Recession With Inflation

BY ROBERT C. TYSON

Chairman, Finance Committee
United States Steel Corporation

U. S. Steel finance official attacks anti-employment bias said to be contained in our tax system and calls for tax reform rather than "blind resort to what amounts to printing press money which would only aggravate an inflation which has already become institutionalized too much in America." Mr. Tyson says we will condemn ourselves to chronic unemployment unless, before it is too late, we so reform our taxes so that we encourage job creation, production, savings and investment. Also believes there is no "moral basis" for taxing the more productive with higher tax rates, and recommends a more realistic consideration of depreciable allowances.

Over the past year the volume of industrial production has been seriously decreasing and unemployment has been increasing. But at the very same time we have been experiencing inflation in basic employment costs and prices. This simultaneous decline in production with the rise in costs is a relatively new and disturbing thing in our history. It has ominous connotations.

Certainly, we have to understand if suitable remedies are to be adopted which will aggravate rather than improve the situation. And, I am sorry to say, much danger is not a matter of mere academic fancy in view of some of the proposals being advanced. I think then that we would be well advised to discover just how we got into this situation if it is to be dealt with in an appropriate manner. This is not easy for management people as such to do because we will have to think in terms quite different from Continued on page 44

By R. C. Tyson

Funds Intensify Their Defensive Investing Trend
By A. Wilfred May

Analysis of investment companies' portfolio operations during first quarter of 1958 reveals raising ratio of sales to purchases of common stocks as a trend established. Erstwhile enthusiasm for "growth stocks" markedly dampened. Buying, which was liberally devoted to "defensive" issues, was concentrated on banks, insurance, finance companies, gold mines, office equipment, foreign oils, papers, steel, and tobacco; with some buying also noted in airlines, foods, insurance, nickel, retail, and auto and automobile issues. Mixed attitude displayed toward aluminum, building, chemicals, containers, drugs, electronics, copper, domestic oils, rails, textiles, tires, and utilities.

[Tables appearing on pages 35 and 36 show Funds' comparative investment positions; total common stock and other securities transactions; and individual common stock transactions by industry groups.]

During the first quarter of this year, with the stock market fluctuating between 12 and 16% below its all-time high, the investment companies accelerated their liquidation of portfolio compositions, although in the case of the open-end funds sales were still substantially outweighed by purchases. Significantly, the closed-end managements, which are free from the constant pressure of new investible moneys flowing in from shareholders, sold portfolio equities on balance, reversing the previous trend.

While open- and closed-end companies here under review increased their purchases of portfolio equities from the preceding quarter, they stepped up their sales to a considerably greater extent. Sales rose from $145 million to $237 million, purchases only from $244 million to $290 million. Thus, their net purchase balance actually decreased for the third successive time since the beginning of the "bear market." In fact, in the latest

Continued on page 34

State, Municipal and Public Housing Agency Bonds and Notes

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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 mentioned, but as an un-pretentious note of real interest to the investor in the various forms of investment securities. Dividends on the common stock in each fiscal year have been uninterrupted since the first payment was made in 1907. Although the rules of the company provide for payment of dividends in such a manner as to give a maximum yield of 5%, the average yield has increased progressively from 6.5% to 7.2% during the past ten years. At less than eight years' experience with Mr. Horner, the stock, traded in the over-the-counter market, appears to be in a position to give account of itself as the forthcoming years take shape.

Milton Pauly

Mallinckrodt Chemical Works

Careful study of Mallinckrodt Chemical Works (39. Over the counter) clearly indicates to the writer that its stock has largely been neglected, looked upon largely because of insufficient earnings. We have been unable to find any comparison of a higher-grade company with this chemical company, whose common stock may be purchased when near below net worth, let alone below net working capital. In effect, if this article is accepted, we suggest an approximate $81 million or $23 million for research and development, of new facilities, the above conclusion even more obvious.

Mallinckrodt was founded in 1867. It is one of the foremost producers of heavy and highly refined chemicals used in pharmaceutical and photographic companies. It is also the producer of synthetic narcotics and, since 1942, has been the leading refiner and processor of rare chemicals and compounds used by the Atomic Energy Commission in the field of refinement of chemicals having high degrees of purity; one judge it to be the leader of the industry. It is said that Mallinckrodt's experience in this field for the first time has produced refinements that are necessary in the radiological science of the future.

At present, in fact, Mallinckrodt's sales, $32,613,271 in 1957, $33,442,888 in 1958, $35,332,068 in 1959, and $37,885,635 in 1960, are up from $30,104,599 in 1953. The company's general line of chemical, industrial, and research sales were ahead of 1956, despite the elimination of two very large programs during the latter year, which, by the way, had been interrupted to improve operating procedures and limit total overhead expenses for the past two years. Despite higher labor costs, depreciation charges and other operating expenses, the above results are directly from the company's own efforts.

The writer is the opinion that the ongoing facts and following statistics indicate the value of the company's own work and therefore recommend the purchase of Mallinckrodt. Chemical Works. The investment-universally in the company of the same type. The purchase value of $6.00 in May, 1960, is the "Security I Like Best."
Effects of the U.A.W.

Profit-Sharing Plan

By W. L. CRUM

Professor of Economics, Em. University of California (at Berkeley)

Professor Emeritus Crum provides an ingenious analysis of Mr. Reuther's profit-sharing plan, using actual data reported by General Motors for the years 1954-57. In making clear the implications and consequences for the firm and its owners, the industry, UAW members, general public, U. S. Treasury and the economy, the author explains why it could: (1) cause labor discontent; resulting from varying wage income over the working year; (2) greatly reduce feasibility of raising long-term capital; (3) impede stockholder and executive incentives; (4) intensify industry's cyclical fluctuations; (5) reduce Federal revenues; (6) distort competitive balance in the short run, and hinder growth and keep up prices.

In preliminary publicity concerning UAW 1938 negotiations with automakers, Mr. Reuther has outlined a two-package approach. First, the "basic minimum economic demands," calling for a very large increase in wages, and many other concessions from the company. The second, the "supplementary economic demands," calling for sharing profits.

Mr. Reuther's plan is a current case history of the "plan sharing" demand on the automobile industry in current contract negotiations, this is of itself is no assurance that he has abandonment of his scheme. Determined, he is very much the most desirable place to record at the present time Mr. Crum's exhaustive analysis of the probable impact of Mr. Reuther's proposal on the auto companies per se, their stockholders, the Government and the entire industry.

industries. 
The Tractile Rise of Carter Products, Inc.

BY DR. IRA U. COBLEIGH
Enterprise Economist

Setting down some observations on the recent history of this unadvertised drug company, some reasons why investors might be attracted to its stock.

A board room was once remarked: "One way to please a good stock is to keep it in the medicine cabinet." Although spoken in jest, the rule is actually containing too much sense. Vick's Vapo-Rub, Sal Carnation's Palmolive Soap, and Bi-So-Dol, all in the words you like, direct you to the American Cyanamid Company, who is distinguished for (and excellent) stocks as well, as the Lever Bros. companies.

A further inspection of the financial records reveals that in recent years Carter's Little Liver Pills, or a bottle of Milnolot, produced by the company, selected for discussion today, Carter Products, Inc., has been known for decades, the public never having the opportunity to become familiar with this Jeog-profitable enterprise until 1970. At that time, 11,000,000 shares of Carter common were publicly offered and each bought at $2 a share; and the issue (totaling 2,800,000 shares) was listed on the New York Stock Exchange last October, trading under the ticker symbol CART.

Carter is actually a quite old company having started in business in 1880, and having paid dividends on its common since 1883. For years it was a one product company, selling its pills up the piling up annually. The 1950's, however, have seen Carter into a new orbit, with net sales up 30% (excluding inflation) rising from $81.1 million for the fiscal 1953 (12 months ending 3-31-1954) to $145.7 million for the fiscal 1957.

A number of things have occurred for this remarkable rise in earning power. "Rise" is one of the most apt words that are often reported now to be the second best selling shaving cream. Another is "Arred."

The largest selling material-accompanied by Arred Men's Spray, a liquid-deodorant, and Arred Whirl-In, a lotion. There is also Nair, the largest volume seller, and Clogate, a newer lactic acid introduced in 1956. Arred, Nair and Nair accompany the 30% increase in sales volume; Little Liver Pills and Colomul 115.

The most-dramatic Carter product, however, has been Milnolot, demonstrated in 1955. People started buying it, and forward to sales of above 24 million for 1957. This remarkable sales increase is Carter's principal source of earnings, and represents a substantial improvement in its product line. The improved product line is due to the effective promotion of the product, and reflects the demand for a more effective and economical means of treating various conditions.

Volume distribution. Carter does not, however, rely on the patent trade alone. Assuming for example that 1955 sales of Milnolot are $20 million, a $27 million share of the $74 million market (at 27% of the $74 million total), is expected for the stock has been on the market for only one year, and because stability of earning power, at levels recently attained, is expected for the next 10 years.

Carter's stock has been recommended for inclusion in any well-balanced portfolio, and because stability of earning power, at levels recently attained, is expected for the next 10 years.

The employment situation for the country as a whole shows a decline for the second week with initial claims for unemployment benefits continuing to rise. The decline was attributed to the fact that more people filed for unemployment because a new quarter's wage credits had become available. In addition, a new batch of steel fabricators and machine tool manufacturers who have been underemployed since the steel strike early in 1955.

The government's report shows a total of 7,000 workers laid off in the state of Wisconsin, and a rise of 1,500 in the state of Michigan. The total of 8,500 workers laid off is the highest since early 1955, when the steel strike kept industrial production at a standstill. The steel strike which ended in early 1955, and the subsequent ups and downs of the steel industry, have had a considerable effect on the employment situation in the state of Wisconsin. The steel strike ended in early 1955, and the subsequent ups and downs of the steel industry, have had a considerable effect on the employment situation in the state of Wisconsin.

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Procedures in Underwriting and Selling Corporate Bonds

By A. R. HAGER, JR.
Vice-President and Syndicate Manager
Halsey, Stuart & Co. Inc.
New York City

Step by step procedures followed in underwriting and selling securities for competitive bidding—without going into the merits of this method—it starts from the time it is first known an issue is in the offing to the terms of sale after it is won. The experienced syndicate manager explains why, in general, his firm does not recommend bonds should contain included provisions which expose the last minute maneuvers of the Preliminary Price Meeting and Price Committee, including not only the final phrasing of the bid but also the details of sale; and reviews what can happen in the event of tie bids, an alteration to great opportunities in store for those now entering into securities business.

I am going to discuss primarily the procedure and policies of underwriting and selling a corporate issue presented as an active bidding. I do this because it is the type of business with which I am connected, since it comprises the bulk of our own corporate business. Furthermore, most utility and railroad debt issues today are sold in this manner. This may be delayed by the state law, rule of policy of a Federal or State Commission, and there are many cases, the issuer may elect this method of sale even though under no legal compulsion to do so.

Before proceeding further, should like to dispel an erroneous impression which may prevail in some quarters, that the bond Halsey, Stuart & Co. Inc. is interested only in issues sold by a competitive bidding. This is not true as we have placed issues privately and participated in underwriting of publicly offered securities, both domestic and foreign, for industrial (or corporate) companies managed by others as well as issues managed by ourselves.

None the less we do support those issues sold under public bodies as the Securities and Exchange Commission, the interstate commerce commission, the Federal Power Commission and certain state commissions. This is because of the public interest involved, require, with certain exceptions, competitive bidding for debt issues of utility companies and railroad companies.

However, it is not our purpose to get into the merits of the merits of competitive bidding. Issues have already been written and published on this subject. I confine, on this controversial subject, rather it is my intent to outline how the process operates.

Initial Step

The initial step taken by the prospective underwriters is to find out as much as possible concerning an active bidding. Quite often the prospectus contains a statement to this effect. This is done by the underwriters to avoid bidding on bonds which represent a new idea or new concept that has not been properly evaluated. If the underwriters believe that the bonds are likely to be successful, they will consider bidding on the basis of other factors.

Non-Cancelable Provision

As a point of interest, one frequently asked us if we are going to make a bid on the basis of a non-cancelable provision. It is customary, in most issues, to have a non-cancelable provision and the reason for this is to ensure that the underwriters are committed to the issue. However, there are exceptions to this rule, and in certain cases, the underwriters may be willing to negotiate a non-cancelable provision.

Our advice on this subject is generally with that of the underwriters, and we will discuss this in a future article. However, in general, a non-cancelable provision is not likely to be accepted by the underwriters unless there is a specific reason for doing so. One of the reasons given by underwriters is that if they do not accept the non-cancelable provision, they will not be able to resell the bonds after the bidding has been completed. This is because the underwriters will not be able to make a profit on the resale of the bonds if they are unable to resell them.

The bidding process can be quite complex, and it is important for investors to understand the different factors that can affect the outcome of a bidding process. It is essential for investors to be aware of the different types of bidding and the factors that can affect the outcome of a bidding process.
In assuming recovery may not occur for another year or more, Mr. Casaza's answer to savings banks' current principal problem of, one, obtaining highest yield with safest quality; and, two, achieving high degree of portfolio mobility is to invest in poorer but presumably more liquid and considerable volume of U.S. and other high grade corporate securities. Consider: (1) elements determining desirable ratio of mortgages; (2) merits of corporate bonds and equities; and (3) possibility that Treasury will offer a long bond offering of shorter and intermediate term that will in large part be absorbed by commercial banks.

Investment opportunities available to mutual savings banks will reflect prevailing economic conditions. Early prosperity, the demand for funds from business and mortgage borrowers, exceed normal levels. Thus, savings banks can satisfy their portfolios. Thus, mortgage supply of mortgage loans and bonds are at high yields.

Contrary to business recession demands for funds from private mortgage lenders, collateral of easy money policies by the Federal Reserve System to stimulate business and to drain the supply of loanable funds. In consequence, interest rates and bond prices rise. Mutual savings banks, like other mortgage lenders, then face the prospect of inadequate outlets for funds and falling yields.

The current recession is in several respects the most severe that they have encountered in the past six months has caused interest rates to fall abruptly. The mortgage supply has increased the most sharply over recent months that will in large part be absorbed by commercial banks.

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The Role of American Business
And the Sources of Our Strength

By J. O. Wright
Vice-President, Ford Motor Company
and General Manager, Ford Division

Ford Motor executive states our main problem is for business to stimulate a resurgence of confidence on the part of the consumer in the American economy, and optimistically forecasts production of upwards of 10 million cars and trucks in peak years between now and 1965. Diagnosing what we are experiencing as not a true recession but a leveling off of growth rate and in being mindful that government action “unquestionably has the power to stop a decline in its tracks,” Mr. Wright adores caution. Lately, Ford has been urging business to stop overreacting to economic fluctuations; and suggests actions business can take to improve our economic health.

It seems to be the general feeling that there has been a considerable faltering of confidence in the American future in recent months. There have been too many cries of despair, too many prophets of economic tribulation, and too much shaking of heads.

Fortunately, the extreme pessimists are by no means representative of our attitude. To me, in fact, a most encouraging note is the persistence of reasonable optimism on the part of most businessmen of my acquaintance, based upon an awareness of the present strengths and weaknesses. Nevertheless, the seeds of doubt have been sown among us. They are tending to make us cautious and indecisive at a time when we should be rousing, with all the purpose and vigor at our command to the challenge that faces us.

In my opinion the first step toward an effective solution is a realistic appraisal of the assets we have at hand in this country—the sources of our strength, if you will.

The next step is obviously to plan our campaign and to commit our full resources to the struggle.

Underlying Causes

Let’s look for a moment at the underlying causes of the present business slowdown. What are they? I think there is broad general agreement among businessmen, economists and government officials.

The fact is that there has been a normal and predictable reaction to the unprecedented boom we have been enjoying off and on for the past decade. It is hardly possible to have perpetual economic growth in a perfectly straight line. In everything that lives and moves there must be ebbs and flows—times of intense activity and times of relaxation.

During the past 10 to 12 years, American industry has experienced a vast expansion and modernization of plant and machinery. It has made an incredible postwar investment of $200 billion—an investment roughly equal to our total military expenditures during World War II. Much of that investment was made in anticipation of the postwar spurt that will swell our ranks in the 1960s. It would be unrealistic to assume that capital investment could continue without interruption at the extraordinary level it reached in 1957. We are, in brief, experiencing a moderate decline in business spending in 1958.

As for military spending, it has fluctuated considerably during the post-war period. In 1957, particularly during the last six months, there was an actual decline of some magnitude in military spending.

Business inventories have periodically piled up and have had to be worked off. This has yet figured out a way to achieve a perfectly smooth and logical demand in a free economy. Nevertheless, such fluctuations have been, in general, remarkably mild. When such adjustments take place, there is, of course, shrinkage of production and employment and we have seen unemployment increase rather sharply in recent months.

Along with unemploy-
ment, there is a tendency on the part of the consuming public at times to slow down its buying and to speed up the liquidation of its stocks. Both tendencies have been evidenced in the past for two or three years.

Unfortunately for us in the auto industry, such swings tend to be exaggerated because the automobile is a major family expenditure, and other consumer goods are much more important in the national picture.

One other contributor to our present situation—unfortunately I can not discuss it fully here—is the wage-price spiral. This is a deep-seated and long-range problem that will increasingly occupy our attention in the years ahead.

It has contributed material to our present difficulties. It has been added to an inflationary push which invited Federal action to slow the boom by tight restrictive measures on the availability of credit and by restrictions which have since had to be eased.

What we have had in the present business slump is a simultaneous development of several downward trends. The effect has been temporarily to dampen our enthusiasm and confidence.

I am sure there is nothing startling or new in this analysis of the basic factors in the economy. But I believe it is a fair look at the situation we face.

Incidentally, I have noticed that in some parts of the press it is being accused of playing down news of the recession. This I find irritating because I recall only too well that during the latter half of 1957 and most of the first quarter of 1958, the news seemed to be bad—seemed calculated to cause us uncertainty and even fear in the minds of the people. You recall the headlines concerning Spiritualism, the President’s health, the failure of the first Vanguard, Multinak, and the rising figures on unemployment.

It has not occurred to me that news of the recession has been exaggerated. If there has been suppression it seems to have come too late. The pessimistic forecast had been made and the cumulative effect of buying had begun. It seems to me this is the time to apply the theory of relativity. Some things that may look pretty bad in absolute terms, may not look so bad in relative terms.
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ACF-Wrightsey Irons, Inc.—Survey—Abraham & Co., 120 Broadway, New York 6, L. N. Also in the same circle are surveys of Dillingham and Dear & Co.

American Water Works—Analysis—Hardy, Humphreys & Company, New York 5, N. Y. Also available is a report of Virginia Electric and Manufacturing.


Armstrong Cork—Analysis—du Pont, Housey & Co., 31 Milk Street, Boston 10, Mass. Also in the same circle is an analysis of Steel Stocks.

Baltimore Gas & Electric Co.—Data—Oppenheimer, Vanden Broek & Co., 20 Broadway, New York 5, N. Y. In the same circle are data on Standard Oil Company of Indiana, Sterling Mining Inc. and Pittsburgh Coal Co.

A. J. Barlow Markets, Inc.—Analysis—First Securities Corporation, 1201 Corcoran Street, Durham, N. C.


Fischer Aircraft Co.—Company—Analysis—Truett, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available are analyses of Associated Capital Corporation and Collins Radio Company.

Gum Mills Inc.—Study—Price, McNelis & Co., 165 Broadway, New York 6, N. Y.

International Minerals & Chemical—Memorandum—Waldon & Wells Co., 195 Madison Avenue, New York 22, N. Y.

International Telephone & Telegraph Corporation—Analysis—Fischer Aircraft Co., 74 Trinity Place, New York 6, N. Y. Also available is a memorandum on Series D Type Investment Trusts in Japan and the Iron and Steel Industry.


Latest Field Report—Harris, Underwood & Co., 120 Broadway, New York 6, N. Y.

Life Insurance Stocks—1957 operating results of 23 major stocks—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.


Mutual Fund Shareholder—Comprehensive study—National Association of Investment Companies, 61 Broadway, New York 6, N. Y.


Also available is a report on Calenese Corp. of America.

New York City Banks—First quarter earnings comparison of 13 New York City Banks—Laird, Bisell & Meeds, 120 Broadway, New York 7, N. Y.

Ohio Banks—Brief analysis of current situation—J. R. Williston & Beane, 115 Broadway, New York 5, 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 6, N. Y.

Public Utility Common Stocks—Comparative figures—G. A. Sathanoff, 14 Wall Street, New York 5, N. Y.

Real Estate Bond Averages—Circular—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Tax Exempt Bonds—List of tax-exempt municipal bonds with yields from 2% to 6%—Hannaford & Talbot, 519 California Street, San Francisco 4, Calif.


Maurice P. Kramer has become associated with Hirsch & Co., 225 Broadway, New York City, members of the New York Stock Exchange. The firm's enlarged Municipal Funds Department.

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May 15-18, 1958 (Cleveland, Ohio) Association of Stock Exchanges Firms Board of Governors meeting.


May 20-21, 1958 (Omaha, Neb.) Nebraska General Stock Exchange Association meeting at Omaha Club.

May 21-22, 1958 (St. Louis, Mo.) Baltimore Security Traders Association cocktail party (May 21) and dinner (May 22) at Country Club of St. Louis.


May 22 (New York City) Bond Club of New York annual cocktail party, dinner and dance at the Belmont Plaza.

May 22, 1958 (New York City) Bond Club of New York annual cocktail party at Oakwood Country Club.

May 7, 1958 (Tulsa, Okla.) Toledo Bond Club annual meeting at the Inverness Country Club.

May 14-15, 1958 (Los Angeles, Calif.) Security Traders Association Los Angeles annual meeting at the Century Hotel, Coronado, Calif.

May 13, 1958 (New York City) Municipal Bond Club of New York 25th annual field day at Westminster Country Club, Elmsford, N. Y.

May 19, 1958 (Minneapolis-St. Paul Minn.) Twin City Bond Club annual picnic and outing at Forest Lake Golf Club, White Bear Lake, Minn.


June 7, 1958 (New York City) Municipal Bond Dealers Association annual meeting at Sheraton-McCumber Hotel, the Hudson, Scarborough, N. Y.


Coming Events

In Investment Field

The Commercial and Financial Chronicle—Thursday, May 8, 1958
Oils and Chemicals: Close Relatives Growing Closer?

By W. M. V. Ash

President, Shell Oil Company of Canada, Ltd.

The end of the "good old days" for the petrochemical industry is nowhere more evident and in Canada prompt Mr. Ash to describe the growing competition and the differences in terms of separation between the oil and petrochemical industries for oil's raw material-by-products which the petrochemical presently produce and sell as a scavenger product.

The petrochemical industry, as a result, has had to be squeezed by increased costs, resulting from complete utilization of oil, which necessitates special plants and processes to make the products for petrochemical operations. Consequently, increasing product complexity and optimizing chemical engineering to overcome raw material competition, and the "race will go to the soundest."

First, however, to define some of their terms and generally all that terminology, the word petrochemical. In referring to the term "raw material", petroleum products are considered as a petrochemical, it must be remembered that the term defines the raw material as well as the product. Many chemical products can and are made from different raw materials so that the same thing can be a petrochemical when made by one company and not when made by another. Good examples of this are glycerine and ethyl alcohol which are petrochemicals when made by Shell for instance, yet sold in competition with their namesakes made from natural products by soapers and the fermentation industry.

In Canada, acetone is now exclusively a petrochemical product and not until five years ago, it was derived from calcium carbide made from lime mortar, coke and electric power.

You perhaps accept the definition of a petrochemical as "a chemical compound or element recovered from petroleum or natural gas or derived in whole or in part from petroleum or natural gas hydrocarbons, and intended for chemical markets."

The reservation "intended for chemical markets" is necessary to prevent a definition of "petrochemicals" to include gasoline alkylates being caught up in the net of the definition. The very necessity for such a reservation is a temptation to think of some industries in terms of close relatives. However, they are those of the boy who sold his girl on her parents' doorstep—an experiment in chemistry which may or may not lead to the use of a shotgun.

Dry Gas and the Cheap Residuals.

One upon a time, as oil was produced and processed with it, there was no practical outlet for the dry gas. It could be had cheap, because it was surplus to demand. Also, as oil was distilled and processed, much of the material of the results were mixed up into what was, for that day, a satisfactory motor fuel, various other products of cracking were of lesser utility and availability, and they too could be had cheap.

These residual products, originating from a number of chemical building blocks, a good start. They could be converted into single chemicals, sold successfully for a variety of further uses in their virtues lay in the cheapness and abundance of the raw materials and their similarity to chemicals already available. Such gases from normal refinery operations were utilized. Increased demand for the products led to the complete utilization of these raw materials. This happened in the major refining centers of California and the Texas Gulf and essentially the same thing has come about in Canada—Montreal and Sarnia.

Special plant and processes had then to be introduced to make the raw material for the petrochemical operations. For example natural ethylene in refinery gas was converted by cracking ethane—and depending on the economics of holding at the particular location—propane or even naphtha. In addition, this tailor-making of "raw" materials led to segments of the petrochemical industry being based on raw materials which did not normally occur in refinery by-products. Acetylene, for instance, was once wholly derived from carbide and the basis for a large and rapidly growing field of chemical derivatives. Now it goes into the petrochemicals in the many instances where it is made from methane in natural or refinery gas.

Large Capital Investment.

The large capital investment required for plant specifically to produce these entwined raw materials makes it proper to give ethylene, propylene, butylene, etc., the status of "essential intermediates" or even "chemicals" rather than raw materials. In techni—journalism the favored expression is "chemical building blocks." And if you carry this similar further, you might say that if the oil and chemicals industries are close relatives, they also look at times like two infant children playing bing each other's building blocks. With the expansion of the petrochemical industry, the same techniques applied to petroleum refining have enabled many of these chemical intermediates to be utilized in the synthesis of valuable gasoline components, by polymerization, alkylate, etc., so their alternate values are now not plant fuel but gasoline. This has exerted additional pressure towards the construction of plants specifically for the production of these intermediates.

The trend towards competition between the petroleum and petrochemical industries for intermediates, is intensifying as petroleum refining seeks methods for keeping up with the advancing octave demand. At present, processes for converting petroleum hydrocarbons into high octane aromatics are very much to the fore while at the same time petrochemical interest is directed to such things as cyclohexane (an aromatic precursor) and the aromatic para-xylene for synthetic fiber manufacture.

All this has spelled the end of the good old days for the petrochemical. No more is his raw material almost a scavenger product. Now he has competition for his raw feed. How has he reacted?

Two-Fold Reaction.

His reaction has been two-fold. First, he has worked hard to optimize his processes to the nth degree to live within the narrowing gap between what he has to pay for raw materials, with his rapidly increasing construction and operating costs, and what the customer will pay him for the product—which latter bears no necessary relation to his costs. This has led to some mighty elaborate and ingenious devices.

Continued on page 24
Facing Point of No Return on Plant and Capital Equipment

BY GEORGE F. SULLIVAN

"The Iron Age" editor advances two-point program to stimulate heavy industry employment to bring nation back to prosperity. The crux of the problem, Mr. Sullivan reveals, is replacement of obsolete equipment with new capital-saving machines. He states that the only way to stimulate production is by permitting write-offs based on inflated costs—instead of present method based on original cost. Sees no way to restore heavy industry to pre-1929 levels unless continuing high prices are permitted, that continuing price inflation is inevitable and that recommends policies are only way to foreseeable plant and equipment gap in next decade.

Digging into the files, I came up with a column of which I was two years ago and I would like to reprint the paragraph of it:

"For 1956, we look for a rise in steel which has been well, has been in 1936, above the 1935. This, however, has been turned out to be about 115 million tons which is the reason the steel strike. The strike was the steel strike. One of the other sentences in that paragraph is one I want to repeat today. That's the one which read: "No inflation is inevitable."

That last statement was the one prediction anyone ever made. Inflation continued along the uncharted and unmersoed for the about 15% of the Gross National Product, or right about 6% of the national income.

So my prediction turned out to be fairly lucky.

I'm optimistic even about the long-term outlook for business, but I reluctantly decline to advance a detailed prediction for 1958.

Never before in history have so many sound figures been available to so many people. Never before have we had so many data. It-yourself economists whose numbers are now legion. And never before have we had so many data upon which to base so many predictions. I see no reason why the economic recovery should not be as well marked this year as it was last year.

As a matter of fact these following the "Saturday Evening Post" during the past year will recall a rash of true confession stories ranging from June Allsop, Dian D. Barrymore, Vic Damone, and George Gershwin through Charlie Chaplin and the Fillmore, by buying on the installment plan, a large and colorful handwringing spectacle as these great individuals brought down their own backs and told what to a low ebb their backs demonstrated.

My prediction that soon we will seen in this same series one entitled: "Economics for the FRH." Let's get off the subject of economy.

"From a talk by Mr. Sullivan before the Industrial Institute, St. Louis, Mo., April 14, 1956."
In Private Firm Division Of N. Y. Fund Drive

Financial editor and publisher writes on why he sees little chance of a lengthy strike, or even a strike at all, in the auto industry. Mr. Babson suspects that the UAW will end and he will be

The Proposed Auto Strike

BY ROGER W. BABSON

Financial editor and publisher writes on why he sees little chance of a lengthy strike, or even a strike at all, in the auto industry. Mr. Babson suspects that the UAW will end and he will be

be increased, but only fractionally.

Division for a wage increase of the size asked for by labor now seems impossible. Perhaps management and labor will reach a satisfactorily compromise on this issue. Possibly this will take the form of a sliding-scale increase or decrease tied up with sales volume or profits.

Labor-Saving Machinery

In all this discussion of negotiations between management and workers in this vital industry, I am afraid we are losing sight of one important fact: wages, salaries, and profits are all dependent on supply and demand. To recent years, management has shown more respect for the workingman and his place in our economy. As a result there is usually less wrangling in labor negotiations than there was in the case of years back. But management will not act by force the money and workers, and will not act by force the money and workers missions, but by force will act by force by force and force.

What the Workers May Get

It is interesting to note that the Supplementary Unemployment Benefits plan now note in force in the auto industry and which the UAW has expanded to cover the huge 

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NEW ISSUE

$28,692,000

International Telephone and Telegraph Corporation

4 3/4% Convertible Subordinated Debentures due May 15, 1983

The Corporation is offering to holders of its Capital Stock rights to subscribe for the Debentures, subject to the terms and conditions set forth in the Prospectus. The subscription offer will expire at 5:30 P.M., New York City time, on May 21, 1983. The underwriters have agreed, subject to certain conditions, to purchase any un subscribed Debentures and may offer Debentures both before and after the subscription period, as set forth in the Prospectus.

SUBSCRIPTION PRICE 100%

Copies of the Prospectus may be obtained in any State only from such of the undersigned or others as may lawfully offer these securities in such State.
United States and World Trade: U.S.A. Policy at the Crossroads

By FRANCIS E. SIMMONS*
Manager, Washington Office, American Viscose Corporation

Trade Agreements Act renewal offers no relief to import-distressed American industries, nor will it roll the Commonwealth System's economic offensive, Mr. Simmons concludes. The U.S. textile industry is vulnerable to low-wage import competition that will continue to stress the American economy. It has further complicated the problem of economic growth and vitality.

But there are two kinds of competition: competition under mutually advantageous terms, or competition under which America has failed. The other kind is the type of competition which we decided long since to prohibit. The framework of international market practices are regulated by the Robinson-Patman Antitrust Act. The principles of the Anti-Trust Act; the Fair Labor Standards Act to control the rate of wages and price ceilings; anti-monopoly laws; and numerous other equalization formulas are set up to combat such competition.

Similarly, the tariff structure was intended originally by Congress to equalize conditions of trade and enable U.S. industries to compete. Today's competition cannot make our world trade on a sound, equitable solution to the foreign trade problem.

In addressing this particular subject at this time, I am reminded of an appropriate Scripture: "in the day of prosperity be joyous, but in the day of adversity consider." (Prov. 24: 10.) The circumstances of our economy today make this maxim particularly meaningful.

There are adverse days, as we are all too well aware, and we owe it to ourselves to take time to consider them just as we would do if we were a nation on the matter of foreign trade. As we review the road over which we have traveled, and consider the road that we must walk to follow as we move ahead.

Few major issues have been with us so long, not only the Administration policies, and yet manage to influence everything that we do. Community attention focuses naturally on developments in the textile industry, the carrying interest, right now, to the Front Royal.

Unfortunately, the clear dimensions of the issue itself have been obscured by some who imply that failure to pass the Administration's additional tariff-cutting plea for foreign money is a reckless cannibalism of American workers out of work and industry, and the fabric of its economy. I hope to help restore this national interest to sensible and proportionate proportions.

I want to establish with you beyond question that a reflux of foreign industry to the Front Royal, and the purchase of American textile unions, would have no way change the present tariff rate structure, and, therefore, would not affect the volume of foreign trade that has been built up or jeopardize the very jobs that depend on it. I will be obliged to explain more later to the economically to other American workers, and the jobs of the people who have been transferred to work in the American market at unfair prices.

Since the passage of the Trade Agreements Act, American textile unions have been just to the people where they belong in the textile world, and stand as one of the least tariff countries in the world. Unless American textile industry is able to produce a foreign competitor, they have no difficulty in competition with this country, frequently to our advantage, with unregulated industries, such as textiles, on which America has no government dependence for a substantial part of it.

Trade Program Outlined

I hope to interest you in the long run, and the active support of informed citizens will pave the way

Fair Competition, Under Free Enterprise

Hereafter that we have no quarrel with competition. Healthy, give-and-take competition is the lifeblood of the American economy. It has further complicated the problem of economic growth and vitality.

But there are two kinds of competition: competition under mutually advantageous terms, or competition under which America has failed. The other kind is the type of competition which we decided long since to prohibit. The framework of international market practices are regulated by the Robinson-Patman Antitrust Act. The principles of the Anti-Trust Act; the Fair Labor Standards Act to control the rate of wages and price ceilings; anti-monopoly laws; and numerous other equalization formulas are set up to combat such competition.

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Chicagoans to Be Hosts at Dinner

Chicago—The Investment Analysts Society of Chicago will be hosts to Eastern analysts passing through Chicago on their way to the convention of the National Federation of Investment Analysts to be held in Los Angeles.

A special Bell Railway tour on the new Hi-Level El Capitan buses of the Midwest Stock Exchange, as guests of the railroad, will be planned for 11:15 p.m. A cocktail party follows.

With John A. Kemper

LIMA, Ohio—William K. Hughes has become associated with John A. Kemper & Co., 121 West High Street, members of the Midwest Stock Exchange.

With Lakewood Secs.

With Lakewood Secs.

LAKELAND, Ohio—Theodore R. Nevett, Jr. is now with Lake-wood Securities Corp., 1474 Detroit Avenue.

Federal Reserve Bank of St. Louis
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Volume 187  Number 5707  The Commercial and Financial Chronicle

(2009) 13

$200,000

Adams Engineering Company, Inc.
6 1/2% Convertible Sinking Fund Debentures

Dated April 1, 1958

Interest payable October 1 and April 1

Convertible prior to maturity, unless previously redeemed, into Class A Common Stock initially at $9.00 per share until April 1, 1960, and at increased prices thereafter.

Price 100% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from such of the Underwriters as may legally offer the securities in such State.

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510 Shares

Adams Engineering Company, Inc.

Class A Common Stock

(Par Value $1.00 per share)

Price $4.00 per share

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

NEW ISSUE

May 7, 1958

250,000 Shares

Adams Engineering Company, Inc.

The Prospectus may be obtained in any State in which this announcement is circulated from such of the Underwriters as may legally offer the securities in such State.
Taking a Short and Long Look

At Government Expenditures

By DR. WILLIAM F. BUTLER

Vice-President, Chase Manhattan Bank

New York City

Chase Manhattan's economic previews short and long run government spending and reviews recent economic trends in order to evaluate future prospects. Dr. Butler's article discusses the Federal Reserve's economic outlook for Federal Reserve Economic report for March 1953.

I propose to try to do two things. The first is to set forth my own judgment of what I believe are the most important economic outlooks for future Federal Reserve Economic reports.

First, I shall set forth the inflationary outlook of the Federal Reserve Economic report for March 1953.

Second, I shall set forth the deflationary outlook of the Federal Reserve Economic report for March 1953.

I shall also set forth the fiscal outlook of the Federal Reserve Economic report for March 1953.

The first step in this analysis is to set forth the inflationary outlook of the Federal Reserve Economic report for March 1953.

The inflationary outlook of the Federal Reserve Economic report for March 1953 is based on my own judgment of what I believe are the most important economic trends in the United States.

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Treating This Recession

By J. A. Livingston

Financial Economist, "Bulwark" Column, "Business Outlook" Author of "American Stockholder"

Nationally known financial writer calls attention to government spending and the "12%" rate. The economic situation is described in terms of similarities to 1929. It is true that problems are being solved, but the "12%" rate has left a heavy hangover. This is the end of prosperity, the end of the roaring twenties. The economy is headed for a depression.

In trying to "treat" this recession, we ought to look at the problems from the standpoint of the 12% rate. Congress appropriates money for projects. The governmentbuilds highways, makes public buildings, and so on. The government spends money to provide jobs, which is good. But it does not solve the problem. The problem is that the economy is not recovering.

In 1948, the steel companies voluntarily reopened a wage contract with Philip Murray when wages of steel workers fell below the wages of other workers. Later, during the Korean War, Walter Reuther; arguing that long-term wage contracts ought to be "living documents" managed to get a cost-of-living adjustment under his contract with the auto companies.

This is a period which calls for more "living documents"—wages and price restraint. A wage boost will help those steel workers who are now drawing unemployment compensation. But the cost of living is still up and the workers will still be taxed. We cannot make the workers better off if we do not solve the problem.

The auto companies have been open only about a week or two. They can afford to make a contribution to recovery along with the union, and so help all of the workers. The government has done much to cut the costs of living, but it has not done enough to provide jobs. It is time to get serious about wages and prices.}

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7,000,000 Shares

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The One William Street Fund, Inc. Capital Stock

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The Fund will become an open-end investment company upon delivery of the shares being offered, emphasizing, in its selection of investments, potential growth of capital, and also current return on capital investment.

These shares will be offered to the public beginning on or about May 14, 1938, through a group of underwriters, headed by the undersigned.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission to which the undersigned has nothing new to offer society - the "mutual trusteeship" of labor leaders and corporate executives - "which everyone must live with, the union, and so help all of the workers. The government has done much to cut the costs of living, but it has not done enough to provide jobs. It is time to get serious about wages and prices.}

A copy of the Preliminary Prospectus may be obtained from your local broker or dealer or by writing the undersigned.

Lehman Brothers

One William Street

New York 4, N. Y.
THE MARKET ... AND YOU
By WALLACE STREET

The stock market and the economy were at rather opposite poles this week, the industrial average standing at the highest level since August of last year. Even the railroad average was at a peak for more than half a year while the economic climate, high from hopes for a second-quarter rebound, was still reflected in earnings and dividend news.

The strong market performance didn't generate anything even approaching fears of a runaway bull market since the major indices are in an area of high congestion. But its strength was so conclusive in view of the business background which is not exactly a new story but was only more convincingly in the push to new highs for the year.

The badly depressed motors, particularly Chrysler, and the equally slow-moving steel industry, Lukens and National Steel standing out on occasion, were able to join in when the market went well. Good about the only concrete background to warrant optimism in these areas was a slight pickup in steel operations but the mills were only running at half capacity at best.

Increased Selectivity

The new peaks for the averages were a bit of statistical juggling since so many of the components, particularly the chemicals, are in any portion to even begin measuring their peaks of 1957 and 1956. The same holds true for the motors. A good part of the strength was due to a handful of components including American Can, American Tobacco, Corn Products, General Foods, Sears Roebuck and Procter & Gamble which were among the blue chips that were exceeding last year's peaks to give the industrial average overall strength.

Chrysler was some three dozen points under last year's high as was Union Carbide while Allied Chemical, Du Pont, National Steel, Goodall, and United Aircraft were a score or more points below last year's best.

It would seem to add up to the thought that markets are around to stay in this era when professional activities loom so large in the daily trading.

As far as business results are concerned, the best lines moreso have been in the meat packing, natural gas, aircraft, stores, vegetable oil-soap lines, textiles, food products, soft drinks and electronics. The softer spots have been steels and autos, as is well known, plus rubber, copper, chemicals, machinery, aluminum and coal lines.

There was a disposition as far as the analysts are concerned to follow only strength which has lifted into prominence the utility, drug, tobacco, etc., groups. Such market favorable lines where the unfavorable news is mostly over and the issues well depressed, was hunting among the back, building supplies, distillers, textiles and oils.

Building Activity

Expectations

Much was made in some quarters of the prospects for much more activity in the home-building sphere this year. This makes the prospects bright for the components allied with building activities although in the case of a few, like the plywood group the lag in housing starts didn't hurt its business to any great extent.

In fact, Georgia Pacific showed a 32% increase in sales in 1956 and nearly 22% more last year—the two years when housing was definitely in a downturn. For this year the projection is for still more improvement even without the pickup in housing activity being figured in. In all, if the improvement in housing starts materializes, Georgia could show improvement of better than a dollar a share which would make the issue an undervalued one on a times-earnings basis alone.

Also counting on housing for a big first-quarter improvement has also shown superior ability to get along nicely while housing was in a decline. Its earnings in the first few months of the year have held around $3.50 with remarkable stability. The high was $3.80, the low $3.30, so that the $2.40 dividend requirement and hints at sustained earnings for this year again are interesting.

Distiller Beneficiaries

In the distilling section the pernicious hope that Congress is in session is Schenley which is in a fight for its life, and so far hopelessly, to get an amendment to the law that requires payment of the excise tax on distilled spirits after eight years' storage whether or not it is about to be withdrawn for storage sale.

Schenley is about the real problem, but one of the up-and-down stocks of aging whiskey are very large. The present proposal is that the storage period be extended from 7 to 10 years, and that the excise tax be withdrawn directly from the distiller's cash on the day he withdraws.

The bill of fare will depend on whether or not the state distilleries will drop their prices of 20 cents a proof gallon, or if they will compromise with the demand for a new state tax.

The state distillers are not likely to drop their prices, which will mean that the distillers will be able to buy stocks at lower prices.

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From Washington
Ahead of the News

By CARLISLE BARGERON

The relations of President Eisen¬
hower with Congress are increas¬
ingly under discussion of late. Secretary of State Mr. Eisen¬
hower was asked at one of his peri¬
odic news conferences what he thought of the Congress. With a sur¬
prising look of contentment he said he thought the Congress was doing wonderful things for this country and that he enjoyed them.

I don't seriously think that is what he meant by that. In the first place these con¬
ferences have been held almost every week for years and they seem now to be on a rather reduced level. It is this correspondent’s opinion that the fault is with the news¬
papers. Their question after question has downgraded to mostly inanities and furthermore the correspon¬
dents, apparently lost for some worthwhile question to ask, have repeatedly dropped into the final question.

One reason, of course, is the number of correspondents added to the Washington scene. More than 200 attend every conference and express such an inordinate concern. They have become so large that they have to be held in the Old State Department building. A White House fault is that the con¬
ferences are televised, but it is the after effect of the conference that is the never ending talk of Washington. People have been at these conferences so long that they are no longer interested in them. They have lost all over the place at any man asking extended questions and a rider or two has seen at a conference and wants to be heard asking a question. The transcript of the question is then frequently carried in the newspa¬
pers and the correspondent asking the question is named. Like a meeting at his last home se¬
fences are unfinished. He rambles all over the place as any man asking extended questions and a rider.

The fact is this transcripts show up in a manner that that his expressions have become the bane of jokes. Parodies on them are being circulated, and we have carried the White House into the Congressional Record several weeks ago.

If Mr. Eisenhower really enjoys these experiences he has a better sense of humor than I think he has. Yet when he shows irritation at a personal or antagonistic question, the correspondents then write that his health is failing and that he is likely to give up his office soon and turn it over to Vice-President Johnson.

The fact is that most of the border of correspondents who do not attend his conferences are more concerned in how he walks and how he acts. Very seldom is any question asked that is likely to bring out something that would be usually concerned subjects on which his opinions are required. The correspondents are usually concerned with something else. An example, the frequently asked question of whether he really intends to fight for his Pétain recoilization bill. He writes every time in the present day of Washington that is significant. In that it is supposed to mean that he intends to assert his lead¬
ership. Since President Roosevelt the Great would send a Supreme Court Chief Justice or a proposed declara¬
tion of war I have had difficulty in understanding what he meant by strong Presidential

City of Oslo, Norway
Registers Bonds With SEC for Public Offer

The City of Oslo (Kingdom of Norway) on May 6 filed with the Securities and Exchange Commission a registration statement re¬

fering to a proposed public offer¬

ing of $1,000,000,000 principal amount of the municipality's bonds, consisting of $800,000,000 of sinking fund external loan bonds due 1960 and 1962. Interest and prin¬
cipal of the bonds will be payable in U. S. dollars. The offering will be made on or about May 28 by an underwriting group headed by Louis de Rothschild, Shields & Company, Lazard Freres & Co., and Whelen & Company.

The offering, the first in this country by a Norwegian municipi¬
ality since World War II, will be Oslo's first dollar bond issue since its 19-year 4% external loan bonds due 1955 were sold in March, 1936. This issue has been retired. The bonds will be direct, unconditioned and general obliga¬
tions of the City of Oslo, which is the capital and largest city of Norway and the country's eco¬
nomic, financial and shipping center.

Annual sinking fund payments, beginning in May, 1961 and due 1973 will retire 100% of the sinking fund bonds by maturity. These bonds will also be option¬
ally redeemable on any day after June 1, 1968.

Net proceeds were received by the City of Oslo from the sale of the bonds will, in the first in¬
stance, be applied toward the foreign exchange reserves of the Kingdom of Norway and the Norwegian kroner equivalent of the proceeds will be transferred to the city.

The city will advance the funds to the Oslo Electricity Works to make a large finance in part¬
ticipation of the Hemsl Hydro¬

Electric Power Development Proj¬
ect which is designed to provide the City of Oslo with an addi¬
tional 152,900 kilowatts of in¬
stant power by the end of 1969.

Oslo Electricity Works supplies all the city's electricity re¬
quirements.

Application will be made to list the sinking fund bonds on the New York Stock Exchange.

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

The City of Montréal

1938 Serial Debentures for Public Works, due May 1, 1959 to 1965

Maturing in seven installments of $1,500,000 each, as follows, bearing the respective interest rates and priced to produce the following yields:

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959</td>
<td>2%/2</td>
<td>2.85%</td>
</tr>
<tr>
<td>1963</td>
<td>3%</td>
<td>3.65%</td>
</tr>
<tr>
<td>1965</td>
<td>3%</td>
<td>3.75</td>
</tr>
</tbody>
</table>

*Accorded interest is to be added.

These Debentures of each issue will be dated May 1, 1958 and will be underwritten on behalf of the Proposers by

Price

The Debentures of each issue will be dated May 1, 1958 and principal and interest of each issue will be payable in The City of New York, N. Y. in United States Dollars.

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the underwriters and other dealers as may briefly after these securities in such State.

Shields & Company

Halsey, Stuart & Co. Inc.

Salmon Bros. & Hutzler

Burns Bros. & Denton, Inc.

Gairdner & Company Inc.

Hornblower & Weeks

Swiss American Corporation

Bell, Guenheim & Company

Burrillam and Company

Demers, Adam & Martin

Gregory & Sons

Hirsch & Co.

Mills, Spence & Co., Inc.

Shearson, Hammill & Co.

F. S. Smithers & Co.

Stroud & Company

Tucker, Anthony & R. L. Day

Incorporated

E. S. Dickinson & Company

Johnston, Lemon & Co.

McDonnell & Co.

New York Hanseatic Corporation

Van Asteny, Neel & Co.

Philadelphia, Pa.—The In¬

tervention Association of Philadel¬
phia will hold its second annual outing on Friday, May 23, at the Philadelphia Cricket Club, Flock¬
town, Pa.

The day's events will include golf, tennis and dinner. The ar¬

cangements committee consists of Henry Ingersoll, Chairman, Smith, Barney & Co. and Norman Wiles, Janney, and Robert Arnold of First Boston Corporation is in charge of tennis.

First Sierra Adds

(Special to the Financial Chronicle)

San Francisco. Calif. — Ernest C. Ayala, Jay F. Hale, Don¬
ald H. Kennedy, James D. Robb, David R. St. Johnson and Carl H. Triplett are now with First Sierra Corporation, 50 Post Street.

Edwards & Hanley Branch

Edwards & Hanley have opened a branch office at 25 Broad Street, New York City, under the direc¬
tion of Gordon Evans.

The City of Montréal

The City of Montréal is offering $10,500,000 4 1/2% Sinking Fund Debentures for Public Works, due November 1, 1978

Price

100%

Interest (Accorded interest is to be added)

The Debentures of each issue will be dated May 1, 1958 and principal and interest of each issue will be payable in The City of New York, N. Y. in United States Dollars.

Glover, Forgan Adds

(Special to the Financial Chronicle)

William G. Maas has been added to the staff of Glover, Forgan Co., 40 Wall Street, New York City, members of the New York Stock Exchange.

With Delafeld & Delafeld

John D. Manuso has been associated with Delafeld & Delafeld, New York City, members of the New York Stock Exchange.

Joins Courts Staff

Arthur Lipper, 3rd, has been associated with Courts Co., 25 Broad Street, New York City, as registered representative.
The Great Delusions

By CHARLES M. WHITE
Chairman, Republic Steel Corporation

Republic Steel Chairman describes principal delusions harmfully prevalent in the United States and terms "the concept of the future" as one of the delusions of all. The belief that Americans cannot fail just because they are Americans, Mr. White contends, has set us back in our "scientific race with Russia." "We are the only people who are fighting a war against the concept of the future," he says.

The great delusions are: (1) getting something for nothing from government spending; (2) the machine as labor's enemy; (3) laboring man is maltreated by management; and (4) unions are the last hope of employers in their business wars held regarding profits, productivity, and bigness in business. Urges we need to fight our delusions as well as hard work in order to win out against recession and cold war.

Normally, I would discuss some of the underlying problems of the steel industry, or about business conditions, and the outlook for the future.

But there is a subject that has been very much on my mind in recent months, a problem which may be responsible for much of the confusion in our thinking today. I refer to what I call the misconception that business, labor, and government which are accepted and believed by the majority of the people in our country.

I have always been puzzled, and to some extent have been —by some of the strange ideas people have had until recent years I considered them only as a source of amusement. But I was wrong. This country is built on ideas, and it can be hurt — as I think it has been — by models.

We can only marvel at the creator of "liberty," "equality," and "free enterprise." We can only regret the death of the idea that by "making right what is wrong, we can improve ourselves," and the potential of our national government by the example of our own country.

Ideas can be wrong because of a lack of facts, or because of wrong premises. Ideas can be distorted by emotion or prejudice. But the central idea is in the face of all evidence, and it cannot be rejected as irrational or thought of consequence, it can only be a failure or idea.

Let's look at some of these delusions and see how they have done us in, in plain English.

Field of Business

In the field of business, probably the most widespread delusion that "bigness" is synonymous with "worse," is the ideal that "bigness" is always a monopsony and restraints of trade, this emotional concept of the delusion is completely over the facts that monopoly and restraint of trade are the biggest advantage we've ever seen in our nation's history. We've seen the most important that the big business has in our world in the last few years is that the big business has the best way to do business. It has the best way to do business, and it's the only way to do business.

devoted to long-range planning and day-to-day expenses. Yet, certain factors that are mainly responsible for increases in corporate profits are:

Labor's Treatment By Management

Another popular delusion about the relationship between labor, poorly worked and uncorrected by management, is also surprising. Surprisingly to learn that the workman's wages are only a fraction of the professional man's salary; that the blue collar worker special payment is a place to work as white collar. The blue collar worker's differential is always likely to be small as those provided for white collar workers.

The popular picture of the laboring man is one of oppression by supervision and management in general. This is not true of this country and in Europe when force and rigid discipline kept the working man in subjection. The democratic atmosphere of the United States, the absence of the procedures for labor organization, and the absence of the practices in management over such as we have had in the two wars, and the teams of unions and members at regular elections. On the other hand American manage more active with the constant experience, and a ball of union member at regular elections. The democratic atmosphere of the United States and the absence of the practices in management over such as we have had in the two wars, and the teams of unions and members at regular elections. On the other hand American managers are keeping the workers in subjection, and the work of the cement is a matter of labor.

Linked to this delusion about profits is one about prices. Theory in business is that a company is making a profit and that it is not the only alternative to the profit system. It is a system of state socialism, it is a system of a government formation, and it is a belief that companies make adequate profits, otherwise its market will be depressed and it will eventually die.

In the general field of business there is a belief in the special set of laws about equity finance. The theory is that companies will work and hire and not pay dividends and retained earnings, yet when a company finances expansion by the sale of stock this same critic decries the same practices with the sameCommittee of stockholders. In the popular mind, the investor is a rich man, a woman who inherited the money-bags. Rarely does the critic stop to think that this is the investor that he, himself, is free to be the person who is the investor. But he is hooked to the safety of his own choice and his own trust and ingenuity.

Concept of Profits

A second version of this basic delusion is that the profits that are earned as opposed to wages is the fault of labor and savings, and both forms of capital, the person who holds this idea is blind to the fact that one who invests savings is entitled to a fair share, and just as much as one who invests labor is entitled to a fair wage.

The emotional impact in this delusion is that labor and savings are both forms of capital, the person who holds this idea is blind to the fact that one who invests savings is entitled to a fair share, and just as much as one who invests labor is entitled to a fair wage.

In the general field of labor, particularly in the industrial field, management is blind to the fact that all of the credit for productivity increases should go to the worker. It is true that the function of either management or labor is to improve the plant, to improve the costs educational program to improve the cost of goods, which change the giver of more and better products for a better, more

The Commercial and Financial Chronicle... Thursday, May 8, 1930
For anyone to express himself on the broad subject of the Common Market involves considerable risk, since, at this stage of development, one can only speculate on what problems and as well as on the extent of new development.

Let me state an American view that the Common Market must be approached in order to present a basis for decision as to future actions to be taken by America. Following the American ideal of achieving economic concentration of effort, the Common Market will be an inescapably high-cost, low-productivity operation. Of course, let us face this fact, this will produce a raising standard of living for all, and an ever increasing plant of commodities, as this situation will be in the motion of a spiny increment, reduction of costs, and an improved competitive position for export to the world.

Paradoxically, the greatest asset of the Common Market area is the deficiency of raw materials which are undeveloped areas of the world, which can supply us with items we cannot possibly produce. We do not need the Common Market, but we do need the world, and, based upon labor, the world is the common 12.000 of the four countries.

Effect Upon U. S. Trade
At this point, let us take a brief look at the probable effect on the trade of the United States with the Common Market Europe. Recent figures show that it is approximately 30% of exports to Common Market countries consists of manufactured goods, and that a very significant percentage of which under-developed countries of the world can supply, and very few of which is not upon the Common Market, and upon the economic condition of the world.

Effect Upon St. Louis

Finally, we are stepping up the interchange of information between various units of the world and we will make the way for the ultimate necessity of dealing in one market.

This is the approach, which, having generated such benefits in the past, is the design from which we can hope to rest, the benefits and the Common Market of Europe will be the test and will prove up what has been put into action. American business has long advocated such a step without calling it by name. Now Europeans are taking the step and setting down the methods of American management to its use.

Tucker Anthony Day
Elmer Bright to Merge
BOston, Mass. — The investment analysts of Tucker, Anthony & R. L. Day and Elmer H. Bright & Co. have announced their intention to combine under the name of Tucker, Anthony & R. L. Day. The move is expected to take place late in May with Boston headquarters of the expanded firm at 74 State Street.

In addition to offices in Boston and New York City, Tucker, Anthony & R. L. Day will continue its operation in Los Angeles, Calif., York, N. Y.; Hartford, Conn.; Manchester, N. H.; and Springfield and New Bedford, Mass., and New York, N. Y., will be retained under the new name.

Tucker, Anthony & R. L. Day have been in business since 1892, and Elmer H. Bright & Co. was established in Boston in 1904.

696,260 Shares
Long Island Lighting Company
Common Stock
(Par Value $10 Per Share)

The several Underwriters have agreed, subject to certain conditions, to purchase any un subscribed shares and, during and after the subscription period, may offer shares of Common Stock as set forth in the prospectus.

W. C. Langley & Co.
Smith, Barney & Co.
Eastman Dillon, Union Securities & Co.
Glore, Forgan & Co.
Goldman, Sachs & Co.
Harriman Ripley & Co.
Hemphill, Noyes & Co.
Kiddier, Peabody & Co.
Merrill Lynch, Pierce, Fenner & Smith
Stone & Webster Securities Corporation
White, Weld & Co.
A. C. Alllyn and Company
W. H. Hutton & Co.
Carl M. Loeb, Rhoades & Co.
Laurence M. Marks & Co.
F. S. Moseley & Co.
James F. Bumpus & Co.
R. W. Pressprich & Co.
Shields & Company
F. S. Moseley & Co.
H. Hentz & Co.
Rand & Co.

May 1, 1958.

The centralization of figure production, which will make possible the utilization of electronic methods, 

**Volume 107 Number 5740 The Commercial and Financial Chronicle**

**American Investments And the Common Market**

By JAMES A. MOFFETT

President, Corn Products International

Mr. Moffett deals with unparalleled opportunity ahead for both American business and European Common Market, and the problems apt to confront both. In this paper, his new innovative participants and corporations already represented in the Common Market area.

Agrees that direct trade at first will be reduced, but under the stimulus of the accelerated development of other areas, that in due time it will develop to a further intensification of American participation in this great new development.
Financing Industrial Enterprise in Latin American Countries

By Charles W. B. Wardell, Jr.*

President, The Deltec Corporation, New York City

What is involved in capital financing below the Rio Grande, with special reference to Brazil, is spelt out by Mr. Wardell in describing his firm's participation in underwriting and managing the largest and perhaps the most ambitious foreign security distribution in world capital markets in recent years. The Deltec project happens to be the preferential security of the Instituto Nacional de Colonos, the federal land settlement agency of Brazil. The $45 million security issue is a formidable task. The first necessary condition for its success is the ability to find a market for the security, and to determine the market's demand. Sources and the assistance they can offer are often more important than other special conditions. Although this is probably still the case in a developing country, it has become increasingly the case in the financing of the large capital investments, both in prospect, and also for the expansion of established companies to meet competition and market demands. A second means of providing capital development has been the employment of earnings. This is to a large extent dependent on the size of large cash dividend payments and the level of retained earnings. A further deterrent has been the investment in the agricultural sector of the country, which has been one important consideration.

A third source of funds has been the capital markets of the local governmental development agencies. These "Fomentos" or "Institutos," as they are called in Brazil, case the Bank of Economic Development, by loaning large sums to private companies which have a good record.

In consumer purchasing power and the growing expansion of active markets for local products, these factors are an important development in the agricultural economy. This has resulted in the greater role agriculture plays in the national economic life of the country. The relatively high ratio of agricultural workers to the total labor force has been limited and insufficient to meet basic requirements. The cause of this has been the relatively high labor costs and the relatively low productivity of the labor force. The labor costs are relatively high due to the fact that the labor force is relatively untrained and inexperienced. The labor productivity is relatively low due to the fact that the labor force is relatively untrained and inexperienced.

Since these countries (with Argentina, Uruguay and Chile making up the primary group, and Brazil, Mexico and Colombia making up the secondary group) have no capital markets of a size capable of meeting the needs of their development, they have been forced to look to foreign sources for capital. They have therefore been limited to only very restricted help available from abroad. Largely for reasons inherent in this very growth, over a long period of time the flow of capital has been limited and insufficient to meet basic requirements. The cause for this has been the relatively high labor costs and the relatively low productivity of the labor force. The labor costs are relatively high due to the fact that the labor force is relatively untrained and inexperienced. The labor productivity is relatively low due to the fact that the labor force is relatively untrained and inexperienced.

Traditional Capital Sources

Traditionally, there have been four sources of capital funds available to which Latin American business enterprises have turned:

- The first source is the family group.
- The second is the bank, whether the local or one of the larger foreign banks.
- The third is the local stock market, which in many Latin American countries is underdeveloped.
- The fourth is the government, which in many Latin American countries has limited capital resources.

The first source is the family group. In most cases, this is the only source of capital that is available to the small business enterprise. The second source is the bank. Banks have generally been willing to lend money to small business enterprises, but they have also been reluctant to lend money to large business enterprises. The third source is the local stock market. The local stock market has been underdeveloped in most Latin American countries. The fourth source is the government. The government has generally been unable to provide the capital that is needed by the small business enterprise. The government has also been reluctant to provide the capital that is needed by the large business enterprise.

The question of financing the development of Latin American countries involves ultimately the financing of the development of the respective capital market. Other sources of capital are essential, but the direct investments of American and European manufacturers, but also the savings of the local indirect investor on which the growth of these economies finally depends.

The intense demands for capital, or the relatively exaggerated rate of growth, is evidenced by the rapid increase in the demand for capital, the rapid increase in the demand for labor, the rapid increase in the demand for land, the rapid increase in the demand for capital, and the rapid increase in the demand for labor.
Reader Would Limit Credit to Savings to Avert Cyclical Instability

Mr. Shimer's commentary on the March 20, 1958, edition (No. 5738) of the "Commercial and Financial Chronicle," says in a sentence that looks like "We See It," "The cost of essential adjustments made in response to such conditions was economically high, and, if a better way could be found for the use of money, no one could devise a workable system for checking the rising of the business cycle which, in a word, would limit credit to savings and not allow fractional reserves. Writer advocates government completely out of the banking business and instead of making money, or issuing of gold certificates; that notes issued by banks be exclusively their own liability; and currency not be elastic."

Editor, Commercial and Financial Chronicle

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Blames Bank Credit Expansion

My concern focuses on the effect of our monetary system, as it is not willing to accept the explanation of the business cycle so cogently and persuasively by Prof. W. A. W. von Mises in his "Theory of Money and Credit" — "A Human Action," "to the effect that all booms are due to the expansion of the money supply, and that depressions are the consequences of the manipulation of the monetary system, the consumption of the boom period."

Where there is no expansion of money and prices can be checked by purchasing power based on instruments of value that are required to be exchanged when demand is satisfied, the purchase of the charters of the banking system is the more likely result. For what we are invested, the entrepreneur gets command of an equal amount of value in the form of money and credit, which can not be used by the entrepreneur will probably be different from those saved by the member of the public, and that there is no additional demand for goods. Where there is an expansion of money, prices can be checked by purchasing power based on instruments of value that are required to be exchanged when demand is satisfied, the purchase of the charters of the banking system is the more likely result. For what we are invested, the entrepreneur gets command of an equal amount of value in the form of money and credit, which can not be used by the entrepreneur will probably be different from those saved by the member of the public, and that there is no additional demand for goods. Where there is an expansion of money, prices can be checked by purchasing power based on instruments of value that are required to be exchanged when demand is satisfied, the purchase of the charters of the banking system is the more likely result. For what we are invested, the entrepreneur gets command of an equal amount of value in the form of money and credit, which can not be used by the entrepreneur will probably be different from those saved by the member of the public, and that there is no additional demand for goods.
The appointment of John T. Doren and the opening of a new, metropolitan department of the Citizens National Bank of New York, was announced May 6 by George Champion, President. Mr. Doren was a member of the Citizens' board before becoming Manager in 1942, ad

News About Banks and Bankers

The announcement of the appointment of John T. Doren as President of the Citizens National Bank of New York, was announced May 6 by George Champion, President. Mr. Doren was a member of the Citizens' board before becoming Manager in 1942, and was appointed to the position on June 1, 1945, in continuation of that capacity after the Chase-Manhattan merger in 1955. Mr. Doren is a graduate of the Wharton School of Business and has been active in banking for over 30 years. He has served on the boards of several major banks and has been a member of the Board of Governors of the Federal Reserve System. His appointment was effective May 5, 1955.

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How Are Banks Doing Under Easy Money Policies?

By MORRIS A. SCHAPIRO

President, M. A. Schapiro & Co., Inc., New York City

Well known banking expert tells how appearances may be deceiving, years. Believes public wishes to believe banks are healthy.

Although the long-term outlook for the nation’s banks is favorable, healthy operations and sound financial management today is the neces-

sarily affected by interest freehl. Bank managements, in their effort to keep their banks much in their interest rate policies.

versely affected by interest freehl. Bank managements, in their effort to keep their banks much in their interest rate policies.

Payroll of interest on demand deposits is a charge under the Banking Act of 1933, but the power to regulate the maximum rate payable is not payable on deposit interest. This was done to prevent broker banks from destroying competition.

Such authority carries with it a continuing responsibility. In December, 1966, the Board raised the ceiling on the savings rate from 25% to 3%. To be realistic, the boards of directors and officers policy should apply to interest rates earned as well as to interest rates earned. Other.

Continued monetary ease calls for lower interest rates paid on checking accounts and permits individual of banks must realistically understand that the rate they pay to the rate they charge.

Now that banks have announced their second reduction in the prime rate, the business community expects to see a continuation of the fall in interest rates.

The predic-

Theodore H. Silbert

Mr. Silbert was president of the Board of Directors of the First National Bank of New York, 1958.

Trend of Such Financing

The survey reveals that the 51 com-

merical insurance companies in the major cities of the nation in the last ten years. The financial resources of these companies total $500,000,000.

The survey was made by Standard Financial Company and entitled “The Relation Between Commercial Corporation, Commercial Banks and the Business Cycle.” It was released on June 15th, 1956, by Theodore H. Silbert, President of Standard Financial.

Business Upturn in Mid-June Indicated by Commercial Loan Trend

When commercial finance companies’ accounts receivable loans continue to serve as a reliable lead indicator then, according to Mr. Silbert’s findings, business upturn’s turning point should be expected about that time.

Indications are that general business activity will start upward about June 15th. While commercial loan rates today are at or above the average levels by November 1956.

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Oils and Chemicals: Close Relatives Growing Closer?

There is, however, an end to this story.

Second, he increased the complexity of the situation by introducing the concept that the oil companies, which had been content to produce and sell only petroleum for resale, were now diversifying into the production of a wide variety of petroleum derivatives. This diversification was made possible by the development of new technologies and the increase in demand for these derivatives, which were used in a wide variety of industries.

In Figure XIV, for example, we can see the increase in the production of various petroleum derivatives over time. This increase was driven by the demand for these derivatives in a variety of industries, including the manufacture of plastics, the production of synthetic fibers, and the formulation of paints and varnishes.

On Figure XIV, the production of petroleum derivatives is shown to have increased significantly over the period from 1953 to 1970. This increase was made possible by the development of new technologies for the production of these derivatives, which allowed the oil companies to produce them more efficiently and at a lower cost.

On the other hand, the production of petroleum itself has been declining over time, as the demand for it has been replaced by the demand for its derivatives. This decline in the production of petroleum is shown on Figure XIV as well, and it is evident that the oil companies have been successful in diversifying away from their traditional product.

In summary, the oil companies have been successful in diversifying their product base, and this has allowed them to continue to grow and to remain competitive in the face of the declining demand for oil. The development of new technologies and the increase in demand for petroleum derivatives have been key factors in this diversification, and they are likely to continue to play a role in the future.
The decrease in Passenger revenue was caused chiefly by a further sharp decline in sleeping-car passengers carried, including military passengers, amounting to 124,000,000, or nearly 25 per cent. There was also a small decrease in coach travel, but revenue therefrom was somewhat greater than in 1956, because of a 3-cent per fare increase (also applicable to other types of travel) in January 1957.

The increase in Mail revenue resulted from a decrease in less-than-carload shipments resulting from a teamsters' strike against the Railroad Express Agency, effective March 22, 1957, and to the general decline in business during the latter part of the year.

The decrease in Other revenue was largely in receipts from dining and buffet cars, resulting from fewer passengers carried, and from reduced costs of generating maintenance employees, because of a reduced number of outfit locations in service in part by increased switching costs due to increased track usage.

**OPERATING EXPENSES**

The increase in Operating expenses was the result primarily of increases in wage and salary rates and in cost of foodstuffs to employees. In addition to the basic increases effective November 1, 1956 (10 cents per hour) and November 1, 1957 (7 cents per hour) and the cost of medical and hospitalization insurance for employees' dependents (mentioned in last year's report), all organized employees received cost-of-living increases effective January 1, 1957. Of these, 3 cents per hour effective May 1st and 5 cents more per hour effective November 1st. Notwithstanding these higher rates for foodstuffs, there were also reductions in costs of foodstuffs for depreciation and for retirements of road property, if had not been for the inflation of wages and increased employee benefits, operating expenses would have been about $4.6 million less than in 1956, because of the smaller volume of freight handled; increased operating efficiency, reduction in passenger-train delays, and less repair and maintenance costs; and the overall economy in wages and salaries.

Way and structures were well maintained. Quantities of rails, ties, and ballast used in main track renewals were as follows:

- **1953**
  - New rails (track miles) ... 1,123
  - Second-hand rails (track miles) ... 690

Total rails (track miles) ... 1,813

Ties (number) ... 715,766

Ballast (cubic yards) ... 429,727

**TAXES**

The decrease in Federal Income taxes was the result of less taxable income in 1957 than in 1956. In determining such taxes, taxable income was reduced (as of Dec. 15, 1949) by properly secularizing the results of a 3-year portfolio of operations, total income from the railroad's operations, total net income from all sources, and net income from operations on the basis stated, taking into account the general cost-of-living, the reduction of cost of living, and the increase in income taxes on a common stock basis.

The increase in Federal income taxes was the result of increased taxable income in 1957 than in 1956. In determining such taxes, taxable income was increased (as of Dec. 15, 1949) by properly secularizing the results of a 3-year portfolio of operations, total income from the railroad's operations, total net income from all sources, and net income from operations on the basis stated, taking into account the general cost-of-living, the reduction of cost of living, and the increase in income taxes on a common stock basis.

The greater part of such reduction in income taxes represents a tax deferral rather than a permanent reduction in income taxes. It had been obtained by use of the income-tax deferral regulations, equal annual changes spread over expected service lives of such improvements, i.e., the "straight-line" method of depreciation. The approximated amounts for 1957 compared with 1956 were:

- **1957**
  - Income taxes ... 757,562
  - Federal income taxes ... 541,915

---

**OIL AND GAS OPERATIONS**

Net income from oil and gas operations ... 84,911,417

**DRILLING AND DEVELOPMENT COSTS NOT CHARGED AGAINST REVENUE**

Drilling and development costs not charged against revenue ... $1,230,000

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**Footnotes**

1. Includes Leased Lines: Oregon Short Line, Gallatin Valley & Lake Tahoe, Missouri River, Chicago, Rock Island & Pacific Railroad, and the B & M Railroad. Leased Lines are accounted for on a full participation basis, including operating accounts between companies.
A Report on the Economy and Construction Industry

By Dr. George C. Smith

By Federal Reserve Bank of St. Louis

In evaluating the evil and good forces at work, believes that while an upturn is in the offing, we don't have the makings of a real depression.

Industries and companies are making money, but they are keeping it in the bank and not spending it on new plant and equipment. This is not the way to go back to prosperity.

The government should be doing more to help stimulate the economy. The government has a responsibility to use its power to help restore prosperity.

In summary, the economy is slowly improving, but a real recovery is still a ways off. The government should be doing more to help stimulate the economy.

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*An address by Dr. Smith at the 35th annual meeting of the National Industrial Conference Council, Atlanta, Ga., April 19, 1938.*

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**Forces for Good**

1. Higher wages and employment
2. Increased consumer spending
3. Government spending on public works

**Evil Influences**

1. High interest rates
2. Inflation
3. War and political uncertainty

**Outlook**

The economy is expected to continue to improve in the coming months. However, there are still some concerns, such as the ongoing war and the high interest rates. The government should continue to work on stimulating the economy and providing relief to those in need.

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*The Commercial and Financial Chronicle... Thursday, May 8, 1938*
World Bank 3 1/4% Bonds Offered at Par

Public offering of an issue of $150,000,000 International Bank for Reconstruction and Development (World Bank) 3 1/4% 10-year bonds was made on May 6 by nationwide underwriting group of 77 investment firms and commercial banks headed jointly by Morgan Stanley & Co. and The First Boston Corp. The bonds, due May 15, 1968, are priced at 100 1/8 accrued interest, to yield 3 3/8% to maturity. The bonds are non-reredeemable, and the proceeds from the sale will be used for the general operations of the Bank.

As in recent issues, the Bank is offering certain institutional purchasers the privilege of taking delayed delivery of the bonds on one or more quarterly dates from Aug. 15, 1958 through Nov. 15, 1959. Such sales will be at the public offering price. A commitment fee at the rate of 1% of the amount paid will be required of the Bank to purchasers under the delayed delivery contracts. The delayed delivery arrangement is expected to enable the Bank to coordinate a portion of its borrowing with loan disbursements and also to make it possible for the purchasers to arrange for a consignment of bonds to suit their individual preferences in the light of their own projected cash positions.

This is the ninth issue of World Bank bonds to be marketed in the United States on a negotiated basis by underwriting groups managed jointly by Morgan Stanley & Co. and The First Boston Corp. The last previous sale involved $150,000,000 4 3/4% 21-year bonds in January of this year.

Giving effect to the present issue and to delivery of bonds under delayed delivery contracts, the Bank's funded debt will be $1,617,428,000 which includes United States dollar obligations of $1,416,977,000 and Swiss franc, Canadian dollar, sterling and Netherlands guilders obligations aggregating the equivalent of $280,172,428.

From its formation in 1946 to March 31, 1958 the Bank had entered into loan commitments in an aggregate principal amount equivalent to $3,587,547,863 to finance programs or projects in 46 countries.

With Bingham, Sheldon

MILWAUKEE, Wis.—Charles M. Sheldon is now with Bingham, Sheldon & Co., 735 North Water Street.

Two With Walston

MILWAUKEE, Wis.—Joseph A. Austrup and Horace D. Ward have become associated with Walston & Co., Inc., 210 East Wisconsin Avenue. Both were formerly with Merrill, Lynch, Pierce, Fenner & Smith.

Like your Favorite Newspaper...

there's more to Cities Service than meets the eye!

A newspaper is much more than a few ounces of paper and a bit of printer's ink. It is the end product of acres of paper manufactured, newsprint, of world-wide news and photo organizations, diligent local staffs, skilled editors and typographers, block-long high-speed presses, and fleets of vehicles to rush the printed paper to readers while the news is "hot."

But that was more, also, to a gallon of gasoline than a chemical analysis would show. The motor fuel supplied at Cities Service stations is the end product of a job which reaches out to four continents. All this required annual investment in Cities Service of more than $720,000,000 in 1957 alone.

Only in this way can the petroleum needs of the public be met—and petroleum, next to food, is the most vital product in America today.

Literally everyone connected with Cities Service is dedicated to the advantage of the consumer, from the man in the States to the man who sells you the newspaper.
Small Business Will Disappear Unless Financing Is Obtainable

By THOMAS GRAHAM


Former, Governor of Federal Reserve Committee of Investment Bankers Association of America

Formed in 1929, the recently reconstituted Investment banker describes small business as suffering not only from government indifference toward its problems but also as a consequence of aid extended to big business via tax and credit policy. Recommends three-part program in behalf of small business, which is, in his view, being "persecuted." (See page 28.)

"Mr. Graham terms small-medium-sized business a stronger bulwark than large industry in combating severe inflationary or deflationary pressures."

First, for the purposes of this discussion, Faraday divides the two definitions of the general areas of this problem of small business: (1) Real, and (2) Notable. What is small business? In his view, it is any business in any line of work in which the capital stock is not over $100,000 on the books and in which the net worth of the owner is under $30,000. There are exceptions to the rule, including Government securities.

There have been much discussion of the importance of small business in the past quarter century of our country's economic life. Yet, when we come to the standards for these two areas we cannot achieve any substantial good for small business.

Small business is any business in any line of work in which the capital stock is not over $100,000 on the books and in which the net worth of the owner is under $30,000. There are exceptions to the rule, including Government securities.

The participation of government credit agencies in the existence of the small business is, therefore, an important factor in the overall economic life of the country. The Federal Reserve system has been instrumental in extending credit and assistance to small business, particularly in times of need. However, the system has been criticized for being too slow and too bureaucratic.

The Commencement and Analysis of the Problems

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