eastman, Dillon, Union Securities & Co., and White Weld & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith; Equitable Securities Corp. **Bids**—Expected to be received up to 11 a.m., (EDT) on May 6—at the offices of General Public Utilities Corp., 67 Broad St., New York, N. Y.

Nichols, Inc., Exeter, N. H.
Nov. 14 filed 25,000 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—To repay short term bank loans and for working capital. **Business** — Sells hatching eggs and day-old chicks. **Underwriter**—None. George E. Coleman, Jr., is President.

Northern Virginia Doctors Hospital Corp.
April 4 (letter of notification) 30,000 shares of common stock (par one cent). **Price**—$10 per share. **Proceeds**—For building fund. **Office** — 522 Leesburg Pike, Falls Church, Va. **Underwriter**—Whitney & Co., Washington, D. C.

★ Nuclear Materials & Equipment Corp.
April 18 (letter of notification) 30,000 shares of 6% noncumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds** — For working capital 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 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Temporarily postponed because of market conditions.

★ Nylacore Corp., Glenn Cove, N. Y.
April 22 (letter of notification) $250,000 of 6% convertible debenture bond due May 1, 1968 and 100 shares of class B common stock (par 10 cents) to be offered in units of $1,000 of debentures and 100 shares of common stock, and 50,000 shares of class B common stock (par 10 cents) to be offered in 1,000 shares each. **Price**—$1,000 per unit; plus accrued interest on the debentures from May 1, 1958. **Proceeds**—To purchase fixed assets and to increase working capital. **Business** — Manufacturing of high precision metal parts for the aircraft and electronic industries. **Underwriter**—None.

Oil Inc., Salt Lake City, Utah
April 4 filed 597,640 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 24, 1958 at the rate of 1¼ new shares for each share then held. Employees may purchase 50,000 shares of unsubscribed stock. **Price**—To stockholders, $1.75 per share; and to public, $2 per share. **Proceeds**—For mining, development and exploration costs, and for working capital and other corporate purposes. **Underwriters**—Harrison S. Brothers & Co., and Whitney & Co., both of Salt Lake City, Utah.

Oil & Mineral Operations, Inc., Tulsa, Okla.
April 14 filed 200,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For payment of loans, various equipment, and a reserve for future operations. **Business**—To acquire and operate mining claims and oil and gas properties. **Underwriter**—Universal Securities Co., Enterprise Building, Tulsa, Okla.

• One William Street Fund, Inc. (5/14)
April 7 filed 3,000,000 shares of capital stock (par $1). **Price** — $12.50 per share. **Proceeds** — For investment. **Business** — To become open-end company following termination of this offering. **Underwriter** — Lehman Brothers, New York.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

Palestine Economic Corp., New York
March 31 filed $2,000,000 of 5% notes, due Oct. 1, 1963 to be offered in two types: (a) interest-bearing notes with interest payable at the rate of 5% and at an offering price of 100% of principal amount; and (b) capital-appreciation notes, at a discount from maturity value so as to yield 5% compounded semi-annually. **Proceeds**—For making investments and loans in companies or enterprises that the corporation is already financially interested in, or for other corporate purposes. **Underwriter**—None.

Paradox Production Corp., Salt Lake City, Utah
April 18 filed 767,818 shares of common stock (par $1), of which 100,000 shares are to be offered by the company in exchange for oil and gas properties and 3,000 for services; the remaining 664,818 shares are to be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah.

Pecos Valley Land Co., Carlsbad, N. Mex.
March 13 filed 2,000,000 shares of common stock (par 10 cents), of which 300,000 shares are to be offered for sale by the company and 1,700,000 shares by the present holders thereof. **Price**—$1 per share. **Proceeds**—From sale of the 300,000 shares, to be used to pay 6% mortgage notes and interest and to pay back tax claims, and interest due on the note to Mr. Harroun. **Underwriter**—Wiles & Co., Dallas, Texas.

Peoples Protective Life Insurance, Co.
March 27 filed 310,000 shares of common stock (par $1), consisting of 62,000 shares of class A-voting stock and 248,000 shares of class B-non-voting stock to be offered in units consisting of one class A and four class B shares. **Price** — $75 per unit. **Proceeds** — For working capital and for development of district offices in the states where the company is currently licensed to do business. **Office**—Jackson, Tenn. **Underwriter**—None. R. B. Smith, Jr., is President and Board Chairman.

Philadelphia Suburban Water Co. (5/6-7)
April 15 filed $4,000,000 first mortgage bonds due 1988. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—Drexel & Co., Philadelphia, Pa.

★ Pi-A-Kee Development Co.
April 21 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office** — 4275 Neil Road, Reno, Nev. **Underwriter**—None.

Pleasant Valley Oil & Mining Corp.
Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office** — 616 Judge Bldg., Salt Lake City, Utah **Underwriter**—Steven Randall & Co., Inc., New York.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

Potomac Electric Power Co.
April 4 filed $19,700,000 of 3¾% convertible debentures due May 1, 1973 being offered for subscription by common stockholders of record April 22, 1958 on the basis of $100 of debentures for each 30 shares held; rights to expire on May 6, 1958. **Price**—100% of principal amount. **Proceeds** — For construction program. **Underwriters**—Dillon, Read & Co. Inc., New York, and Johnston, Lemon & Co., Washington, D. C.

Potomac Plastic Co.
March 31 (letter of notification) $57,500 of 6% subordinated convertible debentures and 57,500 shares of class A common stock (par one cent) to be offered in units of 500 shares of stock and $500 of debentures. **Price**—$1,000 per unit. **Proceeds** — For equipment and working capital. **Office**—1550 Rockville Pike, Rockville, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Prairie Fibreboard Ltd.
Feb. 28 filed 210,000 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $2.50 per share. **Proceeds** — For construction purpose. **Office** — Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., Saskatoon, Canada.

★ Public Service Co. of Colorado (5/21)
April 29 filed 160,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For 1958 construction program. **Underwriters**—The First Boston Corp., Blyth & Co., Inc. and Smith, Barney & Co., all of New York.

Public Service Co. of Oklahoma (5/12)
April 14 filed $16,000,000 of first mortgage bonds, series G, due May 1, 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; and Shields & Co. (jointly); Blyth & Co., Inc.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp.; Glore, Forgan & Co.; Equitable Securities Co. **Bids**—Expected to be received up to 11 a.m. (CDT) on May 12.

Resolite Corp., Zelienople, Pa.
March 4 (letter of notification) 20,000 shares of common stock (no par) to be offered pro-rata to stockholders, then to the public. **Price**—$7.50 per share. **Proceeds**—To pay notes payable and bank loans and for working capital. **Underwriter**—None.

Rockcote Paint Co.
March 21 (letter of notification) 14,250 shares of 7% cumulative preferred stock (par $10) and 10,000 shares of common stock (par $1). **Price**—For preferred stock, $10.25 per share; for common stock, $8 per share. **Proceeds**—For working capital. **Office**—200 Sayre St., Rockford, Ill. **Underwriter** — The Milwaukee Co., Milwaukee, Wis.

★ Rockwell-Standard Corp., Coraopolis, Pa.
April 28 filed 285,600 shares of common stock (par $5) to be offered in exchange for the capital stock of Aero Design & Engineering Co. in the ratio of 1 5/7 shares of Rockwell-Standard stock for each share of Aero stock. Not less than 80%, or 133,280 Aero shares, may be accepted.

Rocky Mountain Quarter Racing Association
Oct. 31 (letter of notification) 300.000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstnding indebtedness. **Office** — Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

Samedan Associates, Inc., Ardmore, Okla.
March 24 filed 98,613 shares of common stock (par $10). **Price**—$14.25 per share. **Proceeds**—For working capital, acquisition, development, and exploration of oil and gas properties. **Underwriter**—None.

Schering Corp., Bloomfield, N. J.
Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par $30) and 418,475 shares of common stock (par $1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

Sierra Pacific Power Co.
March 25 filed 57,362 shares of common stock (par $7.50 being offered for subscription by common stockholders of record April 17, 1958 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on May 6. **Price**—$23.25 per share. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—None.

Simplicity Pattern Co. Inc.
Oct. 10 filed 155,000 shares of common stock (par $1, **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce Fenner & Smith, New York. **Offering** — Indefinitely postponed.

Southern Electric Steel Co.
Dec. 23 (letter of notification) $300,000 of 6% second mortgage serial bonds (with common stock purchase warrants). **Price**—At par (in denominations of $1,000 each). **Proceeds**—For payment of demand notes payable and working capital. **Office**—2301 Huntsville Road Birmingham, Ala. **Underwriter**—None.

● Springfield Fire & Marine Insurance Co.
March 28 filed 1,000,000 shares of common stock (par $2) being offered in exchange for capital stock of Monarch Life Insurance Co. at rate of 1¼ shares of Springfield for each Monarch share. The offer will expire at 3:30 p.m. (EDT) on May 29, unless extended. **Dealer-Managers**—The First Boston Corp. and Kidder, Peabody & Co., both of New York.

Standard Dredging Corp.
April 9 (letter of notification) 33,000 shares of common stock (par $1). **Price**—At market (estimated at about $9 per share). **Proceeds**—To selling stockholders. **Office**—80 Broad St., New York 4, N. Y. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

Sun Oil Inc., Philadelphia, Pa.
April 22 filed 15,000 memberships in the Stock Purchase Plan for the employees of the company and its subsidiaries, together with 188,000 shares of common stock (no par) which may be purchased by the trustees of the plan during the period July 1, 1958, to June 30, 1959, with respect to the 1958 plan. Registration also covers 243,288 shares of outstanding common stock which may be offered for possible sale by the holders thereof during the period July 1, 1958 to June 30, 1959. **Underwriter**—None.

Symington-Gould Corp., Depew, N. Y.
Feb. 28 filed 593,939 shares of common stock and 263,973 warrants to be issued in exchange for the stock of the Wayne Pump Co. under merger agreement which provides for conversion of each share of capital stock of Wayne Pump into (1) 2¼ shares of common stock of the surviving corporation to be known as Symington Wayne Corp., and (2) an option to purchase an additional share at prices commencing at $10 per share. **Underwriter**—None.

● Syntex Corp. (Republic of Panama)
July 24, 1957 filed 1,202,730 shares of common stock being offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. The record date for the subscription offering will be April 24, 1958, and rights will expire on May 16, 1958. **Price**—At par ($2 per share). **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

● Technology Instrument Corp. (5/15)
March 27 filed 260,000 common shares (par $2.50) of which 204,775 shares are for account of three selling stockholders and 55,225 shares are for account of company. **Price** — $10 per share. **Proceeds** — For working capital and general corporate purposes. **Business** — Develops and manufactures precision potentiometers and other precision electronic components and measuring instruments. **Office**—Acton, Mass. **Underwriter** — S. D. Fuller & Co., New York.

★ Tel-A-Sign Inc., Chicago, Ill. (5/15)
April 24 filed 200,000 shares of common stock (par 20 cents). **Price**—To be supplied by amendment. **Proceeds**—To retire $197,000 of notes and to reduce accounts payable by $150,000; the balance to 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.

Tele-Broadcasters, Inc.
March 31 (letter of notification) 40,000 shares of common stock (par five cents). **Price** — $3.25 per share. **Proceeds**—To complete the construction of Station KALI. **Office**—41 East 42nd St., New York, N. Y. **Underwriter**—Sinclair Securities Corp., New York, N. Y.

Thompson (H. I.) Fiber Glass Co. (5/13)
April 14 filed 125,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Shearson, Hammill & Co., Los Angeles, Calif.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter** — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

Trans-Cuba Oil Co., Havana, Cuba
March 28 filed 6,000,000 shares of common stock (par 10 cents) to be offered for subscription by holders of outstanding shares of capital stock and holders of bearer shares, in the ratio of one additional share for each share so held or represented by bearer shares. **Price**—50c per share. **Proceeds**—For general corporate purposes, including exploration and drilling expenses and capital expenditures. **Underwriter**—None.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas. **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

Trask Manufacturing Co.
Dec. 5 (letter of notification) 15,000 shares of common stock (par $5). **Price** — $4.50 per share. **Proceeds** — For working capital and payment of current liabilities. **Address**—Wrightsboro section, 3 miles north of Wilmington, N. C. **Underwriter** — Selected Investments, Wilmington, N. C.

United Artists Associated Inc., New York
March 31 filed $15,000,000 of 6% subordinated sinking fund debentures, due 1963 to be offered in exchange for capital stock and warrants and debentures of Associated Artists Productions Corp.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Gas Improvement Co. (5/13)
April 11 filed $15,000,000 of first mortgage bonds, due May 1, 1983. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Blair & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received at 1401 Arch St., Philadelpehia 5, Pa., up to 11 a.m. (EDT) on May 13.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

United States Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

★ Walker-Scott Corp., San Diego, Calif. (5/26-29)
April 28 filed $900,000 of 6% subordinated sinking fund debentures due 1973, with warrants, and 40,000 shares of common stock (par $1), of which the company proposes to offer $400,000 of the debentures (with warrants) in exchange for its presently outstanding 4,000 shares of 7% preferred stock at the rate of $100 of debentures for each share of preferred. **Price**—At par for debentures; and for stock to be supplied by amendment. **Proceeds**—Together with other funds, to repay an insurance loan, and for working capital, etc. **Underwriter** — Eastman

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Dillon, Union Securities & Co., New York, N. Y., and San Diego, Calif.

Washington National Development Corp.
Oct. 2 (letter of notification) 50,000 shares of common stock (par $1) of which 34,280 shares are to be offered publicly at $1.20 per share and 15,720 shares are to be offered to certain individuals under options. **Proceeds**—For general corporate purposes. **Office** — 3612 Quesada St., N. W., Washington, D. C. **Underwriter**—Wagner & Co., New York City.

West Coast Airlines, Inc., Seattle, Wash.
Feb. 12 filed $600,000 of 6% subordinated debentures, due 1970, and 150,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 1, 1958, in units of $100 principal amount of debentures and 25 common shares, at rate of one unit for each 31 common shares held on the record date **Price**—$125 per unit. **Proceeds**—To finance the acquisition of six new Fairchild F-27 "Friendship" aircraft on order for delivery during 1958, and related costs. **Underwriter**—None.

Western Copperada Mining Corp. (Canada)
Aug. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploratory work, drilling costs and survey, and for working capital. **Office** — 1205 Phillips Square, Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., New York.

● **Western Electric Co., Inc. (5/2)**
April 17 (letter of notification) 2,853 shares of common stock (no par) to be offered to minority stockholders at rate of one new share for each 10 shares held as of April 8, 1958; rights to expire on May 29. **Price** — $50 per share. **Proceeds**—For plant improvement, expansion and general corporate purposes. **Office**—195 Broadway, New York 7, N. Y. **Underwriter**—None.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price** — $60 per share. **Proceeds**—For working capital. **Underwriter**—None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

● **Wisconsin Power & Light Co.**
April 23 filed 30,000 shares of cumulative preferred stock (par $100) to be offered for subscription by preferred stockholders of record May 5, 1958, and by company employees; rights to expire on May 27. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters** — Smith, Barney & Co. New York; and Robert W. Baird & Co., Milwaukee, Wis.

● **Wisconsin Power & Light Co.**
April 23 filed 241,211 shares of common stock (par $10) to be offered for subscription by common stockholders of record May 5, 1958 at rate of one new share for each 12 shares held; rights to expire on May 27. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters** — Smith, Barney & Co., New York; and Robert W. Baird & Co., Milwaukee, Wis.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

Alco Products Inc.
March 6 it was announced that the company is considering plans for long-term refinancing. **Proceeds**—For payment of all notes payable and provide the company with additional working capital. **Underwriter**—Eastman Dillon, Union Securities & Co. may handle any common stock financing.

Associates Investment Co.
Jan. 23 it was reported company plans to issue and sell some additional debentures (amount not yet determined). **Underwriters** — Salomon Bros. & Hutzler and Lehman Brothers, both of New York. **Offering**—Expected before July 1.

★ **Bergstrom Paper Co.**
April 28 it was reported a secondary offering of 59,480 shares of class A common (par $1) is expected. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill. **Offering**—Expected today (May 1).

Boston Edison Co.
Jan. 27 it was reported company may issue and sell in the Summer of this year some additional first mortgage bonds and preferred stock (about $25,000,000). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds to be determined by company, with prospective bidders including Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Harriman Ripley & Co. Inc. (jointly). For preferred stock, The First Boston Corp., New York.

C. G. S. Laboratories, Inc.
March 20 it was reported that company plans to issue and sell about $500,000 of common stock. **Proceeds**—For working capital and other corporate purposes. **Business**—Electronics. **Office**—391 Ludlow St., Stamford, Conn.

California Electric Power Co.
March 10 it was reported company may issue and sell in 1958 about 450,000 additional shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: White Weld & Co.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Carl M. Loeb, Rhoades & Co., and Bear Stearns & Co. (jointly).

Central Illinois Light Co. (6/24)
April 21 it was reported that the company plans sale of $6,000,000 first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Merrill Lynch, Pierce, Fenner & Smith and Stone & Webster & Co. (jointly). **Bids**—Expected to be received on June 24.

Central Louisiana Electric Co., Inc.
March 28 it was announced that the company's financing program for the year 1958 anticipates the sale of both debt and equity securities (probably preferred stock) aggregating approximately $5,000,000. Both issues may be placed privately.

Citizens & Southern National Bank of Savannah, Ga.
April 9 stockholders of record April 8, 1958 were given the right to subscribe for 100,000 additional shares of capital stock at the rate of one new share for each 10 shares held; rights to expire on May 20. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Columbus & Southern Ohio Electric Co.
Dec. 9 it was reported company plans to issue and sell about 250,000 additional shares of common stock. **Underwriters** — Dillon, Read & Co. Inc. and The Ohio Co. (jointly). Permanent financing not expected until late in 1958 or possibly early in 1959.

Community Public Service Co. (6/17)
March 10 it was reported that this company plans to issue and sell $3,000,000 of sinking fund debentures due 1978. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., Inc. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on June 17. **Registration**—Expected May 15.

● **Consolidated Freightways, Inc. (5/6)**
April 8 it was announced company has applied to ICC for permission to offer 273,000 additional common shares to stockholders on the basis of one share for each five shares held about May 5; rights to expire on May 20. **Price**—To be named later. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

Consolidated Natural Gas Co.
Feb. 25 it was announced company plans to issue and sell $45,000,000 of sinking fund debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and First Boston Corp. (jointly). **Offering**—Expected in second quarter of 1958.

Consumers Power Co.
Feb. 21 Dan E. Karn, President, announced that $100,600,000 has been budgeted for expansion and improvement of service facilities during 1958. Indications are that $60,000,000 of senior securities may be involved. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). An offering of $35,156,700 of 4⅝% convertible debentures, offered to stockholders, was underwritten in October, 1957, by Morgan Stanley & Co.

Delaware Power & Light Co. (6/17)
April 23 it was announced company plans to issue and sell $25,000,000 of first mortgage and collateral trust bonds due 1988. **Proceeds**—To refund $15,000,000 of 5% bonds due 1987 and to repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Eastman Dillon, Union Securities & Co.; The First Boston Corp. and Blyth & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on June 17.

Dixon Chemical Industries, Inc.
March 10 it was reported company plans to do some financing, the type of securities to be announced later. **Proceeds**—For expansion. **Underwriter**—Harriman Ripley & Co. Inc., New York

Equitable Gas Co.
April 7 it was reported that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

Florida Power Corp. (7/1)
Jan. 29 it was reported corporation plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Eastman Dillon, Union Securities & Co., and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. **Bids**—Expected to be received on July 1.

Gas Service Co.
March 24 it was reported that company plans to issue $11,000,000 of first mortgage bonds later this year. No decision as yet has been made as to the procedure the company will follow. **Proceeds**—For repayment of short-term notes and loans and for construction program. **Underwriter** — If determined by competitive bidding, probable bidders may be Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, and White, Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

★ **General Acceptance Corp.**
April 22 it was reported that the stockholders will vote May 21 on approving the creation of 1,000,000 shares of preferred stock (no par), of which 80,000 shares are to be 60-cent series. **Underwriter**—Paine, Webber, Jackson & Curtis.

Grace Line Inc.
March 20 it was announced by Lewis A. Lapham, President, that the company plans to issue approximately $21,000,000 of government insured bonds secured by a first preferred ship mortgage on the new "Santa Rosa" and "Santa Paula." **Underwriters** — Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney Co.; White, Weld & Co.; and F. Eberstadt & Co., all of New York.

Great Atlantic & Pacific Tea Co.
Feb. 19 it was reported a secondary offering of common voting stock is expected in near future. **Underwriters**—May include: Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co.; Hemphill, Noyes & Co.; Smith, Barney & Co.; and Merrill Lynch, Pierce, Fenner & Smith.

Hackensack Water Co.
March 12, George H. Buck, President, said that company plans to sell some $7,000,000 in new securities by the end of this year in the form of first mortgage bonds and preferred stock. Recent bond financing was made privately. In event of competitive bidding for bonds or debentures, bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; Blyth & Co., Inc.; Drexel & Co. and Dean Witter & Co. (jointly). The First Boston Corp. and White, Weld & Co. (jointly) underwrote last common stock financing. There is no preferred stock presently outstanding.

Hawaiian Telephone Co.
March 17 it was reported company plans to offer 500,000 additional shares of common stock to stockholders. **Proceeds** — About $5,000,000, to be used for additions and improvements to property. **Underwriter**—None. **Offering**—Expected in June.

Illinois Bell Telephone Co. (5/29)
March 27 it was announced company plans to offer to its stockholders of record May 29, 1958 the right to subscribe for 870,792 additional shares of capital stock at the rate of one new share for each six shares held; rights to expire on June 30. Minority stockholders own 5,933 shares. **Price**—At par ($100 per share). **Proceeds**—For additions and improvements. **Underwriter**—None. **Registration**—Expected on May 9.

Indiana Gas & Water Co., Inc.
March 25 it was announced that the company plans to issue and sell $3,000,000 of first mortgage bonds. May be placed privately. **Proceeds**—To repay bank loans and for new construction.

★ **International Bank for Reconstruction & Development ("World Bank") (5/6-7)**
April 28 it was announced the World Bank plans to offer publicly $150,000,000 of 10-year bonds (non redeemable before maturity). **Price** — To be named later. **Underwriters**—Morgan Stanley & Co. and The First Boston Corp., both of New York.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp. **Registration**—Expected before Spring.

Kentucky Utilities Co.
Jan. 21 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. **Probable bidders**: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginson Corp.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner

& Smith (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. **Offering**—Expected in September or October.

Kentucky Utilities Co.
Jan. 21 it was also reported that company may offer approximately 165,000 additional shares of its common stock to its common stockholders on a 1-for-15 basis. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Missiles-Rockets-Jets & Automation Fund, Inc.
On Jan. 7 this new fund registered under the Investment Company Act of 1940. Plans to issue $15,000,000 common stock, of which $7,500,000 will be underwritten on a firm basis by Ira Haupt & Co. **Price**—$10. **Proceeds**—For investment. **Technological Advisors**—Include Dr. Theodore von Karman, Chairman of the advisory group for aeronautical research and development of NATO.

Montana-Dakota Utilities Co.
March 24 it was reported the company plans to issue and sell an undetermined amount of first mortgage bonds in the latter part of this year or in early 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brazil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering**—Expected this Summer.

Mountain Fuel Supply Co.
March 27 it was reported company expects to offer a debenture issue prior to July 1, 1958. **Proceeds**—Among other things, to repay $11,000,000 of bank loans. **Underwriter**—The First Boston Corp., New York.

Naxon Telesign Corp.
March 19 it was announced by this corporation that it plans to issue and sell 120,000 shares common stock (par $1). **Price** — $5 per share. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C.

New England Power Co. (6/11)
March 3 it was announced this company, a subsidiary of New England Electric System, proposes to file $10,000,000 principal amount of first mortgage bonds, series H, due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith; Kidder Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Blair & Co., Inc. (jointly). **Bids**—Tentatively scheduled to be received on June 11 at 441 Stuart St., Boston 16, Mass. **Registration**—Expected early in May.

New England Telephone & Telegraph Co. (6/16)
April 11 it was announced company plans to offer to its stockholders about June 16 the right to subscribe for 735,245 additional shares of common stock on the basis of one new share for each five shares held. American Telephone & Telegraph Co. owns about 70% of the outstanding shares. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent and for corporate purposes. **Underwriter**—None.

New England Telephone & Telegraph Co. (8/26)
April 11 it was announced company plans to issue and sell $40,000,000 of debentures. **Proceeds**—To redeem a like amount of 4½% bonds due 1961. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids** — Expected to be received on Aug. 26.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

New York Telephone Co.
March 14 company sought approval of the New York Public Service Commission to issue and sell $60,000,000 of refunding mortgage bonds, together with 1,200,000 shares of common stock, par $100 (the latter to American Telephone & Telegraph Co.). **Proceeds**—To retire short-term bank borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

● **New York Telephone Co. (5/26)**
March 14 it was also announced company seeks approval of an issue of $70,000,000 additional refunding mortgage bonds, subject to favorable market conditions. **Proceeds**—To refund a like amount of series J 4½% bonds sold last year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Morgan Stanley & Co. **Bids**—Tentatively expected to be received up to 11:30 a.m. (EDT) on May 26.

Niagara Mohawk Power Co.
March 3 it was reported company may issue and sell $50,000,000 of mortgage bonds, probably this fall. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Northern Illinois Gas Co.
April 14 it was reported that the company is planning to issue and sell $20,000,000 to $25,000,000 of mortgage bonds late this summer or early Fall. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Northern Indiana Public Service Co.
March 12 it was announced company plans to spend an estimated $76,500,000 for construction in the years 1958-1959. Of this about $55,000,000 will be raised from sale of additional securities, the nature of which will be determined on conditions at time financing is undertaken.

● **Northern States Power Co. (Minn.) (7/8)**
April 28 it was reported that the company may be considering the issue and sale of $30,000,000 of first mortgage bonds due 1988. **Proceeds**—To refund $18,000,000 of 5% bonds and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on July 8.

Oklahoma Gas & Electric Co. (6/16)
Feb. 3 it was reported company plans to issue and sell $15,000,000 of bonds this year. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Tentatively expected to be received on June 16.

★ **Owens-Illinois Glass Co.**
April 28 it was announced company plans to issue and sell $50,000,000 of long-term debentures. **Underwriters**—Lazard Freres & Co. and Goldman, Sachs & Co., both of New York. **Registration**—Expected in near future.

Pacific Gas & Electric Co.
March 20 the company announced it plans a common stock offering about the middle of this year, first to present stockholders and then to public. **Underwriter**—Blyth & Co., Inc., New York.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidders—The First Boston Corp. and Halsey,Stuart & Co. Inc. (jointly); Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Power & Light Co. (6/24)
April 14 it was reported that the company is planning to sell $20,000,000 of bonds due 1988. **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Bear, Stearns & Co., and Salomon Brothers & Hutzler (jointly). **Bids**—Expected to be received on June 24.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ **Pennsylvania Power Co.**
April 29 it was announced by the company that it has filed applications with the Pennsylvania P. U. Commission and the SEC proposing the issue and sale of 60,000 shares of new preferred stock (par $100). **Proceeds**—Together with cash on hand and estimated to be received from operations, toward the company's construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Blyth & Co., Inc (jointly); Lehman Brothers; Smith, Barney & Co.; Merrill Lynch, Pierce, Fenner & Smith; Glore, Forgan & Co., and W. C. Langley & Co. (jointly); Kidder Peabody & Co. Inc., and White, Weld & Co. (jointly).

St. Joseph Light & Power Co.
April 15 it was announced that the company plans to market $6,500,000 in bonds or preferred stock "sometime this summer." The stockholders on May 21 will vote on authorizing an increase in bonded indebtedness of $6,500,000, and an increase in preferred stock from 25,000 shares to 50,000 shares. **Proceeds** — For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

★ **South Carolina Electric & Gas Co.**
April 7 it was announced by the company that it plans to sell some additional bonds during the latter part of the year. **Proceeds** — Together with bank loans, to be used for $16,000,000 construction program. Bonds may be placed privately through Kidder, Peabody & Co.

★ **Southern Colorado Power Co.**
April 21 it was reported stockholders will vote May 9 on creating an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis.

★ **Southern Natural Gas Co.**
April 4 it was announced by the company that it contemplates interim financing by bank loans and permanent financing by the sale of first mortgage bonds and debentures (probably between $20,000,000 to $25,000,000). **Proceeds**—For new construction costing about $105,000,000. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly).

Southern Railway Co.
March 20 it was reported that the company plans to issue about $20,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder Peabody & Co., Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Morgan Stanley & Co.; Eastman Dillon, Union Securities & Co., and Salomon Bros. & Hutzler (jointly).

★ **Southern Union Gas Co.**
April 28 it was reported that the company plans registration late in May of $7,000,000 of debentures and $3,000,000 of preferred stock. **Underwriters**—Snow, Sweeney & Co., Inc., New York, and A. C. Allyn & Co., Inc., Chicago, Ill. **Offering**—Expected in June.

Transcontinental Gas Pipeline Corp.
April 14 it was reported that the company plans early registration of $35,000,000 to $40,000,000 of either preferred stock or bonds, or both. **Proceeds**—For new construction. **Underwriter**—White, Weld & Co. and Stone & Webster Securities Corp. **Offering** — Expected latter part of May.

Tuttle Engineering, Inc., Arcadia, Calif.
Feb. 10, Leo L. Strecker, President, announced corporation plans issue and sale in near future of $1,000,000 convertible debentures or preferred stock, to be followed later in 1958 by the sale of about $5,000,000 of common stock. **Proceeds**—For working capital and other corporate purposes.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

Virginia Electric & Power Co. (6/10)
Dec. 26 it was reported company plans to issue and sell $25,000,000 bonds or debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler; White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and American Securities Corp. (jointly). **Bids**—Tentatively expected to be received on June 10.

Virginian Railway Co. (5/1)
April 14 it was reported that the company plans an offering of $12,000,000 of first lien and refunding mortgage sinking fund bonds, series F, due May 1, 1983. **Proceeds**—For capital expenditures, to repay bank loan and for working capital. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., Inc., and White, Weld & Co. (jointly); Shields & Co. **Bids**—Expected to be received by the company in New York up to noon (EDT) on May 1.

Washington Gas Light Co.
March 24 it was announced company plans to issue and sell about $7,000,000 of new securities, which may include some preferred stock. **Proceeds**—For construction program. **Underwriters**—Johnston, Lemon & Co., Alex. Brown & Sons, Auchincloss, Parker & Redpath and Folger, Nolan Inc. **Offering**—May be early in Summer.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co.

N. Y. Capital Fund Assets $23.7 Million

Net asset value of New York Capital Fund of Canada, Ltd. on March 31, 1957 amounted to $23,-788,497, equal to $29.07 a share on 818,408 outstanding shares, according to the quarterly report sent to stockholders by Armand G. Erpf, President of the fund, and Henry C. Brunie, Chairman, New York Capital Management Company of Canada, Ltd.

Three months earlier net asset value was $23,047,238, equivalent to $27.13 a share on 849,534 shares, and on March 31, 1957 it was $27,-050,827 or $32.90 a share on the 849,602 shares outstanding on that date.

The report said that equities and their equivalent accounted for approximately 80% of net assets as of March 31, 1958 and short-term liquid items and other priorities for 20%.

In the quarter the fund increased holdings in Calgary Power Limited; The Great-West Life Assurance Company; O'okiep Copper Company Limited; Royal Dutch Petroleum Company, and The Steel Company of Canada, Limited. Reductions were made in holdings of Aluminium Limited; Confederation Life Association; Great Northern Gas Utilities Ltd., and Taans Mountain Oil Pipe Line Company. An investment in McColl-Frontenac Oil Company was eliminated.

Mutual Funds

By ROBERT R. RICH

Energy Use Rises in the Three Postwar Recessions

In its report to shareholders for the six months ended March 31, 1958, Energy Fund, specializing in investments in the energy industries, has analyzed growth of energy use in the three post World War II recessions. The fund, which is managed by Ralph E. Samuel & Co. and offers shares at net asset value, has determined that in all three of the recessions, 1948-49, 1953-54, and 1957-58 (to date), energy use has moved ahead on-balance in the face of declines in most other major indices of economic activity.

The fund points out that the 1948-49 recession, which was the first of the post World War II recessions, may be best characterized as an inventory recession. With a subsiding of the frantic postwar consumer demand for all types of goods, inventories began to outstrip actual consumption so that by 1948 the glut of goods caused a cutback all down the line resulting in the recession which had not run its course until the latter part of 1949. 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 Power Production in the U. S. increased 3.2%, Gas Consumption increased 7.2% 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 indicators: **steel production was down about 14%, carloadings declined about 28% and construction outlays were down 8%.**

The 1953-54 recession, again, has as its principal trigger an inventory glut. Once again production exceeded demand, touching off cut-backs and reduction of operations at the manufacturing and raw-material-producing levels. However, for the 12 months ended June, 1954, while industrial production was declining almost 9%, electric power production continued to move ahead more than 5%, gas consumption moved ahead nearly 5½% and petroleum consumption dropped a modest 2%. Once again the generally rising pattern of power use was in sharp contrast to the drop in other major economic indices. For instance, during the 1953-54 recession **retail sales volume was down about 5%, steel production dropped 22%, automobile production was down 13%, carloadings showed a decline of almost 15% and new plant and equipment expenditures were down about 3.5%.**

Unlike its two predecessors, the 1957-58 recession is no pure inventory recession, but rather a recession caused by excess in consumer debt and plant expansion. From the start of 1957 the boom was fading. Business capital spending virtually stopped growing. New orders for capital goods continued to fall off. As the Suez Canal reopened, U. S. exports declined; and the Administration—strapped by the national debt limit—slashed defense orders and spending. Business firms generally cut output to hold down inventories, slashed new orders for capital goods, reduced capital outlays.

Now output is down; income is down; employment is down. Nearly 8% of the labor force was jobless in February. Consumers are cutting their buying, trying to save more and reduce their debts. Business sees excess capacity, excess inventories, falling profits; so it cuts capital spending, reduces output further to pull down inventories, tries to cut costs—without cutting prices.

The Federal Reserve Board Index of Industrial Production shows a decline of better than 8% for January, 1958, as measured against January, 1957. Today **steel production is some 40% below 1957 levels, automobile sales are down about 30% from one year ago, railroad carloadings are currently running about 20% below a year ago and plant and equipment expenditures are some 13% below 1957 levels.**

In the face of these emphatic indicators of sharply reduced economic activity, energy use continues to be the subject of increasing demands. In January, 1958, as against January, 1957, Electric Power Production moved ahead 1.3%, Gas Consumption increased 5.5% while Petroleum Consumption declined 6.1% reflecting in part non-recurring excesses in demand during the Suez crisis.

Thus it is evident that the ever-widening circle of energy demand not only spurs enormous growth of power use in times of favorable economic conditions, but also is of sufficient magnitude to keep demand moving ahead, on-balance, in times of declining economic activity.

In his letter to shareholders Ralph E. Samuel, President of Energy Fund, states that, "the Energy Fund study indicates in convincing fashion the expansion that takes place in energy use despite declines in industrial production and other important economic indices. We are now, unfortunately, in our third postwar recession," Mr. Samuel continues, "and superior performance of electric power production and the use of gas and petroleum stand out clearly."

The Energy Fund President adds, "This, of course, is the prime factor that led to the founding of the Energy Fund and characterizes our investment program. As we see it, an expanding population and a rising standard of living have always created in the past and should continue in the future to bring about increasing use of energy."

Mr. Samuel concludes, "How long the present ebbing of the American economy will continue defies prediction. All estimates, in our opinion, represent sheer guess-work. But it is not guess-work to stress that, based on all available records, energy-use in the U. S. A. seems to increase year by year, good times and bad."

Fund's Net Asset Value Up 6%

Net asset value per share of Energy Fund increased 6% in the fiscal second quarter ended March 31, 1958. The fund announced that net asset value per share amounted to $135.89 as of the close of business on March 31, 1958, up from $128.18 at Dec. 31, 1957. In the same period, total net assets increased 8.9% to $3,921,716 from $3,601,765 at the beginning of the period, while shares outstanding increased 2.7% to 28,859 and shareholders increased to 991, a rise of 7%.

During the quarter, major changes in the portfolio included new commitments in Commonwealth Edison Company; Cutler-Hammer; General Dynamics; Litton Industries; Minneapolis Honeywell; N. V. Philips' Gloeilampenfabrieken (FL. 1000); and Signal Oil and Gas. Eliminations were Beckman Instruments, and Safety Industries.

Wellington Assets

At the close of business on April 24, net assets of the Wellington Fund were the highest in the history of the 30-year-old mutual fund, it was reported today by A. J. Wilkins, Vice-President. Total assets on that date amounted to $670,030,148.53.

Putnam Fd. Assets Increase Sharply

The George Putnam Fund of Boston reports for the quarter ended March 31, 1958 increases in total net assets from $133,219,000 to $142,345,000 and in net asset value per share from $10.85 to $11.42. During the quarter the number of shareholders and shares outstanding reached new highs of 43,900 and 12,464,836 respectively.

The total market value of all the Fund's investments on March 31 exceeded cost by $22,643,000, an increase of $6,312,000 since year-end. Common stocks represented 61% of the fund's total investment, compared with 60% on Dec. 31.

Commenting on the present period as "a time for constructive action rather than for sitting tight," George Putnam, Chairman of the Trustees, told shareholders that currently the management is "aggressively seeking the companies and industries that will be in the forefront of the next general recovery in business.

"Many good quality companies started their readjustment long before it was general in our overall economy. These are now in a position to move ahead again. Other well-managed concerns are coming through the recession in fine fashion. These include many drug companies, food chains and electric utilities. We look on the present period as one of opportunity and as a time to establish the base for future profits."

New common stock additions to the Fund during the quarter included shares of Avon Products, Inc.; Denver & Rio Grande Western RR. Co., Fibreboard Paper Products Corp.; General Foods Corp.; Houston Lighting & Power Co.; Peoples Water & Gas Co.; Rich's, Inc., and State Loan & Finance Corp., Class "A" (acquired through conversion of debentures).

Eliminations from the portfolio included shares of Aluminium, Ltd.; Chase Manhattan Bank; Chemical Corn Exchange Bank; Continental Oil Co. (Del.); First National City Bank, N. Y., and General Dynamics Corp.

With H. L. Emerson

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Clayton E. Specht is now connected with H. L. Emerson & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Delaware Fund's Views on Stock Values Unchanged

Delaware Fund's latest portfolio shifts include the purchase of some new Douglas Aircraft 5% convertible debentures; completed positions in Merck, International Tel. & Tel., C.I.T. Financial, Commercial Credit and Riley Stoker; and liquidation of the last of its holdings of Air Reduction, Sunshine Biscuits and Wrigley.

"Our fundamental position—that of a heavy commitment to the long-term future of the common stock market—remains unaltered," writes D. Moreau Barringer of Delaware Company, the fund's investment manager, in his current semi-monthly Directors' Letter.

Mr. Barringer and his associates feel that Government will use its power to buy prosperity even at the cost of cheapening the dollar, rather than suffer a major rise in unemployment. The phrase will be "putting human values ahead of dollar values," he said, but the effect will be a reversal of the Administration's fight against inflation — unless reviving business makes it unnecessary.

The investment adviser, who is also chairman of Delaware Fund's board, noted that the market continues to flaunt its stability in the face of generally pessimistic business news, perhaps because many "are reasoning as we are — that prudent investment demands a large proportion of common stocks in view of the inflationary probabilities." Although it's not sure common stocks will be able to offset the depreciation in purchasing power which his group foresees for the dollar, they feel it is sure bonds and cash won't. "If any large number of investors argue this way, the highs of the 1956-57 market," Mr. Barringer pointed out, "aren't nearly as impenetrable as pessimists think."

Defense Outlays and Investment Opportunities

The launching of Sputnik I had one important effect which the Russians probably did not anticipate. This effect was the nationwide clamor which arose in the United States calling for a reappraisal of the adequacy of our missile research and development program, particularly with respect to intercontinental ballistics missiles. According to the April issue of "Perspective," published by the investment management department of Calvin Bullock, managers of mutual funds with assets in excess of $400,000,000, this reappraisal is having and will have its own effect on the economy of the country.

Russia's satellite success came at a time when defense expenditures were being cut back. For the month of August, 1957, the publication said, expenditures had reached a new high yearly rate of $42 billion. Because this level of spending placed a serious drain on the cash position of the U. S. Treasury, the Department of Defense set a goal to reduce expenditures to a yearly rate of $38 billion.

Currently the rate is rising higher as the effect of Sputnik is beginning to make itself felt in a concrete way. Even though expenditures will only be somewhat greater in fiscal 1959 over 1958, a substantially higher level of expenditures is anticipated in subsequent years due to the long lead time involved in certain equipment being ordered now and to be ordered in the near future.

With respect to expenditures for procurement of military equipment, there has been little change in the three-year period 1957-59 with actual and estimated figures ranging from $13.6 billion to $13.8 billion. Within this total, however, there has been a significant change in emphasis.

Expenditures for aircraft will drop from nearly $8.0 billion in 1957 to $6.9 billion for 1959, which is the lowest level since 1952. Outlays for guided missiles, on the other hand, will reach a new peak of $3.3 billion, which is $1.2 billion higher than the level for 1957. Whereas only 1.7% of procurement expenditures went for missiles in 1953, the proportion will jump to 24% in 1959. The percentage spent for aircraft has been in a declining trend since the recent peak set in 1955. That total missile outlays, the publication said, will continue to grow year by year cannot be doubted, for the missile is destined to play an increasingly larger role in the defensive and counter-offensive power of the military forces.

Many thousands of companies reflect in their volume of sales the expenditures of the Department of Defense. The principal beneficiaries on a large scale are the airframe manufacturers, the electronic companies and the producers of power plants and fuel. The manufacturers of rocket fuel will become relatively more important in years to come. Consequently, it is to these groups of companies that the investor turns when seeking to place a portion of his funds in the "defense" stocks.

"It seems to us," the Calvin Bullock publication concluded, "that of the companies which have been dependent to a rather large extent on military orders, those which already have a substantial foothold in the missile business will be among the leaders during the next decade. Missile expenditures will continue to grow for a number of years ahead. . . . Also, this country will most certainly expand its experiments in connection with space. It has been estimated that we may spend between $3-4 billion to develop a manned satellite and as much as $5 billion to develop a manned rocket to land on the moon. We can be quite certain, of course, that these accomplishments are some years away, but this just makes the companies which will be intimately involved that much more attractive for the longer term."

Fidelity Fund Shareholders Up 15% in Past Year

Fidelity Fund reports as of March 31, net asset value of $249,-905,704. This is an increase of approximately 8.2% over net asset value of $231,037,101 on Dec. 31, 1957. Both number of shareholders and shares outstanding reached new highs as of March 31, 1958. Fidelity Fund now has over 68,000 shareholders, an increase of 15.1% over a year ago.

On March 25, 1958, a dividend of 11 cents per share was paid by the fund from net income received from dividends and interest on portfolio securities.

Net cash and United States Government securities amounted to 4.1% of fund's net assets on March 31, 1958, compared with 6.0% on Dec. 31, 1957. Common stock investments amounted to 87.6% of net assets compared with 85.5% as of Dec. 31, 1957.

After a distribution of 40 cents per share from net long-term capital gains on Feb. 10, 1958, net asset value per share was $12 on March 31, 1958, compared with $11.72 as of Dec. 31, 1957.

With Nelson S. Burbank

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert W. Alsup is now with Nelson S. Burbank Co., 80 Federal Street.

Fundamental Assets Now $361 Million

Fundamental Investors, Inc., one of the nation's largest common stock funds, reports total net assets of $361,385,767 on March 31, 1958, end of the first quarter of the fiscal year. This compares with $334,501,287 on Dec. 31, 1957.

During the quarter, net asset value per share rose 4.5%, from $13.37 to $13.97. The number of shareholders increased from 90,-593 to 92,325; shares outstanding from 25,017,809 to 25,876,208.

In its 101st report to shareholders, the fund points out that 36,531 shareholders held Share Accumulation Accounts at the end of March. During the first three months of 1958, according to the report, nearly $2 million worth of additional shares were purchased by such accountholders, "exclusive of $768,478 of dividends automatically reinvested."

The report, signed by Wm. Gage Brady, Jr., Chairman, and Hugh W. Long, President, makes the point that "Despite the fact that the short-term business outlook remains uncertain, in management's judgment the basic long-term growth forces in our economy have been interrupted only temporarily."

During the quarter ended March 31, the fund substantially increased its previous holdings of American-Marietta Co., Commercial Credit Co., Gillette Co., Houston Lighting & Power Co., National Lead Co., Newmont Mining Corp., Phelps Dodge Corp., Royal Dutch Petroleum Co. and United Aircraft Corp.

Substantial reductions were made in holdings of B. F. Goodrich Co., Republic Steel Corp., Seaboard Air Line RR. Co. and Southern Railway Co.

Eliminated were all holdings of Atchison, Topeka & Santa Fe Ry. Co., Owens-Corning Fiberglas Corp. and Transamerica Corp.

Investors Mutual Assets at Record High of 1.06 Billion

Investors Mutual, Inc., largest of five mutual funds managed by Investors Diversified Services, Inc., reached record highs in total net assets, number of shareholders and number of shares outstanding in the first fiscal six months of 1958, according to the fund's semi-annual report. On March 31, 1958, Investors Mutual was the largest mutual fund in the nation.

Total net assets rose to $1,064,-761,051 on March 31, 1958 from $996,963,820 on Sept. 30, 1957, a gain of $67,797,234.

Net asset value of the fund's shares was $8.80, up from $8.55 reported six months ago.

Dividends declared during the period amounted to 18 cents per share, the same amount as declared during the first fiscal half year of 1957. In both periods dividends were derived entirely from investment income.

Number of shareholders increased to 274,255 from 269,433 on Sept. 30, 1957.

Shares outstanding also increased to 120,945,815 on March 31, 1958 from 116,589,869 at the fiscal year end.

Investments of the fund on March 31, 1958 were balanced as follows: bonds and preferred stocks 38.6%; common stocks 60.3%; short term notes 1.1%. The larger common stock investments made during the period were in the following industry groups: petroleum and natural gas, chemicals, electric and electronic equipment, and paper.

Tri-Con's Assets Now $320 Million

Investment assets of Tri-Continental Corporation, the nation's largest diversified closed-end investment company, increased to $320,108,568 at March 31, for a gain of $16,695,426 from the start of the year, it was reported April 11 by Francis F. Randolph, chairman of the board and president.

The bulk of this gain, Mr. Randolph said, resulted from appreciation in the market value of investment holdings. Warrants were exercised at a considerably less rapid rate in the first quarter, according to the chairman, and new funds received for 91,794 shares of common stock issued upon the exercise of 72,279 warrants amounted to $1,630,267. At the end of the quarter, the total number of common shares outstanding had increased to 6,812,994 and the remaining warrants had been reduced to 1,193,381, a decrease of 658,075 from twelve months earlier.

Assets per common share outstanding increased to $38.38 at March 31 from $36.42 at Dec. 31, 1957, Mr. Randolph reported. He stated that assets per share of common, assuming the exercise of all warrants, were $34.63 at the end of March and showed a gain of about 5% from the $32.82 reported at the start of the year.

Net investment income totaled a record $2,612,450 for the first three months of 1958, up from $2,-348,297 in the corresponding period of 1957. Mr. Randolph attributed a major part of this increase to earnings of new funds received during 1957 for common stock issued upon exercise of warrants. He pointed out that inasmuch as the new funds were put to work in 1957 as received, the gain in income reported in the first quarter cannot be expected to be maintained throughout the year. The chairman noted that the first quarter common stock dividend of 30 cents per share was the same as in the corresponding quarter of 1957 and was paid on about 14% more shares.

Common stock holdings made up 76.7% of investment assets at the end of the quarter, an increase from 75.1% three months earlier. Mr. Randolph observed that this increase in the proportion of common stock holdings resulted primarily from improvement in market value. "There was no change in over-all investment policy during the first quarter," he commented, "and new funds received from exercise of warrants continued to be invested in fixed-income senior securities and common stock holdings in proportions roughly the same as those at the beginning of the period."

New common stock holdings added in the first quarter were 39,000 shares of Avon Products, Inc.; 26,800 shares of U. S. Pipe & Foundry Co.; 25,000 shares each of Boeing Airplane Co., Owens-Illinois Glass Co. and Winn-Dixie Stores, Inc.; and 15,200 shares of Sunbeam Corp. In addition, 15,-300 shares of Continental Baking Co. were received upon exchange of convertible debentures of that company.

Holdings increased included Houston Lighting & Power Co. by 12,900 shares, American Stores Co. by 5,735 shares, Maytag Co. and Oklahoma Gas & Electric Co. by 5,000 shares each, Central & South West Corp. by 2,000 shares and McGraw-Edison Co. by 1,000 shares.

Investment positions were eliminated by the sale of 19,300 shares of Southern Railway Co., 17,000 shares of Louisiana Land and Exploration Co. and 12,000 shares of Seaboard Oil Co. Principal decreases in holdings were 16,100 Shell Oil Co., 15,000 Ohio Oil Co., 12,000 Phillips Petroleum Co., 5,-000 Seaboard Air Line RR. Co., 4,400 National Lead Co. and 2,600 Outboard Marine Corp.

Axe-Sponsored Funds Assets Gain

Total net assets of the five mutual funds sponsored by Axe Securities Corporation rose $10,622,-703 or more than 8% in the first quarter of 1958, it was reported by the management.

Each of the funds participated in the increase, which lifted the asset total from $128,513,978 on last Dec. 31 to $139,136,681 on March 31. The funds are Axe-Houghton Fund A, Fund B and Stock Fund, Axe Science & Electronics Corporation and Axe-Templeton Growth Fund of Canada.

Shareholders passed the 90,000-mark in the quarter—from 89,761 to 90,558.

Oil Stocks Top Selected's Holdings

Total net assets of Selected American Shares, open-end investment company, at March 31, 1958, as reported by Edward P. Rubin, President, were $63,920,-172, equal to $7.64 a share (or $7.92 adjusted for reinvestment of capital gain distribution paid in January). These figures compare with $62,718,346, or $8.49 a share on March 31, 1957. Income dividend of 7 cents a share was paid for the first quarter, the same as in the 1957 period. Outstanding shares at March 31 of 8,369,303 compare with 7,384,930 a year ago.

At March 31 common stocks represented 96.4% of assets, corporate bonds and short-term notes 0.7%, U. S. Governments and cash 2.9%. The company had investments in 115 companies, the largest holdings of common stocks, by industry, were oil 15.7%, electric utility 11.6%, steel 9.8%, electrical and electronics 5.4%.

Mr. Rubin says in the report to shareholders: ". . . the correction in the stock market is about two years old, and the business correction is in its 17th month . . . most downward business and market trends have taken less time to run their course. . . . The present business recession is deeper than other recessions of the post-war period. However, the management observes no significant tendencies toward a severe downward spiral. Instead, it believes it possible favorable corrective tendencies may assert themselves before many more months. . . ."

In the last three months Selected American added these new stocks to its portfolio: ACF-Wrigley Stores; Bendix Aviation; Boeing Airplane; Douglas Aircraft; Ex-Cell-O; General Finance; International Minerals & Chemical; Minnesota Mining & Mfg.; Pan American World Airways; Spencer Chemical; Sperry Rand, and Thompson Products. Increases in prior stock holdings include American Airlines, Anaconda, Commercial Credit, Commonwealth Edison, Federated Department Stores, First National City Bank (N. Y.), International Nickel, Middle South Utilities, Mississippi River Fuel, National Gypsum, Northern States Power, Otis Elevator, Republic Natural Gas, St. Regis Paper, Trane Co., U. S. Steel, West Penn Electric, Youngstown Sheet & Tube.

Stocks eliminated from the portfolio during the period were Cities Service, Colorado Interstate Gas, International Paper, National Lead, Shell Oil, Union Carbide, Westinghouse Electric. Reductions in prior stock holdings include sales of shares of Aluminium Ltd., Amerada Petroleum, Continental Oil, Minneapolis-Honeywell, Ohio Oil, Tennessee Gas Transmission, Zenith Radio.

Changes (of 1% or over) in industry holdings of common stocks in the first quarter were—Increases: aviation, 1.5%; bank and finance, 1%; steel, 1.6%. Decreases: electrical & electronics, 2.4%; oil, 4.2%.

U. S. & Foreign Reduces Stock Holdings

United States & Foreign Securities Corporation, one of the largest closed-end investment companies, reports a net asset value at March 31, 1958 of $103,599,326 which was equivalent to $31.29 per share on the 3,310,815 shares of common stock outstanding. This compared with a net asset value on Dec. 31, 1957 of $103,456,893 or $31.25 per share and net asset value on March 31, 1957 of $119,-915,071 or $36.22 per share. During the 12 months ended March 31, 1958 dividends amounting to $2.20 per share were paid, 81.1 cents from ordinary income and $1.389 from capital gains.

Of common stock investments held at the end of the first quarter, oil shares represented 40.79% of total assets; chemical and drug shares 16.38%; metal and mining, 10.71; manufacturing and miscellaneous, 7.45; electric utility, 2.47; natural gas, 1.32; merchandising, 1.22; other investments, 0.18%. U. S. Government obligations accounted for 18.34% of assets (compared with 13.14% at the close of 1957); cash and receivables 1.07%; bonds, 0.07%.

During the first quarter the company reduced to a moderate extent its holdings of some common stocks, including Dow Chemical, Hercules Powder, Smith, Kline & French Laboratories, Halliburton Oil Well Cementing, Aluminium Limited, Reynolds Metals, Amerada Petroleum and Louisiana Land and Exploration.

Directomat Common Stock at $1 a Share

An offering is being made to the public of 240,000 shares of common stock (par one cent) of Directomat, Inc. at $1 per share, through James Anthony Securities Corp. and William Norton Co., both of New York City, and Schwerin, Stone & Co., Great Neck, N. Y., and Mac Robbins & Co., Inc., Jersey City, N. J.

The net proceeds are to be used for general corporate purposes, including the manufacture of Directomat machines.

Directomat, Inc., incorporated in Delaware on Nov. 12, 1957, is qualified to do business in the State of New York and was organized for the purpose of selling and renting an electrically operated machine known as Directomat which prints and dispenses information on a paper slip at the press of a button. The company also received revenues from renting advertising space on the Directomat machines and the information tickets.

Giving effect to the new financing, there will be outstanding 548,823 shares of common stock, out of 5,000,000 shares authorized.

Elected Director

Sutherland Paper Company has elected Herman H. Kahn as a director of the company, it was announced by L. W. Sutherland, Chairman of the Board. Mr. Kahn is a partner in Lehman Brothers, investment bankers, and a director of Avco Manufacturing Corp., The Dayton Rubber Co. and Microwave Associates, Inc.

Joins Marshall Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Edward C. Melzer has become affiliated with the Marshall Co., 765 North Water Street. He was formerly with Thill Securities Corp.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (per cent capacity)	May 4	§47.9	*47.1	48.6	87.0
Equivalent to— Steel ingots and castings (net tons)	May 4	§1,293,000	*1,270,000	1,312,000	2,226,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	April 18	6,250,535	6,186,885	6,262,885	7,550,965
Crude runs to stills—daily average (bbls.)	April 18	¶7,051,000	*7,494,000	7,316,000	7,690,000
Gasoline output (bbls.)	April 18	24,531,000	25,817,000	24,997,000	26,370,000
Kerosene output (bbls.)	April 18	1,918,000	2,031,000	2,352,000	2,156,000
Distillate fuel oil output (bbls.)	April 18	10,901,000	11,720,000	11,587,000	11,942,000
Residual fuel oil output (bbls.)	April 18	6,495,000	7,248,000	7,197,000	8,345,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	April 18	211,030,000	213,786,000	216,907,000	201,945,000
Kerosene (bbls.) at	April 18	17,537,000	17,406,000	17,178,000	19,779,000
Distillate fuel oil (bbls.) at	April 18	73,060,000	73,727,000	78,449,000	72,801,000
Residual fuel oil (bbls.) at	April 18	56,794,000	56,962,000	55,013,000	36,943,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	April 19	534,475	521,035	533,019	686,950
Revenue freight received from connections (no. of cars)	April 19	493,515	486,754	514,870	612,051
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	April 24	$325,733,000	$304,489,000	$441,190,000	$439,627,000
Private construction	April 24	113,512,000	142,987,000	196,086,000	258,720,000
Public construction	April 24	212,221,000	161,502,000	245,104,000	180,907,000
State and municipal	April 24	165,987,000	121,755,000	190,240,000	136,704,000
Federal	April 24	46,234,000	39,747,000	54,864,000	44,203,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	April 19	7,040,000	6,960,000	7,440,000	10,182,000
Pennsylvania anthracite (tons)	April 19	390,000	358,000	328,000	482,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	April 19	117	103	109	129
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	April 26	11,206,000	11,107,000	11,645,000	11,310,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	April 24	329	346	327	263
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	April 22	5.967c	5.967c	5.967c	5.670c
Pig iron (per gross ton)	April 22	$66.49	$66.49	$66.49	$64.56
Scrap steel (per gross ton)	April 22	$31.83	$32.83	$35.00	$42.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	April 23	23.975c	24.600c	24.300c	31.475c
Export refinery at	April 23	21.450c	21.475c	21.200c	29.600c
Lead (New York) at	April 23	12.000c	12.000c	13.000c	16.000c
Lead (St. Louis) at	April 23	11.800c	11.800c	12.800c	15.800c
‡Zinc (delivered) at	April 23	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	April 23	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig, 99%) at	April 23	24.000c	24.000c	26.000c	25.000c
Straits tin (New York) at	April 23	93.000c	92.875c	93.875c	99.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	April 29	96.29	97.23	95.75	89.83
Average corporate	April 29	96.23	96.07	95.47	96.23
Aaa	April 29	103.30	102.96	101.80	100.65
Aa	April 29	100.00	99.68	99.52	99.04
A	April 29	96.23	96.07	95.32	96.54
Baa	April 29	86.65	86.65	86.24	89.23
Railroad Group	April 29	91.77	91.62	91.34	94.41
Public Utilities Group	April 29	98.09	97.78	97.00	96.69
Industrials Group	April 29	99.20	99.04	98.25	97.47
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	April 29	2.82	2.73	2.86	3.35
Average corporate	April 29	3.99	4.00	4.04	3.99
Aaa	April 29	3.55	3.57	3.64	3.71
Aa	April 29	3.75	3.77	3.78	3.81
A	April 29	3.99	4.00	4.05	3.97
Baa	April 29	4.66	4.66	4.63	4.47
Railroad Group	April 29	4.29	4.30	4.32	4.11
Public Utilities Group	April 29	3.87	3.89	3.94	3.96
Industrials Group	April 29	3.80	3.81	3.86	3.91
MOODY'S COMMODITY INDEX	April 29	389.3	390.5	397.7	406.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	April 19	230,130	236,799	239,605	229,036
Production (tons)	April 19	263,614	256,970	273,800	282,574
Percentage of activity	April 19	87	82	88	94
Unfilled orders (tons) at end of period	April 19	336,737	382,210	359,226	403,901
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	April 25	109.99	110.09	109.88	110.61
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	April 5	1,009,950	1,363,880	1,338,670	1,249,660
Short sales	April 5	210,960	276,600	250,750	219,350
Other sales	April 5	886,960	1,033,670	1,028,180	977,890
Total sales	April 5	1,097,920	1,310,270	1,278,930	1,197,240
Other transactions initiated on the floor—					
Total purchases	April 5	241,250	353,280	336,260	283,670
Short sales	April 5	22,850	37,900	35,000	31,300
Other sales	April 5	298,250	344,620	299,360	283,310
Total sales	April 5	321,100	382,520	334,360	314,610
Other transactions initiated off the floor—					
Total purchases	April 5	348,350	434,200	456,204	559,720
Short sales	April 5	56,600	75,990	131,100	162,470
Other sales	April 5	325,255	490,260	570,596	567,932
Total sales	April 5	381,855	566,250	701,696	730,402
Total round-lot transactions for account of members—					
Total purchases	April 5	1,599,550	2,151,360	2,131,134	2,093,050
Short sales	April 5	290,410	390,490	416,850	413,120
Other sales	April 5	1,510,465	1,868,550	1,898,136	1,829,132
Total sales	April 5	1,800,875	2,259,040	2,314,986	2,242,252
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	April 5	1,055,385	1,162,232	1,117,796	1,130,815
Dollar value	April 5	$45,075,900	$50,336,445	$50,083,429	$52,823,642
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 5	811,646	1,012,454	920,451	946,835
Customers' short sales	April 5	17,893	16,078	15,145	12,817
Customers' other sales	April 5	793,753	996,376	905,306	934,018
Dollar value	April 5	$35,334,040	$43,040,716	$39,627,658	$44,008,703
Round-lot sales by dealers—					
Number of shares—Total sales	April 5	207,870	279,890	235,870	233,340
Short sales	April 5	------	------	------	------
Other sales	April 5	207,870	279,890	235,870	233,340
Round-lot purchases by dealers—					
Number of shares	April 5	424,410	408,370	472,980	417,490
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	April 5	552,490	601,260	736,690	594,510
Other sales	April 5	8,488,750	10,726,790	10,232,890	9,599,560
Total sales	April 5	9,041,240	11,328,050	10,969,580	10,194,070
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	April 22	119.4	*119.5	119.8	117.3
Farm products	April 22	97.5	*98.2	100.4	90.7
Processed foods	April 22	111.5	*111.4	110.7	104.8
Meats	April 22	110.2	*110.2	108.8	88.0
All commodities other than farm and foods	April 22	125.7	*125.7	125.9	125.4

*Revised figure. ¶Includes 857,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of January	139,910	140,036	147,029
Stocks of aluminum (short tons) end of Jan.	176,069	171,145	145,131
AMERICAN TRUCKING ASSOCIATIONS, INC. —Month of February:			
Intercity general freight transported by 340 carriers (in tons)	3,884,270	4,293,039	4,225,405
ASSOCIATION OF AMERICAN RAILROADS— Month of March:			
Locomotive units installed in service	67	50	133
New locomotive units on order (end of month)	206	273	747
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of March	11,670	10,466	12,049
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of February (Millions of dollars):			
Manufacturing	$52,500	$52,900	$52,900
Wholesale	12,500	12,600	12,800
Retail	24,300	24,500	23,900
Total	$89,300	$90,000	$89,600
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE — Month of March (000's omitted)	$1,682,000	$345,500	$1,670,700
COAL OUTPUT (BUREAU OF MINES)—Month of March:			
Bituminous coal and lignite (net tons)	31,800,000	30,630,000	42,795,000
Pennsylvania anthracite (net tons)	1,492,000	1,782,000	1,807,000
COKE (BUREAU OF MINES)—Month of Feb.:			
Production (net tons)	4,079,349	*4,762,050	6,213,577
Oven coke (net tons)	4,041,122	*4,714,610	5,965,912
Beehive coke (net tons)	38,227	*47,440	247,665
Oven coke stock at end of month (net tons)	3,347,045	3,299,838	2,015,104
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of March 31 (000's omitted)	$862,000	$776,000	$489,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of February	639,635	799,800	687,905
In consuming establishment as of Feb. 28	1,751,748	1,722,125	1,701,549
In public storage as of Feb. 28	11,596,250	12,182,132	13,999,179
Linters—Consumed month of February	90,698	99,026	113,664
Stocks Feb. 28	931,432	918,728	1,001,231
Cotton spindles active as of Feb. 28	17,945,000	17,950,000	18,639,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of February:			
Cotton Seed—			
Received at mills (tons)	81,098	272,511	43,354
Crushed (tons)	406,501	521,545	491,576
Stocks (tons)	1,042,009	1,367,412	1,176,052
Crude Oil—			
Stocks (pounds) Feb. 28	136,965,000	129,699,000	168,091,000
Produced (pounds)	140,101,000	174,440,000	170,419,000
Shipped (pounds)	120,251,000	154,029,000	141,750,000
Refined Oil—			
Stocks (pounds) Feb. 28	160,691,000	151,546,000	288,422,000
Produced (pounds)	108,729,000	138,290,000	132,848,000
Consumption (pounds)	94,796,000	115,273,000	113,600,000
Cake and Meal—			
Stocks (tons) Feb. 28	224,694	241,455	228,210
Produced (tons)	186,389	238,031	238,857
Shipped (tons)	203,150	242,917	205,384
Hulls—			
Stocks (tons) Feb. 28	119,300	123,746	64,560
Produced (tons)	95,020	122,326	109,175
Shipped (tons)	99,466	107,924	101,977
Linters (running bales)—			
Stocks Feb. 28	341,936	326,192	224,957
Produced	118,546	155,925	152,075
Shipped	102,802	132,482	148,579
Hull Fiber (1,000-lb. bales)—			
Stocks Feb. 28	586	657	821
Produced	52	289	700
Shipped	123	362	456
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Feb. 28	3,964	3,495	3,133
Produced	1,100	1,449	1,310
Shipped	631	862	1,299
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate customers—Month of January (000's omitted)	48,432,974	47,061,671	47,691,745
Revenue from ultimate customers—month of January	$824,613,000	$798,0140,00	$785,367,000
Number of ultimate customers at Jan. 31	55,218,459	55,171,089	54,059,284
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of March:			
Contracts closed (tonnage)—estimated	195,970	185,646	318,935
Shipments (tonnage)—estimated	336,598	282,576	342,451
METAL OUTPUT (BUREAU OF MINES— Month of January:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	128,816	139,578	134,662
Silver (in fine ounces)	2,803,550	2,732,017	3,273,488
Copper (in short tons)	90,782	88,109	93,095
Lead (in short tons)	25,868	22,880	30,166
Zinc (in short tons)	38,667	34,346	50,174
MONEY IN CIRCULATION—TREASURY DEPT. As of Feb. 28 (000's omitted)	$30,554,000	$30,576,000	$30,575,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of March:			
Total number of vehicles	430,095	466,141	668,730
Number of passenger cars	357,466	392,472	579,105
Number of motor trucks	72,289	73,359	89,169
Number of motor coaches	340	310	456
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of March	£22,593,000	£70,494,000	£17,205,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of March:			
Net sales	------	------	------
Net purchases	$10,591,100	------	‡13,403,450
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Jan. (000's omitted):			
Exports	$1,510,900	$1,638,600	$1,680,600
Imports	1,095,300	1,141,100	1,112,900
ZINC OXIDE (BUREAU OF MINES)—Month of February:			
Production (short tons)	11,804	13,252	15,003
Shipments (short tons)	11,058	12,676	14,711
Stocks at end of month (short tons)	31,054	30,308	28,389

*Revised. ‡Deficit.

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 hope of stimulating business borrowing seemed relegated to the background.

Not that there is any disposition to underestimate 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 not 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 Puget 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 6¼% interest rate at that time. This week, it sold $30 million of new bonds with a 4⅛% coupon rate to refinance the foregoing issue.

True it must pay a price of 110½ 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. 3⅝s

Reports in dealer circles had The 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 to yield 3.65% 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 plans, and 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 35-year debentures to carry a 4⅞% 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.

Demand is spurred by the disposition on the part of life and fire companies to anticipate some change in the tax laws as they apply to income of such companies which is now relatively tax free.

The theory behind the buying would appear to be to do it now, rather than wait for a general rush when, as, and if the anticipated change is voted by the taxing authorities in Washington.

MEETING NOTICE

ALLIS-CHALMERS MFG. CO.
Milwaukee, Wisconsin

Notice of ANNUAL MEETING OF STOCKHOLDERS to be held May 7, 1958

NOTICE IS HEREBY GIVEN, that the Annual Meeting of stockholders of ALLIS-CHALMERS MANUFACTURING COMPANY, a Delaware corporation (hereinafter called the "Company"), will be held at the general offices of the Company, 1205 South 70th Street, West Allis, Wisconsin, on Wednesday, May 7, 1958, at 11:00 A.M. (Central Daylight Time), for the following purposes, or any thereof:

1. To elect a Board of Directors;
2. To consider and transact any other business that may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed March 20, 1958, as the record date for the determination of the common stockholders entitled to notice of and to vote at this annual meeting or any adjournment thereof.

By order of the Board of Directors
ARCHIE D. DENNIS, *Secretary*

Dated: March 20, 1958

DIVIDEND NOTICE

QUALITY

The American Tobacco Company

211TH COMMON DIVIDEND

A regular dividend of One Dollar ($1.00) per share has been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on June 2, 1958, to stockholders of record at the close of business May 9, 1958. Checks will be mailed.

April 29, 1958

HARRY L. HILYARD
Vice President and Treasurer

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of forty cents ($.40) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable June 10, 1958, to the holders of record at the close of business May 12, 1958.

W. J. ROSE, Secretary

April 30, 1958.

ALUMINIUM LIMITED

DIVIDEND NOTICE

On April 24, 1958, a quarterly dividend of 17½¢ per share in U. S. currency was declared on the no par value shares of this company, payable June 5, 1958, to shareholders of record at the close of business May 5, 1958.

Montreal *April 24, 1958*

JAMES A. DULLEA
Secretary

DIVIDEND NOTICE

AMERICAN & FOREIGN POWER COMPANY INC.
2 RECTOR ST., NEW YORK 6, N. Y.

The Board of Directors of the Company, at a meeting held this day, declared a quarterly dividend of 25 cents per share on the Common Stock for payment June 10, 1958 to the shareholders of record at the close of business May 12, 1958.

H. W. BALGOOYEN,
Executive Vice President and Secretary

April 25, 1958.

Allied Chemical CORPORATION

DIVIDEND

Quarterly dividend No. 149 of $.75 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 F. HANSEN
Secretary

April 28, 1958

Allied Chemical

Continuous Cash Dividends Have Been Paid Since Organization in 1920

DIVIDEND NOTICES

Harbison-Walker Refractories Company

Board of Directors has declared for quarter ending June 30, 1958 DIVIDEND of ONE and ONE-HALF (1½%) PER CENT or $1.50 per share on PREFERRED STOCK, payable July 21, 1958 to shareholders of record July 7, 1958.

Also declared a DIVIDEND of $.45 per share on COMMON STOCK, payable June 2, 1958 to shareholders of record May 12, 1958.

G. F. Cronmiller, Jr.
Vice President and Secretary

Pittsburgh, April 24, 1958

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

32 cents per share on its Common Stock ($15 par)

all dividends payable June 1, 1958, to stockholders of record May 15, 1958.

EDWARD L. SHUTTS, *Chairman*

April 28, 1958

National Distillers and Chemical Corporation

N.D. U.S.I.

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock, payable on June 2, 1958, to stockholders of record on May 9, 1958. The transfer books will not close.

PAUL C. JAMESON
April 24, 1958. Treasurer

DIVIDEND NOTICES

DIVIDEND NO. 74

Hudson Bay Mining and Smelting Co., Limited

A Dividend of seventy-five cents ($.75) (Canadian) per share has been declared on the Capital Stock of this Company, payable June 9, 1958, to shareholders of record at the close of business on May 9, 1958.

J. F. McCARTHY, *Treasurer.*

United States Pipe and Foundry Company

Burlington, N. J., April 24, 1958

The Board of Directors this day declared a quarterly dividend of thirty cents (30¢) per share on the outstanding Common Stock of this Company, payable June 16, 1958, to stockholders of record on June 2, 1958.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 77

A regular quarterly dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable June 13, 1958 to stockholders of record at the close of business on May 29, 1958.

H. D. McHENRY,
Vice President and Secretary.

Dated: April 26, 1958.

74th REGULAR DIVIDEND

The directors, on April 15, declared a regular quarterly dividend (No. 74) of thirty-three (33) cents per share on its common stock, payable June 16 to shareholders of record May 8. The quarterly dividend (No. 12) on the 4½ per cent Cumulative Preferred Stock, Series A, at 28⅛th cents per share, and the quarterly dividend (No. 12) on the 5½ per cent Cumulative Convertible Second Preferred Stock, Series of 1955, at 41¼th cents per share, each will be paid on June 1 to shareholders of record May 8.

LEWIS LACY, Secretary
April 17, 1958

SUNRAY MID-CONTINENT *Oil Company*
SUNRAY BLDG. TULSA, OKLAHOMA

RICHFIELD OIL CORPORATION

dividend notice

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.

Norman F. Simmonds
Secretary

LOS ANGELES CALIFORNIA

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

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.

There people are enjoying sunshine the year around. The great drawback is lack of water to pour on to the rich desert soil to make the countryside lush and green and productive. However, the day is coming when water will be available.

Sea water will be made into fresh water and pumped inland. Man has been trying for generations after generation to find an easy, cheap way to desalt the water from the ocean and make it fresh for man and beasts to drink and to irrigate crops. On a very small scale, in various parts of the world, this has been done for a long time.

Today the Interior Department's Office of Saline Water is pushing its pilot plant testing program. Authorities forecast that some day vast arid tracts of land will be transformed into lush greenlands with fresh water converted from salty and brackish waters.

Supply Diminishing

Fresh water is the nation's foremost natural resource, but the supply is diminishing with industry and the increasing population requiring more water. Furthermore, nearly every one that has a water meter knows that his water bill has been going up. On the other hand, the cost of converting sea water into fresh water is coming down.

Natural fresh water, of course, is considerably cheaper but the cost gap between natural fresh water and desalting sea water is being closed. Secretary of the Interior Fred A. Seaton says it is questionable whether any radical or sudden advances in technology can be expected that would bring about a sudden reduction in the cost of conversion. Said the Cabinet Officer:

"We must look for gradual cost reduction through improvement in the efficiency of present processes as ways are found to lower capital costs, energy consumption and operating expenses, and through the development of new processes by the way of the pilot plant stage."

The Interior Department has issued a 128-page report on the research and development of the saline water conversion program that is of marked interest to engineers, scientists, municipal and state governments and to the utility industries. New pilot plants are being built under the supervision of the Office of Saline Water.

Conversion Costs Now High

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

Gradual reduction in conversion cost will mean increased use of converted saline water. Once the cost is brought down, industrial use is likely to be initially the major user for the water. Some municipal use is expected when the cost is brought down to 50 or 60 cents per 1,000 gallons, according to the Interior Department.

Pilot plant work is in progress at scattered points over the nation in order to explore the economic feasibility of a series of processes. Laboratory and economic study thus far has narrowed the processes to five broad groups. These are: (1) distillation through artificial heat; (2) solar heat distillation; (3) separation of salt by membrane processes of two or possibly three kinds; (4) freezing; (5) other chemical or electrical means of separation, including solvent extraction.

Possibilities of separation by freezing received considerable attention at the beginning of the conversion study. However, entrapment of the brine in the ice crystals was an unsolved barrier. Now research has developed a successful ice-washing process. The potentialities of solar distillation are being studied, and investigations are being conducted to use nuclear heat for conversion.

Solar Pilot Models

Development of solar stills will be continued during the coming fiscal year. A series of pilot models will be operated in the research. Solar energy has been demonstrated on a practical basis for heating waters and heating homes. However, converting water into steam requires considerably more heat than keeping a home warm according to engineers.

Congress authorized the Interior Department in 1952 to embark upon a broad study of the saline water situation. As a result the Office of Saline Water was created under the jurisdiction of the Interior Department. Several universities and colleges are cooperating with the Department in the research.

Canada, the United Kingdom, France, Netherlands, Russia, and several other countries are likewise conducting saline water research. There is worldwide interest in the research programs as the water tables drop nearly everywhere.

It is now estimated that sea water conversion plants either in operation or under construction will be capable of converting about 14,000,000 gallons of saline water each day into fresh water. The daily conversion output includes plants in two Caribbean islands, Aruba and Curacao. These islands have been dependent on desalted sea water for years.

Business Briefs

The new communities springing up over the land, are creating a number of new markets. Lawn mowers by the tens of thousands have been brought out of the mothballs this spring, while hardware and machinery dealers everywhere have been chalking up heavy sales with warmer weather.

It has been estimated that there are now more than 18,000,000 small engines in use in the country. This is equivalent to about one to every three automobiles. The market for small engines is growing with more and more lawns, to mow and more gardens being grown by the people moving into the rural areas. The farm population is declining every year, but the rural population is increasing.

A sharp upturn in new orders placed with manufacturers is encouraging to Washington officialdom. Officials are also getting some satisfaction 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 hustings urging more intensive sales efforts with emphasis on advertising.

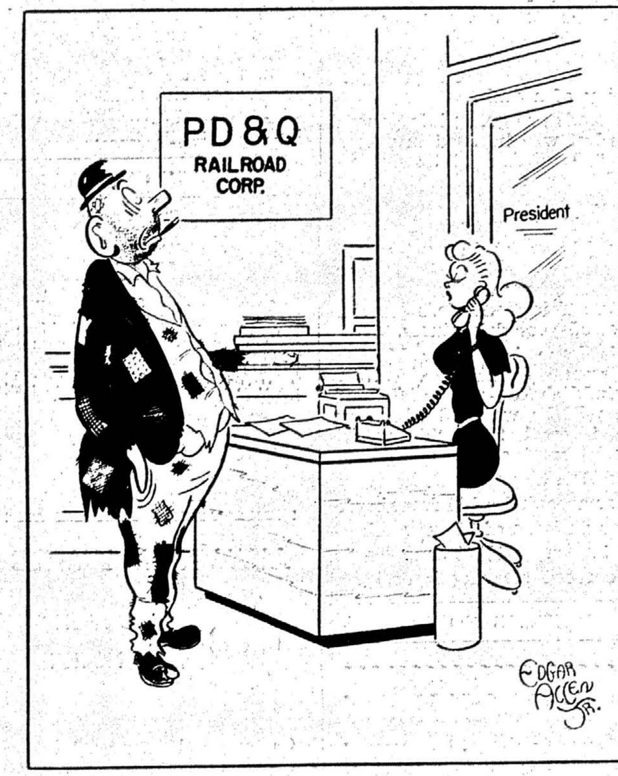
The country as a whole is not suffering from a recession. However, there are several areas where unemployment is serious. Farm income is rising. Orders for farm equipment is building up. Housing starts in March were disappointing, but prospects for an upturn are good. Demand for soft goods already is high. The need is to stimulate buying of durable goods.

[This column is intended to reflect the "behind the scene" interpretat on from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

Abshires Welcome Fifth

Francis I. Abshire, of Moroney, Beissner & Co., Houston, and his wife, Marion, on April 23 welcomed their fifth child, and second son, Paul Richard.

BUSINESS BUZZ



"Sir, there's a gentleman out here who wishes to submit a complaint about the condition of our freight cars."

Business Man's Bookshelf

Air Transport Facts and Figures—Report for 1957—Air Transport Association of America, 1000 Connecticut Avenue, N. W., Washington 6, D. C. (paper).

Automobile Facts and Figures—37th edition—Automobile Manufacturers Association, New Center Building, Detroit 2, Mich. (paper).

Choosing the Right Home for Your Family—Non-technical advice on the "how" and "what" of buying wisely—Owens-Corning Fiberglas Corp., Toledo 1, Ohio—50c.

Common Stocks and Uncommon Profits—Philip A. Fisher—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $3.50.

Duplicate or Alternate Records—Booklet No. 5 in "Preparedness Program for Emergency Operations in Banking"—Advisory Committee on Commercial Bank Preparedness, Banking Committee on Emergency Operations, 200 Madison Avenue, New York 16, N. Y. (paper), 50c.

Fibre Box Industry—Statistics for 1957—Fibre Box Association, 224 South Michigan Avenue, Chicago 4, Ill.

French Economic and Technical Bulletin—Containing articles on "Water Problems in French Tropical Africa," "France and Uranium," "French Projects in South Africa," etc.—Economic Section of the French Embassy, 610 Fifth Avenue, New York 20, N. Y. (paper).

French Taxes & Business Organization—Walter H. Diamond—Matthew Bender & Company, Inc., 255 Orange Street, Albany 1, N. Y. (paper), $10.

Government and the Unemployed—Summaries of "Public Works and Employment from the Local Government Point of View and "Unemployment and Relief from the Local Government Point of View"—Public Administration Service, 1313 East 16th Street, Chicago, Ill. (paper).

Municipal Improvement and Finance as affected by the Untaxing of Improvements and the Taxation of Land Values—A Graphic Summary—International Research Committee on Real Estate Taxation—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (paper), $3.

Problems of the Railroads—Hearings before the Subcommittee on Surface Transportation—U. S. Government Printing Office, Washington, D. C.

Railway Operations in 1957—Review—Association of American Railroads, Transportation Building, Washington 6, D. C. (paper).

Security Against Depressions?—Bureau of Economic Studies, Macalester College, St. Paul, Minn. (paper).

State (and Local) Dealer Association Truck Committees—National Automobile Dealers Association, Truck Committee, 2000 K Street, N. W., Washington, D. C. (paper).

Tax Program for Small Business: How Should Small Corporations Be Taxed?—Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H.—paper.

Ten Steps Forward—World Health 1948-1958—International Documents Service, Columbia University Press, 2960 Broadway, New York 27, N. Y., 50c.

What Is a Sound Foreign Trade Policy—Digest of "The United States in World Trade, A Contemporary Analysis and a Program for the Future"—American Tariff League, Inc., 19 West 44th Street, New York 36, N. Y. (paper), on request.

Lloyd B. Fenderson With John G. Sessler Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Lloyd B. Fenderson has become associated with John G. Sessler Co., 10 Post Office Square. Mr. Fenderson was formerly with Sherman Gleason & Co., Inc., and in the past was Vice-President of F. L. Putnam & Co., Inc.