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EDITORIAL

As We See It

We should understand anti-United States feeling—which evidently is not confined to Latin America—much better if we were to give a little quiet thought to certain fundamentals. There are doubtless numerous minor matters, diplomatic blunders, and the like which serve to aggravate a situation which has a far more fundamental origin and wherever these arise or exist they should, of course, be eliminated. We should, however, be making a serious blunder to permit these relative trivia to obscure the more basic causes of the state of affairs we all must deplore. Historically speaking, we were isolationists and proud of it until relatively recently. We, therefore, are new to this game of international politics. We doubtless at times appear naive and inept to those older countries which have been at it for centuries—and possibly we deserve the contempt in which they sometimes hold us.

The fact is, though, that we find ourselves in an international position which is as new to the world politicians of yesterday as it is to us. Probably it is in some respects quite unique in history. We are a creditor nation before our time. Such a description of our status at present is, however, a gross over-simplification. For a good many years prior to the outbreak of World War I we had been repaying the debts we incurred in the early development of the nation, and one might possibly have looked forward to the day when we would gradually assume the status of a creditor nation along side of such countries as Britain

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We Cannot Take Chances With the Business Slump

By HENRY C. ALEXANDER*

Chairman, J. P. Morgan & Co., Inc., New York City

J. P. Morgan banker states world's struggle makes it imperatively necessary that we: (1) quickly cure the recession by an immediate across-the-board $5 billion tax cut; (2) cease our economic warfare with our friends and allies; and (3) not interfere with military and government job of creating unrivalled strength and readiness. Mr. Alexander, in yielding to no one his dread of inflation, asserts our immediate problem now is not inflation, but deflation, and that we must stop fighting the wrong enemy today. Makes clear we must determinedly reverse tax and budgetary policies, to defend our dollar, "as soon as the patient is well," and warns that a Spartan determination to expiate the sins of a boom may induce a depression.

Peace and prosperity have always been the primary aims of the American people. But these aims have never seemed to be fully realized. They are never secure and certain. Always they threaten to move away from our firm grasp. When my late partner, Mr. Thomas W. Lamont, addressed the Bond Club in 1919, he had just returned from participating in the Paris Peace Conference after the first World War. He spoke briefly about the problem of restoration in war-torn Europe, he emphasized the need for training and educating young men to handle the great tasks that lay ahead both at home and abroad, and then he spoke of America's opportunity to serve the world and thereby best serve our own land in its search for peace and prosperity. He closed his remarks in these words:

Henry C. Alexander

"America must be first in generous thought and in

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*An address by Mr. Alexander before the Bond Club of New York, New York City, May 16, 1958.

Economic Recovery Rests in Hands of Business and Labor

By HON. DWIGHT D. EISENHOWER*

President of the United States

Business and labor are pointedly asked by President Eisenhower to take without hesitation proper decisions, involving price cuts, capital-inventory spending and the foregoing of wage increases, to promote vigorous upturn and renew economic growth. President points out: (1) the economic decline is slowing down, with much of the adjustment having occurred; (2) extent and limitations of Governmental anti-recession action; and (3) bi-partisan tax decision will be taken shortly. Recalls conditions of last recession and conservative forecast made then of $500 billion economy in ten years, and charges that the test ahead is "not one of surmounting our problems — but one of rising to our opportunities."

I find my position here a refreshing and somewhat novel one. For some months now we in the government have spent a large part of our waking hours acting on proposals by private citizens on what the government could do about the business downturn.

Pres. Eisenhower

Now this group of private business leaders has invited some of us from government to suggest to businessmen what they could be doing about the downturn. Needless to say, this is a welcome turning of the tables.

I begin by reminding ourselves of one simple, inescapable fact:

America is not going to stand still. America is going to grow—and grow and grow.

The question that faces us today is not whether America is going to continue to grow and make progress, but how quickly our economy is going to resume its full and healthy advance.

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*An address by the President, delivered at the Economic Mobilization Conference conducted by the American Management Association, New York City, May 20, 1958.

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Nationwide Corporation Class A—Robert H. Huff, President, Robert H. Huff & Co., Los Angeles, Calif. (page 2).

Carrier Corporation—Everett W. Snyder, Proprietor, E. W. Snyder & Co., Syracuse, N. Y. (page 2).

ROBERT H. HUFF
President, Robert H. Huff & Co.
Los Angeles, Calif.

Nationwide Corp. Class A

Nationwide Corporation Class A continues to be the security I like best because it continues to offer, at low cost, the most unusual combination of investment values in the insurance stock field.

What most investors overlook in Nationwide Corporation is its key position in one of the biggest insurance operations in the country. It is affiliated with, and more than 70% owned by the two fabulous Nationwide Mutuals. And it, in turn, owns 99% of Nationwide Life, 93% of National Casualty, 51% of Northwestern National Life, 51% of Michigan Life, and one-third of North American Accident. Last year these companies collectively wrote nearly $190,000,000 of accident and health and fire-casualty premiums; and at the year-end, had assets totaling $700,000,000, and $3,380,000,000 of life insurance in force.

Thus the investor who buys Nationwide A immediately obtains a strong and balanced interest in the two most profitable, and most rapidly-growing segments of the insurance industry: life, and accident and health. And his partners in the enterprise are two of the most successful companies in the industry.

At prevailing markets, the cost of this interest is quite surprising. First, because Nationwide A may be purchased at a substantial discount from its equity value, and on a low price-earnings basis. And second, because the investor can buy his interest at a price actually lower than that paid by the two Mutuals for their 71½% interest. And if Nationwide A offered no more than "holding company" values, it would be a most attractive investment at this time.

But when two important insurance companies use a major portion of their net worth to purchase more than 70% of Nationwide Corporation's $60,000,000 net worth, it is obvious that the corporation must offer much more than holding company values. There must be additional, and very important reasons for their confidence in its future; so what are these reasons?

Basically there are two: the corporation's management, one of the finest the industry has ever known; and its charter powers, which make it the most flexible, and potentially the most profitable corporate investment ever created in the insurance world.

For a clue to what Nationwide Corporation's management may do in the future, let us briefly review what it has done in the past. Operating in only 13 States; on only $35,000 of borrowed money, long since repaid; and since 1926, only yesterday in the insurance business; it has built Nationwide Mutual into the industry's fourth-largest writer of automobile insurance, and its 21st largest writer of total fire-casualty premiums; Nationwide Mutual Fire into one of the most dependable money-makers in the property insurance field; and Nationwide Life into one of only five companies in life insurance history to achieve $1,000,000,000 of insurance in force in the first 25 years of operation. Last year these companies earned $14,125,000, and at the year-end, their consolidated net worth was nearly $82,000,000!

A single management, yet an amazingly successful one in all three fields of insurance. And now let us see what this management has to work with in Nationwide Corporation.

While it enjoys all of the advantages of a direct operating insurance company, the corporation has few of its disadvantages. With no other restrictions than its own capital position, it can buy, sell, finance, manage, merge or liquidate any type of insurance company, as well as to effect the reinsurance of any or all of their business. It can, in brief, take advantage of the profit opportunities arising in any phase of the insurance business, or in any field related to that business.

Not only does the Nationwide management have more "tools" to work with than ever before, but the opportunities before it are far greater. Let us consider two developments which alone present exceptional profit possibilities to the corporation: the trend toward the writing of all forms of insurance by a single company group; and the all-out expansion program of the Nationwide Group.

Because they must do so if they are to meet the mounting competition of the independents, the old-line fire-casualty companies are now in the process of sharply reducing their rates. Lower rates mean lower commissions to agents; lower commissions mean that the agent must sell more policies if he is to stay in business; and the best way to sell more policies is to sell more kinds of policies.

The major fire-casualty companies realize that if they can't supply all of the policies the agent needs or wants, their agents will change to a company which can. And there, in brief, is the real reason for the continuing acquisition of life company subsidiaries: not to gain additional volume and profits, but to protect the business already on their books.

But many companies will be unable to supply this "full spread" to their agents; will be unable to operate profitably under the competitive conditions ahead. Already an era of mergers, absorptions and liquidations has started; and no company is in a better position to profit from these developments than Nationwide Corporation.

Heretofore operating in only 13 States, the Nationwide Insurance Group—the two Mutuals and Nationwide Life—is now licensed in 42 States and, before long, will be entered in all 48. Not only does this promise a step-up in the already rapid growth of Nationwide Life, but because the Mutuals must finance their growth entirely from earnings, it also indicates fire-casualty profits for Nationwide Corporation. With its present resources, for example, National Casualty could alone handle an additional $25,000,000 or $30,000,000 of premiums.

The foregoing merely suggests the exceptional profit potentials of Nationwide Corporation; and the realist will recognize that, because of its size, scope and flexibility, it will be presented with an almost unlimited number of profit opportunities. But let us bring this article to a close with a brief description of the Corporation's modern dividend policy.

Each year the Corporation capitalizes and distributes in the form of a stock dividend, a generous portion of its earnings. This policy enables the shareholder to decide, each year, whether he shall retain his full interest in the Corporation's reinvested earnings, or to sell off the portion represented by his dividend shares for income needs. In brief, from Nationwide A, the investor can obtain a generous current income, if he desires it, and still have a good participation in the growth of the insurance business.

Last year the stock dividend was 4%, in addition to which cash dividends of $0.15 per share were paid. This year the dividend distribution is scheduled for Aug. 1, and an increase in the stock dividend is expected, with or without a cash payment.

Yes, Nationwide Corporation continues to offer, at low cost, the most unusual combination of investment values in the insurance stock field; and that is why it continues to be the security I like best. The stock is traded in the Over-the-Counter Market and has a broad appeal to institutional investors, and to both high and low tax bracket individual investors.

EVERETT W. SNYDER
E. W. Snyder & Co., Syracuse, N. Y.

Carrier Corporation

This is a story of progress, growth and expansion. It's a recital of development accomplished through good management, effective sales and advertising promotion, excellent public relations, research and engineering, operating in a market having no visible point of saturation.

Everett W. Snyder

As a favorite selection, it will be an extension of an appraisal of Carrier Corporation submitted a few years ago. Since then, expansion through merger and diversification has so changed the picture that it seems appropriate to bring the story up to date.

It might first be mentioned that recently, in company with fifty or so local investment dealers, I was the guest of the Management. We were shown a vast and efficiently operated plant utilizing modern labor saving equipment. Finished products were being loaded into cars on trackage within the plant, shortly to be on their way to some of the 151 countries which, along with our own forty-eight states, embody the Carrier market. Later, in the new Administration and Research Center, we were shown management, research and engineering at work; thence, to a display of products, dinner and an enlightening informal discussion with key officials—an illustration of public relations in action. One thinks back upon such an occasion with the impression that here is a company proud of its product, confident of continuing progress, and above all, directed by friendly people.

Financial details will be covered briefly in order that alloted space may be devoted to subjects of wider interest. Long term debt now stands at $58½ million and outstanding common stock at a bit over 2,000,000 shares. A $15 million increase in working capi-

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What Will the Business Recovery Be Like?

By PETER L. BERNSTEIN*

Executive Vice-President, Bernstein-Macaulay, Inc., N. Y. City

In pointing out that what recovery will look like will be shaped by what we do during this recession, Mr. Bernstein opines future upturn will not solely result from cut in prices, or introduction of new products and new productive techniques, or massive government intervention, but from a combination of all three. On the basis of this, the investment counselor and economic consultant predicts we will avoid a depression but will undergo an extended recession so that recovery will be uncomfortable and unattractive. Explains why he believes there will be downward pressure on price level, which he claims is our traditional peacetime practice, and advises price-flexible industries, such as textiles and retailing, that they will continue to need large outside financing.

I am bored with being bearish, but I strongly believe that it is too soon to start being bullish. Yet it is probably not too soon to begin speculating about the nature of the recovery which will ultimately but inevitably emerge from the present recession.

Peter L. Bernstein

I am not referring to the brief, abortive, false starts toward recovery which we will most likely experience during the coming months, as inventory liquidation works itself out here and there. Instead, I want to discuss the more distant but more fundamental and persistent upswing which we usually characterize as a prosperity phase in the cycle. We may better determine the nature of the risks we can afford to assume during the recession, and we can more intelligently adjust and time our long-range planning, when we have some knowledge of what a change in direction will be like.

The most important point to establish is that the recovery will very probably not bear very much resemblance to the postwar boom which has only recently passed into history. Just as every recession or depression has unique characteristics, so is each prosperity different from its forebears. Indeed, I believe that the most dangerous assumption in governmental and business decision-making is the widespread belief that the features of the postwar boom will all reappear just as soon as we get this messy adjustment out of the way, and too many of us expect the prosperity of the 1960's to be just like the delicious days of 1946 to 1957.

The easy acceptance of this attractive notion is similar to believing that the children look more like their grandparents than like their parents. There is a family resemblance, of course, but clearly most of us look and act very much more like our mothers and fathers than we look like Grandma and Grandpa, and, to the extent that we do have features in common with our grandparents, they were transmitted to us by our parents.

The same thing is true of the business cycle. Each depression is the child of the preceding prosperity and each prosperity is sired by the preceding depression, and the family resemblance between them is much closer than it is between one prosperity phase and another or between one depression and another. Thus, the recovery to which we look forward will have some characteristics in common with the postwar boom, because these characteristics will have survived the current recession. But we will learn a lot more about the nature of this coming prosperity if we focus our attention on what we are experiencing **now** and bury the assumption that we are going to have the postwar boom all over again.

But I am afraid I do have to go back briefly over the past decade, because the adjustment we are having now is the result of the boom which led to it.

Explains Past Boom

This boom, in my opinion, was caused essentially by the happy concurrence of three very powerful bullish forces:

(1) **An extraordinarily explosive demand for goods and services.** For 10 years of depression we could not afford to buy what was available, and for five years of war, we had the money but the goods were not available. This whole yawning gap of unsatisfied demands and desires was greatly stimulated by the momentous upsurge in the birthrate—the result of similar forces, and by an outpouring of new products and new productive techniques which had never been available before.

(2) **An unprecedented degree of liquidity,** which made it very easy indeed for us to finance the purchases we were so eager to make, even if we had to pay higher and higher prices for what we bought. In 1946, the Gross National Product was double the 1929 level. But the money supply amounted to more than four times the 1929 level, and in addition, both personal and business debts were drastically reduced during the war

*An address by Mr. Bernstein before The Forty Niners Credit Club, New York City, May 19, 1958.

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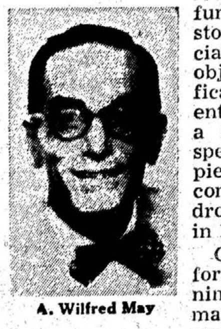
Observations . . .

By A. WILFRED MAY

PICKING YOUR FUND—

What of the Performance Record?

"Which fund shall I buy?". This question, regarding the method for making his initial or continued selection from the available managements by one who has become committed to the fund principle, has remained as a most perplexing problem to the investor. The solution by far the most frequently turned to — seemingly because of the unavailability of any other easy answer—rests on *past performance* comparisons. Such demonstrations, employed akin to racetrack touting based on the form sheets, in publications and courses guiding the investor, are invalid on logical and pragmatic grounds. For the assumption of continuity of a previously registered record of past performance basically overlooks the fortuitous, non-recurring nature of the capital gains and losses on which it is based.



A. Wilfred May

The actual inconstancy of "performance" now receives a convincing up-to-date demonstration via a compilation by Vance, Sanders & Company* of 90 relatively non-speculative funds, comparing their comparative capital-value record during each of the past four years. The "performance" (adjusted for dividends paid) of each fund was computed for each calendar year, together with notation of its results in the following year. The record shows a crazy-quilt of inconsistency.

The fund which ranked first in 1953, finished no better than 62nd the following year; with the runner-up in the prior year ranking 11th in the succeeding period. Similarly for these later intervals: the first and second managements in 1954 were respectively 17th and 5th the next year. The two leaders in 1955 fell to 30th and 25th in the succeeding period. The funds with the first and second best records for 1956 ended 1957 down in 57th and 46th positions.

Other Material Criteria

At the very least the performance-conscious investor should give greater weight to the inherent characteristics of each fund, against the background of the course of the security markets during the interval considered. Such attributes to be taken into account in the drawing of comparative conclusions would include leverage; volatility; the respective fund's category, whether common stock, balanced, managed, specialized; and its stated investment objectives. Underlying such qualification is the finding that if the entire list of 105 funds were used, a leveraged fund committed to speculative policies, which occupied first place in each of the two consecutive years 1955 and 1956, dropped all the way to 102nd place in 1957.

One might be guided by performance to the extent of shunning any particular funds which may have consistently shown a bad record. But according to the data in the Arthur Wiesenberger manuals covering the past five years, none could be classified as such trailers.

Also important to couple with any importance that may be attached to the performance factor is the management expense factor. The expenses of running the fund are calculated both as net assets (ranging from 0.31% to 1.54%) a percentage of the portfolio's and, somewhat less uniformly, in relation to the gross income. Here it must be borne in mind that the expense bill is usually proportioned to portfolio size—the ratio tending to be reduced as the portfolio to which it is related is increased. But in lieu of choosing the large fund to gain expense savings, the accompanying factor of unwieldiness might be deemed a decisive drawback.

Thus, one's choice of a particular fund must be based on the weighing of a number of relevant factors — in lieu of reliance on *performance* as the easy way out.

* * *

The Overall Record

Appraisal of fund management results on an absolute overall rather than a comparative basis of course, constitutes a separate area of consideration. This subject is currently being re-explored by Edward F. Renshaw and Paul Feldstein of the University of Chicago Business School in a short note on the performance of investment company shares relative to the representative averages.

Management vs. "Non-Management"

It is recalled that several past studies give evidence of quite unfavorable comparisons of the relative performance of fund management with the hypothetical accomplishment by a wholly "unmanaged" portfolio. A study of the SEC is recalled, comparing investment company results with the performance of a common stock index over the years 1927-1937, a period which included years of rising and declining prices, and active and inactive security markets. The Commission concluded that over this period as a whole no significant difference existed between the performance of investment companies and that of the common stock index.

Covering a later period, 1935-1957, a study is cited by C. R. Doane and E. J. Sills of the American Institute for Economic Research showing that the performance of a large number of investment companies and Moody's 125 stock average parallel each other closely.

For the period 1947-1956, the Henshaw and Feldstein paper interprets various Arthur Wiesenberger data as indicating that "an investor would have been better off on the average to have invested in a company following the Dow Jones Index than to have picked an investment company at random."

Acceptance of such evidence of unfavorable comparison between trust performance and that of the "blind" average still implies no hard-and-fast deductions. It constitutes no indictment of the worth of the funds' expert technique in lieu of the lay and part-time investor's own efforts. In the first place, the individual investor cannot assume he will do as well as the average. This has been well pointed out by Rudolph L. Weissman** thus: "I am sure that an extensive study would confirm the view . . . that most investors would be happy if the results obtained by them approximated the stock average, especially for small investors and those who attempt to make the most of intermediary movements. If this be true, many investors would be better off purchasing investment company stocks and buying and selling securities on their own. Experience of investors is a more practical, significant test than statistical comparisons and can be applied by the investor to his own experience. It must be applied honestly and rigorously i.e., in appraising his experience the investor too often will omit this or that purchase which has become worthless or stock which has fallen in price to a fraction of its cost."

In the second place, there are the practical difficulties which would confront the individual investor who might actually confine his operation to acquiring and staying with the recurring adjustments to a stock index.

In the third place, the best solution might lie in combining skepticism regarding management activity with the investment company machinery. Such optimum compromise might take the form of lessening the emphasis on portfolio activity; or possibly even reviving the old fixed-trust generally undisturbable form of fund, as it formerly existed in Britain as well as in this country in the movement's early days.

*Distributors of Massachusetts Investors Trust, M.I.T. Growth Stock Fund, Boston Fund, Century Shares Trust and Canada General Fund.

**The Investment Company and the Investor by Rudolph L. Weissman; New York; Harper & Brothers, 1951, p. 97.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Homer L. Chattin has been added to the staff of Francis I. du Pont & Co., San Diego Trust & Savings Building. Mr. Chattin was previously with Woolrych & Currier.

Joins Lloyd Arnold

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Frederick Prado has become affiliated with Lloyd Arnold & Company, 364 North Camden Drive. Mr. Prado was previously with Shearson, Hammill & Co.

The State of Trade and Industry

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

Confidence continued the past week to be an important ingredient in the hopes and opinions expressed by business leaders throughout the country concerning a solution of the current depressed state of trade and industry.

Addressing the American Management Association meeting at the Hotel Astor in New York on Monday of this week, Secretary of Commerce, Sinclair Weeks, stated that the country's output would grow by nearly 50% in the next ten years and gave emphasis to the Eisenhower's Administration's belief that business, rather than the Government, must play the "star" role in bringing about full employment and promoting economic growth.

On the following evening, President Eisenhower addressing the same group, stated:

"The question what faces us today is not whether America is going to continue to grow and make progress, but how quickly our economy is going to resume its full and healthy advance."

Giving his answer to the question he declared:

"Reports from the country strongly indicate that the economic decline of recent months is slowing down. Not all our economic troubles are over by any means. But there is a change in the making. That it will prove to be a change for the better, I have no doubt."

Taking a look at the employment picture, the United States Department of Labor reports that the number of workers drawing unemployment compensation dropped by 70,900 in the week ended May 3. This was the largest drop of the recession and marked the third consecutive week the total had declined.

The Labor Department states that the latest total was 3,194,800, lowest since the week ended Feb. 15 when 3,136,243 were drawing the insurance. However, the current figure was still 124% above the level of a year ago.

In all, the three-week decline amounted to 168,500, or 5%, compared with what the Labor Department said was a "usual reduction" of 6.5% over the same period. Thirty-eight states reported fewer workers were drawing the benefits. The most improved state was California, where the total fell by 17,800 because of a pickup in outdoor activities, apparel and automobiles, it added. Michigan, which has suffered more than any other state in the recession, was second with a decline of 12,200, which the agency said was caused in part by "stabilized employment conditions in the automobile industry."

New claims for unemployment compensation in the week ended May 10 rose by 5,400 to 408,600. In the same week a year ago, new claims declined by 13,700 to 233,500. Twenty-three states reported a higher rate of new claims, led by New York, California and Missouri.

A new claim for compensation is not paid until the second week of unemployment so the figures on new claims are a week ahead of those for the total number drawing the payments.

In eight large cities which report weekly on the number of workers exhausting their compensation, the total was 24,900 in the week ended May 10, or down 200 from the week before.

The Federal Reserve Board's seasonally-adjusted index of industrial production declined two points further in April, to 126% of the 1947-49 average.

The decline carried the index to its lowest point since the 126 in October 1954, when business was coming out of its second postwar recession and to within three points of the low of 123 in that business downturn, which came in July and August of 1954.

Despite the continued drop in the April index, high Government policy makers emphasized the fact that the decline does not damage their theory that the recession is showing signs of "bottoming out," their term for a lessening in the rate of decline of many key economic indicators.

While the industrial production index fell two points in March and again in April, the decline in these two months was less than in some of the months in late 1957 and early 1958. From October to November, it fell three points, from 142 to 139. The drop from November to December was four points, to 135. In January, the decline was two points to 133, followed by a three-point drop to 130 in February.

Since the record high of December 1956, the drop has been 21 percentage points.

The board observed that the April decline was concentrated in output of durable goods and minerals, that activities in non-durable goods industries stayed at the March level.

The board's index for non-durable goods industries in April seasonally-adjusted was 124% of the 1947-49 average, the same as in March. The adjusted index for durable goods industries showed a two point drop to 133% from 135 in March. The adjusted figure for minerals in April was 109% down four points from the March index.

Steel buyers are beginning to show alarm over dwindling inventories, but are frequently restrained by top management from placing new orders "The Iron Age," national metalworking weekly, stated on Wednesday of this week.

Confidential interviews with leading purchasing agents by this trade weekly disclosed growing concern over the steel inventory situation.

An analysis of June ordering indicated that companies are not buying at a rate justified by sales of their own finished goods and, in many cases, top management is ordering inventory reduction because overall tonnage is still regarded as high. Yet an item-by-item check suggests inventories are dangerously low in

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Oil Industry Problems in the Nation and the West Coast

By LeROY H. HINES*
Petroleum Consultant
J. Barth & Co., San Francisco

West Coast petroleum analyst avers some crude oil imports must be allowed and that our requirements for imports will increase over the years as we use up our own reserves. Mr. Hines pictures the real problem at this time to be the achievement of reasonable balance of imports to domestic production so that our domestic industry will remain healthy and be supplemented but not supplanted by foreign oil. Turning specifically to West Coast petroleum situation, the author points out California has not been able to meet rising demand—necessitating imports; explains present paradox, however, of California's oversupply of fuel oil, and calls attention to Alaskan commercial oil development and consequences to West Coast.

It is more than an understatement to say that there is disagreement over the subject of oil imports into this country. The views vary from the contention by some that there should be no imports at all and by others that there should be absolutely no restrictions.

LeRoy H. Hines

First, I shall attempt to give you a little background on the conditions which have brought about these problems, and in doing so I shall try to use a minimum of statistics (although I will have to use some).

Background of Imports

The import problem in the oil industry is relatively new. Prior to World War II the United States exported substantially more petroleum than it imported. In 1944 this trend was reversed, and in that year imports exceeded exports by about 30,000 barrels per day. Imports continued gradually to increase so that they averaged slightly over 1,500,000 barrels per day in 1957, and exports have dwindled to practically nothing.

Why has this come about?

For many years it has been recognized in the industry and our Government that we would not always be able to find and produce enough oil in the continental United States to be assured that we will always be able to meet our own requirements. There have been dire predictions over the last 40 years that we were "running out of oil." Many of these predictions were made by substantial and well-informed people but fortunately they have all been wrong so far because the discovery rates have been more successful than anticipated because of new finding techniques. To give some indication of how seriously these predictions were taken at the time, however, it was urged during World War I that we should take over and confiscate the oil fields of Mexico to see us through that war. This, of course, was not done but it may have given the Mexicans the idea of later taking over the American oil interests in the Mexican fields which it did some 20 years later. However, with the current rate of use of petroleum in the United States and anticipated future demand, some of these predictions are bound to come true in the course of time. Parenthetically, oil and gas supply approximately two-thirds of the energy requirements of the United States.

Foreign Exploration Encouraged

In recognition that we might not always be able to produce our energy requirements within the United States, and be able to discover sufficient reserves for future requirements, it was natural for the oil companies to explore for new reserves in other parts of the world. In this they have been fully supported by our Federal Government through the State Department. In fact, they have been urged to do so by the State Department. Until the past few years most exploration was done principally by the larger companies, who were the only ones capable of providing the necessary capital for such expensive foreign undertakings.

The results of foreign exploration have been outstanding. The estimated recoverable reserves in the United States at this time are about 30 billion barrels, and those in the Middle East alone are 170 billion barrels. Total free world reserves are in the order of 240 billion barrels. This does not include Russia or its satellites. No really reliable figures are available for these countries, but some estimate Russia's reserves to be about 26 billion barrels, which are not much lower than the United States reserves.

At the end of World War II, there were only 28 American companies actively engaged in foreign exploration. In 1958, there were 190 American companies who were also domestic producers searching for oil in foreign lands. Most of these were smaller or medium-sized independent producers who pooled together their financial resources in various joint ventures in order to bear the costs of foreign exploration, which they could not do alone. It is significant that foreign exploration is no longer exclusively a major oil company venture, and it follows that the import problem is no longer exclusively theirs. These smaller operators are also clamoring for a market for the foreign oil which they discover. Since they do not have refining and marketing facilities in other parts of the world, it is natural that they want some part of any available import quota into the United States. Moreover, once they make a discovery, they have obligations under the concession agreements with the countries where they are operating, just as the major companies do, to develop the oil and market it. Usually there is not sufficient local demand to take care of any substantial amount of petroleum products, so that export markets must be found. The country whose economy has been geared to the export of coffee, bananas or dates, and who now finds that it has substantial oil reserves immediately wants to share in the world market and to benefit from a share of it even though that market is fully absorbed by earlier arrivals.

Why Do We Now Need Importation of Foreign Oil Into the U. S.?

The fact is that today, the wells in the continental United States are not capable of producing our present daily requirements for petroleum. While there is some argument about how much excess producing capacity we now have shut-in, I do not believe it to be significant in the overall picture because our ability to produce is gradually declining. Any excess producing capacity will be used up by the normal decline in productive capacity. The Chase Manhattan Bank has estimated that U. S. demand will rise from 8.8 million barrels a day in 1956 to 14.3 million barrels in 1966 or an increase of 63%. Of the approximately nine million barrels a day used in 1957, approximately 1,500,000 barrels were made up of imported oil. Even though Chase Manhattan's prognostications of increased demand to 1966 may be wrong because of a decline in economic conditions, still we cannot meet our oil demands with our own production.

Why Can We Not Increase Our Productive Capacity to Meet Our Needs Without Importing Oil?

Most of the potentially productive oil territory of the United States has been explored. Since oil was discovered in the United States in 1859 over 1,600,000 wells have been drilled, and one out of every four was dry. Some 55,000 wells are drilled annually in the U. S., and one out of each two and a half wells is dry. In purely wildcat exploratory operations, only one out of nine wells is productive. Since 1950, our discoveries of new reserves through wildcat discoveries have not kept up with our current demands for petroleum products. At the beginning of 1957, there were about 550,000 producing oil wells in the United States, and about 370,000 of them (or 68%) were "stripper" wells, producing less than 10 barrels a day, so that these cannot provide any additional producing capacity.

Why Do We Not Import More Foreign Oil and Conserve Our Remaining Oil in the Ground for National Defense?

There are those who contend we should import more foreign oil and conserve our remaining oil in the ground for national defense, and those who violently oppose it, and there are many facets to the problem.

Purely from the standpoint of consumption in peacetime, it would be desirable to use as much foreign oil as possible, and to conserve as much of our own oil as we can. We are fast becoming a "have-not" country so far as natural mineral resources are concerned. Foreign oil may well not be available to us in time of war, particularly the reserves in the Middle East, which may very well be the subject matter of a future war. Also, the oil concessions granted by the various countries have expiration dates, and it is always problematical as to whether these will be renewed or extended. Most of the concessions are limited to a total period of 50 years.

Can't Shut Down All Our Wells

It is not physically possible to shut down all of our own oil wells for reasons of conservation. Many of our oil reserves would be lost, particularly that oil being produced through the 370,000 "stripper" wells mentioned above. Water would infiltrate into the oil sands and the remaining oil reserves which they would otherwise produce over many years could never be recovered. Oil is an irreplaceable resource which cannot be regenerated, such as timber and other growing crops. Incidentally, while we presently have an estimated 30 billion barrels of recoverable oil reserves remaining in the United States, this oil cannot be produced all at once but must be recovered over a long period of years. We cannot turn the spigot on and off at will, just because we want to produce it at a higher rate at some particular time. Too many of our wells are now producing at their maximum capacity.

The economic consequences of shutting down our wells would be disastrous. The petroleum industry is one of the largest industries in the United States, and the producing portion of the industry is a large segment of it. Many thousands of people in this and related industries would be unemployed, and all exploration for finding new oil reserves in the United States would cease. You may question whether the success in exploration over the last few years justifies our continuing to explore here, but even with the disappointing results over the recent years we have found enough new oil to keep our reserves almost up to our demand for products and there is every hope that we will continue to find substantial new reserves with new techniques. Further, it is hoped to increase our recoverable reserves of oil in many instances by secondary recovery operations, such as water-flooding and underground combustion.

What Is Being Done About Limiting Imports of Foreign Oil?

Under the Federal Trade Agreements Act of 1955, the President has authority to limit imports of certain commodities, including oil, if such imports adversely affect domestic industry. The President has set up a Cabinet Committee on oil imports, headed by Secretary of Commerce Weeks, to advise him on this subject, and has also appointed an Oil Import Administrator, in the Department of the Interior to carry out the program recommended by the Cabinet Committee and approved by the President. In July of 1957, the Cabinet Committee recommended an oil-import quota for the United States for all areas except the West Coast, but the West Coast was also brought under the quota system in December of 1957.

In general, the rule for limiting imports of crude oil or its derivatives for consumption in the United States is the ratio of imports to domestic production in the year 1954. If imports exceed this ratio the President is authorized to restrict imports of crude and refined products.

So far the import limitation has been of a voluntary type, with quotas being recommended by the Cabinet Committee but with no real policeman to enforce them and no effective penalties for violation. A maximum figure has been set for imports within the formula, but from that point there has been no real effective machinery to divide the quota among the companies who have been importing oil for some time and those who want to import. This leaves the companies in a dilemma, if they attempted to get together and apportion the total quota among them they would no doubt be faced with prosecution under the anti-trust laws. The importers have done well in their voluntary submission to import quotas, and only a few have failed or refused to comply. Recently, attempts have been made to put more teeth into the program by denying any importing company who does not comply with quotas from participating in the sale of petroleum products purchased by the military and other government agencies. Although it has been urged that restrictions also be placed on importation of refined products, the Cabinet Committee has not yet seen fit to recommend this. For the six months period commencing April 1, the Commit-

Continued on page 28

*An address by Mr. Hines before Stanford Business School Association, Stanford, Calif., May 14, 1958.

Producing Properties, Inc.

By DR. IRA U. COBLEIGH
Enterprise Economist

A swift account of a most unusual enterprise whose common stock represents an interesting future call on underground oil.

Most corporations make products or supply services, having as their goal the earning of profits each year. By such standards, the company selected for review today is quite remarkable in that its common stock has, so far, shown no net earnings since incorporation, and offers but slight promise of any cash dividends for some years to come. Yet this common stock of Producing Properties, Inc. (traded in the Over the Counter Market), outstanding in the amount of 1,900,000 shares, sells today around $7. Why, you might ask, would anyone want to buy such a stock when it seems to disregard the standard criteria by which equities are customarily judged?

Ira U. Cobleigh

Upon analysis, there are actually several excellent long range reasons for consideration of these shares. There must be, because some very well informed and quite sophisticated investors are large stockholders in Producing Properties, Inc. Two of the prerequisites, however, for any affection for this equity are (1) a virtual disdain for current income, and (2) a zeal for long-term capital gains.

Let's start at the beginning. In October 1954 Producing Properties, Inc. was organized specifically to invest in properties with proven oil and gas in the ground. An older company, San Juan Exploration, had been doing just that sort of thing for some time with remarkable success; and San Juan was given, at the outset, a three year contract to manage the screening, evaluation of production potentials, and selection of properties to be purchased by PPI (San Juan has since been merged into PPI).

In November 1954 Producing Properties, Inc. was publicly financed. $10,000,000 was raised by a package deal: $75 in 5% debentures due 1969, $25 par amount in 6% preferred (1 share at $25), and 10 shares of common were offered as a unit for $106. Less than two years after issuance, these units sold as high as 180. They have since been broken up, but the components, at current prices, $80 for the bonds; $16 for the preferred; and $70 for the common (ten shares) indicate a total present value of 166.

The bonds, under a special indenture provision, were not required to pay interest for the first two years. They didn't; and the arrearage ($7.50) has been added to the face amount of each bond payable at (or before) redemption or maturity. Since November 1956, however, regular interest has been paid.

No dividends have been paid on the 6% preferred stock but the issue is fully cumulative and arrears at Feb. 28, 1958 stood at $5.25 a share.

The foregoing notes about capital structure give you a clue to this whole enterprise. It's built on leverage, and even in the purchase of the producing properties there's a financial gimmick that pyramids the value of the common. It's called a reserve oil payment; and this is the way it works.

A man has a producing oil property for sale. PPI experts look it over, and so do outside petroleum engineers. An appraisal and estimate (usually ultra conservative) is then made of the total ultimate value of recoverable oil and gas reserves. Let's say that this valuation is $1 million. The seller could hardly expect to get the whole million for his property since all the subject oil or gas may not be converted into cash for years. So the offer of PPI to the seller will be at a discount from evaluated reserves. The extent of this discount will depend on how long it will take for the property to "pay-out." The longer the time factor, the greater the discount. Assume the PPI offer was $350,000 and the seller accepted. [He would do so for several reasons but principally (1) desire for immediate cash and (2) establishment at once of long-term capital gains on oil realizations which are actually years away.]

Now we come to the payment. PPI doesn't want to pay the seller all cash, because there's a better way. Instead, the seller is given $120,000 in cash and $230,000 is a "reserve oil payment." This is a legal instrument whereby, before PPI can get any revenues from the property, it must first pay off, out of petroleum produced and sold, the $230,000 plus interest at 5½% on the (presumably) decreasing unpaid balances. This reserve oil payment has no maturity date. It simply runs on until enough oil has been surfaced and sold to pay it off. (Proration can make it quite a long-term investment.) The seller of the property may then sell his reserve oil payment to a bank or insurance company, and thus realize "all cash" from disposal of his producing property.

It is in this manner that PPI acquires its portfolio and, to revert to the example above, the net result is that for only $120,000 of its own cash, PPI has acquired $770,000 ($1,000,000 less $230,000) in proven oil reserves, a leverage of over 6 to 1. As a matter of fact, it seems to be the company aim to achieve a leverage ratio of invested and committed capital to estimated future net revenue, of 6 to 1 (or higher).

From the foregoing, you can see why it is that PPI doesn't show net earnings and pay dividends. It's using its revenues to pay off debt, and to acquire additional property under similar financial arrangements.

The actual results show that from organization till Feb. 28, 1958 PPI had made 38 separate purchases of oil and gas properties involving a total of $40,250,000. Of this, PPI has used but $8,750,000 of its own funds, with the balance, $31,500,000, being financed by the aforementioned reserve oil payments. Altogether, production is now obtained from 622 wells located in Texas, Oklahoma, Louisiana, New Mexico and Kansas. These created gross revenues (before production payments) for the six months ended Feb. 28, 1958 of $2,245,558 of which $1,756,384 was from oil and the balance from gas. During the same period, a net loss of $181,000 was recorded.

The real thing to look at in PPI is the steadily rising total of calculated net revenues from proven petroleum reserves, after all prior debt and interest charges have been met. This figure worked out to about $55 million on Feb. 28, 1958 or roughly $29 a share. Of course, this figure must be heavily discounted as such a realization is many years off.

There are, however, some interesting plusses in the picture. The above calculation takes no inflation into account. Most economists analysts, business and financial leaders believe that we are in a long-term inflationary trend that has no foreseeable limit. Thus, over time, higher prices for crude are expected. Natural gas prices are unlikely to go down because most sales are on long-term fixed contracts, usually at escalating prices; and the future demand projection for gas is little short of terrific. Other factors, too, favor an increasing increment from known oil in the ground. The original evaluations are almost always ultra-conservative and realizations can substantially exceed them by more efficient extraction processes, such as flooding; or the location of more extensive and richer pay zones than evident at the time of original appraisal. And, of course, a more rapid payout than anticipated can reduce interest charges and accelerate delivery of cash into the company till.

Here then in PPI common is a unique speculation, not unlike Texas Pacific Land Trust circa 1938. An exciting long-term and highly leveraged call on underground oil, it presents an attractive hedge against inflation. But it should not be acquired by impatient speculators since time is an integral ingredient in the capital gains' formula here. Operating management is tops; and the board of directors comprises an elite group of successful and magnificently solvent individuals. You'd love to have any one of them as a co-maker!

What Lies Ahead for The Bond Market?

By ROBERT VAN CLEAVE*
Vice-President, Research, C. F. Childs and Company
New York City

Savings associations are advised not to "trifle with long-terms" as they do not provide reliable source of liquidity by analyst of government bonds. Mr. Van Cleave sees recession "reaching close to bottom right now"; anticipates almost $10 billion deficit financing in July-December half-year; and holds that Treasury decision not to issue long-terms might result in sharp price rise.

Right now at least four major factors affect the outlook for bond markets and interest rates. In addition to the three usually discussed — business conditions, Treasury policy, and Federal Reserve System policy —there is the technical situation in the Treasury bond market. It well may be at least as important as the others.

Robert Van Cleave

On business conditions, we can agree with the pessimists that no new up-surge is visible in the near at hand future. We can differ with them on the desirability of efforts to re-kindle a boom before adjustments necessitated by the previous one have been made. All agree that it was an excess of consumer demand for such major items as houses and autos which led to an unsustainable rate of growth in personal debt; likewise, that it was an unsustainable rate of business investment in plant and equipment which has produced a productive capacity beyond the ability of present final demand to absorb. What merit can there be in suggestions that these excesses be resumed by encouraging business firms and persons to undertake new programs of debt expansion?

I think we all indeed should pray that no boom is to be expected soon — especially one artificially cranked up by inflationary programs of any sort.

Close to Bottom Now

If renewal of a modest rate of growth is a reasonable objective, I personally feel that we may look with confidence to the appearance of such a movement about the fourth quarter. I am one of those who agree with the President and his advisers — and quite a few others—that the current recession is reaching close to bottom right now.

I connect this view with the rising trend of Federal Government spending for defense and for other necessary or at least useful projects. This is the part of spending which appears in the Gross National Product figures. In addition, however, I think considerable importance attaches to those other items of outgo referred to as "transfer payments," since every dollar of Treasury outlay is a dollar of income to some one in the private sector. It constitutes an upward pressure of considerable force. I think State and local government spending also can be relied upon for another increase this year of at least $3 billion over the previous year.

Consumers, I think, may by the fourth quarter have altered their views on what is a desirable rate of spending. At present they are behaving sensibly, paying off debts and laying up some savings. It is worth noting, incidentally, that their spending has been reduced only slightly during the first quarter, and that retail sales in April actually turned upward by 2% for the month. Meantime, as their debt burden is reduced, their stock of durable goods is wearing out.

Businessmen also, we should remember, have not abandoned plant and equipment spending entirely—they have only reduced the rate. Inventories are not likely to continue long to be contracted at the $7.5 billion rate of the first quarter. I expect a smaller rate of de-cumulation in this and the third quarter, with a probability of some small shift to accumulation in the fourth. We should keep in mind that with any improvement in sales, the inventory-sales ratio will begin to look a great deal better.

Treasury Operations

As to Treasury Department operations and policy, the big fact ahead is that in the fiscal year 1959 which begins in July total cash outlays seem likely to mount to $92 billion or more. With cash income in the neighborhood of $82 billion, there is the requirement to finance a deficit of around $10 billion—practically all of it in the July-December half-year.

This means a series of quite substantial cash offerings of new securities, in addition to a refunding program whose major items will include a $11.5 billion operation on Aug. 1; $12.2 billion Dec. 1-15, and $14.9 billion Feb. 14-15.

You are all familiar with the debate raging over whether the Treasury can or should sell long-term bonds. I shall not here go into that matter in detail. I shall suggest, however, that the volume of new securities to come is so great that no sector of the market can reasonably consider itself completely safe from the impact of a substantial new supply.

Now, about Federal Reserve System policy, it must be noted that measures already taken have been fairly massive; they have already produced a collapse in short-term money market yields, and a very considerable lowering of long-term rates.

The question is whether further easing is desirable; whether in fact it could really make a real contribution to economic stability and without stirring up dangerous inflationary pressures. Would still lower long-term yields really induce investors to rush more eagerly into long-term commitments?

The effect on the supply of money cannot be neglected. Already the easing in commercial bank positions has produced an increase in their Treasury securities holdings of probably $6 billion; it is easy to foresee a further addition to their portfolios of around $8 billion in the remainder of the year. The implication is for an expansion of demand deposits—the major element in the money supply—of as much as 6% to 10%, when their acquisitions of tax-exempt securities and of some seasonal increase in loans are taken into account. An increase in money supply presents no inflationary hazards a long as busi-

*From a talk by Mr. Van Cleave before Capital District League of Savings and Loan Associations, Schenectady, New York, May 14, 1958.

ness is declining and turnover of money is falling; it is always a potential for explosion however, when some perhaps wholly unforeseen combination of events touches off a new wave of buying demand.

The Federal Reserve System authorities are fully aware of all this. I think we may be sure that while they may feel compelled to supply all the reserves clearly needed in present conditions, they will be equally prepared to reverse themselves when the need is no longer visible.

Technical Situation

Finally, the technical situation demands attention. There are a number of points on both the bullish and the bearish sides.

There is no present prospect of a shift in monetary policy toward tightness; nor is any likely within several months at least. While there are no signs of a let-up in government financing, or in tax-exempt issues, the corporate new issue calendar might slacken in the last half. At least, June is typically a peak month for the corporate market, followed by a slow-down in July and August, and this perhaps may be somewhat accentuated this year. Mortgage debt, it seems to me, is likely to show an increase fairly comparable to last year, when it was nearly $12 billion. The Treasury may, perhaps, decide against issuing any long-term bonds this year, which naturally would remove a great weight from the market. A sharp price rise might follow such a decision.

On the other hand, it seems to me the Treasury will be practically compelled to issue new securities in all maturity ranges. There is also the incalculable element of individual speculators. How long, for example, will they hold on to Government bonds? How long will they refrain from deserting this market in favor of a return to the stock market? The latter's remarkable resistance to a decline may become an irresistible attraction at almost any moment. Efforts by such holders to capture their Government market profits might set up a snowball effect.

Besides these itinerant speculators, there is reason to think that some commercial bank portfolio officers are seriously considering the capture of the quite handsome profits they now have available on maturities longer than they consider desirable for permanent holding. There is some hazard that too many holders of all kinds are merely seeking the precise timing for sales they already have determined to make. Bankers, like all the rest of the investment fraternity, have keen memories of the 1954-55 incident and its effect on profits and portfolios.

Crux of the Matter

The important point here is psychological. Practically no one believes this recession is going to last forever; there is no thought of low-level stagnation like that of the 1930's. Everyone grants that Federal Reserve easy money policies will not last forever, either. The crux of the matter is that all believe present conditions are not permanent, but temporary, and many would prefer to suffer low earnings during a period they believe to be temporary, rather than to be "locked in" or face heavy losses later.

Thus, it is a matter of timing primarily, and this is a very unstable, delicate situation. While basic factors might point to a level or slowly rising trend of bond prices, fluctuations ahead are likely to be large. And the sword hanging over the head of the market is that any downward zig in the market may not be followed by an upward zag.

For savings associations, it seems to me, the course should be fairly clear. It is certainly clear with respect to those securities held for the purpose of providing for reserves of liquidity. Such reserves are no good at all unless they actually can be converted into cash when or if the need arises — and experience of the last several years has demonstrated beyond doubt that long-term bonds do not provide this reliable source of liquidity. While there may be many institutions who have surpluses of funds with which some risk in long-terms is justified, my suggestion to you is that you do not trifle with long-terms in your liquidity reserves.

With Bankers Bond Co.

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—Charles H. Gartrell is with The Bankers Bond Co., 237 South Fifth Street.

Jack Isbell Opens

HOUSTON, Tex.—Jack D. Isbell is engaging in a securities business from offices in the Citizens State Bank Building. He was formerly with Robert D. Brown & Co. and Goodbody & Co.

FIC Banks Place Debs.

The Federal Intermediate Credit Banks offered yesterday (May 21) a new issue of approximately $140,000,000 of 1.60% 9-month debentures, dated June 2, 1958 and maturing March 2, 1959. They are priced at par.

It was also announced that issues already outstanding maturing Oct. 1, 1958 and Dec. 1, 1958 were reopened for $10,000,000 each and sold at a premium. Proceeds from the financing will be used to refund $93,000,000 of 4½% debentures maturing June 2, 1958 and for lending operations.

The new issue is being offered through John T. Knox, Fiscal Agent and a nationwide group of security dealers.

Joins C. E. Thenebe

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Anita Earl has been added to the staff of Charles E. Thenebe & Associates, 36 Pearl Street.

With American Securities

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Carolyn R. Wentworth is now with American Securities Corporation, 75 Pearl Street.

E. T. Andrews Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Lester F. Beck has been added to the staff of E. T. Andrews & Co., 75 Pearl Street, members of the Boston Stock Exchange.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Anne C. Greene and Marshall J. Sklarew are now affiliated with Coburn & Middlebrook, Inc., 100 Trumbull Street.

With Merrill Lynch

CLEVELAND, Ohio — William L. Goldman is with Merrill Lynch, Pierce, Fenner & Smith, 216 Superior Avenue, N. E.

Dean Witter Branch

MODESTO, Calif.—Dean Witter & Co. has opened a branch office at 1021 J Street under the management of William L. Warner. Mr. Warner was formerly local manager for Hooker & Fay.

Now Coleman & Co.

The firm name of Coleman, Fagan & Co., 120 Broadway, New York City, members of the New York Stock Exchange, was changed to Coleman & Co., effective May 1.

Luban Opens Office

BRONX, N. Y.—Peter Luban is conducting a securities business from offices at 1409 West Street.

Forms Mackay & Co.

READING, Pa. — William P. Mackay has formed Mackay & Co. with offices at 1217 North 13th Street to engage in a securities business.

Dealer-Broker Investment Recommendations & Literature

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

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

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

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

Canadian Loan and Trust Companies — Analysis — Cochran, Murray & Hay, Dominion Bank Building, Toronto, Ont., Canada.

Chemical and Ethical Drug Industry price indexes — Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Crude Oil—Study—Boni, Watkins, Jason & Co., Inc., 37 Wall Street, New York 5, N. Y.

Favored Industry Portfolios—In "Current Comments for Investors"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of seasonally favored stocks and a discussion of **May Department Stores.**

Fire and Casualty Companies—1957 per share results on 90 companies—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif. Also available are studies of **American Equitable Assurance Company, Merchants and Manufacturers Insurance Company, New York Fire Insurance Company** and **Globe & Republic Insurance Company.**

French Situation and World Sugar Market — Analysis — Lamborn & Company, Inc., 99 Wall Street, New York 5, N. Y.

Investment Portfolios designed to provide a dividend check each month—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

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

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

Natural Gas Industry—Survey—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. Also in the same circular is a brief analysis of **General American Transportation Corp.**

New York City Banks—First quarter earnings comparison of 13 New York City Banks — Laird, Bissell & Meeds, 120 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 4, N. Y.

Securities Outlook for the investor and business executive—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Treasure Chest in the Growing West—Booklet explaining industrial opportunities of area served—Utah Power & Light Co., Dept. K, Box 899, Salt Lake City 10, Utah.

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Allied Mills, Inc. — Analysis — Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y. Also available is a report on **Ford Motor Co.**

Avien, Incorporated—Report—Whitehall Securities Corporation, 52 Wall Street, New York 5, N. Y.

American Investors Corporation—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Pacific Gamble Robinson Co.**

Charles Bruning Company, Inc.—Analysis—William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Carter Products — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a bulletin on **Retail Trade** stocks.

Continental Commercial Corporation—Analysis—Singer, Deane & Scribner, Union Trust Building, Pittsburgh 19, Pa.

Continental Motors—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are analyses of **Heyden Newport Chemical** and **Philip Morris.**

Crowell Collier Publishing Company—Analysis—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

Drilling & Exploration Company—Analysis—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

Federated Department Stores Incorporated — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Bailey Selburn Oil & Gas Ltd., Foxboro Company** and **American Bosch Arma Corporation** and a review of the current investment situation.

General Development Corporation—Analysis—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y.

Gimbel Brothers — Data — Cohen, Simonson & Co., 25 Broad Street, New York 4, N. Y. Also in the same circular are data on **Gas Service Co.**

Gulf Interstate Gas—Report—Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, Dallas 1, Tex.

Johnson Service Company—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Mine Safety Appliances Co.—Study—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

National Telefilm Associates, Inc.—Memorandum—Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.

North American Aviation, Inc.—Analysis—Purcell & Co., 50 Broadway, New York 4, N. Y. Also available is a list of stocks yielding 6%.

Pacific Petroleums Ltd. — Circular — F. M. Mayer, 30 Broad Street, New York 4, N. Y.

Pennsalt Chemical Corp.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Planet Corp.—Memorandum—Hudson White & Company, Buhl Building, Detroit 26, Mich.

Plough, Inc. — Memorandum — Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y. Also available is a memorandum on **Thatcher Glass.**

St. Regis Paper Co. — Memorandum — Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **S. S. White Dental Manufacturing Co.**

Tokheim Corp. — Memorandum — Fulton Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

United Fruit Co. — Memorandum — Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

Valley National Bank — Memorandum — Refsnes, Ely, Beck & Co., 112 West Adams Street, Phoenix, Ariz.

Western Racing Inc.—Memorandum—General Investing Corporation, 80 Wall Street, New York 5, N. Y.

Williams-McWilliams Industries, Inc.—Report—Manly-Markell Associates, 11 West 42nd Street, New York 36, N. Y.

Woodley Petroleum—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y.

COMING EVENTS

In Investment Field

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

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

May 23, 1958 (Philadelphia, Pa.)
Investment Association of Philadelphia annual outing at the Philadelphia Cricket Club, Flourtown, Pa.

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

June 6, 1958 (Los Angeles, Calif.)
Bond Club of Los Angeles annual Field Day at the Oakmont Country Club.

June 6, 1958 (Pittsburgh, Pa.)
Bond Club of Pittsburgh annual spring outing at the Longue Vue Club.

June 6, 1958 (Chicago, Ill.)
Bond Club of Chicago 45th annual field day at the Knollwood Club.

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

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

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

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

June 19, 1958 (Minneapolis-St. Paul)
Twin City Bond Club annual picnic and outing at the White Bear Yacht Club, White Bear Lake, Minn.

June 20, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at Overbrook Country Club, Radnor Township, Pa.

June 24, 1958 (Detroit, Mich.)
Securities Traders Association of Detroit & Michigan annual summer outing at the Lakepointe Golf Country Club.

June 27, 1958 (Detroit, Mich.)
Bond Club of Detroit annual summer outing at Lakepointe Country Club.

June 27, 1958 (New York City)
Investment Association of New York outing at Sleepy Hollow Country Club, Scarborough on the Hudson, Scarborough, N. Y.

June 27, 1958 (Philadelphia, Pa.)
Philadelphia Securities Association annual outling at the Overbrook Golf Club, Bryn Mawr, Pa.

June 28, 1958 (Chicago, Ill.)
Security Traders Association of Chicago summer golf outing at the Woodridge Country Club, Lisle, Ill.

Sept. 18-19, 1958 (Cincinnati, Ohio)
Municipal Bond Dealers Group annual outing — cocktail and dinner party Thursday at Queen City Club; field day Friday at Maketewah Country Club.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Oct. 6-7, 1958 (Boston, Mass.)
Association of Stock Exchange Firms Board of Governors meeting at Somerset Hotel.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The STANY Bowling League will hold its Annual Dinner on Thursday, June 5, at the Antlers, 67 Wall Street, beginning at 5:30 p.m. Reservations may be made with Sidney Jacobs, Sidney Jacobs Company.

SECURITIES TRADERS ASS'N OF DETROIT & MICHIGAN

The Securities Traders Association of Detroit and Michigan, Inc., will hold their Annual Summer Outing on Tuesday, June 24, at the Lakepoint Golf and Country Club.

Hard, Cold, Economic Facts Are Not Politically Popular

By WILLIAM A. McDONNELL*
Chairman, Board of First National Bank in St. Louis
and
President, Chamber of Commerce of the United States

National business leader and St. Louis banker believes most of the anti-recession bills introduced in Congress are merely expensive election year gestures. Mr. McDonnell warns that the Federal deficit may reach $10 billion next year and that the Government, in its zeal to help five million "temporarily unemployed" may unwittingly and permanently hurt 62 million who are employed.

I would like to comment on the present economic situation and the rôle of the U. S. Chamber of Commerce in connection with it.


W. A. McDonnell

We are in a recession—one of these cyclical downward swings which are normal in a free enterprise system.

An economy of free individual choice cannot expect a perpetual boom.

This recession was the inevitable aftermath of World War II, and would have occurred earlier if it had not been postponed by the Korean experience.

During the War, when the industrial machine was directed primarily to the production of the implements of war, there developed great shortages of durable goods such as automobiles, appliances, machinery of all kinds, and housing.

Everybody wanted these things—and everybody started buying them once the war was ended and they began to become available. The pent-up demand greatly exceeded production, and industrial concerns expanded their plant facilities so as to be able to produce more.

Then the inevitable happened—we came to a point where the people's wants were saturated. We found that we had enough homes, cars, and factories **for the time being**. Capital spent by corporations for plant facilities began to shrink and the readjustment was on. That has been the historical experience after every war.

That is the situation now. Is this a cause for panic or despair? Is it a reason to change our business system? Not at all.

As the West German Vice-Chancellor, Ludwig Erhart, in commenting on our situation, recently put it: "I call the fire brigade when the house is in flames, but not when the milk boils over."

The economic machine has not stopped. It has just slowed down.

What is to speed it up again? Mainly the passage of time. You cannot reverse the downward movement overnight.

There are some things government can do to help, but no amount of government intervention can alone reverse the recessionary trend. The cure takes place primarily, not on Capitol Hill, but in the market place where millions of people are buying and selling goods and services.

Automatic Cushion

We have certain automatic cushions that help. I refer to the built-in public revenue flexibility in our income tax system. By virtue of this, as incomes drop, **disposable income drops** less because the tax-take drops more rapidly than the income drops. Thus, more funds are left in the hands of the taxpayer.

Increases in government spending, in the form of unemployment compensation, relief, and the like, occur automatically when unemployment rises. These, in a sense, constitute a first line of defense, and have already gone into operation without requiring government discretionary policy decisions to buoy up the economy.

Furthermore, the economy of a strong and growing nation such as ours has natural recuperative powers. Every day that passes, thousands upon thousands of autos, refrigerators, washing machines, television sets and the myriad of other items of durable goods are wearing out, thereby creating a demand for new ones.

With the passage of every month, the population of this country increases by 250,000, creating demands for new homes and all the equipment and furniture that go into them.

I have said that there are some things that government can and should do. The first of these is the proper exercise of monetary policy — and that is being done. Starting last November, the Federal Reserve System has, in successive steps, materially eased the credit situation, reducing the cost of credit and increasing its availability.

With more than four million separate business enterprises in the United States, new ideas are constantly coming forth; new products are in various developmental stages; and, as credit is eased, these new enterprises or new projects will help to offset recessionary trends in other sectors of the economy and work toward reasonably full utilization of resources.

Debt Management

Another aid to recovery that government can provide is in the field of debt management. The public debt should be so managed that it tends to increase the liquidity of the banking system and the economy during the periods of softer markets.

As bank reserves and liquid assets grow, the pressure on their owners to put them to more remunerative use will help put a floor under recessionary tendencies, and this in turn, will help to spark recovery and re-employment.

If these measures prove inadequate, the government can further accelerate its existing procurement and construction, including military construction and procurement. Finally, government can, if necessary, take action in the field of tax relief.

The great danger is that government, in its anxiety to speed recovery, will use excessive medicine which would bring about inflationary pressures and an excessive boom—which, in turn, would build a subsequent contraction worse than we now have.

In other words, if you get the patient out of bed too soon with the wrong kind of medicine, he will have a serious relapse.

And that is where the Chamber of Commerce of the United States comes in. There have been introduced in Congress some 30-odd major anti-recession spending bills, whose chief effect probably would be the generation of inflation.

Most of these bills were hastily prepared without consideration of real needs.

They provide chiefly for public works projects which are likely to take a year or more to get under way. Many of the bills amount to little more than the expensive gestures such as are usually made in an election year.

A budget deficit this year is certain. Next year, the deficit could easily reach $10 billion in inflationary dollars. Consequently, the National Chamber is concentrating its activities in a drive to halt inflationary spending that could harm employed and unemployed alike.

May Hurt the Employed

We are emphasizing that government, in its zeal to help the five million who are temporarily unemployed, must be careful to avoid taking steps which would permanently hurt the 62 million who are employed.

We believe that, even in the midst of recession, inflation remains our greatest long-term threat.

We are taking the position that if resort is made to tax reduction, it should be of a nature that brings not merely temporary, but, lasting, benefits. It should give relief in the lower-income brackets, of course, but it should also lighten the burden in the upper brackets, so as to encourage the risk-taking investments which generate new enterprises and new jobs.

Sensible tax reform would also include a reduction in the corporate rates, so as to stimulate price reductions and plant expansion—and would also call for elimination of wartime excise taxes—and for more realistic depreciation allowances.

But the recession must be cured primarily in the market place rather than on Capitol Hill. Business itself must do the job. As the editor of The Guaranty Survey, published by the Guaranty Trust Company of New York, puts it:

"Once the recession comes, the job of readjustment is much too big, too complex and too imperfectly understood to be accomplished by any sort of governmental action or policy. It is accomplished by business itself under the pressure of contracting markets and tightening competition. Deadwood is cut out. Inventories, when excessive, are reduced. Unsound projects are given up. Price and cost relationships are realigned.

"Operating inefficiencies in labor and management are eliminated or diminished. The quality of goods and services is improved. Inflated values are written down to realistic levels. The 'lost art' of salesmanship is rediscovered. Demand for both consumption and investment is re-examined, and production schedules are altered accordingly.

"These readjustments imply changes in prices as well, as in output and employment, and the more readily the price changes take place, the less severely are output and employment effected. All sectors of the economy are involved. The longer management clings to old methods, old products and old pricing policies, the longer it will take to recover the lost markets.

"The more tenaciously labor insists upon maintaining or raising the cost of employment, the less employment there will be. The more strongly agriculture and its political friends hold out for arbitrary prices, the more restricted will be the markets for farm products. Any form of price rigidity tends to hamper the readjustment and prolong the recession."

These are the hard, cold economic facts.

Not Popular Facts

They are hard to take—they are not palatable — they are not politically popular. But there is no royal, easy road out of a recession, if the cure is to be real instead of spurious.

Those in every segment of the economy must make some sacrifice—the owner in lower profits, the manager in harder work, some workers in temporary unemployment, the others in foregoing increased wage demands—and the farmer in less subsidies.

And so the Chamber of Commerce of the United States has its work cut out for it in the months ahead. We feel very strongly that the leadership exerted during the next few years by the National Chamber, and the thousands of local and state chambers throughout the country, may well be the decisive force in determining the future of our free-enterprise system.

*From an address by Mr. McDonnell at a Testimonial Dinner sponsored by The Chamber of Commerce of Metropolitan St. Louis, St. Louis, Mo., May 7, 1958.

Sydney B. Self With Goldman, Sachs & Co.

Goldman, Sachs & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, announced that Sydney B. Self, for many years chemical and drug specialist for "The Wall Street Journal," has become associated with the firm as a member of its Securities Research Department. He will continue to specialize in the chemical and drug fields.

P. J. Toohey Opens

BILLINGS, Mont. — Philip J. Toohey is conducting a securities business from offices at 3010 Rugby Drive.

A Tale of Two Towns

By ROGER M. BLOUGH*

Chairman of the Board, United States Steel Corporation

In comparing two towns, Cleveland and Dusseldorf, with regard to steel product price competition, and our economy in general *vis-a-vis* foreign imports, Mr. Blough charges American labor is pricing itself out of the market in the face of rising competition from abroad. The steel industrialist denies tariffs and subsidies offer any solution and asserts the only practical remedy is to "compete on equal terms in quality, in price and in service; and . . . the only practical way . . . is to keep our costs—which means primarily our wage costs—competitive." Labor is urged to keep wage costs from mounting until rising productivity restores competitive balance with foreign costs and business is asked to do everything in its power to maintain technological advantage.

An expert, as you know, has been defined as a man who is able to avoid all minor mistakes as he sweeps on to the grand fallacy. And judging from all the divergent and contradictory panaceas that are currently being offered as a cure for the present economic recession, it occurs to me that another expert with another plan of that kind—added to those which already afflict us—could set our business recovery back indefinitely.

Roger M. Blough

So, I shall prudently refrain from unveiling the Blough prescription for the care and feeding of prosperity. And instead, I should like—very simply—to discuss two towns . . . two towns which are many thousands of miles part, but which — in this shrinking world—are exerting an ever greater influence upon each other and upon the business conditions which now confront us.

Two Towns: Cleveland & Dusseldorf

One of these towns is Cleveland.

Now a lot of things have been happening in Cleveland. Its population has grown, its industries have been expanding, and 50 new ones moved into Greater Cleveland last year. Thus, its job opportunities have been growing too. And so have the many cultural advantages which it affords. In short, then, it is a good town in which to live, to work, to raise a family and to engage, generally, in the pursuit of such happiness as we are privileged to seek in this topsy-turvy world.

The other town I have in mind is Dusseldorf, in Germany, and in many respects it's a lot like Cleveland. It, too, is a great industrial center which has been growing rapidly in recent years. It is attracting new industries, providing new jobs, building new schools, adding 12 to 15 thousand housing units per year, and enlarging still further the many cultural and artistic aspects of its community life.

True, it is only about two-thirds the size of Cleveland; but still its transportation facilities have to handle some 380,000 persons in the rush hour traffic; and the number of passenger automobiles on its streets has multiplied by two and a half times in the past two years. And if there remains in your minds any lingering doubt as to the similarity between these two delightful communities, let me simply quote a sentence from "Fortune" magazine which reports that "Dusseldorf, today, is noted for its rich and beautiful women and for its hard-working and ambitious men."

So we must conclude, definitely, that Dusseldorf, too, is a good town in which to live, to work, to raise a family and to engage in the pursuit of happiness!

Now by a curious coincidence—which is by no means unintentional—it happens that a major industry of both of these towns is steelmaking. Steel is one of Cleveland's largest single industries; and Dusseldorf is the center of an industrial area which produces 85% of all the steel that is made in West Germany.

But right at this point the similarity between Dusseldorf and Cleveland gives way to a number of significant differences which provide considerable food for thought. Let's look at a few of them.

Differences

First and foremost, perhaps, is the fact of the recession. In Cleveland many steelworkers—together with many men and women from other industries—are currently unemployed; and the primary concern of all of us in this room here today is to get these people back on the job and to find markets for the products they once made. But in Dusseldorf, steel and other industries are humming along at much higher rates of operation. There is no marked unemployment, and they are managing very well with the markets for their products.

Next is the fact that virtually all of the market for Cleveland's steel lies here in the United States. At best, only a minor percentage of your steel is sold in foreign markets. But 27% of the steel that is made in the Dusseldorf area is exported; and these export markets for German steel have been growing considerably in recent years. So the prosperity of Dusseldorf's steel mills does not depend on the ups and downs of their domestic demand to nearly the same extent that yours does here in Cleveland.

Then, too, most of the steel mills here in the Cleveland area are modern and highly efficient; and while it is true that great strides are being made in improving the Dusseldorf area mills, it is also true that a steelworker in Cleveland—using its modern, highly productive tools—can turn out more high quality steel with the expenditure of less time and effort than his German counterpart can. There is, however, another major difference; the weekly wage of a steelworker in Cleveland is more than three times as high as the corresponding pay of the steelworker in Dusseldorf. So the cost of producing finished steel products there is substantially lower than it is here.

Now what does all this mean to you in Cleveland? What does Dusseldorf matter to you?

Well, let me give you just one example which concerns a reel of barbed wire.

This one I am talking about is a very ordinary reel of barbed wire—one of the types most commonly used for fences. It was manufactured by our American Steel and Wire Division; and it was delivered to a jobber whose warehouse is in Cleveland.

But in the jobber's warehouse it was placed alongside another reel of barbed wire that had been manufactured in Dusseldorf. That German wire was of exactly the same type, and it had come from a mill many thousands of miles away. It had been shipped from Dusseldorf to the sea, and across the ocean to New York. It had been freighted to Cleveland by rail, and hauled from the freight-yards to the warehouse by truck. Yet, delivered to that warehouse, it still cost the jobber $40 a ton less than the reel of wire we sold right here in Cleveland.

Now next spring, of course, the people of Cleveland will celebrate the opening of the St. Lawrence Seaway, and Cleveland itself will become a great inland seaport of the United States. Perhaps the people of Dusseldorf will have reason to celebrate too. Their wire will no longer face the costly overland haul from New York to Cleveland. It can be shipped by boat direct to the docks on your Lake Erie Waterfront, and thus it can be sold here even more cheaply than it is today.

Now it is certainly true there must be give-and-take in order to have international trade. It is also true that many Americans had jobs in the last few years because our exports of steel were considerably greater — primarily because of availability and quality—than our imports although the historic pattern is changing.

Nevertheless, had this foreign wire—some 64,000 tons of it last year—been produced at home as much of it formerly was, it would have provided hundreds of thousands of man hours of work in the steel industry alone and kept coming those most important pay envelopes to the many American steelworkers who formerly made that wire; pay envelopes to the tune of about $6 million.

So when a farmer comes into this city to buy wire for new fences, what is he going to do? He likes progress in America, and he is just as anxious as you and I are to buy the products of American industry and to support the jobs of American workmen. But he has his problems too, and the high cost of building fences is one of them. Does he buy the imported wire then?

Well, a great many farmers certainly did last year — for while barbed wire is as American as blueberry pie . . . while it was first patented and manufactured right here in the United States, and while it is little used in Europe and in other countries of the world — the fact remains that more than half of all barbed wire sold in America last year was imported from abroad.

And barbed wire, of course, is only one small, but an important, example of what is happening in steel — just as Cleveland and Dusseldorf are merely symbols of the many steel-producing centers at home and abroad, which are vying with each other for markets.

Out on the West Coast, the industrious Japanese have bought scrap metal at premium prices, hauled it back to their mills in the Orient, manufactured it into finished products, shipped them back across the wide Pacific, and still undersold American producers by such substantial margins as $29 a ton on reinforcing bars.

To show how serious off-shore competition has become, I understand cast iron soil pipe is being imported for sale at $100 per ton in California where the price of the domestic product is $175 per ton.

And so it is with a wide variety of imported steel products which are rapidly moving into the American market not only on the West Coast, but on the Eastern Seaboard, at the Southeastern seaports and along the Gulf Coast as well. For the year 1957 total steel imports into the United States were about a million and a quarter tons — considerably less than we exported but still a lot of tonnage. And let us note in passing that the production of 1¼ million tons of steel here in America would provide direct employment for some 11,000 people, and that indirectly it would provide jobs for thousands more than that number in supporting industries.

So we must acknowledge the fact, I think, that what is happening in all of the Dusseldorfs of the world is profoundly affecting the welfare of the people in all of the Clevelands of America. But I do not wish for a moment to leave the impression that the steelworker is the only loser—or even the principal loser — of this new influx of goods from abroad. He isn't.

Not Only in Steel

The same situation prevails to a greater or lesser degree in industries like lumber, chemicals, textiles, watches and many, many others. Until very recently for example, this nation has been a leading exporter of automobiles; but now it is a net importer. I noticed a news report the other day which stated that Great Britain had already exported more autos in the first two months of this year than she did in the entire 12 months of last year.

Now why is it that foreign industries can turn out some of the very products that we make best and most efficiently, then send those products thousands of miles to our shores, and sell them in our markets at a price so low that we can no longer compete, even here at home — let alone in the faraway markets of other countries of the world?

Nobody loves a fact man. But there are times when facts —like spinach and taxes—must be faced with fortitude, and this I believe, is one of them. So I would like to lay before you, two simple and undeniable facts — however unpalatable their implications may be in certain political circles.

First is the fact that when an American consumer buys any average American product — whether it be a reel of barbed wire, an electric toaster, or a pair of pajamas — very little of the price he pays for that product is for the actual, tangible materials out of which it is made. More than three-quarters of the purchase price goes to pay the wages and salaries of the men and women who transformed the raw materials into the finished product, brought the product to the market place, and sold it to the consumer. In other words, what you and I are really buying when we spend a dollar at the store, is a few cents worth of materials and more than 75 cents worth of the time of some worker or group of workers.

So much for fact number one. Fact number two is that in almost every country of the world today, the American dollar will buy more of a workman's time than it will here at home. The same American dollar which will buy 20 minutes of working time here in America, will buy more than 60 minutes of working time in Germany, nearly as much in England, and considerably more than that in Japan.

That situation, of course, is nothing new. It has prevailed in varying degree ever since America's industrialization began. And despite this disparity in wage rates, we have been able to remain competitive in many markets because of what we call American ingenuity, "know-how" and because of capital investment in machinery and equipment.

By providing the most efficient tools of production that the world has thus far seen — by devising American methods of mass production, and by devoting billions of dollars annually to unending research and improvements, we have made it possible for the American worker to produce considerably more in an hour's time than his foreign competitor can. And that kept the cost of our products competitive.

Exported Know-How

But since the end of World War Two a great change has been taking place. The technological revolution that began in America in the early part of the present century is sweeping across the face of the globe at a vigorous pace; and happily so. And American "know-how" is being exported from our shores in even greater degree, I suspect, than are the products of our factories.

Fine new steel plants are being built in Europe and Asia — some of them with American financial assistance. When United States Steel built its Fairless Works only a few years ago, it was the last word in steel-making efficiency. Today its counterpart can be found in Wales; and I am told that an equally modern — and perhaps just as efficient — plant is now operating in Poland.

Moreover, much of our marvelous machinery — like the electrolytic tinning lines that were developed and perfected by United States Steel — is now being installed in European plants under licenses which we have readily granted to all comers. It can produce just as efficiently in Europe as it can in America; and with foreign wage rates far below the American level, these new machines can be installed — and these new steel plants can be built — at far less of a capital outlay than we, here at home, must make for our new and improved facilities.

Beyond that, too, is the program of technical assistance through which American steelmakers, for example, are helping under Government auspices, to train technicians from India and other countries. It is hoped that by thus exporting our American "know-how," we can enhance greatly the prospects for world peace; and as long as there is any possible chance of progress in this direction, then certainly no one of us would have it otherwise.

But meanwhile the fact remains that we are rapidly losing the technological margin that we have had over other nations, and that has thus far supported American wages at levels high above those prevailing elsewhere in the world. And this situation has been greatly complicated by the fact that not only have American wage rates risen enormously in recent years, but that the wage costs in almost every American product have gone up as well.

If an American worker gets three times as much pay as a German worker, but produces three times as much steel per hour, the direct wage costs per ton remain about the same in both countries and the products of the two workers are fairly competitive in world markets. This is obvious.

But when the wage costs in the American product keep rising — as they have—farther and farther above those in the foreign-made product, the area in which the two can still compete begins to shrink alarmingly . . . first in foreign markets, then in our own coastal markets, and finally, everfarther inland from our shores.

And as our market shrinks, so too does the number of jobs that remain in American industry. That is obvious also; and while I do not know how much of our unemployment today can be attributed properly to the inability of American workmen to compete, wage-costwise, with their foreign competitors, there can be

Continued on page 24

*An address by Mr. Blough before Annual Meeting of Cleveland Chamber of Commerce, Cleveland, Ohio

Will a Personal Income Tax Cut Turn the Tide?

By JOHN E. KANE
Professor of Finance
The University of Arkansas

Arkansas finance specialist queries the proposition advanced regarding the efficacy of a personal income tax cut in initiating recovery, and ponders extent to which advocates of this may be taking too much for granted. Professor Kane observes, for example, that personal income tax cut materially reduces the spread of recession to consumer non-durable goods and services, but that an increase in DPI, whether or not resulting from tax cut, may not generate increased durable and semi-durable sale of goods unless accompanied by other factors.

I

Will a personal income tax cut initiate a significant upswing in business activity? It is often assumed, without examination, that the answer is "yes," but it is quite possible that too much is taken for granted. The belief that a personal income tax cut will set the economy back on the road to "full employment" evidently rests on one or the other of the following assumptions:

John E. Kane

(1) The present recession is caused by declining disposable personal income (DPI), and can be terminated by the elimination of that cause;

(2) If the present recession is due to other causes, the particular gaps which presently exist in the structure of demand (relative to the structure of supply) will be filled directly and/or indirectly by increased spending or by increased saving resulting from increased DPI.

The first assumption evidently is not valid. Department of Commerce estimates of DPI during the last five reported quarters are shown in Table I. These quarterly estimates indicate that DPI moved upward during most of the year, 1957. The only decline came in the final quarter, and that decline was not substantial, leaving fourth quarter 1957 DPI eight billion dollars greater on an annual rate basis than fourth quarter 1956 DPI.[1] Yet, the decline in production began in January 1957, as is indicated by the data contained in Table II. Thus, the recession was not initiated by a decline in DPI. However, the decline in DPI surely was initiated by the recession. By this time, to be sure, there appears to be a vicious circle, in which declining production and declining DPI are feeding upon each other — each being cause as well as effect. This phenomenon is considered below. Up to the present time, however, no substantial part of the decline in production has been caused by a decline in DPI.

TABLE I

Disposable Personal Income
(adj. for S.V.)

Quarter	Billions of dollars; annual rate
4th 1956	294.0
1st 1957	296.1
2nd 1957	300.4
3rd 1957	303.3
4th 1957	302.1

TABLE II

FRB Index of Industrial Production
(adj. for S.V.)

Month	1947=100	Month	1947=100
1956		**1957**	
July	136	May	144
August	143	June	145
September	144	July	145
October	146	August	145
November	146	September	144
December	147	October	142
		November	139
1957		December	135
January	145		
February	146	**1958**	
March	145	January	133
April	144	February	130

1 First quarter 1958 DPI estimates are not yet available, but estimates of personal income before tax during January and February 1958 suggests that DPI declined only about one per cent from fourth quarter 1957.

II

Even though the important gaps presently existing in the pattern of demand (relative to the pattern of productive capacity and the pattern of inventories) are not due in any substantial degree to a decline in DPI, it is nevertheless conceivable that an increase in DPI might result in certain of those gaps being filled as a direct result of increased consumer spending, and might somehow result in certain other of those gaps being filled through some process of indirect stimulation of non-consumer spending (i. e., investment).

In view of the immobility of resources in the short term, the filling of gaps directly would almost necessarily involve an increase in consumer purchases of those specific products for which demand is currently depressed relative to productive capacity. In this connection, one might consider automobiles and apparel. It is certainly possible that an increase in DPI would produce some additional purchases of these items. On the other hand, such additional purchases arising purely from increased DPI are not likely to be substantial in amount. Cycles in the sale of these two items have occurred for many years. To an important degree, these cycles have been independent of changes in DPI. One is not justified in assuming that at this particular point in history the quantity sold of these items will suddenly become highly sensitive in the short term to an increase in DPI. Unless the increase in DPI should come at a time when a substantial increase in the physical or psychological need for these two items is being felt, spectacular increases in sales are not to be expected. The same can be said of other durable and semi-durable consumer goods.

On the other hand, the sale to consumers of truly non-durable goods and services is not likely to decline except as a result of a previous decline in DPI. It is not clear whether the sale of such items has declined during the current cyclical downswing. Department of Commerce estimates of consumer purchases of "non-durable goods" and services through the fourth quarter 1957 are shown in Table III. These estimates show a very slight decline during the fourth quarter 1957, and it is reasonable to assume that first quarter 1958 estimates will indicate an accelerated decline. Unfortunately, however, certain semi-durable goods, such as apparel, are classified by the Department of Commerce as "non-durable goods."[2] Therefore, Table III does not tell us anything definite about the sale of truly non-durable goods and services. However, it seems safe to accept the proposition that an increase in DPI at this time would have a pronounced tendency to halt whatever decline may be occurring in consumer purchases of truly non-durable goods and services, and possibly to effect a retracing of a part, or all, of the decline, if any, that has already occurred in the purchase of such goods and services. But since we are thinking of a tax cut as the source of increased DPI, we can not be confident of the strength of this tendency, in view of the fact that a personal income tax cut does not increase the DPI of anyone who has lost his source of income.

TABLE III

Personal Consumption Expenditures: Non-Durable Goods and Services
(adj. for S.V.)

Quarter	Billions of dollars; annual rates
4th 1956	237.5
1st 1957	240.7
2nd 1957	244.0
3rd 1957	248.6
4th 1957	248.0

In summary, it may be said of a personal income tax cut, that business recovery resulting directly from increased consumer spending is likely to be disappointing, unless an upturn in consumer purchases of durable and semi-durable goods is about to occur for other reasons. On the other hand, a personal income tax cut should materially reduce the possibility of a vicious circle, involving mutually reinforcing declines in DPI and in consumer purchases of truly non-durable goods and services.

III

It is possible that an increase in DPI would indirectly result in additional non-consumer purchases (investment). An increase up to a new high level in consumer purchases of any product very likely would provide a motive for expansion of plant and equipment adapted to producing that consumer goods, provided no excess capacity existed prior to the increase in purchases. But if there were excess productive capacity, the proposition would be questionable. The level of inventories should also be considered, since we are concerned with short term effects. If there were large inventories of the product, an immediate expansion of productive capacity might not result, even if consumer purchases were to reach high levels relative to productive capacity. Furthermore, if the direct effect of the increase in DPI should be only to prevent a further decline in consumer purchases, the effect on investment motive would be doubtful indeed.

2 Some services may also have an element of durability.

On the other hand, if the increase in DPI should be saved, there might be a favorable reaction in the securities markets. But in the present relatively easy money situation, this is not likely to have an important effect on investment.

Thus, in the present circumstances, with generally ample inventories, with generally ample productive capacity, and with relatively easy money conditions, any substantial stimulation of investment arising from an increase in DPI probably would have to come via "sentiment"[3], rather than via physical or financial relationships. It has been suggested that if a tax cut were sufficiently massive, and if it were to raise sufficient fears of inflation, managements might undertake a flurry of investment in the belief that the additional productive capacity, although unneeded at present, would cost more at any later date. But it is not clear how far prudent management would pursue such a point of view in these days of rapid obsolescence and of reduced corporate liquidity.

IV

One common defect in economic analysis is to consider only the broadest of economic aggregates, and to forget that people purchase specific goods and services — not baskets of aggregates. It is frequently forgotten that an increase in the use of electricity by consumers, for example, may not adequately replace, employment-wise, a decline in the purchase of generating plant and equipment by electric utility companies, even though the dollar aggregates involved are equal. Often overlooked also is the fact that the demand for specific durable and semi-durable goods can deteriorate substantially in the short term, even though DPI increases. In the present circumstances these oversights probably have led rather generally to unwarranted optimism regarding the efficacy of a personal income tax cut in initiating a significant reversal of the business cycle. As suggested, however, a personal income tax cut is a promising device for reducing the spread of recession to consumer non-durable and service areas of the economy.

There are, of course, long term problems and effects which are not considered here.

3 In this context I prefer the word "sentiment" to "confidence."

Two on Board of William Street Fund

Arthur H. Bunker and Theodore V. Houser have been elected directors of The One William Street Fund, Inc. Mr. Bunker is Chairman of American Metal Climax, Inc., and a director of the Lehman Corporation. Mr. Houser is Chairman of Sears, Roebuck & Co.

Neuberger Pres. of American Fed. of Arts

Roy R. Neuberger, partner in Neuberger & Berman, New York City, has been elected President of the American Federation of Arts.

K. L. Laymon Opens

SILVER SPRING, Md. — Kenneth L. Laymon is engaging in a securities business from offices at 818 Hillsboro Drive under the firm name of Mutual Opportunities.

With Abraham & Co.

Ben Pincus has become associated with Abraham & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as a registered representative.

Getting the Most Out of Your Pension and Welfare Dollar

By HOWARD F. WORTHAM*

President, Trainer, Wortham & Co., Inc., New York City

A case in favor of self-insured pension funds as against insured pension funds is made by investment counselor Wortham. In presenting the former's advantages, Mr. Wortham singles out price inflation as the investment manager's paramount problem and explains why carefully selected common stocks belong in a balanced portfolio which meets actuarial requirements and offers the "best and most practical medium" for protection against currency depreciation. Points out disadvantages of limiting trust agreements to "legal" investments and advises trustees to use services of professional investment advisers.

While we are undergoing a business recession we are, at the same time, experiencing a rise in the cost of living. We have the paradox of **economic deflation** occurring simultaneously with **political inflation.** The economic deflation was brought about by overexpansion, overproduction and overborrowing. Plant capacity in many industries exceeds

H. F. Wortham

our present demands. Overproduction of goods has built up unwieldy inventories. Mortgaging income too far into the future has reduced current buying power. This has backed up to create too large inventories, which in turn make plant capacity excessive.

The foregoing factors are temporary and, given time, the recession will cure itself. But "temporary" can seem awfully long for anyone out of a job. The insistent demands resulting from unemployment of over five million have caused the Federal Government to set in motion forces which are inflationary. Interest rates, which a few months ago were trending upward, have been sharply reduced to stimulate business. The government is embarking upon a program involving the spending of billions of dollars for which it will be necessary to resort to borrowing. Additionally, the government is contemplating cuts in taxes which will have the effect of further increasing deficit financing.

I give you this background neither to justify nor criticize the present Administration. As investment counselors, it is not our function to create fiscal policies but to guide the investments of clients so that they will be hurt the least or gain the most from whatever economic climate develops. One thing, however, seems quite obvious and that is that inflation is built into our economy and that politicians, whether they be of one party or the other, are not likely to adopt policies which lose them popularity and votes. Long-term inflation is the Number One problem of the investment manager and we must, therefore, consider what effect it will have on pension and welfare funds.

I have used the term inflation in its broad sense. The orthodox definition of inflation is a shortage of goods during a period of excess of money. Actually, we have no shortage of goods; indeed, we have a surplus. Until a reversal of government policies a few months ago, it was money which was in short supply as witness the fact that even the United States Treasury had to borrow at 4%. All of us have fallen into the habit of speaking of inflation when really we should be talking about the "cost of living." That is where the shoe pinches and trustees of pension funds should be certain that their investment policies take this fact into consideration.

Rising Cost of Living

To support my statements in regard to the rising cost of living, may I cite some statistics taken from the Consumer Price Index of the United States Department of Labor. On the basis of the monthly average for the year 1937, the index stood at 61.4% of the 1947-1949 averages. The monthly average for the year 1947 stood at 95.5% and for the year 1957, at 120.2%. Thus for the 10-year period from 1947 to 1957, there was an increase of 25.9% and for the 20-year period from 1937 to 1957, there was an increase of 95.8%. In other words, during the last 20 years, the cost of living has almost doubled.

Over the 20-year period, as shown above, the Consumer Price Index showed an average increase of 4.8% per annum and for the last 10 years, the average increase was 2.6% per annum. However, a study of the two-year period from February, 1956 to February, 1958 shows that there was a 3.6% increase in the cost of living for the first year and a 3.2% increase for the second. From this, it would appear that the trend of the cost of living is still rising.

Now what are the mathematics of this rise in living costs which we have demonstrated is taking place? A 2% annual rise, compounded, doubles the price level every 35 years; a 3% rise doubles the price level every 24 years; 4% would do it in 18 years and 5% every 15 years. You can take your choice as to which period should be used as a basis for determining how much capital and income will have to increase in order to compensate for the rising cost of living. If we take the 20-year period (1937-1957), we could assume that the price level would double in about 16 years. If we take the last decade (1947-1957), probably living costs would double in 30 years. If we take only the past 24 months, very likely living costs would double in approximately 22 years. No matter which period you employ as a base, the answer is the same—a dollar will probably not buy as much in the future as it has in the past or does now.

Which Fund Can Better Handle Inflation?

We have examined the Consumer Price Index of the Department of Labor for the past 20 years and all its data indicate a continuing rise in living costs. This is so fundamental that well conceived pension plans must give recognition to this fact. The only question is what kind of a fund can best meet this economic condition? There are, as you know, two types of pension plans: the insured and the self-insured, that is to say, those which are underwritten by insurance companies and those which are directly invested in securities by the trustees themselves. Under the former, a contract is made with an insurance company to pay specific amounts of money on definite future dates. The insurance company will pay no more and no less than it contracted for. Consequently, the beneficiary can count on a certain number of dollars on his retirement, but he cannot be sure that those dollars will have the same purchasing power at that time as they have during his period of active employment. Indeed, the evidence points the other way.

Now let us consider whether the self-insured pension plan will offer protection against a depreciating dollar. An important and pertinent factor is the liberality of the investment provisions of the trust agreement and the investment policy of the trustees themselves. However, even to the extent that investment is confined to bonds, a self-insured fund has an advantage over an insured fund for the reason that there are times when interest rates rise and bond prices fall, thus making it possible to purchase high grade issues at substantial discounts. These periods afford trustees, who are alert enough to catch the swings, an opportunity to make money out of their bond accounts and thus in part help compensate for the inflationary tendencies of our economy. However, the greatest potentials for enhancement of capital and income are inherent in common stocks because they are the only class of investments where the return to the investor can increase over the years. It is recognized that there is no absolute protection against inflation but, for a pension fund, common stocks present the best and most practical medium for that purpose. However, all common stocks are not hedges as is demonstrated by the fact that the 1956 highs of many of them were well below their quotations in 1946, which was the previous peak year. You must select those issues that enhance in value as a result of a rising trend in earnings, which will allow dividends to be periodically increased, preferably at a rate which will compensate for the declining value of the currency.

Offers Example

I should like to give you an example of what can be accomplished, drawn from the actual case history of one of our investment counsel accounts. I have selected it because it is a trust and, therefore, the investment policy had to be more conservative than if it were the portfolio, let us say, of a businessman. The trust has been under our management for a great many years but I shall confine myself to giving you its record for only the last 10. In 1947, this trust had a value of $271,000 and 10 years later, in 1957, its principal appreciated to $620,000, an increase of 130%. In 1947, the income was $10,350. By 1957, it rose to $18,225, an increase of 76%. During that 10-year period, as we previously observed when we were considering the Consumer Price Index, the cost of living rose 26%; but since the income from the trust increased 76%, you can readily see that the beneficiary's standard of living was well protected and actually improved. Now I must say that this trust was not 100% invested in common stocks as you might have thought from my emphasis on equities but, on the contrary, at least 25% of the total funds was invested in bonds at all times during the 10-year period.

Stocks Are Generally Misunderstood

There is a general misunderstanding about common stocks. Unfortunately, a segment of our population thinks of them as media for gambling. They do not distinguish between the New York Stock Exchange and the Casino at Monte Carlo. Very simply, common stocks represent the equity or ownership of corporations. As such, there is nothing very speculative about that concept unless we think that the largest companies in American industry are going to fall by the wayside. Some common stocks are speculative but so are some bonds and preferred stocks. As a group, common stocks are subject to wider price swings than senior securities but that in itself does not denote speculation. You should not confuse "fluctuation" with "speculation." There is one point in this connection that I should like to emphasize and that is once a program for the purchase of common stocks is embarked upon, you should not permit yourselves to be deterred by falling prices, although conceivably there may be times when judgment will dictate a delay in making commitments.

If approximately the same amount of money is paid into a pension fund annually, then it is obvious that in the years when stocks are high, fewer shares can be bought than when prices are low. The continuous purchase of stocks at regular intervals, whether at high or low levels, is what is known as "dollar cost averaging." The results obtained through this method of operation can be quite startling and I think you will be interested in some figures which I have taken from a study prepared by Standard & Poor's, a leading statistical organization. They prepared a tabulation covering a 29-year period from 1929 to 1957 and assumed that $1,000 was invested on July 1 of each of these years in the stocks represented by their Index of Industrials. Dividends were reinvested on Jan. 1 of each year, after having first deducted Federal income tax which would be paid on an $8,000 salary earned by a married man with two children. At the end of the 29-year period, reinvested dividends amounted to $48,200 and these, added to the $29,000 of principal paid in, made a total of $77,200 which went into this investment account. On June 30, 1957 (Standard's latest reported computation), the market value of these stocks was over $220,000, or nearly three times the total amount of money invested.

It might well be argued that 1957 was a year of high prices and the results would not have been so glowing if the test period had ended in a depression year. This is certainly true but one of the most interesting deductions which was made from a study of Standard's tabulation is that despite the fact that investing began in the peak year of 1929, which anyone will concede was an unfavorable staring point, the market value of the account was less than the amount of money paid in only for the first three years and that thereafter, beginning in 1933, the market value of the stocks always exceeded the principal payments plus reinvested dividends.

Effect Upon Income

So much for the results of dollar cost averaging on the market value of securities. Now let us see what effect such a program had upon income. Again referring to Standard's tabulation, we find that dividends received in 1957 amounted to more than $8,400. Relating this to the primary investment of $1,000 a year, or $29,000, we find that the income return was 29%. If we took another reading and related the dividends to the primary investment of $29,000 plus reinvested dividends of $48,200, or approximately $77,200, we would have a yield of 11%. I think you will agree with me this is a handsome return on capital.

To make this presentation applicable to our discusssion it is admitted that the full amount of dividends collected by a pension fund cannot be reinvested because some of the income would have to be paid out for pension purposes. On the other hand, Standard's computations were based on deductions for income tax which would have to be paid by an individual investor but would not be chargeable to a pension fund. At any rate, the study is not presented as an exact pattern for pension fund investing. In fact, it should not be so considered because good practice would indicate that some proportion of a fund should be invested in other types of securities than common stocks. Nevertheless, the tabulation is extremely interesting and is offered as evidence that investing in common stocks, if planned for the long term, is not hazardous, as many people seem to think. May I add one observation and that is that Standard & Poor's computation was based upon purely mathematical investing in the same stocks over the entire test period and did not give any consideration to either selection or competence of management, both of which would be important elements in the operation of any actual pension fund.

Pension Fund's Heart

The very heart of a pension fund is its investment program. Hence it follows that no part of a trust agreement is more vital to its successful administration than the investment provisions. Yet, unfortunately, these are often drafted without consultation with investment experts.

Sometimes a trust agreement limits the trustees to so-called legal investments. These are securities which are selected by the Banking Department of a State through application of certain standards prescribed by law. Usually, part of a restricted fund may be used to purchase common stocks but the percentages will vary with different jurisdictions. New York State, for instance, permits the purchase of equities up to 35%. New Jersey is a bit more liberal; it allows 40%.

Tying the Hands of Trustees

Since there may be some who think that the limiting of trustees in their choice of investments is a way of protecting those beneficially interested in a pension fund, let us explore some of the advantages and disadvantages of such a policy. May I cover the former first as I believe I can dispose of them quickly. Frankly, I don't think there is anything to be gained by tying the hands of trustees. From the examples I have already given of the excellent results obtained by unrestricted management, I feel that you will agree with me in this conclusion.

I should now like to point out some of the harmful aspects of "legals." In the first place, such restrictions automatically eliminate many high-grade bonds and stocks from consideration. Secondly, trustees who must function under a restricted trust are compelled to accept the selection by formula of a legislative body as a substitute for their own judgment based on investment research. Thirdly, a combination of these two factors places a premium on indifferent management.

Let me give you an illustration of what I have in mind. Our firm is acting as investment counsel to the trustees of a pension fund which is restricted to New York "legals." Some months ago, we were considering recommending the purchase of Standard Oil Company (Indiana) convertibl

*An address by Mr. Wortham before 10th Annual Labor-Management Conference, Rutgers—The State University, New Brunswick, N. J., May 6, 1958.

debenture $3\frac{1}{8}$s, 1982, which were then selling at 96, after a drop of about 35% from their 1956 high of 148. At the lower price, they had considerable merit just as a bond and the quotation barely reflected their conversion privilege, which one day will again become valuable. Upon checking, we discovered these bonds were not on the legal list, and therefore, could not be bought.

On the list of bonds legal for trustees in the State of New York are New York, New Haven & Hartford first and ref. 4s, 2007, quoted around 40, and New York Central & Hudson River Railroad gold $3\frac{1}{2}$s, 1997, selling in the vicinity of 56. These issues traded in 1956 as high as 73 and 82, respectively. Their subsequent percentage decline was about the same as occurred in the Standard Oil issue so that you may say that the market performance was not very different. Yet there was a difference and a very big one! The bonds of Standard Oil Company declined for the two reasons that they reflected (1) the change from low to higher interest rates, and (2) the common stock into which they are convertible dropped in price because of overproduction and lower profits in the petroleum industry. Despite this fact, the company covered its bond interest in 1957 over 17 times so that unquestionably interest will be paid. The bonds of the two railroads suffered price-wise for the reason that a drastic shrinkage in earnings caused their fixed charges to be only just covered in 1957, thereby creating doubt as to the continuance of interest payments. Despite the obvious difference in quality, the Standard Oil bonds could not be bought for this pension fund because they are not legal but the rail issues qualify for purchase because they are legal.

Another instance of how limitation to "legals" can work to the disadvantage of a pension fund is that in New Jersey the law provides that not more than 40% of a restricted trust may be invested in common stocks. The 40% is based on the market value of the total fund at the time that a purchase is contemplated. Assuming the fund to have been invested in common stocks to the full permissible extent, a rising market would increase the value of equities above 40% and this would have the effect of freezing the account. Under these conditions, if any common stock were sold, the proceeds could not be reinvested in other common stocks except to the extent that, together with all other equities, they represented not over 40% of the fund. Any excess would have to go into bonds. This is an automatic check against overcommitment to common stock holdings but why apply a legislative curb when trustees may determine their own maximum limit based upon the needs of their particular trust?

Advises Balanced Portfolios

From the comments I have made stressing the inflationary aspects of our economy and the means I have suggested of compensating for them, I hope you have not received the erroneous impression that I recommend placing all of the assets of a pension fund in common stocks. Far from it. As advisers to pension fund trustees, we advocate balanced portfolios, that is, the holding of bonds, mortgages, preferred and common stocks, but we believe their percentages should be changed as conditions warrant. We are cognizant of the fact that actuarial requirements have to be met and that, therefore, each pension fund would need its own investment program. Accordingly, some funds would probably not be invested as heavily in common stocks as others. Confining purchases to high-grade bonds may be conservative in the sense that you are conserving dollars, that is to say, you know the exact number of dollars you will receive on specific dates. On the other hand, as today's dollar is not likely to have as much buying power when an employee is ready for retirement, would it not be more truly conservative if money were so invested that its future buying power would be conserved?

Era of Specialists

This is an era of specialists. No one can reasonably be expected to perform two unrelated tasks equally well. The fact that you may be successful as a lawyer, industrialist or union official does not necessarily make you an expert in investments as well. Business today demands outside objective consultation and frequently calls in companies which devote themselves solely to the work of being management consultants. They do so because these firms are specialists; because they can be completely objective in their opinions and advice; and furthermore, they bring to their work vast experience with other companies, some of which had the same problems. Relating this to the field of investments, does it not seem that the obvious solution for trustees who have other occupations is to employ the services of specialists engaged in the business of managing security portfolios?

Having suggested to you the advisability of retaining a professional investment adviser, it would seem appropriate to consider what groups are available. There are others, but the principal ones are banks, brokers and investment counselors. I am sure you are well acquainted with the first two but you may not be as familiar with investment counselors. They do not advertise and usually confine their services to a limited number of clients, thus enabling them to render a highly personalized service. In order to eliminate any possibility of self-interest, investment counselors do not buy or sell securities either as principal or broker; furthermore, their fees consist solely of direct charges to clients at a predetermined rate and are not contingent upon the number of transactions executed.

I have attempted in this paper to outline the current economic background against which investments have to be made. I have demonstrated by Government statistics the fact that the cost of living is in a rising trend. Great as is the difficulty of meeting this problem, it can, at least in part, be compensated through skillful investment. As we are living in an era of specialists, there is no reason to assume that a man who is successful in other fields of endeavor is also an expert on investments. For this reason, I suggested that trustees of pension and welfare funds retain professional investment advisers and I have indicated to you the principal groups which may be engaged. Guided by competent and experienced advisors, your pension funds will be less costly in the long run to the contributing corporations and individuals, if any, and will prove to be more profitable to the employees who are the beneficiaries.

Join Harris, Upham & Co.

(Special to The Financial Chronicle)

OAKLAND, Calif. — Graves D. Hudson, Jr., Ruth C. Blank, William J. Christiansen, John F. Dolan, Lelan G. Smith and Thomas M. Tuohy have become associated with Harris, Upham & Co., 1400 Franklin Street. Mr. Hudson was formerly Oakland Manager for Hooker & Fay, with which the others were also associated. Mr. Tuohy was formerly with Grant, Fontaine & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

An undercurrent of criticism in Congress against the Eisenhower tariff and foreign aid proposals is quite revealing and it reveals the oppositionists as not mere obstructionists.

Carlisle Bargeron

A complaint against the Administration's proposed extension for five years of the reciprocal trade agreements program is that unlike what their originator, former Secretary of State Hull had in mind, they are now being used as part of the cold war or foreign policy. Hull's original idea, it is contended, was that we should make agreements with foreign countries on a *quid pro quo* basis, that is, for their buying from this country we would buy from that country and that tariffs would be worked out to promote that sort of trade.

Now, it is claimed, the Administration is using this tariff not on a *quid pro quo* basis but as an instrument of foreign policy. If we are trying to wean a country from the Soviet bloc we will give it tariff concessions regardless of the trade value to this country. The State Department takes the attitude that it is to our advantage to build up the economies of underprivileged nations and if we have to do that at an expense to American industries it still should be done.

The high tariff American industries are on the move; they are increasing in numbers. They unmistakably would like Hawley-Smoot protection for their industries. But regardless of the merits of this, they do have an argument against the tariff concessions to countries based solely on the idea of whether they are on our side in the cold war or on the argument it is advantageous to us to build up their economies.

A serious complaint they are making is that not only is the tariff manipulated against them but our tax structure and our policy of sending new equipment to foreign countries is working against them.

These foreign countries, in addition to operating with new equipment supplied by our Government, get tariff concessions. On the other hand, there is no inducement for American industries to replace their obsolete equipment because of our tax structure.

In the motley of Washington voices on what to do about taxes two ideas seem to be attracting attention. One is the bill by Senator Capehart of Indiana, for a more liberalized tax depreciation to permit the writing off for tax purposes, a new barn for the farmer or new machinery for the automobile plant, a renovation of a grocery store, in a much shorter period than the customary 30 years. The Internal Revenue Bureau has a book now, a couple of inches thick, giving the depreciation allowances on a given project. Senator Capehart has taken this book of schedules and his bill would materially shorten them. It is his contention that it would aid employment now and that in the end the Treasury would not lose a penny but would pick up revenue.

His bill is running in the face, of course, of Congress' recent action in cutting out the quick tax amortizations for so-called defense industries after it was alleged that the private utilities were the greatest beneficiaries. The facts are, of course, that there was a tremendous expansion of private power companies under this law and it is silly to say that this expansion hurt the country. The repeal of the law came under the agitation of the Public Power groups that the private interests were being given the money by the Government to build the Hell's Canyon dam. This was not true.

Amazingly enough, after this experience, Capehart's bill has received favorable thinking by the Administration, and besought, as it is, for some sort of a tax reduction, it is more than likely that it will get behind the Capehart bill.

In the meantime, a group of enterprisers has come to Washington with the idea that something on the order of the FHA of the housing industry should be established for business generally. This group would have the Government set up an organization to guarantee industrial mortgages up to 50%.

The group is headed by Frank G. Binswanger, Sr., described as a nationally recognized authority on industrial development, site selection, plant relocation and plant modernization.

Under his proposition, the government agency would insure mortgages for construction of new plants or purchase of existing facilities, modernization and expansion by manufacturing companies and allied industries, such as research and development laboratories.

The original capital of this new government agency would come from public works appropriations already approved by Congress.

We don't know Mr. Binswanger or his associates but his idea has taken him to consultations with the leaders on Capitol Hill and Washington is very receptive to new ideas these days.

With Jerry Thomas

(Special to The Financial Chronicle)

PALM BEACH, Fla. — Virginia M. Christine has joined the staff of Jerry Thomas & Co., Inc., 305 South County Road.

Another Monroe Doctrine for Our Hemisphere's Economy

By J. PETER GRACE*
President, W. R. Grace & Co.
New York City

Drawing a parallel with threatening conditions prompting Monroe Doctrine 135 years ago, Mr. Grace strongly urges Reciprocal Trade and Mutual Aid efforts to forestall Soviet economic invasion of Latin America. Refers to Communist strategy to use trade, loans, credits and oversized missions as the Trojan Horse in a long-range, major geopolitical offensive; notes Latin American countries seek trade with U. S. A., first and foremost, and the vitally economic importance of that area to us; and expresses amazement that we would raise tariffs, particularly at a time, when their economies are dislocated due to declining basic export prices.

Why is it so vital to the interests of the United States that our government stand faithful to the prophetic concepts of the Monroe Doctrine, and resist once again the intervention of a foreign power in our hemisphere?

J. Peter Grace

The question can be answered in one word—survival.

It is a plain fact of our life today that the United States is dependent on the Republics of Latin America for their political support in the ideological war; we are dependent on those Republics and their vast area, 2½ times the size of the United States, for their military and strategic importance and for the many essential materials, of which they are our prime source. Thirdly, we are dependent upon these Republics for the maintenance of our trade, our commerce and our standard of living.

Thus their importance is threefold—political, military and economic. In the political field, the Latin American republics, as the co-inheritors with us of the Western Christian Civilization, are our staunchest allies in crisis after crisis, and notably in the councils of the United Nations. Militarily they have come to our aid with their vast stores of strategic materials, and even with their sons in World War II and in Korea.

Economic Importance

But the aspect in which I am sure we are most interested is the economic phase of our relations with Latin America. For this is the phase which requires a new and imaginative approach and bold action—now.

Latin America today buys from us 20% of our exports; it supplies us with 30% of our imports. It is the site of one-third of our direct private investment abroad, or some $8 billion.

Thus, when we talk of Latin America, we are talking of an area of economic significance to every man, woman and child in the United States. This economic significance goes beyond statistics, for it affects our very standard of living. Around 85% of our coffee and more than 70% of our sugar imports come from Latin America, as well as 100% of our bananas. In the area of strategic minerals, upon which we depend for our survival, all of our vanadium imports come from Peru. Venezuela alone supplies 48% of our petroleum imports. Venezuela, Peru and Brazil furnish us with 37% of our imports of iron ore. Chile, Mexico and Peru supply 60% of our copper imports and 40% of our imports of lead and zinc. 78% of our imports of quartz crystals, and 34% of our tungsten imports come from South America. Essential to our well-being in times of peace, these minerals are vital to survival in time of war, and the South American countries have never failed us in time of our need.

Rapid Growth

One may well inquire what is the risk of Communist infiltration in Latin America. Our total trade with Latin America is running at the rate of $8 billion per year. It has grown by a third in the last four years, a tremendous rate of increase, but this rate of increase gives only a faint idea of what is in store for the growth of our economic stake in Latin America. Her population is increasing at the explosive rate of 2.4% per year compared with our own rate of 1.6%, which is the highest in our history. At this rate of increase, Latin America, which has approximately the same population today as we do, will have 282 million people by the year 1975—only 17 years from now—and by the turn of the century, if these growth rates are maintained, it will have 510 million people compared with 339 million people predicted for the United States.

And this is only part of the story, for hand in hand with the growth in population goes an increase in productivity, which in typical Latin American countries ranges from 2.5% to 4.8% compared to 1.8% in the United States. The potential of this area for our trade and markets is even more enormous when we bear in mind that the rate of growth in urban population in Latin America is running between two and four times faster than the phenomenal growth of urban population in the United States. We can visualize the economic stake which our children and grandchildren will have in our neighboring countries to the south.

U. S. S. R. Strategy

It is small wonder, therefore, that every day we read more and more accounts of the efforts of Russia and the Iron Curtain countries to mount an economic invasion of this rich storehouse of natural wealth, strategic materials, booming industries, and energetic peoples. You will note that I said economic invasion, for an open political assault would be bound to fail, and the Communists know it. Their attempt is to get a commercial toehold by capitalizing on the economic problems which beset the growing nations of Latin America. It is their strategy to use trade, loans, credits and oversized missions as the Trojan Horse in a long-range, major geopolitical offensive.

What are these economic problems which beset the Latin American countries? They are primarily the classic difficulties of the one-crop economy. Brazil is dependent on coffee for 60% of her foreign exchange; Cuba is 73% dependent on sugar; Chile 73% dependent on copper and nitrates; Venezuela 94% on petroleum; Colombia 85% on coffee; Argentina 65% on foodstuffs.

This is the type of problem which was conquered many years ago when our farmers diversified their crops, and their sons and grandsons developed business and industry to reduce their dependence on any one product. Some day this problem will surely be conquered in Latin America, but in the meantime, their economies suffer tragic dislocations with every fall in the price of their major products.

The growing pains of these economies also manifest themselves in such difficulties as inflation, currency depreciation, import controls, dollar shortages and a host of other economic illnesses.

Suggests Trade and Aid

It is to our self-interest to assist these countries to overcome their difficulties and to put themselves on the road to sound economic growth which will bring with it political and fiscal stability, increased trade, industrialization, and economic diversification.

There are two major fronts on which we can attack this challenge. One is called trade and the other is called aid. I firmly believe that both are equally important at this time. Both are the subject of considerable debate in our Congress today, and throughout the 48 States. Both are being watched hopefully abroad. While both are necessary today, our experience teaches us that the more the trade, the less the need for aid.

And our Latin American friends tell us most emphatically that what they want from us, first and foremost, is trade. They seek to sell to us the products of their mines and farms, so that they can purchase from us those things which they do not produce themselves. This is the heart of the Reciprocal Trade Program which is now under debate in Washington.

President Eisenhower and the Congressional leaders of both parties have strongly taken their stand in favor of continuing this program which has been of such great mutual benefit to the vast majority of both our own people and our friends overseas.

I mentioned that a drop in the price of one of their basic exports causes severe dislocations in the Latin American economies. Nevertheless, they are free enterprisers and they can understand this. But when our Government proposes at a time of falling demand and prices to aggravate these dislocations further by the imposition of tariff barriers, the immediate effect of this is to further cut the ability of these friends to purchase from the United States at a time when they are already hurt. This is much like pushing a man overboard and then throwing him an anchor instead of a lifesaver.

Essentiality of Two-Way Trade

Norfolk regularly exports more cargo than New York or any other United States port. In fact, Norfolk and Newport News together export more tons of cargo than all other North Atlantic ports combined. If we impose artificial barriers to our imports, a corresponding fall in exports is inevitable. The great ports of Virginia directly and indirectly furnish employment to 70,000 people in this State and 25,000 people in other states. Is this not a symbol of the powerful leverage of foreign trade on our national economy as a whole? Our prosperity depends upon its healthy growth. Not all of us realize the impact of America's foreign trade. Over 4,500,000 American workers are dependent on it for their livelihood. The volume of our goods sold abroad, which in 1957 was $19,450,000,000, exceeded the value of non-farm home building, of consumer purchases of automobiles, and of the gross receipts of our nation's farmers from either crops or livestock. That's big business—and that's good business.

The inescapable conclusion is that two-way trade is essential to the continued prosperity of the United States, and indeed to every individual American businessman, worker and farmer. Continuation of the reciprocal trade program means more jobs for American workers, more sales for our industries and agriculture, growth for our port cities and more profits for our industries and shipping.

Foreign Aid Issue

The other great issue which is commanding the interest of a great part of our population today is the question of so-called foreign aid. In my many business trips to Latin America and Europe, I have had an opportunity to see this unique program at work, and I would like to second the idea of President Eisenhower that it should be called "Mutual Aid" rather than "Foreign Aid." This program had its origin, as you know, in the creative imagination of a great Virginian of today, General of the Army George Catlett Marshall. To those who would doubt that the term "Mutual Aid" applies correctly, I would cite a report to the Senate of the United States by the National Planning Association, which concludes that American assistance to foreign countries has created 600,000 jobs for Americans, including 421,000 in manufacturing, 99,000 in agriculture, and 33,000 in transportation.

But it aids the United States even more powerfully than that. The total appropriation request for the fiscal year 1959 is $3,942,000,000. Now $2,635,000,000 or more than two-thirds of this amount is earmarked for outright military assistance to our allies and defense support. An example of defense support would be a military highway to connect one of our overseas air or missile bases to the nearest port or railhead. Another 16% of the appropriation request, or $625,000,000 is for the new Development Loan Fund. This leaves 17% or something under $700,000,000 which is dedicated to technical cooperation, special assistance, the President's contingency fund, etc.

The two-thirds of this request which is dedicated to defense purposes represents an enormous saving as compared with the costs of United States overseas military services and personnel which would be necessary for us to provide if we were not assisting our allies to do so themselves.

High Rate of Return

There is no question in my mind that we get a very high rate of return indeed on this investment in the defense aspects of the Mutual Aid program. For these are expenditures that the American taxpayer would be only too happy to support if they represented direct payments to the American military establishments for its activities abroad. In the form of military aid, assisting our allies to bear the military expenditures which they are unable presently to afford themselves, we reduce the demand on our own military establishment, and avail ourselves of the opportunity to achieve much more for less money.

I am convinced that if this question of Mutual Aid were better understood by the American people, there would be far more enthusiastic support of it from the grass roots of our country. Congressional friends tell me that their mail reflects a very great lack of full understanding of both the accomplishments of the program and its real cost. I have already mentioned that the defense aspects of the program undoubtedly represent a net saving to the American taxpayer. The remainder of the entire Mutual Aid program is less than $1,500,000,000—under 2% of our entire national budget. It is less than ⅜ of 1% of our gross national product. Surely, this is a small price to pay for the non-military aspects of Mutual Aid, which means assistance to economically weak nations during the period of their development. As this program achieves fruition, it reduces the risk of war. It can mean survival. That is its purpose.

I ask you to reflect on these great issues which face our country at this time. It has been said that we live in a time for greatness. We are a nation that is accustomed to greatness. These questions of our policy in Latin America, on foreign aid and foreign trade, call for greatness, and I know that this generation will look at them in that light, as I am sure our forefathers would have done in their time.

*From an address by Mr. Grace before Virginia State Chamber of Commerce, Richmond, Va.

Rate Cut Effective June 1st Set by Federal Home Loan Bank of Chicago

Savings and loan associations in Illinois and Wisconsin will have interest rate on one-year advances cut from 3¼ to 3% on June 1 and time deposits with their Chicago Bank reduced from 2 to 1½%.

The third interest reduction this year on Federal Home Loan Bank of Chicago advances to member savings and loan associations in Illinois and Wisconsin, will take effect June 1, it was announced by John E. Stipp, President of the reserve credit institution.

Interest on one year advances will be dropped a quarter of 1% to 3%. On Feb. 1 the 4¼% rate was dropped to 3¾% and on April 1, it was further reduced to 3¼%.

The rate for time deposits left with the bank also will be reduced from 2% to 1½%. On Feb. 1 it was reduced from 3% to 2½% and on April 1 it was dropped to 2%.

In announcing the rate to members, Mr. Stipp wrote:

Lower Dividend Rate Seen

"Money rates have continued their downward trend and most economists believe that this direction of the money market will be extended at least into the third quarter of the year."

He also pointed out that definite and multitudinous economic signs should lead to a general reduction of dividend rates beginning with the next semi-annual fiscal period.

Mr. Stipp also explained that the current reduction in interest rates on advances by the bank to member associations was "in line with the economic trends this year."

Daniel F. Rice Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Edward T. Keeley has been added to the staff of Daniel F. Rice and Company, 317 Seventy-first Street. He was previously with Gordon Graves & Co., Inc.

Joins First Fla. Inv.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — William A. Collar has joined the staff of First Florida Investors Inc., 51-53 East Robinson Avenue.

Midland Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Claude V. Cochran has been added to the staff of Midland Securities Co., Inc., 1016 Baltimore.

Khrushchev's Challenge

By ALLEN W. DULLES*
Director of Central Intelligence Agency, Washington, D. C.

Without discounting U. S. S. R.'s military threat, our top intelligence chief foresees fateful cold war battles fought in the economic and subversive arenas. Mr. Dulles details rapid pace of Soviet economic progress, particularly the nature of its direction, to show why it poses the most serious challenge we have ever faced. U. S. A. business leaders are told our recession is an expensive luxury and that it feeds the fires of U. S. S. R. propaganda regarding free enterprise, and are advised of consequences apt to follow successful Soviet penetration of Western European markets and non-communist underdeveloped areas.

Today the Soviet Union, through its very vocal leader, Khrushchev, is directly challenging the United States in the fields of industrial development and foreign trade and aid as well as in military matters. The other day he remarked, "To the slogan that says, 'let us arm,' we reply with the slogan, 'let us trade'." The economic challenge is a dual one. They are setting goals for their own domestic production to compete directly with our own and to quote their words, "to get ahead of us in the economic race." The other phase of their challenge is through their foreign economic penetration program.

Allen W. Dulles

I shall discuss both of these challenges. But before doing so, I shall analyze briefly the development of Soviet policy over recent years, as this, I feel, helps to explain why they have turned to the economic and industrial fields to promote their long-range international policies.

Past Soviet Policy

In the immediate postwar period, Stalin relied on military and paramilitary action and the military threat as the chief weapons for the advancement of Soviet aims.

It was with military force that the Soviet took over and established their control in the European Satellites and repressed the democratic forms of government which tried to find root immediately after the war. It is with military occupation force and the threat of force that they still hold their position in Central Europe.

Then in Iran, in Greece, and at Berlin in the early postwar years, it was force and the threat of force that was used in the attempt to break down the free world defenses. Through the Marshall Plan and our growing military preparedness following Korea, this threat was contained in the West; but China was overrun by the Communists and Northern Vietnam taken.

These and other military and subversive maneuvers alerted the free world to the dangers of Stalin's policies. Our countermeasures tended to make them counterproductive. Stalin was posthumously discredited by Khrushchev. Stalin's programs were generally repudiated by his successors who literally trembled at the risks he had taken at a time when the Soviet had no atomic capability to match our own. It is well, however, that Khrushchev's ruthless repression of liberty in Hungary with Soviet troops should stand as a reminder to us that Stalinist tactics may at any time be revived if the Soviet Union feels its vital interests are affected.

Today we face the subtler policies of Nikita Khrushchev. Will they be more or less effective than the Stalin policies in achieving the over-all aims of international Communism?

Of course, I do not mean to discount the seriousness of the Soviet military threat or its challenge in the scientific and technical fields on which advanced weapons systems depend. But as I see it, under its present policies, the U.S.S.R. does not intend to use its military power in such a way as to risk general war. They have a healthy respect for our retaliatory capability.

Furthermore, the Soviet success with Sputniks and in the field of ballistic missiles has well elerted us to the military danger and our missile and other programs are receiving top priorities. We must, however, be ever watchful of the Soviet emphasis on the military applications of science and technology in order to anticipate any attempts at a breakthrough which would change the balance of military power.

Barring such a possibility, it is most probable that the fateful battles of the cold war will, in the foreseeable future, be fought in the economic and subversive arenas.

Soviet Economic Threat

To understand the seriousness of the Soviet economic threat, it is essential to understand the Soviet economic and industrial base on which they are developing their economic penetration program.

Since 1928 the Soviet Union has developed rapidly from a predominantly agricultural and industrially underdeveloped country to the second largest economy in the world. Forced draft industrialization, emphasizing heavy industry, was carried out by Stalin to prevent, to quote his words, another beating of backward Russia by the more economically advanced capitalist countries. Forced draft industrialization continues in Russia today, and now the emphasis is more positive: namely, to meet Khrushchev's goal of "catching up and surpassing the United States in per capita production within the shortest possible historical period of time." This theme is being used not only as internal propaganda but also to propagate the Soviet faith abroad.

Comparison of the economies of the U. S. and the U.S.S.R. in terms of total production of goods and services indicates the U.S.S.R.'s rapid progress.

Whereas Soviet gross national product was about 33% that of the U. S. in 1950, by 1956 it had increased to about 40%, and by 1962 it may be about 50% of our own. This means that the Soviet economy has been growing, and is expected to continue to grow through 1962, at a rate roughly twice that of the economy of the United States. Annual growth over-all has been running between 6 and 7%, annual growth of industry between 10 and 12%.

These rates of growth are exceedingly high. They have rarely been matched in other states except during limited periods of postwar rebuilding.

A dollar comparison of U.S.S.R. and U. S. gross national product in 1956 reveals that consumption—or what the Soviet consumer received—was less than half of total production. It was over two-thirds of the total in the U. S. Investment, on the other hand, as a proportion of GNP in the U.S.S.R., was significantly higher than in the U. S. Furthermore, investment funds in the U.S.S.R. were plowed back primarily into expansion of electric power, the metallurgical base, and into the producer goods industries. In these fields, it was over 80% of actual U. S. investment in 1956, and in 1958, will probably exceed our own. Defense expenditures, as a proportion of GNP in the U.S.S.R., were significantly higher than in the U. S.; in fact, about double.

Soviet industrial production in 1956 was about 40% as large as that of the U. S. However, Soviet heavy industry was proportionately larger than this overall average, and in some instances the output of specific industries already approached that of the U. S. Output of coal in the U.S.S.R. was about 70% of that of the U. S., output of machine tools about double our own and steel output about half.

Since 1956, Soviet output has continued its rapid expansion. In the first quarter of 1958, Soviet industrial production was 11% higher than a year ago. In comparison, the Federal Reserve Board index shows a decline of 11% in the United States.

According to available statistics, in the first quarter of 1958, the Sino-Soviet Bloc has for the first time surpassed the United States in steel production. The three months figures show that the U.S.S.R. alone turned out over 75% of the steel tonnage of the U. S.

Expensive Luxury of a Recession

A recession is an expensive luxury. Its effects are not confined to our own shores. Soviet propagandists have had a field day in recent months, pounding away at American free enterprise.

Every Soviet speech, magazine article, or radio broadcast beamed to the underdeveloped nations plays up and exaggerates our economic difficulties. The uncommitted millions are being told by the Communists — "see, we told you so. Crises and unemployment are inevitable under capitalism. Communism is the only true road to social progress." Our economy is giving the Communists a propaganda target as damaging, and I trust, as transitory as their own Sputniks.

Continued Soviet industrial growth has had a counterpart in increased trade with the free world. Over the past two years, their trade with the West has been moving ahead far more rapidly than it has within the Bloc itself. About 70% of the U.S.S.R.'s increase in non-Bloc trade in 1957 was with the industrial nations of Western Europe and, under agreements such as that just concluded with Germany, will expand still more.

Recent speeches by Soviet leaders — Khrushchev, Mikoyan, and Deputy Foreign Minister Zahkarov —stress the U.S.S.R.'s desire to expand trade with the Free World. Mikoyan, for example, said that the U.S.S.R. is "confident that with the establishment of normal trade relations a significant forward step will be taken along the road leading to the establishment of cooperative relations between the Soviet Union and the United States." This month, Zahkarov told the United Nations' Economic Commission for Europe that Western trade ministers should devote their energies to bringing about a long-run increase in East-West trade.

Soviet capabilities to export petroleum and metals — aluminum, tin, zinc, and ferro-alloys—is increasing. The U.S.S.R. is already a supplier in a few traditional Western metal markets. Over the years, the U.S.S.R. may well become a major source of many such industrial necessities to Western Europe.

This seems particularly likely if Khrushchev's 1972 commodity goals prove to be realistic.

Take, for example, petroleum. By 1972, the Soviets plan to produce as much crude oil as we in the United States do today. Even allowing for substantial increases in domestic consumption, they could export about 2 million barrels a day. Today, all of Western Europe consumes about 3 million barrels a day.

A start has already been made on the pipeline needed to bring the crude oil from the Ural-Volga basin to the Baltic.

U.S.S.R. Trade as a Weapon

Soviet ability to use trade as a weapon to advance its political aims will increase in a direct ratio to their success in realizing their economic goals.

For example, once they have penetrated Western European markets to the extent that these markets become substantially dependent on Soviet industrial raw materials, they will have available a new and formidable weapon of economic warfare. By withholding supplies, by capriciously raising prices, or by dumping commodities, the Soviets in effect will have a seat at the council table of the great industrial nations of Europe.

During the Suez Canal crisis, we saw a brief glimpse of Soviet capabilities to grant or withhold economic favors through the forms of its own petroleum exports. The increase in sales of metals and petroleum to Free World countries, which moved sharply upward in 1958, is not an economic flash in the pan. It is a reflection of growing Soviet industrial capacity.

Further, their governmental set up is well adapted to waging economic as well as political warfare. They have no budgetary controls when it comes to diverting funds to particularly urgent national policies. There need be no prior consultations with parliaments or the people.

This, briefly described, is the Soviet economic base and foreign trade program, as we analyse it today. It is to this base that Moscow is adding its foreign economic penetration deals designed to wean to its camp the uncommitted and newly developing areas of the world.

Recipients Not Limited to Followers

It is important at the outset to note that Soviet credits and grants are not limited to those countries where there is an early prospect of acceptance of Communist doctrine.

Of the $2 billion of development and military aid extended by the Sino-Soviet Bloc over the past three years—and this is exclusive of *intra-Bloc* aid which is a substantial drain on Soviet economy —large sums have gone to countries which are not now in the Soviet camp.

Let us get down to cases: In Egypt the Communist party was outlawed at the time of the Bloc's

Continued on page 30

*An address by Mr. Dulles to the 46th Annual Meeting, Chamber of Commerce of the United States, Washington, D. C., April 28, 1958.

Businessmen are the Key to Revival and Future Expansion

By HON. SINCLAIR WEEKS*
Secretary of Commerce

In ushering in recent two-day American Management Assn's "Economic Mobilization Conference," Commerce Secretary Weeks praisingly endorses businessmen's key role in economy's revival and future expansion. Presents data projecting great growth ahead in next decade. Sees, for example, nearly 50% rise in Gross National Product and per capita personal income growing from $1,931 to $2,310.

This meeting is needed by America right now. It will make known to businessmen everywhere and to the general public the fact that private management is mobilizing its vast resources to improve the current economic situation and to continue economic growth.

Sinclair Weeks

This two-day program should have a significant impact for good upon sales, production and jobs. I am sure that confidence generated here will be reflected to the nation.

This conference demonstrates private enterprise at its best, with emphasis on both words—private and enterprise.

I congratulate you because, instead of sitting back or pleading with Uncle Sam to run everything, private management itself will describe what is being done by business to encourage increased business activity.

"Do It Yourself" Project

It is an inspiring "do-it-yourself" project in healthy revival.

Your meeting is in keeping with the traditional American outlook on life. All through our history, optimism has been a chief characteristic of Americans. The fact that our economy has grown to first place in the world is proof of the foresight of optimists.

Confidence is a basic ingredient of economic health. But confidence requires facts for nourishment. Faith without facts could be merely wishful thinking.

Therefore, this conference will render a great service to business and to the public by presenting the whole truth about the economic situation — both the good and the bad — and by looking ahead with the same realism.

For when the complete picture of our economic foundation is examined and its growth potential is appreciated, faith in our nation's future waxes strong.

As I said before, this is not a conference in which government tells business what it ought to do. This is a conference in which businessmen, themselves, tell one another what can be done to increase the pace of recovery.

Government, of course, can do much to create and maintain a climate in which private initiative can function successfully. On the other hand, experience has shown that government also can disturb business, hamper business and even wreck business.

Government can scare customers by panic propaganda and by reckless policy and legislation. Government can pile up future tax burdens through excessive deficit financing. Government can blow an icy wind that overnight freezes public confidence.

This Administration intends that government shall be a stepping-stone and not a stumbling block. I assure you it will do everything possible to build a firm foundation for confidence.

However, irrespective of government's role in the economy, the star is business. For the chief business of private industry is to make private industry succeed.

Key to Revival

Therefore, businessmen, representing more than four million independent enterprises, are the key to revival and future expansion. Their information, their attitudes, their decisions, their efforts and their confidence will be among the most potent factors in this year's economic picture.

Their progress will bolster the job security of the nearly 63 million workers now employed and will create additional job opportunities. Businessmen are the nation's chief hope for steady, sound recovery.

Our free enterprise system is the most powerful economic system on earth. Our national product is more than double that of our nearest competitor, the Soviet Union.

The prospect for great growth in the coming years is clear to realists with vision.

Among plus factors forecasting progress are increased population, expanded education, research, world trade and other generators of markets.

Projects 10-Year Data

Here are some statistics which I have gathered that project great growth. They anticipate a market which should inspire the confidence of every businessman.

I have set them up on a ten-year series: 1948—now—and 1968.

	1948	Now	1968
Population (millions)	146.6	173.0	205.5
Households (millions)	40.5	50.4	60.3
Employment (civilians and armed forces) (millions)	60.8	*66.7	80.5
Gross national product (billions of 1957 $)	$314	$416	$600
Personal income (billions of 1957 dollars)	244	334	475
Personal income per capita (1957 dollars)	1,665	1,931	2,310

*Seasonally adjusted.

Sure, we see some weaknesses now—and with the help of business, we are getting rid of them. But, with equally sharp eyes, we also can see our nation's great strength and its great future possibilities.

I should like to hand on to you some advice from a Vermont Yankee, who in his day faced situations before which the faint-hearted quailed.

I speak of Ethan Allen of Revolutionary War fame. Certain fearful members of the Continental Congress suggested that the guns and supplies which Allen had captured at Fort Ticonderoga be handed back to the British.

This was too much for this stouthearted New Englander. He blew up in a combined burst of anger and sublime faith. He wrote to Congress:

"I wish to God America would at this critical juncture exert herself . . . She might rise on eagle wings and mount up to glory, freedom and immortal honor if she did but know her strength."

Some of that faith rubbed off on Congress and it sent the guns to George Washington at Boston.

This Mobilization Conference, aflame with the spirit of Ethan Allen, can do much to inspire confidence all over this land. It can help America to know her great strength. It can stimulate businessmen at this critical juncture to use the thrust and vigor of private enterprise in building a better future for themselves and all other Americans.

*A talk by Mr. Weeks before the Economic Mobilization Conference of the American Management Association, New York City, May 19, 1958.

$32 Million Ohio Construction Bonds Marketed

Blyth & Co., Inc., Lehman Brothers, Halsey, Stuart & Co. Inc., B. J. Van Ingen & Co., Inc. and The Ohio Company are joint managers of the group that made public offering on May 20 of $32,000,000 State of Ohio Major Thoroughfare Construction Bonds, series J, at prices to yield from .75% for those due Sept. 15, 1958 to 2.85% for the 1971-72 maturities. The group was awarded the issue on a bid of par for a combination of 6%, 2%, 2.40%, 2½%, 2.70% and 2.80% coupons, a net interest cost of 2.673%.

These Series J bonds, which are rated Aa by Moody's and A-1 plus by Standard & Poor's, are the 10th instalment to be issued of $500,000,000 authorized by the electors by amendment of the State Constitution in 1953. They are being issued for the purpose of providing moneys for the acquisition of rights-of-way and for construction and reconstruction of State highways. They are payable, as to both principal and interest, solely from fees, excises or license taxes levied by the State on vehicles and fuels. The constitution provides that a sufficient amount of the proceeds from these taxes be set aside each year for debt service on the bonds without legislative appropriation.

Among those associated with the managers in the offering are:

Braun, Bosworth & Co. Inc.; Drexel & Co.; The First Boston Corp.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Harriman, Ripley & Co., Inc.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Lazard, Freres & Co.;

McDonald & Co.; Merrill Lynch, Pierce, Fenner & Smith; Phelps, Fenn & Co.; Smith, Barney & Co.; White, Weld & Co.; A. C. Allyn & Co., Inc.; Bear, Stearns & Co.; A. G. Becker & Co., Inc.; Blair & Co., Inc.; J. C. Bradford & Co.; Alex. Brown & Sons;

R. S. Dickson & Co., Inc.; Equitable Securities Corp.; Hornblower & Weeks; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; R. W. Pressprich & Co.; Shields & Co.; Stone & Webster Securities Corp.; and Dean Witter & Co.

A. M. Kidder Adds

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—Lawrence R. Wagner, Jr. is now affiliated with A. M. Kidder & Co., Inc., 207 East Las Olas Boulevard.

With Dayton Company

(Special to The Financial Chronicle)

MIAMI, Fla.—Stanley V. Hume is now affiliated with Dayton Company, 7245 Southwest Fifty-seventh Avenue.

Joins Douglas Bark

(Special to The Financial Chronicle)

LAKELAND, Fla. — George E. Steinmeyer, Jr. has joined the staff of Douglas E. Bark & Company, 1118 East Palmetto Street.

Atomic Policy in the Space Age

By HON. ROBERT McKINNEY*
United States Representative,
International Atomic Energy Agency, Vienna, Austria

Our international atomic energy spokesman urges we continue to maintain world technological leadership by giving the "highest possible priority" to "the early construction of civilian atomic power plants abroad." Mr. McKinney avers extensive world market the Agency is helping to open up offers industrialists great benefits and permits them to talk to potential customers more specifically about costs and other details. Claims there is no better evidence of leadership than reactors of American design or fired with American fuels feeding electricity throughout the world, and that our friends and Allies must help in this competition as the stakes are as high for them as they are for us. States new world Agency is dedicated to furnishing the deficit world areas with: dependable supplies of nuclear fuels and reactor materials; isotopes and radiation developments, and health-safety program.

Last October the brilliance of one of the world's great political accomplishments — the formation of a worldwide organization dedicated to the peaceful uses of atomic energy — was eclipsed by an outstanding technical accomplishment — the launching of the first artificial satellite for the exploration of space.

Robert McKinney

One of my first lessons in the implications of Sputnik happened by chance to take place at a luncheon at the Russian Embassy in Vienna the day after the Russian moon rose into its orbit. My luncheon partner—the chairman of the Soviet Commission for Atomic Energy, his country's Ambassador to the International Atomic Energy Agency, and an eminent scientist in his own right — occupied our visit by explaining how this and other earth satellites could add to our knowledge of the universe. It was, he said, not as a soldier or politician—or, indeed, as a Communist — that he was proud his country had been first; it was as a scientist himself.

Space Vehicles and Atomic Energy

Our generation's interest in the wonders of the universe was first directed to one extreme of the range, the microcosmos within the atom. But the many peaceful uses of atomic energy which were foreseen following the discovery of fission were obscured by World War II. And now, the perfection of rockets and earth satellites focuses our interest at the other end of the range, the macrocosmos of infinite space. Here again, because of the Cold War, the military uses of space vehicles obscure their peaceful uses.

The discovery of atomic fission was not due to coincidence or luck. Rather, it was the result of long search and cumulative progress by scientists in many countries. Few, if any, of the early investigators worked in the hope that their discoveries would lead to destructive forces beyond their own powers of comprehension. Military applications of atomic energy were more often the by-product than the inspiration of science. Similarly, our desire to girdle the world with man-made moons was not to fill some military procurement contract, but came from man's God-given drive to know all we can about creation. But, as in the case of atomic energy, the first large-scale application of our knowledge of rocket propulsion was in the manufacture of weapons. World War II versions of these missiles were aimed from the European continent inaccurately at targets around London. Improved versions now make it possible for missile attacks to be launched inaccurately toward targets thousands of miles away. And the greater the distance by which the target is likely to be missed, the more hideously powerful the explosive which the vehicle must carry.

The relationship between these two startling developments — atomic energy and space vehicles —goes beyond the parallel I have described. Because military requirements obscured the latent peaceful benefits, it was not until long after the discovery of fission that programs were launched to develop peaceful atomic benefits for the world at large. And today, only shortly after the first three instrumented satellites have climbed into their orbits, there is danger that the peaceful potential of space propulsion will be obscured.

There is no question in my mind that the decision of the United States to press forward with military applications of atomic energy and missiles is correct. We dare not divest ourselves unilaterally of the powerful deterrent effect of the new weapons systems formed by adapting nuclear and thermonuclear explosives to long-range missiles. Such a development is a natural and necessary measure for ensuring our national security. But we should not forget that it was the opportunity to use warheads capable of devastating huge areas that made investigation of long-range ballistic missiles militarily interesting. Without nuclear warheads, these missiles would not go far in replacing conventional weapon delivery systems, as their high cost would prohibit their use for carrying low-yield explosives.

It is in this context that I would like to discuss the subject "Atomic Policy in the Space Age." First, I would like to establish a basis for this discussion by giving a brief status report on the International Atomic Energy Agency, touching upon what the Agency was designed to do, and where it stands today. I would next like to suggest what the United States and the American atomic industry can expect to receive from the Agency. In the course of these remarks, it will be my purpose to raise some of the more critical policy considerations which the advent of the Space Age makes necessary.

Explains Agency's Work

For nearly four years representatives of many nations, inspired by President Eisenhower's declaration before the United Nations in Dec. 1953, had negotiated with patience and devotion to create an instrument by which

Continued on page 31

*An address by Mr. McKinney before the Atomic Energy Management Conference of Atomic Industrial Forum and National Industrial Conference Board, Chicago, Ill.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market correction bumped bottom this week without having retreated very far under the 460 level while, on the other hand, finding support without sinking as low as the 450 level as some technicians had expected. It was a middle-of-the-road demonstration, consequently.

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Among the more favorable aspects was that quality leadership took over to stem the correction, steels being prominent in the van as the industry production continues to edge up moderately. The normally slow-moving U. S. Steel in one session carved out an advance of nearly two points which is not its wont.

* * *

American Telephone was prominent on persistent strength that carried it to the best price of the year early in the week. The languid golds, which in the past were a recession shelter, were also in continued demand with several posting new highs. Even the oils, which were unsteady on the latest rash of crises abroad, steadied and some of the domestic outfits were able to join in on general market strength.

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The erratic item was Polaroid which, as has happened recently, was beset by rumors of competitors moving in on it. Although these were denied as fast as they came along, the stock had some rough moments that kept this erstwhile wonder-worker effectively restrained.

Rising Short Interest

Part of the general strength, too, was attributed to expectations of a large increase in the short interest which proved to be directly on target. When the short interest was issued it showed a 704,000-share jump to 5,472,000 shares which was second only to the record 5,589,000 shares in May, 1931, when such figures were compiled for the first time in history. With some four times the shares listed currently as were on the Big Board in 1931, any increase in skepticism could easily erase this 27-year old record.

* * *

Also its subject of considerable skepticism were the oil companies, and particularly those whose forte is finding and producing oil. In part this stemmed from the fact that, after years of sitting pat, some of the investment companies were lightening their holdings of such a producer-favorite as Amerada. More important was the glut of oil in storage, but the industry has made important strides in cleaning this up via cutbacks in refinery runs and production. In any event it appeared that the problems were dissolving and an occasional member of the group, including Ohio Oil and Richfield, was able to struggle to the new highs lists. Even the laggards weren't threatening their lows to any great extent, so the market generally hasn't given up on the oils yet. What had been accomplished, however, was an end to the fad of picking out likely merger candidates where reserves could be bought more cheaply than by direct drilling.

Merger Candidate

A perennial merger candidate is Bestwall Gypsum which, among others, at one time was holding discussions with Johns-Manville but at the moment there would seem to be nothing going on even in the talking stage.

* * *

Bestwall, however, is in a business where the commercial deposits of gypsum are owned by established companies and the only way to get into the field is by buying out a company with such reserves, so the merger rumors probably aren't going to be stilled for long. The company itself seems to have abandoned such ideas and is pursuing an aggressive expansion program that aims at doubling its capacity. The downturn in residential building last year adversely affected the company's results but with housing starts seen as increasing the prospects are brighter. Bestwall, in fact, was able to boost earnings in the first quarter while its two largest competitors showed drops. Meanwhile, the stock has retreated nearly 40% from its high of two years ago. The stock is not on any yield lists since no dividends are being paid or are likely for several years until its expansion is completed. Holders have been getting stock payments only.

* * *

Despite the prospect of sturdy earnings at a time where lower results are general, the aircrafts were far from being in urgent popularity, Boeing for instance holding in about an eight-point range this year against the loss of 50% of its peak price to last year's low on a swing of more than 32 points. Boeing, however, is highly regarded among those who note its large backlog for commercial jet transports which makes it more immune than the others to shifting government orders. There is a good chance its earnings this year might hit record levels and at recent prices it was selling at less than seven-times the 1958 profit projection.

Newly Emerging Defensive Group

Another defensive group that, at least among the market analysts, was coming into favor was the shoe industry where stability is the rule. When speculative fever is around it is concentrated elsewhere which makes the shares laggards. Yet Brown Shoe, for one, by expansion and acquisition has tripled its sales in the last decade which isn't exactly a pattern of no growth. Record sales were chalked up last year by Brown and a new record is anticipated for this year, yet the stock has held at only around 10-times last year's earnings and less than 10-times anticipated profit for this year. Its indicated yield is well into the 4% bracket and the company, which boosted its payout last year but still retained more than 50% of earnings, is something of a candidate for a dividend boost in addition.

Two Interesting Retailers

In the stores section May Department Stores has an excellent record of being able to maintain profits even when the general economy is troubled. The stock has been available at a yield well above 5%, in large part because of a dip in earnings for the last fiscal year despite record sales for the third year in a row. The pinch on earnings, however, was mostly due to large costs in its expansion program and, with some large projects still underway, no immediate improvement is in sight. But once these costs tail off, a sharp rebound could be experienced particularly if it is coincident with a general economic upturn.

* * *

Also in the stores group, Gimbel Brothers was able to post highest earnings in a decade on record sales for its latest fiscal year with more improvement in sight for the current year. Its dividend was covered twice over last year and improved earnings would make it a dividend boost candidate. However, at present levels it returns nearly 6%, definitely above-average.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Bond Club of New York Receives Nominees

Harold H. Cook of Spencer Trask & Co. has been nominated for President of the Bond Club of New York to succeed Sumner B. Emerson of Morgan Stanley & Co. The election will take place


Harold H. Cook


W. B. Chappell


Allen J. Nix

June 6 at the club's annual Field Day at the Sleepy Hollow Country Club, Scarborough, New York.

Nominated to succeed Mr. Cook as Vice-President of the Bond Club is William B. Chappell of The Boston Corporation. The new slate of officers also includes Allen J. Nix of Riter & Co., nominated for Secretary, and Macrae Sykes of Shields & Co. for Treasurer.

As new members of the Board of Governors, the club has nominated Ernest W. Borkland of Tucker, Anthony & R. L Day, Allen C. DuBois of Wertheim & Co., Avery Rockefeller Jr. of Dominick & Dominick, and Earl K. Bassett of W. E. Hutton & Co.

Jos. Faroll Partners

On May 29th, James M. O'Hern, Kenneth J. Kurash, and Stuart B. Rafkind, members of the New York Stock Exchange, will be admitted to partnership in Joseph Faroll & Co., 29 Broadway, New York City, members of the New York and Midwest Stock Exchanges. On the same date Eugene Greenberger and Roland B. Stearns, general partners, and Richard W. Baron, Bernice D. Faroll, Barbara E. Lans and Asher Lans, limited partners, will retire from the firm.

John G. Morgan Mutual Fund Manager for Kidder, Peabody & Co.

John G. Morgan has become mutual funds manager for Kidder, Peabody & Co., 17 Wall Street, New York City.

Join Walston Staff

Joseph P. McCluskey and T. C. Yang have become associated with Walston & Co., Inc., 74 Wall St., New York City, members of the New York Stock Exchange, as registered representatives. Mr. McCluskey will be in the Commodity Department.

With Josephthal Co.

BROOKLYN, N. Y.—Josephthal & Co., members of the New York Stock Exchange, announce that Harold S. Schifreen is now associated with the firm as a registered representative in the Brooklyn office, 186 Montague Street.

With Woodcock, Hess

PHILADELPHIA, Pa. — Woodcock, Hess, Moyer & Co., Inc., 123 South Broad Street, members of the New York Stock Exchange and other leading exchanges, announce that Gustav H. Rosser is now associated with them as a registered representative.

The Need for Reducing The Corporate Income Tax

By DON M. SOULE

Assistant Professor of Economics, University of Illinois

Illinois professor offers an economist's insight on the need for corporate income tax reform, submits a tax reform plan, and discusses advantages and possible criticism. In advocating a tax be levied on corporate retained earnings only, so that it would apply to profits and not to costs, Dr. Soule explains why dividends should be excluded from taxable corporate net income and a graduated lower rate be applied to smaller corporations to benefit them rather than to penalize the larger corporation. Warns that excessive progression in our tax systems may be a luxury we cannot afford.

The need for basic revision of the Federal corporate net income tax has been brought sharply into focus by recent empirical studies which indicate that, over the long run, successful corporations have been able to adjust their costs and prices so as to maintain the average rate of return (after tax) on net worth. Economic analysis teaches that if business earnings are reduced by tax below some necessary amount, adjustments will take place over the long run to restore necessary earnings. Therefore, the failure of after-tax earnings to decline (on the average for all profitable manufacturing corporations over the long run) in the face of higher tax rates strongly suggests that a large part of corporate profits is cost or necessary earnings rather than economic profit.

Don M. Soule

The main purpose of the corporate income tax is to tax income which is retained in the corporation and therefore is not reached by the personal income tax. Most estimates of stock ownership show heavy concentration in the higher income groups where incomes are subject to high marginal rates of tax. The present corporate tax rate of approximately 52% on both dividends and retained earnings represents a rate of somewhere between 67 and 100% on retained earnings alone.* Of course, individual stockholders are over- or under-taxed depending on their tax brackets, and corporations with equal profits but different payout ratios are taxed at different rates on retained earnings. But the present arrangement for taxing corporate profits does accomplish the purpose of taxing retained earnings at the approximate, average personal income tax rate which would apply if all of corporate profits were distributed as dividends.

It is almost universally agreed that a tax on personal net income cannot be shifted. Therefore, a corporate income tax which merely simulates the results of a personal income tax should not be shifted. But empirical evidence as well as informed opinion strongly indicate that the corporate income tax is shifted. One likely solution to this paradox is that retained earnings are not personal income of stockholders but rather are costs or necessary earnings which lack tax paying ability.

The usual distinction between cost and profit applicable to the partnership form of business in a purely competitive and stationary economy may be inappropriate for large corporations competing in a changing and growing economy. One of the most distinctive characteristics of the large corporation is its ability to provide the large amounts of investment funds which are necessary in a competitive process emphasizing economic change and growth. The dominant form of business organization measured in value of goods produced, is the large corporations, but the tax laws have not been designed to take its peculiar characteristics properly into account. This neglect not only has allowed tax shifting but, as will be shown below, has caused undue hardships on small and new corporations. Corporate-profits taxation would be improved greatly by a more realistic distinction between cost or necessary earnings and profits.

Competition and Necessary Earnings

The tax-paying capacity of corporate retained earnings might best be determined by considering the use to which they are put. Retained earnings play a strategic role in the competitive process because they are an important source of growth funds. Looking back at the economy's performance over a long period of time, it becomes clear that the important aspects of competition are the development and introduction of new and improved products and lower-cost methods of production. The major objective of any business enterprise is to increase its sales and profits, and this can be done more effectively by improving its product or lowering its costs than by cutting the price on existing types of goods produced with existing facilities. A price cut can be matched immediately by all existing firms, but introduction of new products or methods can be matched only if and when competitors can imitate or improve on the innovation. In the typical market situation of a few large firms, increased sales by one firm cause such a large reduction in sales of other firms that retaliation is imperative. Thus the long-run competitive process has become one of almost constant improvement and expansion of products and facilities in which each businessman tries to increase his share of the market while at the same time adjusting to similar efforts by other businessmen. Innovation and imitation require large amounts of investment funds; consequently, those firms which are best able to obtain the necessary investment funds have one important advantage.

The modern large corporation possesses three characteristics which give it a good chance of surviving in the long-run competitive process. First, it usually can obtain sufficient monopoly power to protect innovational profits by delaying imitation and entry by other firms. Second, it has the ability to retain a large part of these extra profits in the corporation with or without stockholder consent. Third, it has the ability to obtain, when necessary, investment funds from the organized capital markets by sale of stocks and bonds. In so far as continuous improvements in products and techniques are necessary for survival in the long-run competitive process, the large corporation has an important advantage. From the point of view of consumer welfare, however, domination of most important industries by large corporations earning high profits has generally been regarded as undesirable. The theory that consumer welfare is maximized in a capitalist or free-enterprise economy assumes that industries are made up of a large number of small firms earning only normal profits. However, this theory gives inadequate consideration to economic change. When the desired long-run improvements and expansions of products and productive facilities are taken into consideration, the modern large corporation could very easily be regarded as a significant social invention because of its ability to acquire the needed investment funds.

Innovational Profits

Some writers have expressed great doubt that, in a purely competitive economy, the extra profits from innovation would be sufficiently large in amount and long in duration to call forth the types and numbers of improvements to which the public has become accustomed. The basis for this doubt is the great ease of entry and imitation in pure competition which causes innovational profits to be of short duration. According to this view, it is only by possessing a degree of monopoly power which prevents or significantly delays imitation and entry by other firms that a firm can expect to preserve the extra profits from innovation and thus provide an amount of profit which will justify the investment and risk undergone in financing the innovation. In the typical industry dominated by large corporations, these extra profits tend to be retained in the corporation and to finance further improvement and expansion of products and facilities. Thus the extra profits of innovation are both the incentive to innovate and a major source of funds to finance further innovations. In so far as these changes would not occur in sufficient amounts without these extra profits, the large corporation need not be regarded as an unmitigated evil.

Admittedly, the fact that retained earnings are a major source of funds used to finance the development and introduction of new products and improved techniques of production does not necessarily prove that these extra profits are a necessary cost of staying in business. Growth funds could be obtained by other methods. It also is impossible to prove that the desired rate of growth and change could not be achieved if all industries consisted of a large number of small firms which paid nearly all of their earnings in dividends. It is important to note, however, that great progress has been made without these theoretically perfect conditions and that expansion out of retained business profits is typical of the successful business enterprise. But the most convincing evidence that a part of corporate retained earnings might be a cost of staying in business over the long run is to be found in empirical studies showing that successful corporations generally have not suffered reductions in their after-tax rates of return on net worth. That is, the corporate income tax apparently has been shifted.

Shifting of the Corporate Income Tax

The most important factor causing the corporate income tax to be shifted is its effect on retained earnings. Over the years, the individual firm must improve and expand its products and facilities if it would maintain its share of a changing and expanding market. Retained earnings are the preferred source of growth funds for large corporations, and for smaller corporations they are virtually the only source. Because of the common practice of paying only a necessary minimum rate of dividends and using the remainder of corporate profits for re-investment, the corporate income tax bears, to a large degree, on funds which otherwise would be used to finance improvement and expansion of products and facilities. This reduction in retained earnings has a crippling effect on those corporations which lack access to external funds, but it need not prevent necessary growth for corporations with good earnings records and credit ratings and the ability to sell stocks and bonds to the general public or borrow from banks. Consequently, those corporations with access to external funds are able to increase their market shares and earnings whereas other corporations are not. The changes in rates of return on net worth accompanying these changes in market shares have the effect of shifting part of the corporate income tax burden from successful to unsuccessful corporations.

Another part of the corporate income tax probably has been shifted forward to consumers in a greater spread between cost and price. Although part of this greater spread has been allowed by a higher rate of turnover (ratio of sales to investment), price increases have played an important role. The corporate income tax has a stimulative effect on total spending and the price level because it reduces one of the main sources of investment funds without reducing, by an equal amount, the desire to invest. Initially, the corporate income tax is paid mainly out of corporate savings and has little direct effect on dividends and consumption. Most other types of taxes bear on consumption to a much greater degree. Therefore, use of the corporate tax rather than greater use of other taxes has the effect of causing consumption to be a higher percentage of national income than otherwise. Increased consumption added to government expenditure of tax revenue (which would be the same regardless of the tax form) constitutes an increase in spending by businessmen's two main customers — consumers and government. In the face of increased spending by customers, the **desire** to invest could hardly be expected to decline by the full amount of the tax. Private investment in excess of private savings could be financed by expansion of a generally flexible supply of bank credit. Thus the sum of spending by consumers, government, and investors would be larger, and this increase in total spending would allow part of the corporate income tax to be shifted forward in higher prices.

On the basis of the above analysis, it would seem that the corporate income tax has been shifted almost out of necessity because some elements of cost or necessary earnings are included in taxable corporate net income. Because of the adverse effects on those corporations which are unable to obtain external investment funds, the possible adverse effects on total investment, and the improper distribution of the tax burden which might result from the shifting of a supposedly non-shiftable tax on corporate profits, it would be desirable to modify the corporate income tax so that it would apply only to profit and not to costs.

The Proper Base for a Tax on Profit

The minimum requirement for removing cost elements from the definition of taxable corporate net income would be the complete exclusion of dividends. Because of the widespread practice of maintaining dividends at a fairly stable percentage of stockholders' investment and using the remainder of profits for expansion, it would be sufficiently accurate to regard actual dividends as necessary dividends. Exempting dividends from the corporate income tax would apply the present rate of approximately 52% to retained earnings alone and would represent a substantial reduction from the present 67 to 100% rate. It is difficult, however, to determine whether or not 52% would be a proper rate of tax on retained earnings.

If retained earnings were regarded merely as stockholders' net income left in the corporation to avoid personal income taxes, crude justice would require that retained earnings be taxed at the average personal income tax rate which would apply if all earnings were distributed. A higher rate of tax might be justified if retained earnings were thought to include excessive or monopoly profits. But if retained earnings were thought to include some elements of cost or necessary earnings, the rate ought to be lower. Unfortunately, there is no way to prove definitely whether, and to what extent, retained earnings are costs, stockholders' income, or extra profits. But the preceding analysis strongly suggests that some part of retained earnings are necessary to provide the growth funds needed to finance those improvements and expansions of products and facilities which are important aspects of competition. Attempts to reduce retained earnings below this necessary amount have been the main cause of tax shifting and the consequent adverse effects on small and new corporations. A lower rate on retained earnings seems justified. Because of the great difficulty of determining exactly how much lower the rate ought to be, the complete exemption of dividends would offer a practical solution to the problem of overtaxation of retained earnings.

All sizes of corporations would benefit by a dividend exemption; therefore, the obvious question is how smaller corporations would receive a **relative** benefit. One advantage would be the reduced importance of the large corporation's ability to obtain external funds. With retained earnings increased, smaller corporations would more likely be able to finance necessary growth out of retained earnings, and the lack of external funds would not be serious. In addition, a lower rate of tax might be levied on the retained earnings of smaller corporations. Under the present law, a degree of graduation is accomplished by taxing the first $25,000 of profits at 30% and the remainder at 52%. A similar arrangement could be continued after the dividend exclusion.

For example, the first $10,000 of retained earnings might be taxed at 10%, the second $10,000 at 20%, etc. with retained earnings in excess of $50,000 taxed at 50%. A corporation earning $100,000 and paying $25,000 dividends would pay a tax of $27,500 on retained earnings of $75,000 for an effective rate of 36.7%. Under the present law, this corporation would pay a tax of $46,500 on retained earnings of $75,000 for an effective rate of 62%. A flat rate of 52% on retained

*For the years 1940 to 1956, dividends of all corporations averaged about 50% of after-tax earnings. Assuming a tax of 50%, a typical corporation earning $1,000,000 might pay $500,000 in taxes, distribute $250,000 in dividends, and retain $250,000. On the assumption that dividends would have been no higher had there been no tax, a tax of $500,000 would be paid on $750,000 of retained earnings (before tax). If dividends would have been 50% of total earnings had there been no tax, a tax of $500,000 would be paid on $500,000 of retained earnings. Thus a tax levied only on retained earnings would require a rate of at least 67% to equal the yield of the present corporate income tax.

earnings would, of course, be an effective rate of 52%. To avoid forced payment of dividends as a means of minimizing the tax on retained earnings, any graduation would best be designed as a benefit to smaller corporations rather than a penalty on larger corporations.

Advantages and Possible Criticisms

A tax levied only on corporate retained earnings would have several distinct advantages over the present tax. First, it would less likely be shifted, and many small, and medium-sized and new corporations would better be able to compete with larger and established corporations. Second, there would be no discrimination between stock financing and bond financing, and the basis for the "double-taxation-of-dividends" argument (regardless of its validity) would be eliminated. Third, pay-out ratios would be taken into account for tax purposes. At present, a higher pay-out ratio increases the total corporate and personal income tax bill on corporate profits. Fourth, there would be no necessity for an excess profits tax in time of war. Most increases in corporate profits (after renegotiation) would either be taxed as dividends under the personal income tax or, more likely, as increases in retained earnings under the corporate income tax. Changes in the level of rates or degree of gradation could be made, if necessary. Fifth, the incentive to invest would be increased in so far as the present corporate income tax is only partially shifted and thus has some discouraging effect on total investment. Sixth, the "disguise" would be lifted from the sales tax element of the present corporate income tax. The public could no longer enjoy the illusion that "monopolistic" corporations are somehow paying the costs of government with no burden on the consumer.

Several objections might be raised to the dividend exemption. For example, the possibility of avoiding the proposed tax seems quite obvious and inviting. A higher pay-out ratio would reduce retained earnings and thus lower the corporation's tax bill. However, such action is unlikely to happen (provided the rate schedule is not excessive) because of the need and preference for internally generated growth funds. Also, this "avoidance" would be thwarted by the personal income tax. If corporations presently paid all of their earnings in dividends, it would be very difficult to justify any tax on corporate profits, as such.

Another obvious criticism concerns the unfavorable experience with the Undistributed Profits Tax of 1936. There is the possibility that corporation executives might violently oppose what would be, essentially, an undistributed profits tax. However, the 1936 tax was an additional tax with excessive rates and was based on an anti-business, anti-profit philosophy. In contrast, the proposal to exclude dividends from taxable corporate net income and to levy a lower rate on the retained earnings of smaller corporations is based on a clear recognition that dividends are costs and that growth out of retained earnings is a legitimate business practice. Most of the defects of the 1936 tax would be avoided.

Finally, any proposal for tax revision involving a reduction in revenue must face the problem of replacing the lost revenue. Admittedly, the yield of the corporate income tax would be reduced; that is one of the main purposes of the proposed revision. However, to justify the imposition or continued use of a particular type of tax solely because of its yield is to allocate the costs of government on the basis of expediency. This type of reasoning has allowed us to maintain the corporate income tax at an overly-high rate for too many years. The result has been tax shifting and adverse effects on small and new corporations.

Present Shifting and Excise Tax

If, as many authorities now believe, the present corporate income tax is largely shifted through higher prices, we might replace a part of it with a Federal excise tax. The overall distribution of tax burden probably would not be changed very much. That is to say, we are already levying a Federal excise tax in the guise of a corporate profits tax. Thus the logic of a Federal excise tax is obvious. Incidentally, a general excise tax would serve the additional purpose of rationalizing the present system of Federal excise taxes.

The current recession might be used as an argument for more progression, and in that case an increase in the personal income tax would seem a logical replacement for a reduced corporate income tax. However, the personal income tax is already near the limits of progression, and any substantial increase in yield might not change its degree of progression very much. In addition, much of the reasoning supporting a reduction in the corporate income tax would seem to rule against more progression. And over the next 20 or more years, the great need for capital may necessitate a less progressive tax system. It is worth remembering that our present high standard of living resulted mainly from rapid accumulation of capital which, in most cases, has been associated historically with a considerable degree of inequality of incomes and wealth and regression in taxation. In the future, excessive progression in the tax system may well be a luxury we cannot afford.

Sidney J. Weinberg Is Honored by Harvard Club

Sidney J. Weinberg

Sidney J. Weinberg, partner in Goldman, Sachs & Co., New York City, received the Harvard Club's award for business statesmanship.

Form D. H. McDermott Co.

David H. McDermott, member of the New York Stock Exchange, and David H. McDermott, Jr. on June 2nd will form the Exchange member firm of D. H. McDermott & Co. with offices at 42 Broadway, New York City.

Joins McCarley & Co., Inc.

GREENVILLE, S. C.—Mrs. Dorothea White Lewis has joined McCarley & Company, Inc., members New York Stock Exchange, as a Registered Representative in their Greenville, South Carolina office, South Carolina National Bank Building.

James A. McKeough

James A. McKeough, partner in Laurence M. Marks & Co., New York City, passed away May 12.

Increased Use of Automation Forecast By Walter J. Niles

America, long leader in assembly-line techniques of production is in danger of losing this supremacy to Russia, according to Walter J. Niles, President, KDI Corporation, Rochester and Cincinnati, manufacturers of automatic production machinery.

"Make no mistake," he said at a luncheon meeting in New York City on May 20, "The technological war with Russia is not a cold war. Our American assembly lines will be out-moded in a decade. Whereas, we must believe that technologically speaking Russia with her Sputnik program is making a strong bid for leadership."

Mr. Niles continued by stating that there is a silver lining to the picture. "The present recession is making for a multi-billion-dollar boom in the field of automation and will soon bring to all assembly lines the highest quality standards." And then, he added, "we will out-produce any nation in the world in any production field, including Sputniks."

He explained that the boom in automation which would soon result in more and bigger satellite missiles and more and better washing machines, is coming about during this recession period through a combination of the following elements: out-moded assembly lines, higher consumer standards, increased demands for safety, costly consumer appliance servicing and the natural economics of our free democratic system.

With Milwaukee Co.

MILWAUKEE, Wis.—John K. Thompson has joined the research department of The Milwaukee Company, 207 East Michigan St., members of the Midwest Stock Exchange, it was announced by Joseph T. Johnson, President.

Previously, Mr. Thompson was on the sales staff of Paine, Webber, Jackson & Curtis and in the bond research department of the Northwestern Mutual Life Insurance Company.

Change and Challenge in 1958

By L. L. COLBERT*
President, Chrysler Corporation
Detroit, Mich.

Mr. Colbert points out that the auto industry, despite its admittedly key importance in the economy, cannot by itself provide the big push toward recovery. To achieve this and keep in proper balance individual's incentives with country's progress, the auto leader recommends as one important step reforming our tax policy to serve as an incentive to national progress. Urges Federal income tax allowances to replace worn-out or obsolete equipment be realistically increased to meet and encourage the fast rate of change in modern history, and that auto excise taxes be removed or drastically reduced to stimulate business.

Right now, with the general level of business down considerably from the heights reached in 1957, everybody seems to have his eyes turned toward Detroit. People are looking to the automobile industry to provide a big push toward recovery. This includes policy makers in Washington, steel executives in Pittsburgh, and economists everywhere.

L. L. Colbert

They look hopefully in our direction for a very good reason. When you consider it as a whole, including factories, dealers, suppliers, service stations, and all related activities, the automobile business is one of the key sectors in the economy—and what happens to our sales and production thus has an important bearing on the prosperity of the entire country. One out of every six businesses and one out of every seven workers in the United States are directly dependent upon the manufacture, distribution, servicing and use of motor vehicles. Automobile manufacturing absorbs about 70% of the finished rubber products, 20% of the finished steel, and 40% of all the radios produced in this country. And of course the impact of the automobile industry on the aluminum, glass, electronic and machine-tool industries is also very heavy.

To hear some of the comments being made these days about the key importance of our activities, you might think we could easily provide the much-needed upward push on the economy with a few fast decisions. We have been getting a great deal of free advice on the decisions we should make —decisions on prices, on automotive styling, and on horsepower, to mention just a few—and along with the advice usually comes the word that if we only followed it we could easily sell an extra million or two cars a year.

It would be wonderful if life were that simple for us in Detroit. The fact is that our decisions are affected by many complex considerations—by taxes and government regulations, by labor and material costs, by the prevailing economic conditions of the country, and above all by the attitudes and the decisions of our customers. I think that you will agree that this is a pretty imposing array. There is one important thing to remember about all these considerations. Like everything else in modern life, they change.

Our Changing World

The virtue of a free and open society is that we have ways of making adjustments from year to year to fit changing needs. And in the kind of century we are living in, this may be the greatest virtue a country can have.

Change is the controlling condition of our lives, and the speed of change is being stepped up with every passing month. When I was a college student people were fond of saying that ours was the age of automobile. But very soon it became fashionable to say we were living in the air age. Then it was the age of jet propulsion, and before long the age of the atom. Only a few months ago we were hearing about the age of the missile. And now, they say, we are entering the space age. So it goes.

The present speed of change, with new developments crowding upon us so fast, reminds me of a story that went the rounds in World War II. A carrier pigeon was flying from divisional headquarters to a command post somewhere in the field with a highly important order that was to change the whole disposition of men and materiel. On the way, he became aware that another pigeon was coming up behind him pretty fast. And then he heard this second pigeon say, "You'd better fly a lot faster than that—I'm carrying the countermand!"

I guess all of us are going to have to fly just a little faster to keep up with our responsibilities and opportunities and meet the many challenges of this fast-changing mid-century world.

Arnold Toynbee once said, "In a growing civilization a challenge meets with a successful response which proceeds to generate another and different challenge which meets with another successful response. There is no term to this process of growth unless and until a challenge arises which the civilization in question fails to meet."

What Mr. Toynbee said is profound. Even since he wrote those words, not so very many years ago, the world has changed. And today our civilization is meeting not just one challenge after another but many challenges simultaneously. Among other things, we are being challenged to match the growing economic and military power of Soviet Russia—to develop the means of exploring space—to meet the ever-growing needs of our people for education —and to find ways to stimulate the continued expansion of our economy as the necessary foundation of our national strength.

Most Important Challenge

But in my opinion there is one challenge to our free democratic American civilization that is probably more important than any other. In a word, it is **the challenge of finding ways to pay for all the things we are going to need as a nation.**

It has become pretty clear with every passing month that the cost of our national defense, including research and development, together with the cost of the educational and other public services in our states and local communities, is not going to get any smaller. If anything, it is going to increase.

These next few years are going to make exceptional demands upon people in all walks of life. But they will make perhaps their heaviest demands upon the business community of America, because it will be the special responsibility of business to stimulate the expansion of the economy.

In recent months we have heard some important people say —in effect—that if we are going to build an adequate defense we will have to give up some of the customary features of the American standard of living.

Now as I see it, that kind of talk is based on a serious misunderstanding of the kind of economy we have. We grow strong as a nation not by giving up goods and services but by finding ways to raise our levels of production and consumption and by broadening our economic base. A diversified and growing economy provides the flexibility and mobility to meet fast-changing situations. It does this by making available a continually widening range of goods and services and skills. It also builds a broadening base of income that can, if necessary, supply increased tax revenue without higher tax rates.

Research and Development

The events of the past few months have reminded us powerfully that a prime source of economic progress is science and technology. To the industrial manager this means that research must be put first in all his plans for remaining successful and useful in a competitive economy.

All of us are familiar with the wonders of research and what it has meant and will mean in our lives. I am not going to labor the point. I do thing it might be of some interest, however, to say a few words about the research that goes on year after year in the automobile industry.

* * *

One possible result of the very intensive research conducted by the automobile industry is that not too many years away there may be an entirely new kind of engine in your car. For some years all the major companies have been researching and experimenting and testing to find out how to build a production model of a gas-turbine engine. This is an engine that has no pistons—that needs a sparkplug only to get started—an engine that needs no octane rating for its fuel.

Chrysler Corporation was the first company in the United States to design a working gas-turbine engine that could be installed in a passenger car of normal size. Two years ago, about this time of year, our engineers drove a Plymouth powered by a gas-turbine engine from New York to Los Angeles.

There are a great many problems ahead of us before we are ready to put an engine of this kind on the market, but someday this or some other new kind of engine will make obsolete every car on the road. What if the gas-turbine should come in 10 years and an even more revolutionary engine in 20? What would this do to the idea that seems to appeal to some people of a nice standardized car that never changes?

Competitive New Changes

In the automobile business you have to be ready for new and radical developments in product and in methods—and you have to be ready to beat the other companies to those new developments if you can. Competition in this industry is in constant, accelerating motion at every level. That's the nature of the business and we wouldn't want it any other way.

Every day of our lives in Detroit we are reminded of the important fact that new ideas are the source of all economic growth. And it is equally important that new ideas are generated by individual men who somehow get fired up to put their abilities to work. I am sure you will agree with me as you go out into military service or into civilian life that the most important and perhaps the most difficult challenge you will have to face as leaders of men is the challenge of finding ways to stimulate that incentive in others.

Sometimes businessmen talk as if incentive is entirely a matter of money. This is not true. Men are stimulated by a wide variety of motivations. Among other powerful drives there is a man's pride in workmanship, his love of his family and of his country, and his desire to prove that he is somewhere near as good as he pictures himself in his own private thoughts. But it is also true that when you can tie those basic drives to financial incentives and make them work together, you get the kind of spectacular results that make this country the kind of country it is.

We are hearing a lot of talk these days about needed reforms in taxation, and I think a great many people agree that through tax reform it might be possible to add measurably to the creativeness and the forward drive of our economy. A number of highly competent groups are studying the tax problem, and the country is looking forward with great interest to their recommendations.

From my point of view as an automobile man there are two tax matters I would like to comment upon briefly. They are closely connected with the ability of the country to recover quickly from the present recession and to expand steadily in the years ahead.

Excise Taxes

First there is the matter of the automotive excise taxes. As you know, everyone who buys a car or a truck pays a Federal tax amounting to 10% of the manufacturer's wholesale price to the dealer. We consider this tax discriminatory. In effect, it puts automobiles and trucks in the same category with luxuries, like perfume and earrings. We feel that the motor vehicle is almost as necessary to modern living as food, clothing and shelter. **It makes no more sense for the Federal Government to tax a man for buying a new car than it would to tax him for buying a new house.**

Over and beyond our feeling that this tax is discriminatory, however, there is a more important consideration. By removing this tax or drastically reducing it, the Federal Government could inject a stimulus into the economy that would be felt from coast to coast. It would benefit everyone affected by the manufacture, distribution, servicing and use of motor vehicles. And as I explained earlier, that includes just about the entire population in one way or another.

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

Depreciation Allowance

The other tax matter that affects us, as well as every other manufacturer, has to do with the corporate income tax allowances permitted by the Federal Government to enable a company to replace worn-out or obsolete equipment. As you know, if a company buys a new piece of machinery, such as a turret lathe, it must set aside enough money each year to buy another lathe when the present one wears out or is made obsolete by technical progress. These set-asides are known as depreciation expenses and the Federal Government considers them—quite logically—as part of the operating costs of a company rather than as income to be taxed.

As I have stated it, this arrangement sounds perfectly satisfactory for all concerned. In practice, however, we run into serious problems. And most of those problems go right back to the fast rate of change in modern life, which I mentioned earlier. There was a time not so long ago when a piece of machinery was generally used until it wore out. Under those conditions it was perfectly logical for the internal revenue people in Washington to let you set aside, say, 7% of the original cost of the equipment each year and charge that amount to operating expense. This was done on the theory that it would last 15 years or so.

Under present conditions, however, few machines are ever in use long enough to wear out. Long before that time they get out of date and have to be scrapped. The length of life of machinery today is determined by the pace of technological progress — not by the length of time it takes to tire out a piece of iron. You may have to scrap your machines because new ones are more efficient or because your product has changed so much the old machine won't do the job. So, under present conditions, you have to write off the cost of most equipment at far faster rates than you did 20 years ago.

At Chrysler, for instance, we just recently scrapped nearly all the machine tools in an entire engine plant because they had become obsolete. Only six years earlier that installation was the most advanced and the most highly automatic of its kind in the automobile industry.

Becoming Realistic

Government officials are beginning to recognize this new situation, but the are a long way as yet from giving it realistic consideration in their tax decisions. Neither are they recognizing that it takes far more money to buy the new machines than it did to buy the ones they replace. Inflation, which has added to the cost of living in so many other ways, has increased the cost of machinery enormously. What this means is that you can't even come close to replacing an old machine with a new one just by recovering the cost of the old one.

Other countries have discovered that they can speed up their industrial growth by gearing their tax policies on depreciation to the realities of twentieth-century technology. In the United States we have been making only very modest progress in the use of realistic depreciation policies to provide incentive for industrial expansion and modernization. We still have a long way to go.

For far too long a time people have talked about taxation in negatives. It has been mentioned in the same breath with poverty, death and tyrannical government. It is true, of course, that the power to tax is the power to destroy. But in a broad sense it is also the power to give men the incentive to explore, discover, create and advance. Used in such a way as to keep in proper balance the incentives of individuals and the sound progress of the country as a whole, tax laws and tax administration can tap the greatest of all resources—the will of men—and put it to work in the nation's interest.

Our country is going through a difficult period. We are very far from knowing the answers to all our problems. But there is one thing we can be sure of. That is the basic truth that the main source of our strength lies in the will and the imagination of free individuals working creatively and cooperatively with other free individuals. And it is by remembering that truth and using it as the guide to our thinking and planning that we will realize our great promise as a people.

*An address by Mr. Colbert at the Citadel, The Military College of South Carolina, Charleston, S. C.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Herbert H. Dawson, a Vice-President of the **Colonial Trust Co., New York,** died May 14. His age was 65. Mr. Dawson had been in charge of the bank's personal loan and consumer credit department.

* * *

The appointment of George A. Mensi as an Assistant Vice-President of **Manufacturers Trust Company, New York,** was announced on May 20 by Horace C. Flanigan, Chairman of the Board.

Mr. Mensi recently celebrated his 35th year of service with the bank. He worked at the Fifth Avenue Office until 1946 when he was transferred to the branch administration department. He was appointed as an Assistant Secretary in 1955.

At present, Mr. Mensi continues his assignment with the bank's branch administration department.

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Chemical Corn Exchange Bank, New York, has elected John C. Linsenmeyer to its Grand Central Area Advisory Board, it was announced on May 21 by Harold H. Helm, Chairman.

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Milton T. Vander Veer has been elected Chairman and Chief Executive Officer and Fred J. Driscoll has been elected Chairman of the executive committee of the **Lafayette National Bank, Brooklyn, New York.**

* * *

Merger of **First National Bank of Warwick, N. Y.,** into **County National Bank, Middletown, N. Y.,** has been approved by Stockholders of both Banks. Roy T. Elston, former President and Director of First National Bank, has been elected a Director of County National Bank. Previous article appeared in the April 10 issue on page 1617.

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Wilbur H. Norton was elected a Director of the **Rhode Island Hospital Trust Company, Providence, Rhode Island**

* * *

By a stock dividend, the common capital stock of **The Boardwalk National Bank of Atlantic City, N. J.** was increased from $2,000,000 to $2,500,000 effective May 9. (Number of shares outstanding — 100,000 shares, par value $25.)

* * *

The Manufacturers Bank of Edgewater, Edgewater, N. J., announced the election of Ronald C. Kaiser as Executive Vice-President and a director of the bank. Mr. Kaiser was formerly a director and Vice-President of the **First National Bank of Saltsburg, Saltsburg, Pa.** At the Pennsylvania bank, Mr. Kaiser had been in charge of the installment loan department and directed its expansion program.

In his new post at the Edgewater bank, Mr. Kaiser will coordinate the functions of the various banking departments.

At the same time, the bank announced the election of Mr. Louis J. Perpic to the post of Senior Vice-President.

* * *

Roy F. Duke, President of the **Fidelity Union Trust Company, Newark, N. J.,** has appointed Emil A. Schroth to the Advisory Board of the bank's Ironbound, American and Citizens-Clinton Offices and William H. Cochrane to the Advisory Board of the North Ward, City, North End and Belleville Offices, it was announced following a meeting of Fidelity's Board of Directors on May 21.

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Suburban Trust Co., Hyattsville, Md., elected Herbert W. Reichelt a Director, W. Carroll Beatty to the executive committee, and William H. Smith an Assistant Vice-President.

* * *

Following the monthly meeting of **Society for Savings, Cleveland, Ohio,** Trustees and **Society National Bank, Cleveland, Ohio,** Directors today, Mervin B. France, President of Society for Savings and Chairman of the Board of Society National Bank, announced the election of two new officers to become effective immediately.

Howard S. Fennell was elected an Assistant Treasurer, Society for Savings, and Assistant Cashier, Society National Bank. In September he will become Manager of the Parma Heights Branch, where, at the present time, he is serving as Assistant Manager. The present Manager, **Donald W. Scherbarth,** who is Assistant Treasurer, Society for Savings, and Assistant Cashier, Society National Bank, will become Manager of Society's newest branch in Fairview Park, when it is completed in the fall.

Robert C. Barnard was elected an Assistant Treasurer of the Society for Savings, and will continue to represent Society in the Mortgage Loan Department where he will receive assignments of additional responsibility.

Mr. Fennell became associated with Society in 1944 and has acquired experience in various departments throughout the bank. Prior to his appointment as Branch Assistant Manager, he was a Loan Officer in the Main Office mortgage Loan Department.

Mr. Barnard was employed by Society in June, 1939. He was first a member of the bank's School Savings staff. Later he became a bookkeeper in the Savings Department. From there, he entered the Mortgage Loan Department, where he became Mortgage Loan Officer.

* * *

Clifford E. Muir, 64, died May 12. Mr. Muir was associated with **Harris Trust and Savings Bank, Chicago, Ill.** for 31 years, having retired at the end of 1956. A specialist in banking operations, Mr. Muir was appointed a Pro Cashier of the Harris Bank in 1949, and elected Assistant Cashier in 1953.

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By the sale of new stock, the common capital stock of the **Central National Bank of Jacksonville, Fla.** was increased from $350,000 to $1,400,000 effective May 6. (Number of shares outstanding — 140,000 shares, par value $10.)

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Three Assistant Cashiers have been named by the **Hialeah-Miami Springs Bank, Hialeah, Fla.,** as the first graduates of a training program designed to provide employees with on-job career training, according to Charles E. Buker, President.

Promoted were William M. Burch, former head bookkeeper; William L. David, former head teller; and Richard K. Steinbach, of the bank's Time Sales Department.

City of Montreal Offering of $35,000,000 Debentures Formally Concluded at New York City Ceremonies

The offering of $35,000,000 City of Montreal, Canada, debentures, which was made on May 1 by an underwriting group managed jointly by Shields & Company; Halsey, Stuart & Co. Inc.; Savard & Hart, and Salomon Bros. & Hutzler, was formally concluded at ceremonies in New York City when Montreal officials received a check in payment for the debentures, and in turn handed over the debenture certificates to the underwriters. The latter will deliver the certificates to the investors who purchased the securities.

In the picture J. M. Savignac (seated, center), Chairman of the Executive Committee of the City of Montreal, accepts the check from T. B. Bassett, (seated, left), Vice-President, Halsey, Stuart & Co. Inc. Seated, right, is L. Roberge, Director of Finance of the City of Montreal.

Standing, left to right, James E. Breen, of Halsey, Stuart & Co. Inc.; D. R. Hansell, partner, Shields & Company; D. H. Vermette, partner, Savard & Hart; and Lucien Hetu, Director of Departments in Montreal.

The closing ceremonies took place at the Wall Street office of the Bank of Montreal, paying agent for the debenture issue.

Business Conditions and Their Impact on Purchasing Programs

By IRA T. ELLIS*

Economist, E. I. du Pont de Nemours & Co., Wilmington, Del.

Du Pont's economist, in describing impact of business changes on purchasing programs, predicts 1958 level of business will be significantly lower than the 1957 level without, however, major decline in store, and that business inventories will be reduced significantly. Looking beyond 1958, Mr. Ellis foresees upward business trend revolving around 3.25% growth rate in the next decade instead of 4.75% rate experienced from 1946-56. Expects high level of consumer non-durable sales to continue this year and employment averaging a little lower than in 1957. Advises purchasing agents that ample plant capacity should permit them to be purchasing specialists rather than expediters and locators, as heretofore.

Purchasing men follow business conditions and trends closely because those conditions and trends have a direct bearing on the availability and cost of materials. You remember the rapidly rising prices of late 1946 as wartime inflation of the money supply exerted its full effect in the market place. You remember the generous supply situation and declining prices in 1949, followed by shortages and rapidly rising prices in the second half of 1950. You remember the shortages and the long lead times in industrial materials and equipment in 1956, and you are probably enjoying the ready availability of most industrial materials in 1958. Business conditions do change, and these changes affect purchasing programs. Purchasing men need to be familiar with recent business changes, the current situation, and the probable direction of immediate future changes.

Ira T. Ellis

The above statements are true whether we are purchasing for a small business, or for some unit of a large business. Large businesses are made up of many small units, and they buy from and sell to many small business firms. The du Pont Company last year bought materials and services from more than 30,000 different suppliers, most of them small concerns. Purchases of our operating and maintenance supplies alone — as distinguished from process materials —involved dealings with 20,000 suppliers.

Inventory Control

One of the most obvious reasons for watching business trends is the necessity for close inventory control. Changes in inventory investment swings more widely than do sales, or than does business investment in new plant or equipment. While it is a function of inventory to cushion seasonal or other changes in production or sales, many inventory changes seem to be involuntary. Note the situation in durable goods manufacturing over the past year. New orders and sales declined throughout 1957 from the peak reached at the end of 1956. But inventory did not reach a peak until October of 1957. The decline in inventory of durable goods manufacturers has been an important factor in the recent decline in output of durable goods manufacturers and of the entire economy. Heavy inventories are also an important factor in the current troubles of the petroleum industry and the automobile industry.

Incidentally, it should always be kept in mind that heavy inventories in the manufacturing segment of the economy are not purchased materials alone. Inventories also include large amounts of goods in process and finished materials. But heavy inventories at any stage of fabrication affect the outlook for new purchases.

So much for why purchasing men should be familiar with business trends and the outlook. Now let us turn to the business outlook at the start of the second quarter of 1958.

Reviews Past Few Years

It is important for businessmen to compare notes on the business outlook, for that outlook is largely what businessmen think it is. The state of personal and business confidence is always an important factor in the outlook. Personal confidence relates largely to the outlook for one's job and income. Business confidence relates largely to the expectation of sales and earnings. In an economy as diversified as ours, there will always be some segments where business activity is rising and some where it is falling. Fortunately, not all individuals or all businesses are affected simultaneously by the current dip in business activity.

The year 1957 was the best business year the country has ever seen. We employed more people last year than ever before in history. They earned more and spent more than in any other year. Personal income last year was up 5% above the year before, and retail sales rose by a similar percentage. Business investment in plant and equipment also made a new record last year. The year began with business activity at an all-time peak, but it declined during the year.

The previous business decline in this country occurred in 1953. It was caused principally by a sharp decline in military demand consequent upon the cessation of hostilities in Korea in the summer of that year and by a corresponding decline in inventories supporting war production. The decline in purchases by the Federal Government was importantly offset by a decline in Federal taxes in 1954. The Housing Act of 1954 also helped to cushion the decline because it stimulated residential construction substantially. Finally, the automobile models of 1955 were particularly attractive, and the business activity rate turned up sharply in the Fall of 1954.

Production rates were high in 1955 for automobiles and housing. It was apparent by the middle of 1955 that plant capacity in the manufacturing and trade industries would be strained by the expected demand for their products, and a substantial business expansion program was begun.

Although the production rate for automobiles and housing declined in 1956, the 22% rise in business spending for new plant and equipment which occurred in that year, and the 9% rise which occurred in business inventories, were strong supporting factors for a high rate of business activity.

The business boom continued in 1957, supported by a further rise of 5% in business spending for new plant and equipment and an increase in automobile production. Consumer spending also rose substantially. Residential construction declined further, and there was only a moderate gain in inventories. The boom was topping out.

Credit Situation

The high level of business investment in new plant and equipment and in inventories, together with a high rate of individual borrowing for residential mortgages and for consumer credit, resulted in substantial strain on the credit supply of the country during the year 1957. Demands for loanable funds exceed available savings. The strain was reflected in rising interest rates and "tight" money. Federal Reserve policy was directed toward preventing the excessive demand for credit from developing into a rapid increase in our money supply through an increase in commercial bank credit, with consequent upward pressure on the price level.

Note that Federal Reserve Board policy did not **decrease** the supply of commercial bank credit. Such credit was merely prevented from **rising** rapidly. "Tight" money restrained business spending for new plant and equipment in 1957, and stimulated liquidation of business inventories. Finally, manufacturing capacity by the end of 1956 had obviously outrun the potential production rate. Excess capacity became prevalent in many industries.

As a result of these developments, the demand for bank credit declined in late 1957 and money rates eased quickly. A changed Federal Reserve Board monetary policy was signaled dramatically on Nov. 14 by a reduction in the rediscount rate, but this reduction did not **cause** the subsequent decline in interest rates; it merely recognized that decline was imminent.

Interest rates declined in December, 1957, and particularly in January, 1958. But note the causes. Interest rates rose in 1956 and 1957 because the demand for loanable funds began to outrun the supply of such funds. Interest rates declined in late 1957 as the demand for funds eased. The Federal Reserve Board did not cause the business boom nor did it cause the current decline in business activity. "Easy" money will not reverse the decline although it will help to cushion it.

Outlook for 1958

Now let us turn to the outlook for 1958. The business level this year will probably be significantly lower than the level of 1957. No major decline is suggested, but merely the kind of adjustment which usually follows several years of good business. Industrial production may be about 8% lower than last year—averaging about the present level. The rate of decline in business activity in the second half of 1957 was very similar to the declines in 1948-1949, and 1953-1954, although somewhat more severe. It was very much less than the rate of decline in 1937, for example. But the cause of this decline differs somewhat from the causes of the other two recent declines.

Business spending for new plant and equipment may have been pushed too rapidly. The appearance of significant surplus capacity in some industries suggests the need to re-examine expansion plans. Business spending for plant and equipment may be reduced 13% in 1958, particularly in manufacturing, mining, railroad and other transportation, and in the construction of stores, warehouses, etc. Spending by the utilities will continue to expand.

Cost increases are also contributing to the decline in business activity. Excluding prices of farm products and foods — which are importantly supported by Government policy—wholesale prices of other commodities have risen 10% since the start of the current boom in September, 1954. Metals and products are up 16%. Machinery prices are up 20%. It is no mere coincidence, I am sure, that average hourly earnings in manufacturing rose 16% over this same period, not to mention the cost of "fringe benefits." Prices are rising because costs are rising, and the outlook is for more of the same.

Business inventories will be reduced significantly during 1958, in contrast to the sharp increase during 1956 and the moderate increase during 1957. Inventories were declining rapidly at the end of 1957.

The value of residential construction may show a small rise in 1958 compared with 1957. Total public construction may rise about 4%, principally because of rising construction of roads (+10%) and schools (+6%). **Total** construction, public and private, will show little change from 1957.

Automobile production may drop below 5 million, partly because of the buildup in dealer inventories in 1957, which may be liquidated in 1958.

Consumer Sales and Employment

The outlook is good also for a high level of consumer spending in 1958, particularly for nondurable goods and for services. These purchases follow closely the trend of personal income after taxes, and such income is expected to remain high.

Employment may average a little lower in 1958 than it did in 1957, particularly in manufacturing, mining, transportation, and construction—industries that were particularly stimulated by the durable goods boom of 1955-1957. Employment increases will occur in state and local governments, the service industries, finance, insurance, real estate, communication, public utilities, wholesale and retail trade, and especially among the self-employed — particularly in retail trade, professional service, and domestic service.

The Consumer Price Index will show a further slight rise in 1958, particularly in residential rent, transportation costs, medical care, personal care, and recreation. Prices are rising in these areas for the same basic reason which caused the rise in commodity prices over the past two years—costs are rising.

Most commodities are in ample supply in 1958. There are obvious advantages in this situation for purchasing men, not the least of which is that it will permit them to be specialists in purchasing rather than having to spend much of their time locating available supplies and expediting shipments. Present ample plant capacity in manufacturing, mining, and transportation industries assures quick satisfaction of purchasing demands. Purchases may now be planned carefully. The buyer is boss, as he should be.

Looking Beyond 1958

Looking beyond 1958, and assuming no further increase in international tension, the trend of business activity should be upward. We shall probably get back in the next decade to our long-term sustainable growth rate of about 3.25% per year in industrial production in this country instead of the 4.75% rate at which we grew from 1946 to 1956, while we were making up war-time and depression shortages. This outlook is based on our rising population, technological advances, an expected high rate of business investment in new plant and equipment after current surpluses are absorbed, a continuing rate of personal investment in new homes at least at the current rate, and on an expected high level of construction of roads, schools, sewer and water systems, etc. The rate of growth will not be steady from year to year. There will be business readjustments from time to time as in 1958. Sometimes we shall outrun our long-term growth rate, and sometimes we shall fall below it. We have not eliminated the business cycle, but perhaps we have learned to moderate it by restraining the **excesses** of credit creation, expansion of business capacity, and inventory accumulation characteristic of booms.

*An address by Mr. Ellis before American Management Association's Conference on Cost Reduction, Chicago.

Chicago Bond Club to Hold 45th Field Day

CHICAGO, Ill.—The Bond Club of Chicago will hold their 45th Annual Field Day at the Knollwood Club on June 6. Featured for the day will be baseball and golf to be followed by a special event, dinner and entertainment.

General Committee members are Robert I. Kelley, Harriman Ripley & Co. Incorporated, Chairman; and G. Fabian Brewer, William Blair & Company; William A. Noonan, Continental Illinois National Bank & Trust Company, and Richard B. Walbert, Blyth & Co., Inc., Vice-Chairman. Members of the Field Day Committees are:

Arrangements — Richard J. Leonard, Harriman Ripley & Co., Inc., Chairman; William G. Budinger, Dean Witter & Co.; John F. Detmer, Hemphill, Noyes & Co.; John J. Lynch; Robert L. Meyers, Stone & Webster Securities Corporation; Blair A. Phillips, Jr., Shearson, Hammill & Co.; Robert A. Riley, Channer Securities Co.; Willis L. Roberts, Eastman Dillon, Union Securities & Co.

Golf—Walter A. Hintz, A. G. Becker & Co., Inc., Chairman; Andrew D. Buchan, Bacon, Whipple & Co.; Carl H. Ollman, Dean Witter & Co.; Clarke J. Robertson, William Blair & Company.

Baseball—Gene A. Frantz, William Blair & Company, Chairman; John X. Kennedy, White, Weld & Co.; Roland C. White, Harris Trust & Savings Bank.

Lunch-Dinner — William O'L. Feeley, Dean Witter & Co., Chairman; George K. Hendrick, Jr., Blunt Ellis & Simmons; Deane R. Tubbs, Blyth & Co., Inc.

Trophies — Donald T. Fletcher, William Blair & Company, Chairman; Robert G. Berry, Hornblower & Weeks; J. Robert Doyle, Doyle, O'Connor & Co.; T. I. Haviland, Halsey, Stuart & Co.

Entertainment — John J. Markham, Hornblower & Weeks, Chairman; John A. Orb III, Merrill Lynch, Pierce, Fenner & Smith; Gordon L. Teach, A. C. Allyn & Co.

Investments — P. Alden Bergquist, First National Bank of Chicago, Chairman; Edgar F. Grimm, F. S. Moseley & Co.; William S. Morrison, Jr., Harris Trust & Savings Bank.

Dividends — Preston J. McNurlen, F. S. Moseley & Co., Chairman; Robert M. Clark, Blunt Ellis & Simmons; Matthew J. Hickey III, Hickey & Co., Inc.

Boettcher Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Robert T. Adkins, Alan A. Ashby, George C. Bermingham, Nate Frishman, Leland F. Good, Miles O. Hostetler, Jr., Michael W. MacGuire, and David J. MacKay have been added to the staff of Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange.

Tasks Facing Future Business Generation

By JOHN B. O'CONNOR*

President, Dresser Industries, Inc., Dallas, Texas

Mr. O'Connor submits five point program facing future business generation which contains a fervent plea for greater American investments abroad. The industrialist suggests U. S. business should pool resources to establish a central research institute—similar to Soviet Academy of Sciences — through which would be funneled all the technical and scientific data available in the world.

If we look at this year's statistics, we may be discouraged about our success in the economic war. We read that for the first time, America is being outproduced by the rest of the world in automobiles. In some places, our markets are being taken over by Soviet suppliers; foreign mineral resources which have been in our control are slipping from our hands; we are being out-done in research and heavy industrial development. All of this seems very grim—as if we had started losing the battle for men's souls by losing the "Battle of the Marketplace."

John B. O'Connor

The fact is we never were winning it.

Not very long ago, in Paris, a Frenchman said to me, "The things which America has offered the rest of the world can be summed up in three words . . . dollars, Coca-Cola, and nylons." This is a serious indictment. This Frenchman's words were, to be sure, an over-simplification.

But there is a great truth in his words. The truth is that we have gone abroad only as hucksters, with something to sell, or as bargain hunters, trying to buy something more cheaply. This is why our influence abroad has been limited to "Dollars, Cokes and Nylons."

In contrast, our competition is merchandising a philosophy, a political outlook, and a good bit of clever diplomacy with each sale they make.

This upsets us, and it should. Not because our competitors are so sly. What should upset us is the fact that we have turned out to be such low-caliber salesmen. **We do not know our product.** We do not sell it well. We fail to merchandise the "whole package."

This is the challenge you face and **I** believe in your ability to meet that challenge.

Future Tasks

I am going to outline a few of the specific tasks which face **your** business generation.

Number one is a fundamental, down-to-earth, dollars-and-cents fact. We must be able to produce a good product for a reasonable price. **We are not doing this.** The fact has become painfully clear that once they have the "know-how," Europeans can match us point-for-point on quality and deliver the product more cheaply.

We must start thinking realistically. Labor must adopt a more reasonable stand, enabling the manufacturer to put out a product with a buyable price tag, and at a fair profit. Labor must stop adding **non-productive** cost to the price tag if we are to stay competitive in the world market. Customers do not buy overtime, they buy products.

Second on my list is something that pertains to the management of American industry.

If we are to retain technical superiority in the world, we must be able to compete with the science and research of the Soviet Union and its satellites. I would like to go on record as saying that I believe this can be done effectively only by joint cooperation in the American business community.

It is my firm belief that U. S. industrialists should pool their resources to establish an institute which will function in the same way as the Soviet Academy of Sciences. We should have at the service of this nation a central Research Institute through which will be funnelled all of the technical and scientific data available in the entire world. This institute should do our long-range planning and research.

We do not have this. We **must** have it or we will be out-done by our competition. I submit this conviction to American industry, in the sincere hope, that we may all act together before it is too late.

Investing Capital Abroad

My third point deals with American capital investment in the rest of the world.

This is one of the great challenges before us now—to have the courage, the vision, and the imagination to invest abroad. The task before us is to give more freely of our resources and technical know-how in building up other nations.

It is too easily forgotten that in the days of our infancy as a republic, it was the investment of foreign capital which built the United States into a first-class power. Our national memory is short. We seem to have the impression that the world's modern industry originated in the U. S. sometime after the war between the states.

Nothing could be further from the truth. Europe, already industrialized for generations, gave us our start. Not only did she give us the technical know-how to create our vast industrial complex, Europe dug deep in her own wealth to finance our business endeavors.

It was pounds, francs, marks and guilders that built our railroads, our power systems, and our foundries. And without these the United States might still be floundering around as a third-class agricultural nation.

Let us, with private American capital, finance and build the dams, the steel mills, the communications systems and the factories which other nations so sorely need to improve their standard of living. Let us give back of the bounty which was once bestowed upon us. Let us show our faith in the future of other nations, in the same way that Europe once showed her faith in us.

And as a hard-headed businessman, I insist that this will pay us dividends. We must build up the buying power of these countries if we are to create a market favorable to ourselves. This has been clearly demonstrated in the case of Mexico which has become our leading customer.

It is by these means rather than by selling trinkets and soda pop to the natives—that we can create a climate favorable for selling ourselves and the products of American free enterprise.

My fourth point has to do with customer relations. All the people of the world should be our customers.

Getting to Know Others

The best way to know people is to trade with them. There is no surer way of learning how a man thinks than to get your feet under the same table in a horse-trading session. You can get to know and respect a man very quickly by the way he drives a bargain, and the way he keeps his promises.

Americans often do not give foreigners enough credit for their abilities. We were pretty shocked last October when the Soviet shot its first little Sputnik into outer space. And two years ago while I was in Moscow, it was hard for me—as an American—to admit that the Russkies had come up with a superior tool for drilling oilwells—the turbodrill.

We bought this tool from them, and when it became public, there was quite a bit of criticism. This was because at that time Americans were convinced that nobody could beat us to the punch in anything.

But we must learn — **you** must learn—as the coming generation of American businessmen, to give others credit. Keep your eyes open. Recognize the situation, acknowledge the abilities of others—and meet the competition head on.

Pope Pius the 11th, when he had to deal with Mussolini, made a famous remark. He said "I would bargain with the devil himself, if the souls of Italian schoolchildren were at stake." That must be your attitude as businessmen. When someone else has the advantage, learn to bargain with him and turn the advantage to your own.

American businessmen always tend to think in dollars. But we must learn to trade in the customer's currency, whether it be money, marbles, or chalk. By this means, we will be able to move our goods into areas where there is a crying need for them. Let their need be the means whereby both parties benefit.

The world must have men of imagination who will use our surplus to raise the living standards of those in need, and, by ingenuity, turn this to mutual advantage, by using their products to improve our life.

Briefly, the point is this: You must come to know and understand other peoples according to **their** values. Recognize differences, without making the moral judgment that since this is not American, it is therefore inferior.

We have a great deal to teach the world, but the world also has a great deal which it can teach us, if we will listen.

And this brings me to the fifth and last point . . . we must sell the whole package.

American Heritage

I believe that we have something to sell besides "Dollars, Coca-Cola, and Nylons." And if this "something" has not been included in the package before, it is up to **your** generation to sell it.

What we have to offer the world is the means of preserving all that is fine and good in Western civilization. This nation of ours represents the results of more than **three thousand** years of inspired thought and dedicated work. In America, all the finest hopes and aspirations of Greece and Rome, of Ancient Israel and of Christendom, have blended together as one seed to produce a single glorious flower — human liberty.

That is our American heritage. For we were truly the first nation in the history of the world which enshrined as its political ideal, the dignity of the individual. We were the first to provide a way of life in which free men could live in freedom as brothers, respecting one another in equality, as children of God.

History does not **long entrust the care of freedom to the weak** and the timid. It is in **your** hands, now, to take this freedom and sell it proudly to the rest of the world. According to the dignity with which you wear the great gift of your individuality . . . and according to the integrity — becoming to free men—with which you do your work, so will your fellow man respect you, love you, and reward you.

*From a talk by Mr. O'Connor upon the occasion of receiving the Honorary Degree of Doctor in Commercial Sciences from St. Bonaventure's University, Olean, New York, May 1, 1958.

Boston Inv. Club to Hear on Drug Industry

BOSTON, Mass. — The Boston Investment Club will hold its May dinner meeting at 5.15 p.m., Wednesday, May 28, at the Boston Yacht Club. Speaking on the topic "Drugs on the Market?—A Current Appraisal" will be Kevin Bradley, the Investment Specialist in the Drug and Chemical Industries for White, Weld & Co. Prior to joining White, Weld & Co. in 1955, Mr. Bradley was a practicing chemist in industry and later assistant editor of the American Chemical Society's industrial publications.

G. E. Ostrom Opens Own Investment Office

(Special to The Financial Chronicle)

DULUTH, Minn. — George E. Ostrom is engaging in a securities business from offices in the Beal Building. Mr. Ostrom was formerly a Vice-President of the Northern City National Bank.

Form Purvis & Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Purvis & Company has been formed with offices in the Equitable Building to engage in a securities business. Officers are Virgil J. Purvis, President; Robert S. Mitchell, Vice-President and Treasurer; and Nathan R. Kobey, Secretary.

Quinn, Loughlin & Co. Formed in New York

Quinn, Loughlin & Co. has been formed with offices at 40 Exchange Place, New York City, to engage in a securities business. Partners are Kevin Quinn, C. Wallace Loughlin, Louis Neu and Peter Neu. Mr. Quinn was formerly with Burns Bros. & Denton, Inc.

Are Dollar Currency Requirements Less for Uranium than for Coal?

By JOHN E. BRENNAN*
The Babcock & Wilcox Company, Atomic Energy Division
New York City

Paper raises and answers with an affirmative, yes, the question "will European utilities be better off by paying dollars for enriched uranium than by paying dollars for U. S. coal?" Author shows that in a choice between dollar uranium and dollar coal, over the long run, that the savings for the former are about one-half, and even more if other possibilities are realized.

One impelling reason why electric utilities in Europe look to nuclear energy is to help "hold the line" on the growing imports of coal and oil. For an electric utility to make a decision to purchase another large coal fired boiler which must be fed imported coal during a 20-30 year lifetime is a serious decision indeed. The seriousness is especially great if the coal supply is the United States for which dollar currency is necessary.


John E. Brennan

For instance, U. S. coal that is imported into central Germany for electric power production may have a delivered cost today of $22 per ton. This delivered cost will go up, not down. Not all of this cost must be paid for in dollars because there are certain expenses for barging and handling which are incurred on the Continent, although some 75% of this coal cost must probably be paid in dollar currency over the lifetime of a new coal-fired plant.

Let us consider a typical 150,000 kw power plant operating with an 80% load factor utilizing 14,000 Btu per lb. U. S. coal with a heat rate of 10,000 Btu per kwh. Under these circumstances the annual requirement for dollar currency for the new coal-fired plant would be approximately $5,600,000.

Choice Before Foreign Utilities

Now enriched uranium must come from the United States as well. Payment for enriched uranium must also be made in dollar currency. The expenses which the AEC incurs are all in dollars or equivalent since the natural uranium is mined and milled in the western areas of the U. S. A. and Canada, and the power and operating labor are all dollar expenses. An important question is "Will European utilities be better off by paying dollars for enriched uranium than by paying dollars for U. S. coal?"

Let us consider again a 150,000 kw power plant operating 80% of the time with a saturated steam heat rate of 13,000 Btu per kwh. Taking into account the "free heat" from plutonium in the fuel, let us assume that the specific consumption of U-235 amounts to 1.0 gram per megawatt day of heat and that U-235 is given the highest AEC value, or $17.10 per gram. Under these circumstances the annual requirement for dollar currency will be approximately $2,800,000.

So, we can see at once that the dollar currency requirements for U. S. enriched uranium are less than the dollar currency requirements if the alternative is to plan for a perpetual supply of U. S. coal. During the early years there will be additional dollar expenses associated with the use of the enriched uranium fuel cycle such as conversion from uranium hexafluoride to uranium oxide, the fabrication of fuel elements, and the reprocessing of nuclear fuels. For our typical 150,000 kw nuclear plant these costs may amount to approximately $2,000,000 per year — but only for the earliest years of operation. As soon as three or four enriched uranium nuclear power plants are in operation in Europe, we might expect that these fuel services will be performed on the Continent. Under these circumstances highly-enriched uranium might be transported from the U. S. A. to Europe for blending and fabricating there.

Possible Decreases in Dollar Requirements

It may prove to be possible to reduce the dollar currency costs for enriched uranium still further —in fact to approximately half of the value computed previously. This may be possible because the largest element of cost in the supply of enriched uranium is the cost of the natural uranium feed to the gaseous diffusion plant.

The AEC price schedule shows what the AEC will charge for uranium of various enrichments from 0.72% U-235 to 95% U-235. These prices include payment for the enrichment services and also reimbursement for the purchase and purification of the natural uranium from which the U-235 is extracted. In general, the natural uranium expense is greater than the enrichment expense.

The natural uranium feed for the diffusion plants has been taken into account in the AEC price schedule at a value based upon the AEC purchases of natural uranium. It is well known that the AEC has purchased low cost and medium cost uranium and has also encouraged the development of new ore deposits by offering some premium prices and bonuses. There is reason to believe that the natural uranium feed value presently used by the AEC may not be continued indefinitely, but instead, that a higher or lower value may be substituted. Individuals and other governments may be able to contract for the long-term supply of natural uranium at prices which are lower than the average prices which the AEC has paid. Some governments can purchase natural uranium with currencies which are "softer" than U. S. dollars. Possibly arrangements might be made so that the AEC would provide enrichment services, only, rather than enriched uranium, itself.

The natural uranium expense portion of the AEC price schedule is a function of the ratio of the desired product enrichment to the U-235 enrichment found in natural uranium. However, since all of the U-235 is not extracted from the natural uranium feed material, an adjustment must be made to this ratio to account for the U-235 that must be discarded in the diffusion plant tailings.

* * *

Now a country which possesses within its borders a source of natural uranium, or which can buy natural uranium from others using soft currencies, can conceivably reduce the dollar currency cost of enriched uranium to about one-half of the published values. Of course, this does not make the enriched uranium less expensive, but the currency balance can be improved.

It has been suggested that these same nations could sell the same soft currency natural uranium to the U. S. Atomic Energy Commission for dollars. Apparently this is not the case, since only South Africa and the Belgian Congo effectively up-grade currencies by this arrangement today and all U. S. AEC foreign purchasing contracts have approaching expiration dates.

Conclusion

In conclusion, we can see that any decision to build a new coal-fired boiler which is destined to be fed with U. S. coal can be the cause of an annual dollar expenditure, for a 150,000 kw plant, of $5,600,000.

If instead, a nuclear power plant is constructed for fuelling with enriched uranium, with highly-enriched uranium purchases from the U. S. AEC for blending and fabrication abroad, there will be annual dollar currency requirements of approximately $2,800,000.

If a nation can supply its own natural uranium feed material, the dollar requirements can conceivably be reduced to almost one-half, or $1,450,000.

If a nation can place a value on its indigenous natural uranium at a level equivalent in dollars to one-half of the present AEC value of approximately $40 per kg, then the dollar cost of enrichment services can be further reduced to approximately $1,300,000 per year.

For all nuclear power plants there is a strong possibility that the dollar revenue which may be obtained from the sale of by-product plutonium and uranium-233 may be greater than the dollar cost for the enrichment services.

*From an address presented to the Joint Atomic Industrial Forum—National Industrial Conference Board Atomic Energy Management Conference, Chicago, Illinois. The paper was co-authored by the late Donald Kallman of Atomic Energy Division of Babcock & Wilcox Co.

Charles S. Roy, Inc. Formed

Charles S. Roy, Inc., has been formed with offices at 100 West End Avenue, New York City, to engage in a securities business.

C. A. Stone, Jr. Opens

TROY, N. Y.—Charles A. Stone, Jr., is conducting a securities business from offices at 28 Locust Avenue.

Join Peters, Writer

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Donald R. Brown, Thomas P. Owen and Donald G. Weidman have become affiliated with Peters, Writer & Christensen, Inc., 724 Seventeenth Street.

Four With Russell

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Earnest H. Johnson, Jack Levy, Fred A. Nutting, Jr., and David L. Stein are now with Russell Investment Co., Boston Building.

Joseph Brussels Opens

LARCHMONT, N. Y. — Joseph H. Brussels is conducting an investment business from offices at 1833 B Palmer Avenue.

Form Fishman, Barranco

Fishman, Barranco and Weinberg has been formed with offices at 100 West 72nd Street, New York City, to engage in a securities business. Partners are Emanuel Fishman, Frank E. Barranco, Jr., and Philip Weinberg.

George O'Neill & Co. Formed in New York

George O'Neill & Co., Inc., has been formed with offices at 30 Broad Street, New York City, to engage in a securities business.

Continued from page 10

A Tale of Two Towns

no doubt, I think, that this is a significantly important factor in the present business recession.

Tariffs Are No Answer

Certainly it accounts for the growing clamor for high tariffs, rigid import quotas, and a general scuttling of the Trade Agreements program — a clamor that comes these days not only from a number of distressed businessmen, but equally loudly from a number within the ranks of American labor.

Now while I realize that some may disagree with me profoundly on this point, I must say frankly that increased tariff protection, in my opinion, is not the basic answer to this problem!

If experience can teach us anything, then certainly we have learned that the power to erect tariff walls or other trade barriers is not one in which America enjoys a monopoly. We can shut foreign imports out of our markets only by shutting our exports out of foreign markets. And if we look at markets in terms of people — as we must if we are realistic about it — let us remember that only 6% of the world's population would be inside our tariff wall, while the other 94% would lie outside it. And don't forget that the raw materials so necessary to our nation's production may also recede beyond our reach.

Nor can I see the wisdom of spending millions and millions of dollars to build a seaway that will transform Cleveland, Detroit, Chicago, and other Great Lakes Cities into seaports, and then building tariff walls around those cities to keep their ports in idleness.

Presumably such a policy might — as a temporary expedient — restore a substantial number of workers to their jobs in manufacturing industries; but it would also throw out of work a large part of the 4½ million other Americans who gain their living in foreign trade. So in the end, we should merely have exchanged one group of jobless Americans for another.

Tariffs, then, provide no permanent solution, as I see it.

Subsidy No Answer Either

An equally doubtful solution to our difficulties, I think, is to be found in the realm of direct Government subsidy.

We know today that ships built in American shipyards at American wage costs can compete with foreign-built ships only because our Government subsidizes American construction at the expense of all of us as taxpayers. It supports these high wage costs out of taxes primarily because the maintenance of a shipbuilding industry here is essential to the security and the defense of the United States.

But many other industries are equally essential to our national defense and security — steel, oil, chemicals, motors and dozens and dozens of others — and should the day ever come when these, too, must be subsidized by the Treasury, the resulting burden would soon bankrupt the American taxpayers.

So it seems to me that recognizing the value of such expedients as tariffs, quotas, subsidies, controls, freezes, and all of the other "ways out," sooner or later we will have to face up squarely to one undeniable fact: that American workmen today are pricing themselves out of the market; or — to put it even more accurately — that America, as a nation, is costing itself out of the market.

There is, I believe, an inexorable law which can never be defied, nor escaped, for long. I won't call it an economic law, because — as I say — I am not an economic expert. But it is a fundamental law of business, and every businessman knows it. That law is: "Compete or die!"

There is no other choice. Twist, turn, squirm as we may, in the end we are going to have to compete with our foreign friends or else resign ourselves to the fact that America will soon be on its way to losing the industrial leadership it now possesses.

Yet if we are to be competitive — and remain competitive — we have today the greatest opportunity, and the greatest potential market for the products of our people, that we have ever had in our history. With European production and standards of living rising at a rapid rate, millions of Western Europeans are eager to buy for themselves and their families all the luxuries of life that have become so commonplace to our people here in America — the very products that we have so long excelled in producing. This is also true in other areas of the world.

To serve these new markets, and to be able to compete with foreign producers, a number of American companies have established factories abroad where the combination of American productive efficiency and low wage costs provides a solution to at least some of their problems. Indeed I have seen figures recently which show that a growing number of these companies are shipping their foreign-made products back here to the American market. And this, of course, is a logical and natural development dictated by the present disparity in wage costs at home and abroad. But carried to its ultimate extreme, it too becomes self-defeating; because without a job, the American workman has no money with which to buy anything; and there is then no market in America for the products of these factories overseas.

So again we come back to the one, inescapable fact that nobody wants to face: that the only practical way to keep foreign-made products from overcrowding our markets here at home is to compete on equal terms in quality, in price and in service; and that the only practical way to reach foreign markets successfully is to keep our costs — which means primarily our wage costs — competitive.

Finds Labor Is Misled

And right here is where I think that the American workmen is being misled in a big way by some of his most vocal and most powerful leaders.

He is being told that his wages in recent years have not kept pace with rising output per man hour — that he is entitled to more than he is getting, and that he can get it without increasing the wage cost in his product.

Such statements, unfortunately, are not even within shouting distance of the truth, either in the steel industry or in industry as a whole.

The latest official reports of the United States Government show that during the first six years of the present decade, average hourly earnings in all manufacturing industries as a whole went up more than 35%; while output per man hour in these same industries rose less than 19½%. Thus wages have gone up more than 80% faster than output per man hour in these six years alone.

Now raising the standard of living for everyone in this country, by producing more of the goods which everyone needs and wants, is one thing. But raising the cost of producing those goods, so that the producer and his employees are placed at a competitive disadvantage, is quite another thing. And when those who profess to speak in the interests of the American working man advocate raising wage costs as a means of increasing consumer purchasing power, they are seeking to perpetrate what is, in my opinion, the most dangerous hoax of our times.

They know that higher wage costs can only be met by higher prices, so in the end no increase in purchasing power results. Meanwhile the ability of American workmen to compete with their industrious counterparts abroad is further diminished, thus shrinking the market for American products and diminishing the number of available American jobs.

To me, then, the perpetrators of this hoax are labor's one-way philanthropists. They would take jobs away from our workmen here and give them to workmen abroad! And that kind of labor philanthropy is my idea of economic crime on the waterfront!

Let me sum it up this way:

Sums Up

We are all striving, as I have said, to get our people back on their jobs by finding markets for the products of their labor. The only way to find these markets is to make our costs competitive and to keep them that way. How then can this be done?

Well if it is done, then we as businessmen must do everything in our power to maintain our technological advantage over foreign producers by replacing as rapidly as we can every obsolete and obsolescent machine, technique and facility we have, with new, betted and more efficient methods and facilities. That is our part of the job.

Government, too, has a vital role in this task as I see it. If we are to maintain our technological superiority, then Government must certainly re-examine some of our antiquated and misbegotten tax laws which discourage investment, penalize the productive use of wealth, and treat as taxable profits what is really the excess cost of replacing our worn-out tools and equipment.

But despite all that we and the Government may do to promote our competitive position, the final decision rests with the American working man, and with his delegated leaders. For the fact remains that in the last analysis the only one who can fully protect the American workman is the American workman himself. If he can keep wage costs from mounting while rising productivity brings our total costs into competitive balance with foreign costs, then truly I believe that he can expect to see the greatest era of prosperity our nation has ever known.

But, if, on the other hand, he permits the vast economic and political power that he now possesses to be used to force wage costs ever higher, then I am very much afraid that the great St. Lawrence Seaway — when it opens next year—will be nothing more than a one-way street . . . westbound!

D. J. Grey Opens

LONG ISLAND CITY, N. Y.—Daniel J. Grey is conducting a securities business from offices at 21-55 Forty-first Street.

Form Har-Lee Inv. Co.

REGO PARK, N. Y. — Leon Mazursky is engaging in a securities business from offices at 97-40 Sixty-second Drive under the firm name of Har-Lee Investment Company.

Reflections on Britain's Bid for a Dollar Loan

By PAUL EINZIG

Britain's current, second effort at a dollar loan from U. S. A., following an earlier, secret attempt but three months ago, is deplored by Dr. Einzig who, after praising Prime Minister Macmillan's sterling defense measures to date, wonders whether Mr. Macmillan has become tired defending sterling and is looking for an "easy way out." The British economist discusses four different transactions under which the dollar loan could be made to overcome possible consequences to British reserves should Sterling Area's raw material plight cause withdrawal of their sterling balances to meet balance of payments deficits. Absence of a loan is held to be essential in order to resist temptation of relaxing anti-inflation fight.

LONDON, Eng.—For the second time within three months, two senior Treasury officials, Sir Leslie Rowan and Sir Robert Hall, are crossing the Atlantic in an attempt to sound official circles in Washington about the possibility of securing substantial dollar facilities. In February, their visit was meant to be a closely-guarded secret, but after their return to London their mission was apparently allowed to transpire—presumably in order to ascertain the attitude of the Press about the dollar loan scheme. This time, there is no secrecy about their visit. According to the "Times," the two officials were invited to Washington by the United States authorities.

Paul Einzig

The official explanation is that it is just a routine visit. But it is unofficially suggested that the main object of the visit is to ascertain whether the business recession in the United States is expected to become aggravated, and if so whether the United States Government would be interested in a scheme by which the capacity of the Sterling Area to buy dollar goods would be maintained with the aid of dollar facilities to be placed at Britain's disposal.

Four Proposals

Various versions of the idea have been canvassed lately. According to one version a Commonwealth Bank would be established and it would be financed with the aid of a dollar loan. According to another version all member Governments of the International Monetary Fund would double or treble their contributions to the Fund. The United States, having the largest quota, would make the biggest contribution in dollars. According to yet another version, Britain is on the verge of restoring the convertibility of sterling for current transactions by unifying the transferable sterling rate with the official rate. To be able to do so the authorities would like to obtain substantial dollar facilities, in addition to the amounts already borrowed last year to support sterling. A fourth version was suggested a few weeks ago, according to which Britain would borrow dollars to finance the nuclear development program.

The actual form of the transaction is a matter of detail. What is essential is that the Government has now come out into the open with its intention of securing a substantial dollar reserve by means of borrowing in some form in the United States. The argument in support of the idea is that, while the United Kingdom could now hold sterling quite well out of her own resources, the raw material producing countries of the Sterling Area are certain to need assistance. The Treasury is anxious that some means should be found to meet the pressure on sterling that is liable to arise if Australia, New Zealand and other Sterling Area countries should feel compelled to draw very heavily on their sterling balances in order to meet their balance of payments deficits.

Sterling Area's Difficulties

Were it not for the difficulties of the Sterling Area countries, it is argued, Britain would be able to relax the drastic measures adopted last year. In view of the 3% wage increase granted to the employees of British Railways, however, it seems that the credit squeeze has not yet been sufficient to halt the inflationary rise in wages. Compared with last year's 5% increase granted to the railway employees, this year's increase may appear relatively moderate. Having regard to the situation, however, it is exactly 3% more than it ought to be. It is true, the additional wages are intended to be offset by the reduction in the number of redundant employees. In fact those reductions would have taken place in any case in connection with the economy drive undertaken by the British Transport Commission to reduce its large deficit. The same cuts cannot be made twice. If the proceeds of the proposed economies are needed for covering the extra wages, they will not be available for reducing the deficit.

It is to be feared that the concession made to the railwaymen will now be applied to other trade unions demanding wage increases. The engineering and shipbuilding unions are demanding 10%. Presumably they will be content with 3%. But even that is more than a great many firms can afford, having regard to the declining tendency of their profit margins. Fortunately for Britain, the rise in wages is now more pronounced abroad. Even so, it is a pity that, after two and a half years of restrictions, the Government should be unable to call a halt to the inflationary spiral. The price has been paid in the form of two years' stagnation of the output, and a substantial increase in the interest charges on public and private debts. The result is that inflation has slowed down but it has not come to a halt.

Should Britain succeed in obtaining a big dollar loan, the Government would be unable to resist the temptation of relaxing the restrictive measures and allowing wages and prices to continue to rise. In the absence of such a loan, pressure on sterling would compel the British authorities to hold out longer. By defending sterling against external drain they would safeguard it against internal drain. In the absence of an external drain there might not be sufficient inducement to stand firm against the internal drain.

A Lazy-Way Out

What is perhaps even more deplorable is the demoralized attitude implied by the attempt to appeal to the United States for financial assistance. Thirteen years after the end of the war nothing short of extreme emergency could justify Britain in doing so. It is a thousand pities that Britain has utterly failed to derive inspiration from the German example of highly successful self-help. If only the British people succeeded in working out its own salvation in respect of sterling, the resulting strengthening of its self-respect would make all the difference to Britain's position and prospects.

On more than one major occasion in the lifetime of the present generation the British people had proved that, through the strength of its character, it was capable of overcoming great difficulties. But on each of these occasions there was no external aid available. It is too tempting to take the line of least resistance with the aid of a big dollar loan. Mr. Macmillan's Government deserves credit for its considerable effort to save sterling. Unfortunately, it seems to have grown tired of the effort and is now seeking the easy way out, which is not the right way.

A. Di Loreto Opens

Alfred Di Loreto is engaging in a securities business from offices at 12 West 44th Street, New York City.

Forms Helbig & Co.

HUDSON, N. Y. — G. Frederic Helbig has formed Helbig & Co. with offices at 8 South Fourth Street, to engage in the securities business. Mr. Helbig was formerly local Manager for Baron G. Helbig & Co.

David H. Menashe Opens

(Special to THE FINANCIAL CHRONICLE)

MOORPARK, Calif. — David H. Menashe has opened offices at 393 McFadden Avenue to engage in a securities business.

Richard Neuberger Opens

Richard Neuberger is conducting a securities business from offices at 35 West Eighty-first Street, New York City.

Merrimack-Essex Elec. 4½% Bonds at 102½%

An underwriting group headed by Halsey, Stuart & Co. Inc. offered publicly on May 16, $20,000,000 of Merrimack-Essex Electric Co. first mortgage 4½% bonds due 1988 at 102.50% and accrued interest, to yield 4.35%. The group was awarded the issue at competitive sale May 15 on a bid of 101.577%.

Merrimack-Essex, a subsidiary of New England Electric System, will use the net proceeds from the sale of the bonds, plus additional funds obtained from bank borrowings, to redeem $20,000,000 outstanding first mortgage 5⅝% bonds due 1987, at 107.46% and accrued interest.

The company is engaged principally in the sale of electricity in northeastern Massachusetts where it provides electric service in 26 cities and towns covering an area of about 460 square miles and having a population of approximately 464,400. The territory served includes such cities as Haverhill, Lawrence, Lowell, Newburyport and Salem.

The bonds are redeemable at any time, optionally at prices ranging from 107% to 100%, and for the sinking and replacement funds at 102.50% to 100%.

Gross revenues of the company as currently constituted totaled $29,309,979 in 1957. Net income was $1,969,034. Fixed charges for the year were earned 3.98 times.

With Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert L. Sanders has become associated with Eastman Dillon, Union Securities & Co., 135 South La Salle Street. He was formerly with Hemphill, Noyes & Co. and Dean Witter & Co.

Joins Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William A. Gray, III, has joined the staff of Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Continued from first page

Economic Recovery Rests in Hands of Business and Labor

My answer is this: Reports from the country strongly indicate that the economic decline of recent months is slowing down. Not all our economic troubles are over by any means. But there is a change in the making. That it will prove to be a change for the better, I have no doubt.

Sees Much of Adjustment Accomplished

What America must do now is to gather all its forces for a new offensive to promote an early uptum and renewed economic growth that is vigorous and sound. No single person and no single group, however wise and well-informed, can name the day or the week when that upturn will begin. But there is reason to believe that much of the adjustment which a free economy experiences from time to time has already occurred. From this point on, the conscious determination of the American people — together with the resultant actions—can make the difference in lifting the economy to higher and higher levels.

It is at this point that the wisdom, the venturesomeness, the resourcefulness of our business leadership are put to the test.

We have about "caught our breath."

There is nothing wrong with our oxygen supply.

Now, what do we do to get climbing again?

The emphasis of this conference is on private action, and rightly so. But we all know that the job of recovery is a joint effort in which business leaders, labor leaders, farm leaders, professional leaders, consumers, together with government, must all play a part. I could not in good conscience come here and call on you as businessmen to do your full part unless I felt confident that the government was fully alert to its own responsibility.

Government — while it cannot guarantee prosperity—has a continuing responsibility in times like these to use its powers to help counteract recession. It has a duty to alleviate human hardship and protect our human resources, to help promote an upturn in production and employment, and to help build a solid foundation for long-term growth. All this it should seek to do in a way that strengthens the vitality of our private enterprise system, and that includes safeguarding the integrity of our currency.

Recounts Governmental Action Taken

Carrying out this responsibility, your government has acted over a period of many months in many ways to counter the recession and foster recovery. Let me cite the main items in this record of action.

First, the independent Federal Reserve System has increased the availability of credit and has helped reduce its cost to borrowers.

Second, a series of actions starting last August has been taken to promote private housing construction and to step up activity in such fields as urban renewal and college housing.

Third, measures have been taken toward accelerating approved public construction in many categories, such as Post Office modernization, water resource projects, hospitals and highways. The accent has been on the speeding up of going or authorized work on needed facilities. I am determined not to get bogged down in a slow-starting, emergency public works program, which would provide a minimum of jobs now and a maximum of budgetary headaches in the years ahead.

One truth we should always hold before our eyes: Reckless expenditures in the name of economic stimulation is both wrong and self-defeating.

Fourth, steps have been taken to accelerate markedly procurement for needed defense and civilian requirements.

Fifth, recommendations have been made to Congress to deal with special problems. An example is my proposal of March 25 to provide temporary unemployment insurance benefits to individuals who have exhausted their regular benefits. This proposal goes directly to the heart of the problem of relieving human hardship arising from the recession. There can be arguments about the details, but there is no arguing about the personal anxiety and hardship that this proposal will alleviate. We need its prompt enactment by the Congress.

There is another area of policy that has aroused intense interest, both in and out of government. That is taxation.

Everyone in this country is, I know, concerned about taxation. We would like to achieve improvements in the tax structure. We would like to assure maximum equity in the tax burden. We would like to achieve further simplification. We would like a tax structure which least interferes with sound economic growth.

The timing of such changes always poses problems. During periods of high business activity and high employment there is concern with inflationary effects. In a time like the present, with its rising government expenditures, we are particularly sensitive to tax burdens, but there is likewise great concern with the future impact of increasing current deficits.

Sees Tax Action Taken Shortly

After consultation with Congressional leaders, certain decisions will shortly be taken in the field of taxation. They will be made in the light of the latest information regarding the economic situation and with a full evaluation of the probable short and long range consequences. This matter of taxation is so important to the American people that by no means should it be the subject of political competition.

While we are talking of government activity, we cannot forget defense reorganization, mutual aid and world trade. Through our security establishment, we help produce the confidence essential to prosperity at home. Through our mutual aid program we help other free-world nations develop their strength in order to maintain their defense establishments against Communist threats, and in order to bring the economic improvement that spells hope for their people. And through expanding world trade we increase jobs at home and economic strength here and abroad. In these three vital areas we need decisive Congressional action.

Now I want to turn to the field of private business action.

Private Business Action

I have been gratified by the underlying purpose and accomplishments of this conference. Business leaders have been reporting precisely what they and their industries are doing in creating new products and designs, reducing costs, modernizing plants and facilities, and merchandising more effectively. All this will create new and better job opportunities. These reports show that American businessmen are engaged more and more in the best kind of creative competition—investing their resources, their ambitions, their imaginations and themselves to build stronger positions for their companies. Thus they will help build a stronger America and a stronger free world.

They do this because they are deeply convinced of this plain truth about American life:

Achievement and progress can not be created for our people; they can only be created by our people.

Americans would have it no other way. Our future is in our own hands. Our prospects are limited only by our vision and by our exertions.

Our economy has always moved ahead to set new records after every period of pause or recession in our history.

It will do so again.

One salient fact should be clear. We can never pep-talk our way to prosperity. No one here is proposing that we try. We are simply suggesting that businesses do what is clearly in their own interest. We are suggesting, further, that it be done in the time-honored American way of self-reliance and self-starting initiative. Our economy has grown strong because our people have made jobs for each other and have not relied on the government to try to do it for them.

What is our economy anyway?

Emphatically our economy is not the Federal Reserve System, or the Treasury, or the Congress, or the White House.

This nation has 43 million families, 174 million people—what we all think and what we do—that is our economy.

Our economy is the result of millions of decisions we all make every day about producing, earning, saving, investing and spending. Both our individual prosperity, and our nation's prosperity, rest directly on the decisions all of us are making now.

Guides for Business Decisions

This Conference has been concerned with guides for such decisions by business. Let us look at a few.

The first is this: The best hope of continued progress and growth is for businesses to keep offering the American consumer something better. This means to create better values.

Creating better values, in turn, calls for vigor and imagination in forging ahead with new and improved product developments, and in product and market research.

In a free economy, people do not always buy just because they have money. Theirs is the sovereign right of choice. One of the hopeful developments of recent years is that new knowledge is rapidly being accumulated about the aspirations and wants and motivations of our people. Many businesses are extending their research activities further into these fields in order better to find out what people want, and how products can better be adapted to their customers' needs. Thus businesses can serve us all better. These vital activities should be intensified.

One great challenge that our economy has always faced, and met superbly well, is this: to produce the most good, as well as the most goods for the benefit of the people.

The second guide to business action has to do with inventories.

We have reports of some manufacturers and distributors who are going along on a hand-to-mouth inventory basis.

One businessman told me recently that this kind of timidity had been bad business for him. He was convinced that it had caused him to lose sales. Another told me that his company's policy, back in 1949, of letting inventories fall below normal requirements left it unable to keep up with its competitors when the upswing came.

The guide in this inventory question seems a commonsense one: Buy to normal requirements. Is that not good business?

Closely related is a third problem, that of investment in plant and equipment.

Now, no one is going to urge a business with ample capacity to add more facilities just because it might be good for the economy as a whole.

On the other hand, very few of the 4,300,000 individual businesses in this country feel that they do not need some modernization or improvement. First they expect to create better values for better business today: likewise, they want to get ready to win their full share of the unprecedented markets that certainly lie ahead. Many of these companies are doing these things now, for the simple reason that now is a good time to get them done.

What time could be better than the present for making these outlays? Money and materials are more readily available today, and in many cases on better terms, than they have been for some time —or than they may be for some time.

As I have indicated, the government is following this simple rule: for purchases and investments which must be made anyway, acting now makes sense for the government, and it gives the economy a lift when it's most helpful. I suggest that there are numerous opportunities for private business profitably to adapt the same principle to its operations.

My fourth comment is on prices.

No feature of America's economic life has been more at the heart of our rapidly rising and widely shared levels of living than the daring of this nation's businesses in pricing for volume and taking their chances on profits. It is no accident that this policy has characterized our most profitable industries. If we are to maintain the vigor and vitality of our free economy, this drive for the widest possible markets must continue. A price policy designed to bring increasing volume should be nothing short of an article of faith for every businessman.

My fifth observation is this: the economic recovery and growth we bring about must take the form, not of higher costs and prices, but of more production and more jobs.

Let's be realistic. If as earners we obtain such large increases in our incomes each year that the costs of production move always upward, then as customers we will find only higher price tags in the stores.

The American people believe in good wages, both in private and public employment. Good wages reward effort and build markets. But the American people are going to be looking over the shoulders of those sitting at every bargaining table to see whether the wage settlement and subsequent price decisions are consistent with a stable dollar, or whether they mean another dismal sequence of ever-rising costs and prices.

Inequities in the wage structure must, of course, be adjusted. But consumers are not going to be satisfied with less and less value per dollar of price, which is the inevitable result of less and less production per dollar of cost. If businessmen and labor union leaders forget these truths, the consumer will remind them in ways that are clear and painful. And in the process the whole economy will suffer. These are not theoretical considerations. They have a direct bearing on specific industries today.

Perhaps this is a good time to ask ourselves whether some dangerous rigidities of thought and policy have not been settling in on us in recent years.

Would Reject Certain Illusions

There used to be a periodical feature entitled, "We nominate for oblivion . . ."

Let me suggest a few ideas that I would like to nominate for oblivion:

—the idea that the consumer is not price conscious anymore;

—the notion that without paying the piper in higher prices, we can as a nation overpay ourselves for what we produce;

—the idea that management can be lax about costs without pricing its product, not only out of foreign markets, but out of the American market as well;

—the idea that large annual wage increases can be regarded as a matter of course;

—the delusion that more rigid farm controls and larger surpluses to dispose of a taxpayer expense can lead to a prosperous farm economy;

—the notion that we can export without importing;

—the doctrine that a competitive enterprise economy can be free of all loss, failure and disappointment, and that government can take all the bumps out of the road of business.

All these and similar illusions are threats to that resiliency which enables private enterprise to adjust itself to new conditions. More than that, they are threats to recovery and to our capacity to achieve a vigorous and orderly economic growth. I once more nominate the whole kit and kaboodle of them for oblivion.

Three years ago last October, I discussed the state of the economy in an address at the Forrestal Memorial Dinner in Washington. As you will recall, that was also a period of some uncertainty. Cross-currents were evident. Unemployment had risen. Output was below that of the previous year. Dire predictions filled the air.

On that occasion, I urged that we take the long view, venturing the opinion that ours could be a $500 billion economy within a decade if we were wise in our policies. I meant to be conservative in my estimate: It is clear now that I was.

We see all around us evidence that Americans share this confidence in our economy's long run expansion. It rests upon solid facts like these:

Our population is burgeoning at a rate of three million Americans a year. That is equivalent to adding a Kentucky to the Union every 12 months.

Even in this recession year, business is spending more than $30 billion to maintain productive equipment, expand capacity, and provide for the creation of new products. In the last five years these outlays have reached the staggering sum of more than $150 billion.

State and local governments are spending nearly $10 billion each year for new schools, better streets, and the other facilities that our people want and need.

Nowhere is this faith in the future better exemplified than in the $7 billion which will be spent by industry on research and development this year—outlays that have been growing at the rate of 10% a year. The wonders of recent years — nuclear energy, miracle drugs, synthetics, electronics—will be dwarfed by new wonders to come.

Today three million of our young people are in colleges and universities, preparing themselves for the opportunities of tomorrow.

We are now moving forward swiftly on the vast highway program which I proposed a few years ago. It will provide a 41,000 mile nationwide system of new and improved highways for the rapidly enlarging volume of traffic generated by our expanding economy. After 50 years of indecision the great St. Lawrence Seaway project is moving toward completion. In the field of aviation, plans are well advanced to receive the jet age. Abroad, prospects of new markets are opening to our trade.

In short, the future is bursting with vitality and promise. It is welcomed by rising aspirations of our people; our advancing productivity to meet those expectations; the vast areas of new enjoyment, utility, and adventure opened up by scientific advances; the growth of schools, hospitals, research centers; the rapid strides in wide sharing of personal income, education, and security.

Rising to Our Opportunities

The question, then, is going to be — not one of surmounting our problems — but one of rising to our opportunities.

But remember: these are fast-moving times. The faint-hearted and the doubters who hang back today are apt tomorrow to be trampled in the rush of progress. It has been the tough-minded optimists whom history has proved right in America. It is still true in our time.

The economy of the American people has served this nation faithfully and well. It stands as living evidence of the toil of this generation and those who have gone before. It has yielded the material counterpart to the dignity that is every American's birthright. It has afforded not only material comfort, but the resources to provide a challenging life of the mind and of the spirit. It has provided the strength to make our homes secure against those who would attack us and destroy our way of life. It has given us the means to work unceasingly for a just and lasting peace among the nations of the world.

All this we can keep and strengthen by our faith and by our exertions. May we so conduct ourselves today that, when we look back upon this time, we can say: We met the test.

Buckner to Admit

Buckner & Co., 122 East 42nd Street, New York City, members of the New York Stock Exchange, on June 1st will admit Horace F. Isleib to partnership.

Joseph Walker Partner

Thomas J. Farrelly on June 1st will become a partner in Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange.

With Ross, Lyon

Sylvan Strauss has become associated with Ross, Lyon & Co., Inc., 41 East 42nd Street, New York City, members of the New York Stock Exchange.

New Sano Branch

RIDGEWOOD, N. Y.—Sano & Co. has opened a branch office at 901 Seneca Avenue under the direction of Anthony J. Sano.

With Capital Securities

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Edward A. Seeber has become associated with Capital Securities Company, 209 South La Salle Street.

Now With Goldman, Sachs

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John D. Ames, Jr., is now associated with Goldman, Sachs & Co., 75 Federal Street. He was formerly with Hemphill, Noyes & Co.

Keller Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert S. Markell is now with Keller & Co., 31 State Street. He was formerly with B. C. Morton & Co.

Ohio Bankers Ass'n Elects Loring Gelbach

CLEVELAND, Ohio—Loring L. Gelbach, Chairman and President, Central National Bank of Cleveland, has been elected President of the Ohio Bankers Association at the annual convention.

Loring L. Gelbach

Mr. Gelbach, in banking for 47 years will take office July 1 as head of the association, in which more than 775 banks in Ohio are members. He has served the association as Group Chairman, Chairman of the Council of Administration, and during the past year as Vice-President. He is a director of several corporations and is prominent in numerous banking, civic and club activities. He is a Past Chairman of the Board of Regents of the Graduate School of Banking at Rutgers University, a Past Chairman of the Cleveland Red Cross, and since 1950 has served the Treasury as Chairman for Ohio of the U. S. Savings Bonds Division.

John Wallace, President of The Willard United Bank, Willard, was elected Vice-President, and John G. McCoy, Vice-President of The City National Bank and Trust Co. of Columbus, was elected Treasurer. Completing his term as President of the association and acting as presiding officer at the convention is A. M. Wright, President of The Worthington Savings Bank at Worthington.

Joins Cooley & Company

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Harold A. Soloff has become associated with Cooley and Company of Hartford. He was formerly with Hayden, Stone & Co.

With J. C. Roberts

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Jean F. Ross has joined the staff of Jay C. Roberts & Co., 18 Vernon St.

Three With H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—A. Leon Emonds, Robert W. Hanley and James J. Pagonis are now affiliated with H. L. Robbins & Co., Inc., 37 Mechanic Street.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Hans T. Hagen, Jr. has been added to the staff of Reynolds & Co., 629 Second Avenue South.

Joins A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—John S. Harrison is now affiliated with A. C. Allyn and Company Incorporated, 101 West 11th Street. He was formerly with Waddell & Reed, Inc.

With White, Weld

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Charles M. Hazard has become affiliated with White, Weld & Co., 111 Devonshire Street.

J. Clayton Flax Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Anthony A. Gentile has been added to the staff of J. Clayton Flax & Co., 1562 Main Street.

Railroad Securities

Gulf, Mobile & Ohio

Earnings of Gulf, Mobile & Ohio, like those of the majority of the Nation's carriers, have been down sharply this year from those of the like 1957 months. This drop has caused the directors to reduce the common dividend again to 10 cents a common share from the 25 cents paid in the previous quarter. Last year, the road paid 50 cents quarterly.

Net income for all of 1957 fell to $2.28 a share, before sinking and other funds, as compared with $4.01 a share in 1956. April volume was off approximately 11% from a year ago and indications are that no income was shown for that month. It is estimated that for the first four months of this year the carrier had a deficit, before funds, of around 25 cents a share as compared with a net income of 44 cents a share in the comparable 1957 period.

In the early months of this year, despite the decline in freight business, the road did not make substantial cuts in its maintenance program. As a matter of fact, in the first quarter operating expenses were reduced only $660,000. Equipment maintenance was practically unchanged from a year ago, while transportation costs were off 2.5%.

One adverse factor has been the drop in munitions traffic which had proved highly profitable in past years. Of course, there has been a sharp drop in revenues from manufactured and miscellaneous sources. Several rate increases in the past few years have brought about a rise in revenue per car. It is estimated that revenue per car now is running around $176.27 as compared with $173.24 previously. However, this has not compensated for the drop in total traffic.

Loss on passenger traffic also constitutes a drain on earnings. In 1957, the out-of-pocket direct loss from passenger business is placed at $2,561,000 as compared with $1,909,000 in 1956. This was large enough to absorb 28.7% of freight net operating income before taxes and much higher than the average of the majority of the major carriers. The fully allocated cost of passenger bussiness based on Interstate Commerce Commission accounting last year was $5,817,000. In February, Gulf, Mobile & Ohio asked the Illinois Commerce Commission to reduce passenger runs between Chicago and St. Louis where losses last year are estimated to have run at about $1,450,000. It is believed officially that if this service can be cut, the deficit would be reduced by some $1,270,000.

Finances of the railroad continue to be adequate. On Feb. 28 cash and temporary cash investments amounted to $14,042,000 as compared with current liabilities of $16,726,000. Working capital on that date totaled $17,032,000 as compared with $19,193,000 a year earlier. However, this is considered sufficient for a road of this size. Annual depreciation charges this year will exceed equipment trust maturities by some $1,000,000. It is believed amortization tax deferment and other rapid write-off benefits will decline to around 70 cents a common share from $1.18 a share in 1957.

The Gulf has been active in seeking to attract new industries to its territory to further diversify its traffic and bring in higher rated manufacturing items. Some 85 new businesses were located in the service area last year. Of these, 67 were on land leased or purchased from the road or the G. M. & O. Land Company. Naturally, traffic from these plants has been affected by the general business recession, but it is stated that the drop in business has not been of the same proportions as in many other sections of the country. In view of the high level of maintenance over the past few years, the Gulf probably could cut-back on these expenditures. The road is considered to be in good physical condition and such a reduction in expenses should not hamper operations. Its equipment is exceptionally well maintained, with 83.6% of total freight cars less than 16 years of age at the end of 1957.

H. O. Peet & Co. Will Admit New Partners

KANSAS CITY, Mo. — On May 29, H. O. Peet & Co., 23 West 10th Street, members of the New York and Midwest Stock Exchanges, will admit John C. Bragg, Gage C. Frick, Anthony J. Heydon, Alverne W. Sawyer and John O. Wheeler to partnership. All have been associated with the firm for some time.

On the same date, Herbert O. Peet will retire from partnership.

Joins Nolting, Nichol

(Special to THE FINANCIAL CHRONICLE)

PENSACOLA, Fla. — Robert R. Fry has become affiliated with Nolting, Nichol & Company, West Garden Building.

Twin City Bond Club 37th Annual Picnic

MINNEAPOLIS, Minn.—The Twin City Bond Club will hold its 37th annual picnic and golf tournament at the White Bear Yacht Club on June 19. The outing will be preceded by a cocktail party at the Nicollet Hotel on June 18. Reservations should be made with Preston B. Shute, Shearson, Hammill & Co., Minneapolis.

Members of the Picnic Committee are Willys P. Jones, Allison-Williams Co., General Chairman; Lyman W. Cole, Jr., Kalman & Company, Inc., registrations; James G. Peterson, J. M. Dain & Company, Inc., cocktail party; Stanley R. Manske, First National Bank of St. Paul, publicity; Wesley J. Anderson, transportation; John R. Winsor, Harris Upham & Co., entertainment; Hubert G. Ferguson, J. M. Dain & Company, Inc., tennis & horseshoes; L. E. Shaughnessy, Jr., Shaughnessy & Co., Inc., golf; Irving J. Rice, Irving J. Rice & Company, Inc., St. Paul, bridge and gin rummy; George A. MacDonald, First National Bank of Minneapolis, prizes; John A. Gallagher, Smith, Barney & Co., special prizes; James W. Davant, Paine, Webber, Jackson & Curtis, and Wallace K. Fis, John Nuveen & Co., prize solicitation; J. Dan McCarthy, boating.

Officers of the Twin City Bond Club are William J. Lau, J. M. Dain & Company, Inc., President; Paul E. Casserly, Merrill Lynch, Pierce, Fenner & Smith, Vice-President; Preston B. Shute, Shearson, Hammill & Co., Secretary-Treasurer; Robert J. Davis; Charles J. Rieger, Jamieson & Co.; Robert S. McNaghten, Williams, McNaghten & Co.; Adolph H. Helfman, First National Bank of St. Paul; L. E. Shaughnessy, Jr., Shaughnessy & Co., Inc., and Richard P. Egan, Mannheimer-Egan, Inc., Governors.

Joins Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Walter B. Lower has become affiliated with Lester, Ryons & Co., 623 South Hope St., members of the New York and Pacific Coast Stock Exchanges. Mr. Lower was formerly with Counselors Management Company and prior thereto with Witherspoon & Company, Inc.

Joins Kenower, MacArthur

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Peter D. Whitman has joined the staff of Kenower, MacArthur & Co., Ford Building, members of the Detroit and Midwest Stock Exchanges.

Now With Southern Inv.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Richard J. Parker, Jr. has become affiliated with Southern Investment Company, Johnston Building.

Public Utility Securities

By KENNETH HOLLISTER*

Mississippi River Fuel Corp.

Mississippi River Fuel is composed of four district operations: a natural gas pipeline; Natural Gas & Oil division which explores for and develops oil and gas reserves; Mississippi River Chemical Company, and a wholly-owned subsidiary, Milwhite Mud Sales Co. The pipeline extends from eastern Texas through southern Louisiana and along the Mississippi Valley to St. Louis and nearby areas in Illinois. Natural Gas & Oil owns reserves in Kansas, Louisiana and nearby areas and is engaged in several offshore ventures. The Chemical division, located just outside St. Louis, manufactures ammonia products and fertilizers for distribution in nearby areas. Milwhite mines and processes barite and other chemicals used in drilling operations and provides technical services for this portion of the industry. While still small, Milwhite has the third largest volume of sales in the industry after National Lead and Dresser Industries. Reserves are located in various parts of the United States, Mexico and South America.

Pipeline sales account for about 62% of revenues and slightly over half of this amount is derived from sales made subject to Federal Power Commission jurisdiction. The remainder of pipeline revenues is obtained from direct industrial sales made on a firm and interruptible basis to the steel, oil chemical and glass industries. In addition, sales are made to Union Electric and Illinois Power on an interruptible basis for use as boiler fuel in electric generators. Laclede Gas Company, serving St. Louis and the surrounding area, is the largest utility customer of the pipeline and provides 70% of regulated revenues. Total population served by retail distributors is estimated at about 1,725,000 of which almost 90% reside in the greater St. Louis area. Important industrial customers of the company include Granite City Steel, Laclede Steel, National Lead, Owens-Illinois Glass, Shell Oil and Standard Oil (Indiana), and for the greater part these sales are made under short-term contracts. During 1957 the company's five largest industrial customers accounted for about 23% of total volume of gas from the pipeline system in 1957 and the largest single industrial customer approximately 11%. Industrial sales made on an interruptible basis have been affected by the recession in industrial activity, but thus far the company has been able to find alternate markets for available gas.

Within the last several weeks, the company has filed an application with the F.P.C. seeking a $4 million rate increase which, if granted, would provide the company with a 7½% rate of return on its regulated pipeline business and 10% rate on gas production properties. The application was made under procedures used before the Commission prior to the Memphis decision and apparently ignores the procedure indicated by that ruling. While this method is contrary to the approach used by several other pipelines that have attempted to negotiate rate settlements with customers, Mississippi River Fuel currently has no revenues subject to the Memphis decision and stands to benefit from possible refunds from its suppliers. The present rate application would of course be dismissed if the Memphis decision is upheld by the Supreme Court, but the lower cost of gas would more than compensate for the difference. Thus the proposed rate increase is in part a hedge to protect the company against further increases in gas costs as well as an attempt to obtain a compensatory return.

Pipeline expansion in recent years has been relatively modest and delivery capacity is now about 515 million cubic feet per day. Approximately $5 million will be spent this year on pipeline construction in order to bring capacity up to 550 million cubic feet per day. No further expansion is contemplated at this time. During the extremely cold weather this past winter, a maximum of 15 million cubic feet per day had to be withdrawn from industrial customers indicating the pipeline seems to be at approximately optimum size for the current market. Over the coming years, an underground storage field being now constructed by Laclede Gas Company probably will require deliveries of larger quantities of gas. Development of the field, however, is proceeding slowly and it will probably be two or three years before any sizable additional amounts of gas are needed on a regular basis.

Approximately two-thirds of the company's gas supplies are obtained from United Gas Corp. and about 7% from owned reserves of the company. The remainder is purchased from a number of smaller producers. During the past several years, United has increased its rates four times which has materially increased the cost of gas to Mississippi. As none of these cases has been ruled on by the F.P.C. all are subject to the Memphis decision and under most extreme conditions, United Gas Corp. might have to refund close to $5 million to the company.

Sizable reserves of oil, liquids and gas are held by Natural Gas & Oil Division. At the end of 1957, estimated proven oil reserves were 18 million barrels and condensate about 8 million barrels. Approximately 45% of these reserves currently are in production. Gas reserves are about 415 trillion cubic feet excluding promising wells developed in conjunction with a subsidiary of Consolidated Natural Gas Co. in an offshore venture. Of the company's proven gas reserves about one-third are dedicated to the pipeline system, the remainder being sold to others. Revenues from crude oil sales are being adversely affected by proration orders but the inventory situation in the oil industry appears to be correcting itself and increased production later this year seems likely.

Capital expenditures in 1958 will be devoted primarily to expanding the operations of the Natural Gas & Oil Division which expects to spend about $10 million or about the same amount as in 1957. Additional amounts, up to $10 million, may be spent by the company over the coming several years on offshore drilling ventures with other companies. Expenditures of the chemical division and Milwhite will be nominal. Recently the company sold $30 million of debentures to fund construction loans made previously and is not expected to do any additional financing other than bank loans during 1958. The company's capital structure is considered conservative and it is unlikely that common stock will be sold for some time.

The Chemical division and Milwhite Mud Sales have been adversely affected in recent months also. The latter by the reduction in exploration and drilling activity and the former by extremely wet weather during the early months of the year. Provided activity accelerates in the oil and gas production field later this year, Milwhite may still be able to do as well as in 1957. Fertilizer sales may be subject to some price weakness because of late planting but are expected to contribute modestly to the earnings of the company in 1958.

Considering all of these factors, 1958 earnings are not expected to be materially below the $2.00 reported for 1957. At the current price of about 30 this represents a multiple of 15 times which seems reasonable for a conservatively capitalized company with earning power from the pipeline and chemical division of close to $1.80. The $1.60 annual dividend yields about 5.3% at the present price, and is considered safe. Over the longer term, Mississippi River Fuel seems to have better than average prospects for earnings growth and longer term appreciation.

*Substituting for Owen Ely who is on vacation.

Continued from page 5

Oil Industry Problems in the Nation and the West Coast

tee recommended a total import quota of 933,000 barrels a day.

Question of New Legislation

Many in the oil industry are urging new legislation which would result in mandatory controls over imports, to make the program effective. Others resist this, as the industry, as a whole, has always feared any type of Federal controls. They feel that a legislative system of import controls will gradually lead to other regulation, such as they are now faced with under the Federal Natural Gas Act. Some also think it is inconsistent to contend that controls under the Natural Gas Act should be removed, while at the same time urging that there should be legislative controls over imports. However, there is more and more clamor for legislative control over imports, and there is now pending in Congress the so-called Ikard Bill, which will provide for such controls. A novel feature of the bill is that after the President fixes the import quotas, he would then be authorized to auction off licenses for the quotas to prospective importers at the highest bid. This could be quite a source of revenue, and presumably would also stabilize the prices between imported foreign crude and domestic production.

Foreign crude is low-cost production and can be imported into this country more cheaply than crude can be produced domestically. This tends to reduce the price of refined products. Refined products manufactured outside of this country and imported into it by tanker also have a competitive advantage, so that any import program must cover refined products as well as crude oil to be effective. With tanker ship charter rates at a low level, foreign imports are being landed in the U. S. market at prices which enable importers to engage in price cutting practices to the point of almost eliminating profit margins for some domestic refiners who rely on domestic crude supply.

There can be no doubt that some imports of crude oil must be allowed into this country, and that our requirements for imports will increase over the years as we use up our own reserves. The real problem at this time is to achieve some reasonable balance of imports to domestic production so that our domestic industry will remain a healthy one and will continue to explore for oil. Foreign oil should supplement, but not supplant our own production.

Conditions in the West Coast Industry

You are probably interested in the petroleum situation on the West Coast, as you are more immediately affected by it. Of the Pacific Coast states, California is the only one which has had any oil and gas production of any consequence, and up until World War II California supplied practically all of the petroleum product requirements of the Pacific Coast states, Hawaii, Alaska and Western British Columbia, and also exported products to areas in the Pacific. This situation has changed drastically since World War II. Since then, the California oil industry has not been able to maintain a satisfactory ratio between the discovery of new oil reserves and production required to meet rising demand. Exploration has been discouraging and only two new fields discovered during this period are expected to recover more than 100 million barrels. California's reserves are estimated to be three to four billion barrels. California production reached a peak of about 1,100,000 barrels daily in 1953, and has declined even since to a point where it now produces about 875,000 barrels a day. Meantime, demand for products in the Pacific Coast area had risen to 1,250,000 barrels a day at the end of 1957. How has this difference been made up?

There has been a shifting of supply centers which has supplanted products formerly coming from California refineries. Several large refineries have already been completed in the Puget Sound area and others are now being constructed or are in the planning stage. Crude oil for this area now comes either from Western Canada through the Transmountain Pipeline, or by tanker from foreign sources. Formerly, the refined products came from California by tanker or by rail. Eastern and Central Oregon and Washington now get most of their petroleum products through the Salt Lake products line, where the crude comes from Wyoming, Colorado, and Eastern Utah fields and is refined in the Salt Lake City area, or through the Yellowstone products line which extends westward from Billings, Montana, where the products are made from Montana and Wyoming oils.

Arizona, which still is partially supplied from California refineries through the Southern Pacific products line, gets part of its requirements now through products pipelines extending north and west from El Paso. Hawaii, while still receiving its supplies from California, probably will not do so for any extended period as a 35,000 barrel-per-day refinery is planned there and the oil for it will undoubtedly come from the Middle East or the Indies. Alaska, for the time being will continue to be supplied from the California or Puget Sound refineries.

All of the above steps have been designed to take the burden off California oil production, in recognition of its dwindling reserves and inability to discover substantial new reserves

California Oil Imports

About 200,000 barrels daily of crude oil is now imported into

California from various sources. The Four Corners Crude Pipe Line into Southern California from the Four Corners area of Arizona, Utah, Colorado and New Mexico has just been placed in operation and is bringing in about 40,000 barrels daily from that area. It can bring in up to 70,000 barrels daily. Some people call this "foreign" oil as it is the first time any oil of substantial quantity has come into California from the Rocky Mountain region.

With all of the above, one might think that, because of its declining oil production and the rapid growth of the state, California operators could sell all of the oil they can produce. Unfortunately, this is not the case at this time. This is primarily due to depressed business conditions and the falling off of demand for petroleum products, but this is not the only factor involved. Many independent operators blame imports entirely, including "imports" from the "foreign" Four Corners area, and these imports undoubtedly have a great bearing on the situation. Other factors are the increased use of natural gas for industrial and commercial uses, most of which is imported from outside the state. The competition of natural gas with fuel oil, railroads converting from heavy fuel oil to diesel, and general decline of business conditions has caused an oversupply of fuel oil which has resulted in two recent reductions in fuel oil prices and one reduction in the price of heavier crude oils. Inventories have gradually increased both in crude oil and the principal refined products, and there have been severe gasoline price wars in many areas.

California producers have cut back their oil production in various amounts. Meantime, the Federal Government has extended the voluntary Import Program to the Pacific Coast area and has requested importers to reduce their scheduled imports for the first six months of 1958 to a total of 220,000 barrels a day. So far in 1958, imports have not come up to that figure. It is expected that the government will set a lower schedule figure for the second six months of 1958. The Oil Producers Agency of California, an organization representing a substantial segment of the independent oil producers in California, has requested the government to reduce the import quota for the Pacific Coast area from the present quota of 220,000 barrels a day to 54,000 barrels a day, and also that refined products be put under the present quota program.

Oil in Alaska

One other matter bearing on the West Coast situation may be of interest to you. Although California's oil production is steadily declining, and the discovery rates disappointing, the oil companies have been exploring in other Pacific Coast areas, notably Oregon, Washington and Alaska. No discoveries have been made in Oregon, and none of any consequence in Washington. Last year, Richfield made the first commercial oil discovery in Alaska. There had previously been some small discoveries in Alaska but they were not of commercial significance. A small field was discovered many years ago along the Gulf of Alaska near Katalla, but this has long since been abandoned. The U. S. Navy made some small oil and gas discoveries in Naval Petroleum Reserve No. 4 in an area north of the Arctic Circle near Point Barrow which is so far isolated from markets that the discoveries presently have no commercial significance.

The discovery by Richfield in the Kenai Peninsula is not only of commercial significance but is highly important from the standpoint of national defense. So far all petroleum products for Alaska have had to be imported by tanker. While civilian needs have not been too substantial because of the small population of the Territory, military requirements have been important and particularly the problem of supply during World War II.

Discovery of oil in Alaska will be of great economic importance to the Territory since its principal means of economic support is now the military. Gold mining and other industries have declined over the years.

The Territory of Alaska is about one-third the size of the continental United States. There are many sedimentary basins in the Territory where conditions are favorable to the accumulation of oil deposits. Since the Richfield discovery last year, millions of acres of land have been leased in the Territory and there will be much exploration in the next few years. Operations are expensive but no more so than in Western Canada.

No oil has yet been marketed from the Richfield-Kenai discovery. The area is close to tidewater but a pipeline must be constructed to take the oil out by tanker. There are no refineries in Alaska, but it is reasonable to presume the refining facilities will be built there to take care of local needs rather than to haul crude oil out and products back. However, the real market for the oil will be outside of Alaska, probably in the Puget Sound area, or California, but other possible markets would be Hawaii and Japan. It is approximately 1,400 miles by tanker to the Puget Sound area, and about 2,400 miles to California, and it is significant that Alaskan oil could be delivered by tanker into the Puget Sound area at less cost than Canadian crude can be delivered to that refining center through the Transmountain Pipeline.

An important factor in connection with Alaska oil is that the Territory is a part of the United States, and therefore is not involved in the issue of oil imports. Any oil brought in from there will not be subject to tariffs as is oil brought in from foreign countries.

U. S. Highway Program Geared to Higher Spending

Federal Highway Administrator Tallamy announces additional employment will be generated on highways between now and 1959 over and above that induced by regularly scheduled Interstate and A. B. C. programs.

Fourteen States have programmed $20.8 million of highway work for early construction under an anti-recession feature of the Federal - Aid Highway Act of 1958, Federal Highway Administrator Bertram D. Tallamy announced May 7, 1958, to the National Highway Users' Congress. Of that amount, the Bureau of Public Roads, U. S. Department of Commerce, authorized nearly $8 million worth of projects for advertising within two weeks after President Eisenhower signed the Act, according to Mr. Tallamy.

Bertram D. Tallamy

The Act signed by the President on April 16 provided a special authorization of $400 million to be apportioned to the States immediately for use on the primary and secondary highway systems and their urban extensions. This amount was over and above the regular apportionments of so-called ABC funds and was designed to create additional employment in highway construction.

Work Speeded Up

"The speed with which the States are advancing this type of work to the construction stage is evidence that a considerable amount of additional employment will be generated on needed highway projects between now and December, 1959," Mr. Tallamy said. "The Act stipulates that these funds, which are provided on a two-thirds Federal, one-third State basis, must be put into contracts before Dec. 1, 1958, with completion of construction scheduled prior to Dec. 1, 1959. When added to the regular Interstate and ABC programs, these special funds will have a significant effect in producing employment and stabilizing the economy."

Mr. Tallamy pointed out that the Act increases the authorizations for the Interstate System for fiscal 1959 from $2 billion to $2.2 billion, and for fiscal 1960 and 1961 from $2.2 billion to $2.5 billion.

Suspends Pay-As-You-Go

"It also suspends the pay-as-you-go provision of the 1956 Act for two fiscal years. Thus, the Interstate System program will be increased by $2.7 billion of Federal funds within the next few months, instead of $1.6 billion at the end of the year—a gain of $1.1 billion and nearly a half year of valuable time."

He said the highway program was proceeding in accordance with expectations and receipts into the Highway Trust Fund were "running very close to estimates."

"For this fiscal year ending June 30 we expected progress as measured in terms of funds obligated to amount to $2.490 billion. As of March 31, actual obligations totaled $1.919 billion, or 77% of the goal accomplished with three months remaining in fiscal 1958," he said.

"Total obligations since enactment of the Federal-Aid Highway Act of 1956 amount to $4.123 billion, of which $2.174 billion was committed to the Interstate System and $1.409 billion for improvement of primary, secondary and urban roads.

"As to the Trust Fund, the Secretary of the Treasury had estimated total receipts for this fiscal year to amount to $2.138 billion. Actual receipts, with three months of the fiscal year remaining, amounted to $1.648 billion so we are right about on schedule in that area as well as in the obligation of funds."

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The whole Government market, in spite of the coming refunding operation of the Treasury, has been responding rather well to the bullish sentiment that is currently prevailing in the money market. The action of the Federal Reserve Banks in purchasing Treasury bills not only to offset the outflow of gold but also to add to the credit base, has had a marked effect on the yield of the shortest Government issue. This buying has helped to push the yield on this obligation below the 1% level. If the bill rate should stay under 1% for a period of time, it could be forecasting another cut in the discount rate.

No Long-Term Bond Expected

The guesses in the money market for the moment are that there will not be a long-term obligation in the June 15th refunding operation of the Treasury. The way the Government market has been acting, it seems as though the Treasury will be able to get very satisfactory rates on any of the obligations which will be offered in place of those being paid off the middle of next month.

The money market is in one of those waiting periods, which it runs into every now and then, and this time the reason is the impending refunding operation of the Treasury. However, the latter is not having too important an influence on the action of the market for Government obligations. The opinions around now are that the Treasury, in taking care of the June 15th maturities, will not offer an issue which will be in the long-term bond classification. This has taken the pressure away from the more distant securities in the Government list, and as a result these obligations have been making a very much better showing market-wise.

Non-Government Market Helped

The improvement in Government bond issues has also carried over into the corporate and tax-exempt fields because these securities have also rallied fairly well from the levels which they sold down to when there were many ideas around that the Treasury would use a long-term obligation as part of the coming refunding operation in order to extend the maturity range of the Government debt.

Existing Treasuries Acting Well

In spite of the beliefs that the Treasury will use only short-term and intermediate range issues in the June 15th refunding, the outstanding obligations in these maturity areas have not been acting badly, even though the price movements of these securities have not been as sharp or as pronounced as those of the most distant obligations. Part of the favorable market action of the outstanding Treasury issues that are considered to be in the refunding area is attributed to the fact that not a few owners of the June 15th maturity have been buying the outstanding issues and in this way are doing their own refunding ahead of time.

In addition, the professional element in the Government market has been moving quotations of these securities up a bit, without too many issues changing hands, since the market for these obligations is very much on the thin side, which makes them readily susceptible to this type of market action.

Market Guessing on Refunding Terms

The Treasury will be meeting shortly with the various groups in the financial district as to the kind of securities which should be used in the June 15th operation. To be sure, up to this point all that is available along these lines are the various guesses which are being made, together with the "so called" observations which are also being made by certain money market specialists, namely that the Government market by its own actions is not particularly concerned with a long-term bond in the coming refunding. Therefore, the securities to be offered will most likely fall in the short and intermediate areas of the market and the cost to the Treasury of such issues will not be unfavorable because of prevailing low return on the outstanding securities.

The fact that the Treasury saw fit to refund the 2¼ bonds of 1956-59, and the 2⅜% bonds of 1957-59, on Sept. 15th, indicates that the money market will be a favorable position to take care of this operation in the Fall. This appears to be a bullish implication for the Government market since the opinion of certain money market followers is that it means easy to easier money and credit conditions for the foreseeable future.

Increase in Debt Limit Needed

The deficit of the Government in the coming fiscal year will, according to advices from the nation's capital, reach very sizable proportions, somewhere between $8 billion and $10 billion. This means the Government will not only have to increase the debt limit but also will have to keep money market conditions very much on the easy side.

Daniel Reeves Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Rachford Harris has been added to the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. Mr. Harris for many years was with Leo Schoenbrun.

Joins Daniel D. Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Edward Glist has become connected with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange. Mr. Glist was formerly [illegible]

Form J. B. Winmill Co.

J. B. Winmill & Co. will be formed as of May 15 with offices at 1 Wall Street, New York City. J. Bassett Winmill, who will acquire a membership in the New York Stock Exchange, will be a general partner, and S. J. Winmill a limited partner.

Three With Sheffield

(Special to THE FINANCIAL CHRONICLE)

NEW LONDON, Conn.—Howard G. Christensen, Junius M. Reynolds and Richard A. Seymour [illegible]

Coffin & Burr Branch

ALBANY, N. Y.—Coffin & Burr, Inc., have opened a branch office at 75 State Street under the management of Walter H. Eisenhut. Mr. Eisenhut was formerly local manager for R. M. Horner & Co.

Leavitt, Spooner Branch

LONG BEACH, N. Y.—Leavitt, Spooner & Co. have opened a branch office at 84 East Park Avenue. Lewis Bornstein is resident partner, and Aaron I. Canon [illegible]

Continued from first page

As We See It

—probably in time replacing Britain as the world's source of capital.

Then came World War I, and in a very few short years we found ourselves holding the obligations of foreign countries in amounts that almost staggered the imagination. What is more, the obligations we held were in very substantial part not those of young and growing nations using capital to build up their productive power to reach a position where they could without undue hardship service their debts, but those of old countries which had for years depended in substantial part upon the returns from foreign holdings which they had in large part given up in order to save themselves from the onrushing German armies. We on our part had not reached that stage where, by and large, the more profitable opportunities lay abroad rather than at home, and where we needed the proceeds from foreign investments to meet the day-to-day needs of the population.

Other Commitments

Of course, these old inter-Allied debts, as they were called, simply were never paid and never will be. But there were other so-called investments made abroad during the 'Twenties, some of them for economic development of foreign areas. They were, however, made often without anything resembling circumspection. Securities of all sorts of foreign governmental and industrial units could be easily sold in the decade following World War I to the public in this country—and were sold. There was no solid economic basis for many of these flotations and defaults soon were common. Often there was no economic basis for them even apart from exchange difficulties, and the problem of obtaining dollars for servicing such obligations was at times all but insurmountable.

Then came the Great Depression and the New Deal with its good neighbor policy—which sometimes seemed almost to ask that foreign debtors confiscate property belonging to American investors. At any rate that was the net effect of much of the New Deal policy. But it had wider effects. It encouraged the belief abroad, particularly in Latin America, that investors in this country were one and all simply robbers, and that there was no moral obligations to honor any commitment made to them. It tended to stimulate a revolution throughout most of Latin American in attitudes toward private property, and to lay a basis for dislike of any foreign investor who would collect money owed him.

Then came World War II, Lend-lease and all the other maneuvers in the belief apparently that the dollar sign could be taken off international transactions in peace as well as war and thus provide a solution for the unnatural economic relationship which had developed between this country and many others. International financial agencies were created in the belief that somehow machinery could be devised to do the impossible in international finance. Meanwhile, in a good many lands it had become out of style to work hard. There were some exceptions—West Germany for example—where people went to work and have brought themselves up out of the bog, but all too many still expect other nations and other peoples to come to their rescue and to save them from the necessity of rowing their own boat through rough water.

Want Their Own Terms

Meanwhile, so-called underdeveloped countries often want foreign capital, but they want it on their own terms—which often are definitely not of the sort to appeal to foreign investors. Some sort of revolution has swept the world, or at least the backward countries of the world. They are no longer the kind of people that Britain and the other exporters of capital in the 19th century had to deal with. They have been infected with all sorts of socialistic notions, have small respect for private capital and are politically unstable to a degree. Under the best of circumstances in other respects it would be difficult to deal with these countries on a confident business basis with the thought of building their economies up to modern standards.

But difficulties do not end here. We ourselves, not having reached the economic stage in which we should be normally a large creditor nation, are not willing to act as if we were a creditor nation. We do not need to import a great variety of basic consumption products in large amounts—or at least not in the degree that Britain must. Very nearly everything that is brought into this country from abroad competes with some important domestic industry. Whatever may be said on the subject, and whatever ought to be the case, we simply have not been able to bring ourselves to open our borders to foreign goods in the degree that is necessary to enable foreign peoples to service large additions to their indebtedness to us. We are much more nearly self-sustaining than creditor nations of the past have been, and are not willing as yet to permit full development of international specialization and division of labor.

The inability of foreigners to reach our markets in the amounts they want is the more galling to many of them by reason of the fact that the good neighbor policy of the New Deal often entailed special arrangements under which foreign producers obtained more for their products than the market would otherwise bring, and such benefactions continued long enough to lead to the supposition in some quarters that vested rights to them had been acquired.

Our international situation would be difficult enough in any event, but we have by our own policy greatly aggravated it.

Continued from page 15

Khrushchev's Challenge

original military aid offers in 1955. Despite repeated crackdowns on communist elements within the country since that time the U. S. S. R. concluded a major $175,000,000 economic aid program with Egypt in 1957.

Communist influence in Syria has been reduced following its membership in the United Arab Republic in February of this year—even to the point where Khalid Bakdash, the leading Arab communist, fled the country. But the U. S. S. R. is going ahead with its $170,000,000 economic aid program and continues to supply arms under agreements worth $100,000,000. The magnitude of this and other military programs raises the question as to who may be the eventual user of these arms.

The list of examples can be extended. Afghanistan is a monarchy. The Imam of Yemen is an absolute ruler. Both are recipients of large Soviet aid programs.

Soviet Bloc economic penetration of Yemen provides a striking instance of the use of trade and aid as an investment in disorder. Yemen is strategically located at the entrance to the Red Sea from the Gulf of Aden. It commands one entrance to all Suez Canal traffic; the oil moving westward as well as goods moving from Europe to the East.

Soviet overtures were appealing to the Imam because the Bloc was willing to supply him with arms, while the West would not. Arms in Yemini hands on the scale contemplated can only create more trouble in the Middle East. They will fan the Imam's dispute with the British and with local Sultanates over the borders of the Aden Protectorate.

The Soviets were quick to sense the opportunity to create disorder by giving aid to Yemen. They moved quickly. In less than two years, this small country of some four million of people has been granted $80 million in credits. Additional offers of over $20 million are currently outstanding. Arms valued at $30 million have been delivered. A Soviet and Czech military mission of some 65 advisors is currently in Yemen for training assistance.

Even the Red Chinese have joined in with an offer of a loan of $15 million. If all proposed projects are carried out, the Communists will play a key role in Yemen's economic as well as military development.

U.S.S.R. Banking and Credit

The Communists have no interest rate problems. They have no legislative restrictions. The U. S. S. R. has developed an attractive package credit deal—long-term loans, generally for 12 years; 2½% interest rates; repayment in surplus commodities, and room for bargaining on prices. They have devoted much effort to the native language training of the technicians they send with their aid to the newly developing nations.

Though the Communists eschew capitalist types of business organizations in their own country, they make liberal use of them abroad.

One of the most important of these is the Bank of China. It is a primary source of funds to the 12,000,000 Chinese in Southeast Asia. These loans, controlled from Peiping, often require appropriate gestures of support to the Communist regime in China.

Branches of the bank throughout the East promote the export and sale of Chinese Communist goods in the area. They also collect a vast store of economic and political information, both openly and by clandestine means.

In Paris, for its European business, the Soviet use a commercial bank called the Banque Commerciale pour l'Europe du Nord. It often serves as agent for effecting sales of Soviet gold in London and on the Continent and is the means through which Soviet credits are transferred to the Satellites. It also maintains a widespread system of correspondent relationships with banking institutions throughout Europe and in this hemisphere and is one of the chief instruments for the financing of Soviet trade with the West and for obtaining information on trade opportunities.

In Latin America, there are a number of communist front or Bloc associated organizations actively campaigning for closer commercial ties with the Bloc. In Brazil, one of these has been offering to import and sell Russian automobiles at ridiculously low prices. When this fell through, it offered to import a complete auto factory from the USSR. While neither offer may have been serious, they had considerable propaganda value.

Appeal to Underdeveloped Areas

On a world-wide basis, the Soviet Union presents itself as eager to do business on terms attractive to the customer.

Moscow's foreign aid program has particular appeal in the underdeveloped countries because Russia until so recently was an undeveloped country itself. For some reason the recently liberated countries seem to feel that the Kremlin has found a new and magic formula for quick industrialization which is the hallmark of becoming a modern state to many of these countries. They recognize American economic and industrial leadership in the world but they feel that the democratic process of economic development may be too slow.

Soviet propaganda charges that it took the West 150 years to achieve industrially what the Soviets have built in a generation. In the newly developing countries, the drive for economic betterment has become a crusade, not always based on reason.

Also these countries feel that we in the United States are far ahead of them and that while they may aspire eventually to an economy something like that of the Soviet Union, they cannot, in the foreseeable future, hope to reach the high standards of living of this country.

No Disclosure Made

Factors such as these give a particular appeal to overtures from the Soviet Union. They are not able to see the invisible strings which are tied in with Soviet offers nor do they understand the subtle implications of Soviet subversive penetration which is a part of every economic package.

Each time that I prepare a summary of any phase of Soviet activities, whether it be in their domestic industrial development, their foreign economic exploitation activities, or their military defense preparations, I am impressed by the efforts which the Soviet make to keep secret the details of their operations.

If their motives in the military, industrial and economic fields, are, as they claim, peaceful and defensive, why should this be the case? Why are we not entitled, before we accept their protestations regarding peaceful coexistence, to ask that there should be a franker disclosure of their activities—something comparable to the disclosure made by the free countries of the world?

For example, before their recent offer of a suspension of nuclear testing, they themselves had just completed a series of nuclear tests, concentrating a great number of tests in a short period of time. For example, three tests occurred within a single two-day period in an unprecedented burst of activity. This was done behind a cover of secrecy except for announcements that our Government itself made of the Soviet tests. But, by and large, their activities in nuclear testing remain quite unknown particularly in those countries which are being filled with Soviet propaganda against testing.

The nature of their military aid programs such as I have described above have, by and large, been kept as secret as the Soviet could manage. An even tighter veil of secrecy is kept around almost all phases of their military establishment.

The details of our own aid programs as well as of defense expenditures and military production, with few exceptions, are available to the world through our newspapers. In contrast, the Soviets release only the annual ruble total of what they call defense spending.

It is our best estimate that the announced Soviet defense budget as published to the world actually covers little more than half of the rubles they are now putting into military activities.

As long as this secrecy remains a cardinal tenet of Soviet practice, it is extremely difficult to accept Soviet protestations of a desire for peaceful relations as expressing their real intentions.

It is true, and it is an encouraging sign, that exchanges of visits are being arranged, particularly in the cultural, technical and academic fields. This may well help to a better mutual understanding but that understanding will be very incomplete until it is broadened to a point where the barriers of secrecy are removed. It is this very secrecy which makes meaningful agreements so difficult to reach.

Challenge Their Challenge

One answer to Khrushchev's challenge to us should be a renewed challenge to them, as in the President's open sky proposal, to put an end to secrecy which breeds suspicion and doubt.

Undoubtedly one of the reasons for secrecy is to hide from the world some of the problems which the Soviet Union faces.

In the analysis I have given above, I have stressed their very real achievements, their growing power, and their rapid rate of progress. These factors we must not underestimate. However, the realization of many of the goals they have set depends on resolving some very real obstacles to success.

For example, Khrushchev has repeatedly promised his people startling improvements in the quality of their diet. The realization of these dreams rests on a precarious agricultural base, whose crops over large areas, as we saw in 1957, are vulnerable to serious drought. Further, Khrushchev has brought the anti-geneticist Lysenko back into favor, a theorist whose plant and animal breeding ideas are regarded as nonsense by all competent Western scientists.

They are now engaged in a massive reorganization of the control of their industry and this move toward decentralization has built-in, long-run dangers for any dictatorship such as that of the Kremlin today.

The myth of collective leadership has been abandoned and there are signs today of a reversal to a harsher line with consequences of a far-reaching nature. Khrushchev, despite his gregarious characteristics, as he assumes new positions of power and eliminates his rivals, becomes more and more an isolated and lonely figure.

As they enter into the field of international trade on a major scale, they lack a convertible currency. They must rely on the device of settling international balances in sterling or dollars. In essence, most of their trade must remain on something approaching a barter basis. The ruble is not an international currency and within wide ranges its value is a matter of speculation, varying from the official rate of around 20c to a purchasing value of around 10c, to a quoted value for ruble notes in the Swiss market of only a few cents. But, of course, this latter rate is due to the fact that ruble currency can neither be legally imported into nor exported from the Soviet Union.

U.S.S.R.'s Most Acute Problem

Possibly today the most acute problem facing Khrushchev is that of meeting the growing demands of the Russian consumer for a greater share in the over-all production of the Soviet Union. With a gross national product of around 40% of our own, they put into the military sector a national effort roughly comparable to our own, leaving only a modest share for consumer goods.

If the Kremlin responds to popular pressures, they will be forced to give more and more to the consumer. This trend has already started. The Russians have somewhat improved living standards and the national output of such consumer goods as TV sets and washing machines has been stepped up. Some former armament plants are now producing civilian goods.

All this may help to develop a society where people will have more opportunity to satisfy the individual yearning for a fuller life. Economic betterment, added to the massive educational system they have already installed, may help to build up generations of people more and more inclined to question the basic tenets of a totalitarian philosophy and less willing to tolerate the autocratic forms of government under which they are living.

Under Khrushchev there has been, undoubtedly, some relaxations of the old Stalinist police system, but every two steps in advance seem to be followed by one step backward as they wrestle with the problem of reconciling a measure of freedom with the stern line of communist doctrine and discipline.

We Cannot Be Complacent

The fact that the leadership of the USSR faces these very real problems is, however, no excuse whatever for complacency on our part. During and since the war, their leadership has faced even more serious problems and has surmounted them. The economy of the Soviet Union has momentum and versatility and, while I predict that their people will undoubtedly press for an improvement of their lot, some real concessions can be made to them without fundamentally altering the general tempo of their present industrial and military programs.

Certainly here we have the most serious challenge this country has ever faced in time of peace. As this challenge is very largely based on the economic and industrial growth of the Soviet Union, it is one which concerns very directly the business leaders in our country.

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Atomic Policy in the Space Age

one outstanding scientific accomplishment—the discovery of atomic energy—could be dedicated to mankind's benefit instead of to its destruction.

The significance of the event in Vienna from which we and the rest of the world were distracted by watching overhead the maiden voyages of Sputnik was that — in spite of the intense rivalries of East and West in all other fields — here at the First General Conference of the International Atomic Energy Agency, nations from both sides of the Iron Curtain were taking the first steps toward breaking down the barriers of atomic misunderstanding and the first steps toward establishing a system of safeguards which, hopefully, will someday extend to the military field. At our headquarters in Vienna, we were preparing a showcase in which the technical prowess, political genius, and moral determination of the Great Powers are to be put on display, in side-by-side comparison, for the rest of the world to judge. Here we were building a device for converting the tensions causing unrest in so many parts of the world into constructive pressures — pressures which, I devoutly hope, we can amplify to forces great enough to overcome the inertia and counter-forces that handicap other devices for international negotiation.

We were demonstrating what President Eisenhower said in his recent letter to Ex-Premier Bulganin. "Perhaps the impasse to which we seem to have come can be broken by less formal and less publicized contacts . . ."

Why, it has been frequently asked, is it necessary to have an international Atomic Energy organization of such dimensions?

Soon after the military wraps were removed from our wartime discovery of atomic fission, the United States and other free countries immediately recognized that its peaceful benefits could be fully exploited only if nations were confident that widespread possession of such potentially destructive substances was carefully controlled. We immediately proposed to the world that all ownership and control of fissionable materials be vested in an international organization. We offered to ban all production and possession of nuclear weapons. This unparalleled offer — made at a time when we alone possessed the atom bomb — was acclaimed and accepted by all countries . . . except the USSR and its conquered territories. The Soviet answer came in 1949 — when our monopoly was vaporized in the mushroom cloud from a Soviet bomb. A nuclear arms race thereupon became inevitable.

The world, however, could not be satisfied with an alternative so dismal and devoid of hope. In 1953 President Eisenhower started his own imaginative search for a solution to wall off the tide of disaster which threatened mankind. He saw that the only feasible device was an international control agency. While he also vowed to devote himself to unceasing pursuit of satisfactory disarmament, his statesman's vision was of a system by which the world would gain the benefits of atomic power and by which nuclear stockpiles would be given over to safeguard international custody and beneficial uses as disarmament progressed. In the IAEA, an organization with a mandate adequate for these purposes is now a reality.

A few remarks about this organization of the Agency therefore seem in order, and I would like, if I may, to cast these remarks in the workaday language of industry. Let us think of the International Atomic Energy Agency as a business, a new venture in which we and 63 other nations have invested in the firm expectation that we will earn a good return.

Principal Businesses

Our business has two main product lines: one is civilian atomic power, the other is radioisotopes and radiation sources. And, as is the case with many other enterprises, we have several subsidiary but related lines of goods and services to meet the needs of our customers. These main and subsidiary product lines are the result of careful market analysis. Before we opened for business we spent a year gathering facts about what the market needs and studying how they could best be met.

Some of the reasons why civilian atomic power is one of our main product lines are so obvious that I need not describe them in detail. For example, atomic power holds promise of becoming profitable because it alone can make available an extensive new source of energy to fuel-short, energy-hungry nations. Less obvious but equally significant is the consideration that, if fissionable materials in substantial amounts are diverted to the production of civilian atomic power under an arms control agreement, the world can create a device — backed up by a real profit motive — which will siphon off nuclear materials from weapons stockpiles. This will not only lessen military potentials throughout the world, but it will convert one of its extremely costly components — fissionable materials — from a sterile status into one of financial gain and economic benefit.

There is another important adjunct to our activity which is vital to both product lines. We must secure the adoption of uniform international rules for health and safety, in order to remove this controversial subject from the arena of national political bias and propaganda. When mankind intrudes on nature's balance of matter, dangerous sources of radiation result, the malignancy of which cannot be extinguished or shortened. We must move into the Atomic Age with caution, lest we open a Pandora's box to plague our children. In this field also international regulation, such as will be provided by the Agency, can be the only answer.

As in any other new venture, to start our business we need money, people, plant facilities and raw materials. We have to bring all these elements together into an efficient organization. Let us look briefly at the elements of our organization.

Our charter is the product of unanimous agreement between 82 nations which belong to the United Nations or its specialized agencies. At present, it has been ratified by the governments of 64 nations. We are an independent world agency, autonomous, and associated with but not a subsidiary of the United Nations.

We are not a political assembly. We are not a trade association. We are a technical operation which may eventually pay its own way. Depending on the particular circumstance, we may function as manufacturer, wholesaler, distributor, broker, as purveyor of scientific, technical, engineering, auditing, or financial services, or as a research complex.

The Agency will sponsor research throughout the world, it will assist in reactor construction, and it will handle isotopes and reactor fuels. Undoubtedly at a later period it will have its own processing and storage plant. International regulation of waste disposal and establishment of radiological standards are Agency business. The Agency will conduct an extensive training program—aimed particularly at developing a body of specialists in the less advanced countries able to carry on their national programs. To meet the compelling need for trained man-power to carry forward the urgent task of exploiting this new source of energy, the Agency may well be called upon to assist in the establishment of training centers in various parts of the world.

In projecting its endeavors, the Agency will not seek to monopolize or to disrupt existing programs—either private or national. Rather it will strive for competence and leadership in areas where pooling of information would mean more rapid advancement, or where joint efforts would make problems more susceptible to solution. Controlled thermonuclear research might offer an outstanding example of a new field where the leading nations could join in their attack on a scientific problem of great promise. Combining existing knowledge and jointly conducting further research under Agency auspices might prove to be a great political achievement as well as a scientific stride forward.

The IAEA will require help in getting started. Many countries have already offered paid-up scholarships, nuclear materials, and some have even offered laboratories. For our part, we have offered to the Agency a million dollars in fellowships, and hope to add a research reactor, and an isotopes laboratory. Essential contributions such as these are not an impulsive "give-away" — but instead represent a planned and balanced priority of help now needed to ensure success of the Agency.

The operations of the new Agency are managed by a Director General — our distinguished fellow - American, Sterling Cole. Under him are four functional Deputy Directors General and an Inspector General, and under them are some 20 Division Directors. Most of these men have now been appointed; they, in turn, are recruiting their initial staff of 370, which will include 75 scientists, engineers and specially trained technicians. To help bridge the gap while the staff is being organized, the United States has made available to the Agency the services of 30 to 40 scientists and engineers to serve when needed as individual consultants, or as members of field survey teams, to help members states to prepare their initial programs in the fields of atomic power, medicine, agriculture, training and education. We hope and expect that other nations will follow this lead.

As in the corporate structures most of us know, the chief executive of the Agency is responsible to a board on which the five nations most advanced in atomic technology have permanent representation. The other 18 board members are drawn from specified geographical areas and from among the nations able to offer raw materials or technical assistance. The Chairman of our Board of Governors, for the first one-year period, is Ambassador Pavel Winkler of Czechoslovakia. The Chairman's duties are parliamentary, and not those of chief executive or policy maker.

In the 42 board meetings in which I have taken part, I have been convinced not only that each Governor brings to the conference table the expected attributes of a national spokesman, but that many of them bring outstanding individual qualities. Five are chairmen of Atomic Energy Commissions, two more are AEC members, and twelve are ambassadors. And I have been pleasantly surprised at the freedom of judgment, position and accommodation which has been delegated to them, not only in technical but often also in political matters. It has been particularly encouraging to me to find a high order of personal goodwill, and often a willingness to make a majority of decisions unanimous.

Because I do not have to exclude Soviet bloc representatives from this observation, I am reminded of another passage in President Eisenhower's letter to Ex-Premier Bulganin: "Most of the Soviet citizens who exert an influence are strangers to this country with I fear, totally false conceptions. These misconceptions I should like to see corrected in the interests of better relations." The United States and Soviet delegations in Vienna are helping to do just that.

I should note that only 9 out of 63 Agency members, 3 out of 23 governors, and 4 out of 26 senior Agency officials are from Iron Curtain countries. Certainly, our balance of geographical representation will make ideological subversion most difficult. If past performance is any indication, I believe the board members and Agency officers now working together will surprise us by their progress. And our high enthusiasm cannot help but bring about an understanding which will make itself strongly felt in negotiations among our member nations in other fields.

Of our first year operating budget of $4 million, the United States contributes 33%, the British Commonwealth 17%, Western Europe 18% and the Soviet bloc 19%. While for the next several years it seems quite clear that contributions from member nations for operating expenses will be required, the Statute affords the possibility that eventually through the sale of products and services we will have enough income to pay our way.

The Agency Statute specifically charges us with a responsibility for assisting the less-advanced countries. New and underdeveloped nations are acutely conscious of the potential benefits of atomic energy. They are resolved that they shall not be passed over by the atomic age as they feel they were by the industrial revolution. Regardless of the poverty of their

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means, they aspire to earn their share and not be petitioners for an atomic dole. Anxiety that nuclear energy was destined to become just one more big power advantage explains why the President's creative proposal of four years ago uncovered such abundant response. We hope to give these countries the benefit of our long and costly experience in nuclear development. A pooling effort such as the Agency provides will mean for these countries a great saving in time, resources and money.

The raw material essential to our business is nuclear fuel for firing civilian atomic power plants built abroad. We will not have carried out one of the main charges laid upon the Agency by the 82 founding nations unless and until we have made civilian atomic power an important contributor to the energy needs of a world at peace. So, if all goes well, by far the largest part of our business will be eventually devoted to dealing in one way or another with enriched and natural uranium, with thorium and plutonium.

The United States has made available to the Agency 5,000 kilograms of uranium 235 and has undertaken to match similar contributions by other members. Thus, with sufficient enriched fuel on hand to take care of the needs of at least one large size plant during its useful life, a situation exists where the establishment of a large international supply of enriched fuel can be triggered off. We wait with keen interest to see whether the Soviet Union meets this clear-cut challenge or, indeed, whether it can meet the challenge.

Unlimited supplies of natural uranium have been offered by Canada.

Principal Purpose

So, when viewed in perspective, the International Atomic Energy Agency already takes on truly great significance. Here for the first time, by international agreement, we have at hand the means for furnishing dependable supplies of nuclear fuels and reactor materials to fill the world's otherwise inevitable energy deficit. Certainly there is no comparable international organization which can assume long-term obligations for supply of conventional fuels—that is, of oil and coal — stable in quantity and stable in price.

In this connection, it is worth repeating a point I made at the Second Nuclear Conference last year: Had the fuel-short, energy-hungry industrialized regions of the world possessed adequate civilian atomic power plants, the Suez and Middle Eastern crises might never have occurred. While hastily mustered fleets could shuttle fuel from the western to the eastern hemisphere should Middle East oil again be shut off and thus avert complete economic chaos, the Free World may be pressing its luck too far if it relies on always being able to jump out of one emergency without landing in a worse one.

So much then for the basic elements of the new business the 82 founding nations have started in Vienna. What are our prospects, earth satellites having appeared in the sky while we were opening our doors? Is our future brighter or dimmer?

Electric Power Priority

To my mind, there is no question that the beginning of the conquest of space has made the prospects of the International Atomic Energy Agency brighter—provided that we set the right priorities on early programs of the Agency. Much of our initial work must of course be occupied, as I said earlier, with applying isotopes and radiation sources to problems of underdeveloped regions in agriculture and medicine. But our initial work must give the highest possible priority to hastening the application of atomic energy to world needs for electric power.

As I see it, this means that we must stress the early construction of civilian atomic power plants abroad. The Agency can provide advice, guidance and consultative service for power plant projects; we can deal in nuclear fuels. But this can also be done through various regional or bilateral arrangements. In one regard, however, the International Atomic Energy Agency is unique and cannot be duplicated: it alone in all the world is concerned with and holds out the hope for the development of a comprehensive international safeguards system. The advent of the space age can only magnify the need and increase the demand for this unique product of our Agency.

That the term "Atomic Age" is no longer fully descriptive of our period in history is clear. But neither is the term "Space Age". On the peaceful side, atomic propulsion can give rockets the range they will need to traverse the solar system or farther space. On the military side, it is not fear that intercontinental missiles will carry dynamite in their warheads which disquiets our families or complicates our defense planning; it is fear that they will carry nuclear charges. So safeguarded atomic disarmament is more important today than before Sputnik and Explorer. Its importance will continue to grow as man's capability to move nuclear destruction from the launching pad to target continues to increase.

While the temporary leadership achieved by the Soviet Union in the missile race must not be minimized, it did not lessen the world's confidence in the possession by the United States of a sufficiently large nuclear capability to deter aggression. Therefore, the fear of eventual Communist world domination did not cause any weakening of free world military alliances or defection of uncommitted nations to the Communist side.

Urges U. S. A. Leadership

In this environment the goal of the Unitel States must be to maintain and continuously make visible world technological leadership. If we are the first to make civilian atomic power cheap, safe, and simple, we will have won an important advantage in this struggle. But, if another nation does so first, the defeat will be more than important—for it could be taken, by extension, as evidence that we are no longer first in the military atomic field. This is true because atomic military developments are necessarily shrouded in secrecy. There can, however, be first-hand observation of atomic supremacy in the peaceful uses of atomic energy. The degree of leadership displayed in civilian atomic energy may be projected by many into estimates of military nuclear strength.

Because of the way world opinion works, it seems to me necessary for the United States to establish and hold world leadership in civilian atomic power as a cornerstone to technological leadership, because we want to do all we can to insure that our military atomic capability remains a deterrent to aggression. It is essential that the world be kept aware of this leadership. In this endeavor, there can be no better evidence of leadership than reactors of American design or fired with American fuels feeding electricity into light globes and electric motors throughout the world. Over the long run, news stories of new reactors built abroad will do more than news stories from weapons proving grounds.

Cooperation of Friends and Allies

And the task of demonstrating leadership in nuclear power development is one which our friends and allies in the free world must help to bear. For our part, we can provide people, know-how and materials for research and development and testing; we have built and can continue to build demonstration plants here in the United States. For their part, our friends and allies must, by building additional demonstration plants, help gather the body of broad operating experience which can only come from actually running on-the-line atomic power stations. Our friends cannot, and I am sure they will not, sit back and play no part in this competition. The stakes are as high for them as they are for us. Nor can they play their part by merely establishing goals for atomic power development, but never breaking ground for actual plants.

Taking all these factors into consideration — except for the greater urgencies since imparted by the conquest of space — the Panel on the Impact of the Peaceful Uses of Atomic Energy two years ago recommended to the Joint Congressional Committee on Atomic Energy a one million kilowatt atomic power demonstration program abroad. Specifically, the Panel said:

Quotes Congressional Panel

"The speed with which the United States and other nations of the free world act to bring the constructive benefits of atomic energy to all peoples will influence the achievement of lasting peace.

The bright promise of radioactive materials and radioisotopes provides even non-industrialized countries with opportunities for improvements in health and agriculture. The United States has a great challenge to assert its leadership, as it has in the past, in the lessening of poverty and distress among all peoples."

And then the Panel went on to say:

"The urgency which exists for foreign atomic power has domestic benefits as well. The growth of an atomic power program (in the United States) will probably not become significant before 1965. A gap may occur for the power equipment manufacturing industry between present domestic interest in atomic power reactors and actual sales in substantial volume. If the equipment manufacturers, operating in our free-enterprise tradition, are to be expected to carry forward research and development directed toward making atomic power competitive in the United States, the foreign market for power reactors with its high near-term growth potential may offer a solution to bridging this gap. The potential demand may represent a $30 billion market . . . We specifically note, however, that special subsidies from the Commission, such as free plant construction, free fuel or higher prices for by-product plutonium and uranium 233 than paid domestically, should not be used in connection with a foreign power reactor program. Financing of all foreign installations, atomic and conventional — to the extent to which the Federal Government becomes involved — must be kept within normal channels for the extension of financial assistance abroad. Any other course will complicate to the point of unworkability what should be a straightforward comprehensive policy covering international economic activities of the United States."

The Panel made these four recommendations:

(1) That the United States encourage other nations to determine for themselves the rate at which they wish to apply atomic power to their own economies.

(2) That the United States be prepared to furnish nuclear fuels, provide necessary technological assistance and permit contracts with American manufacturers for the installation of at least 1 million kilowatts of atomic generating capacity outside the United States, we hoped by 1960.

(3) That financial assistance, when required and where justified, be through normal governmental and private channels, and

(4) That atomic power plants constructed under these programs be subject to appropriate inspection, the plutonium by-product being earmarked for further expansion of peaceful uses.

In June 1956 I attempted to define American industry's role in such an international atomic power demonstration program at a meeting of the Atomic Industrial Forum in Denver, saying:

"No mere recapitulation of programs intended, approved or sought is real evidence as to whether our efforts are lagging. There must be concrete action—reactors must be sold, materials fabricated, ground broken, walls raised. . . . There must be continuing reexamination of all promising reactor concepts—studies in the light of which each type and size is most likely to be economically competitive. . . .

"Even doubling the present domestic demonstration program would not provide real impetus—it would only double the subsidy. Yet, because of high power costs abroad, the growth of atomic generating capacity there can begin immediately, perhaps reaching 100 million kilowatts by 1980.

"American industry can support an expanded atomic power demonstration program. . . We can build reactors abroad, now, which will be dependable and safe . . . Our uranium miners and processors, our atomic equipment manufacturers may feel hard times, if left to exploit only the slow-growing domestic market. An international atomic power demonstration program can be an important instrument in international relations and need not be a 'give-away.' It can help relieve hardships otherwise inevitable in the domestic atomic industry. It can bring about these legislative and policy changes by government which will free American industry to develop the maximum atomic market potential abroad far above the modest initial one million kilowatt goal."

International Collaboration

The reactor construction programs which are now shaping up in Western Europe, Great Britain and Japan give promise that the ice pack in which atomic power has long been frozen is finally breaking, and that international collaboration will give great impetus to these and other programs for civilian atomic power, leading to actual on-the-line operation of more civilian reactors at an earlier date than was thought possible even a few months ago.

The European Atomic Energy Community on Feb. 28 issued a communique in which the Euratom Commission indicated its interest in initiating a one million kilowatt full scale prototype reactor program. A United States-Euratom working group met in Luxembourg on March 20 to explore the possibility of developing a joint United States-Euratom program to achieve this objective. As stated in the communique, such a program would provide "a fruitful two-way exchange of experience and technical development; opening a new area for beneficial action on both the governmental and industrial level; and reinforcing solidarity within Europe and across the Atlantic."

An extensive market is beginning to take definite form and American industry's stake in it is real. Because the International Atomic Energy Agency will be an international focal point for all these projects, through its safeguards program and other forms of support and assistance, the Agency cannot help be a focal point in the American atomic energy industry. In one or another of the Agency's activities throughout the world, long suffering atomic industrialists will see new markets and new help to their salesmen.

But the sales implied by the growth of civilian atomic power programs throughout the world is only part of the benefits the United States can expect. International collaboration in the peaceful uses of atomic energy invariably and inevitably is accomplished by a further release from the restraints of atomic secrecy. Perhaps the most noteworthy example occurred in connection with the first Geneva Conference in 1955. I feel confident that the second Geneva Conference will be the occasion for further presentation of new data. And there can be no doubt that the effect of our joint activities in Vienna, as need is demonstrated and confidence gained, will be the gradual but positive broadening of existing atomic knowledge and a generation of new knowledge.

Improves Sales Talk

The consequences of such action will be far reaching. Nations and business groups everywhere will be better able to decide for themselves the kind of atomic projects they should undertake. Industrialists will be able to talk to your potential customers in more tangible detail and demonstrate the soundness of your cost estimates by actually producing the relevant underlying data.

This action will provide a new basis for international scientific collaboration. It will assure a rapid pace in the accumulation of basic knowledge and expand our ability to make specific product applications.

For example, up to now our American atomic experience, particularly in civilian power, has been somewhat limited — even though, in relation to the rest of the world, we have unquestionably carried out a far broader program. As I said a moment ago, what we need most of all in our search for low-cost reactors is a large body of actual operating data on plants designed for civilian purposes. We all know the difficulties involved in dealing with systems as expensive, complex and potentially dangerous as reactors. Every atomic decision, by business or government, has many ramifications. How will the research and development be financed? What about fuel costs and buy-back prices? Who should have first crack at being permitted to sponsor specific projects? Should public power enterprises be given priority, or should they bid competitively against private utility systems? What impact will government subsidy of an atomic power demonstration program have on our coal producers? Where should the first reactors be located? What are the potential hazards to people who live near these reactors and how should these risks be insured?

There can be no automatic answers to these questions. We need look no farther than the agenda of meetings devoted to this subject to see that the questions on atomic power cover the very same ground of last year and the year before.

In our United States program each atomic power demonstration plant is a special case, characterized by its own special problems and special design. A few precedents are being established in limited areas, but the large sums of money involved make it imperative that, until our experience is broader, these precedents be used only as guide posts. But not all the questions I just mentioned apply in making decisions about atomic power programs abroad. Yet reactor operating data developed abroad would make a marked contribution to the body of technical knowledge and fund of operating experience required to hasten low cost atomic power here in the United States.

An international atomic power demonstration program, however, carries with it further important values:

Inspection Controls

International development of nuclear power, under the American and now the Agency concept, must be accompanied by a means of ensuring against diversion to military purposes. This requires a sound and certain inspection system. Our proposals to this effect during negotiation of the Statute were first received with misunderstanding and apprehension by many governments. Yet in the end it was unanimously acknowledged that such controls were indispensable to an atmosphere of mutual confidence in which the peaceful uses of atomic energy could flourish.

These nations were willing to pay the price — even if it included outside audit. What was achieved was indeed a political breakthrough. For the first time, East and West agreed that an international body should have an inspection system as an integral part of enforcing international agreements. Foreseeing the growth of civilian atomic power throughout the world, our Statute provides that the Agency inspectors "shall have access at all times and to all places and data and to any person who by reason of his occupation deals with materials, equipment or facilities which are required by this Statute to be safeguarded, as necessary to account for source and special fissionable materials, supplies and fissionable products and to determine whether there is compliance with the undertaking against use in furtherance of any military purposes."

Already have these somewhat technical phrases been spelled out in black and white in this world's great languages. Their deep meaning requires no interpretation. But let me now paraphrase them in the basic language of hope, so that men in the street do not find themselves overwhelmed by the scare headlines of the Space Age. We now have the prospect that men and women everywhere can watch the building of supplies of nuclear fuels in the hands of their neighbors or even of their potential enemies without fear that they will be used as weapons against them.

For this interpretation of our Statute into the language of hope to achieve its full meaning, the International Atomic Energy Agency must now get on with the task of designing specific procedures which will be workable and compatible with technical and economic considerations. The criteria employed in the system so designed must have worldwide application. Compatible standards must be applied not only in Agency projects, but also in atomic plants brought into being under regional or bilateral arrangements. This step is a matter of the highest priority.

In conclusion, may I say this:

Conclusion

If one matches all of the direct benefits which will accrue to the United States against the contributions we have made to the Agency, the price we are paying for what we are getting in return is indeed small. When one adds all the intangibles in terms of world-wide prestige, the contribution to economic stability abroad, the reduction in ferment and unrest in underdeveloped regions, and the humanitarian gains which can be realized, I believe we must all be convinced that the United States is in the Agency's debt.

We can pay off this debt only through the importance we accord the Agency in the formulation of our international atomic policies and by the vigor with which we pursue our programs for the Agency's success.

We cannot permit the great technical and political achievements inherent in the Agency to remain eclipsed by the headlines proclaiming the "discovery" of space.

How great have been our atomic technological achievements we are only now beginning to understand. They are, however, becoming clearer to us as the International Atomic Energy Agency moves towards its objectives. Success in this endeavor may well point the way to international cooperation and agreement for the limitation of armaments.

The limitation of the use of space to peaceful uses must inevitably come. For it is clear that, even if this is the Space Age, the threats to peace lie in the hostile uses of atomic energy and our hopes lie in the peaceful uses.

Marache, Dofflemyre Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James A. Strunk has been added to the staff of Marache, Dofflemyre & Co., 210 West Seventh St., members of the Pacific Coast Stock Exchange. He was previously with J. Logan & Co.

With Stewart, Eubanks

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.— Frank S. Reed has become connected with Stewart, Eubanks, Meyerson & Co., 216 Montgomery St., members of the New York and Pacific Coast Stock Exchanges.

2 With Armstrong, Jones

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Henry R. DuBe and Gordon R. West are now with Armstrong, Jones, Lawson & White, Incorporated, Penobscot Building, members of the Detroit Stock Exchange.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — John L. Kennedy has become associated with Merrill Lynch, Pierce, Fenner & Smith, Rand Tower. Mr. Kennedy was formerly with Walston & Co., Inc., in Denver.

Joins Stix Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — John O. Shields has joined the staff of Stix & Co., 409 Olive Street, members of the Midwest Stock Exchange. He was formerly with J. F. Lynam & Co., Inc.

White Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Henry W. Ourth is now with White & Co., Mississippi Valley Building, members of the Midwest Stock Exchange.

Joins Vaughan & Co.

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—Melville M. Menefee is now connected with Vaughan and Company, 1 Post Office Avenue.

Corlett Will Have Charge of A. B. A. Office in D. C.

Ben C. Corlett, Vice-President of the American Trust Co., San Francisco, has been appointed Senior Vice-President in charge of the Washington office of the American Bankers Association, A. B. A. President Joseph C. Welman announced. Mr. Welman is President of the Bank of Kennett, Kennett, Mo.

Mr. Corlett will assume the office on June 23. The position of Senior Vice-President in charge of the Washington office is a new one, and Mr. Corlett becomes the first to occupy it. Along with the offices of Executive Vice-President and Executive Manager, it is one of the top staff positions of the A. B. A., which has a membership of more than 17,000 banks and branches.

In order to take over the new position, Mr. Corlett will resign from his American Trust Co. Vice-Presidency on June 16 after 12 years of service there.

Mr. Corlett has long been active in American Bankers Association affairs, and since the annual convention in September last year, he has been President of the A. B. A.'s State Bank Division. He will relinquish that office as well before taking up his new duties as a staff officer.

The new A. B. A. Senior Vice-President has had a long career in banking. A native of Napa, Calif., and a graduate of the University of California, he joined the staff of the First National Bank of Napa in 1914, subsequently advancing to the office of Vice-President and Cashier. He became a Vice-President of the Bank of America N. T. & S. A. when the Napa bank was bought by the Bank of America in 1938. From 1943 to 1946 he was California's State Superintendent of Banks, from which office he went to the American Trust Co. as Vice-President in 1946.

Mr. Corlett has served on many committees of the California Bankers Association and was its President in 1934-35. In 1946 he was appointed Chairman of a committee of bankers who revised and rewrote the California Bank Act; the act was adopted by the state legislature in 1949.

In the American Bankers Association, Mr. Corlett was a member of the Executive Council in 1935-38; a member of the Committee on State Legislation from 1950 to 1956; a member of the Subcommittee on the Model State Banking Code from 1947 to 1950; and a member of the Subcommittee on the Uniform Commercial Code from 1953 to 1955. He was Chairman of the Committee on State Legislation and of the State Legislative Council and a member of the Committee on Federal Legislation from 1955 to 1957. In the State Bank Division, he was a member of the Legislation Committee from 1948 to 1952 and served as Chairman of this committee in 1954-55; a member of the Committee on State Banking Departments from 1952 to 1954 and Chairman of this committee in 1953-54, 1955-56, and 1956-57; a member of the Division's Executive Committee from 1951 to 1956, Chairman in 1955-56, and Division Vice-President in 1956-57. He was elected President of the Division at the annual meeting held in connection with the 83rd Annual Convention of the A. B. A. in Atlantic City, New Jersey, Sept. 23, 1957.

With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif—Herbert G. Kawahara is now with E. F. Hutton & Company, 623 South Spring St.

Securities Salesman's Corner

By JOHN DUTTON

Why Look for Trouble?

This little piece is not going to attempt to set up an entire new moral and ethical code for stock promoters, underwriters, securities salesmen, or investors. But it may be a good idea to review a few of the more common "booby traps" that masquerade as opportunities which all of us come-by quite often. It is true that a good rule can be sometimes broken and you can come out with the long end of the stick. But, by and large, if you are speculating in new ventures or buying into small struggling enterprises, prudence would indicate that you had better not stick your head into the hungry lion's mouth unless you know what you are doing.

The Non-Voting "A" Stock

Over the years you can find some investments that have worked out satisfactorily where there has been a concentration of control in the hands of a family, a few people, or a group who control the voting power, and thus the destiny of a company, and the public does not have a voice in the management. But where there have been occasional instances of successful trusteeship under such an arrangement, there are many more where abuses have lead to unsatisfactory managerial performance. It is a good rule that where management refuses to place its record before stockholders for approval or disapproval then there must be something it wishes to hide. If you invest in a company, and assume the risks of profit or loss, you should have a voice in choosing the directors who select the management.

Reliable underwriting firms, investment houses that have their reputation at stake, and securities salesmen who place their customer's welfare first, look with suspicion on the "A" stock that is non-voting. They know that when their client's buy into such a deal anything can happen, and when it does they are powerless to correct it. If you want my money in your business let me see what you are doing with it and if I don't like it give me another choice besides selling out after it's too late. That choice is a voice in putting management on the carpet at least once a year. Fraud is a different matter, I am not discussing that here, however.

Unaudited Statements

There is only one proper and straightforward way to run a business. That is to hire competent certified auditors and pay them a fee that will enable them to present a fair and accurate financial report at stated intervals. Unaudited statements may be correctly stating the position of a company but if you are an investor and you are asked to put your money into a new company, or a relatively small speculative venture, and you are not supplied with a certified and up-to-date set of figures, remember there is a little word in the English language which begins with an "N" and ends with an "O" and it can save you both headaches and some money. Unaudited statements that come to me (unless I know the company's reputation over the years and they are clearly interim company reports) I file in my "No Go" file that sits right under my desk.

In connection with audited statements, the qualifying letter of reputable accounting firms should also be read with care. The accounts receivable should have been at least spot checked, as well as the payables, and an inventory control system or a check up of company's figures should also be part of a sound financial audit. There have been many cases where these clearly necessary and vital safeguards have not been completed, and a statement that has been prepared by certified accountants, although correct as far as it went, still did not reveal incorrect or purposely misleading inventory valuations, etc.

Too Much Family

Even in cases where the non-voting "A" stock gimmick is not used, but where small privately managed and owned companies go to the public and retain a very large percentage of voting control in a few hands, an investor or speculator should look twice before he leaps. Nepotism can be entrenched for years and it is difficult and next to impossible to uproot it when a small clique holds from 70 to 90% of the voting stock. If you buy into a minority position in a small company your are just about as voiceless and powerless as if you owned non-voting stock.

Because something may be legal does not make it "right." Many small companies go to the public every year and obtain equity financing through stock sales planned and executed by smaller investment banking firms that specialize in this field of financial activity. By and large, the small business firms of this country would be much better served if legal methods of circumventing sound stockholder participation in the selection of management were to be eliminated. Since this is not probable in our lifetime the responsiblity for eliminating these financial "booby traps" rests squarely upon investment underwriters who bring such stock issues before the public.

With Thomas Hughes Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—James P. Walsh has become associated with Thomas J. Hughes & Co., First National Bank Building. He was previously with Oswald & Co., Inc.

Two With Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Mary K. Carlier and Lyle H. Southwick have joined the staff of Hill Richards & Co., 621 South Spring St., members of the Pacific Coast Stock Exchange.

Joins Arthur Hogan

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jacob G. Etkin has joined the staff of Arthur B. Hogan, Inc., 618 South Spring St. He was formerly with H. Hentz & Co.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Willard R. Walls, Jr. is now with Merrill Lynch, Pierce, Fenner & Smith, 523 West Sixth St.

Named Directors

Theodore Weicker, Jr., partner in E. F. Hutton & Co., New York, and Chester A. Rude, Vice-Chairman of the Security First National Bank, Los Angeles, have been elected to the Board of Directors of Tidewater Oil Co.

Public Service Co. Of Colorado 4.64% Preferred Stk. Offered

The First Boston Corp., Blyth & Co., Inc. and Smith, Barney & Co. headed a group of investment bankers who yesterday (May 21) offered publicly an issue of 160,000 shares of Public Service Co. of Colorado 4.64% cumulative preferred stock at par ($100 per share).

The stock is not refundable with the proceeds of borrowed funds or the sale of preferred stock, on or prior to June 1, 1963, at a lower cost of money to the company. Otherwise, it is redeemable at the option of the company at redemption prices ranging from $105.50 for stock redeemed prior to June 1, 1963, to $101 for stock redeemed after June 1, 1973.

The net proceeds from the sale of the stock will be added to the general funds of the company to be used toward its construction program which is expected to cost $102,000,000 during the years 1958-60. Of this amount, approximately $3,700,000 had been expended prior to March 1, 1958, on which date the company had about $5,300,000 available for construction purposes.

Public Service Co. of Colorado is an operating public utility engaged, together with its subsidiaries, principally in the generation, purchase, transmission, distribution and sale of electricity and in the purchase, transmission, distribution and sale of natural gas. The company's operations are wholly within the State of Colorado, the principal distribution center being in the City of Denver and the immediate vicinity.

Operating revenues of the company during 1957 amounted to $91,007,519 and net income to $10,877,575 compared with operating revenues of $83,266,879 and net income of $10,267,333 for 1956.

Joins Beil & Hough

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Harry S. Keck has become affiliated with Beil & Hough, Inc., 350 First Avenue, North, members of the Midwest Stock Exchange.

Now With Barcus, Kindred

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Daniel F. Sullivan, Jr. is now with Barcus, Kindred & Co., 231 South LaSalle Street. He was formerly with Baxter & Company.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

We pointed out several weeks ago that while the fire-casualty insurance companies were experiencing one of their worst periods in underwriting results, there was, nevertheless, some balm in the data on earnings now being released. Few of the major units in the industry showed black for 1957, and as red ink means no tax liability, not many companies were taxed on their underwriting performance for that year. Of course, this does not apply to income from investments. Here they are taxed, but, generally speaking, on a much more favorable basis than most other corporations.

Corporation income from dividends is taxed only to the extent of 15% of such income; the rate applying on this 15% of their dividends being the regulation 52%. In other words on dividend income they are in effect, taxed 52% of 15%, or 7.8%. This does not apply to investment income other than dividends. Bonds (excepting tax-exempts) are assessed at the higher rate; and probably 20% would be a fair approximation of average tax on all income from investments, interest, dividends, rents, etc.

In the case of the tax on underwriting profit, the 52% rate holds good; but where losses have been so severe in the underwriting end of the business the corporate taxpayer is entitled to some credit.

Using only the more actively traded issues, the published earnings figures of the following companies do not include anticipated Federal income tax recoveries due to 1957 operations:

	1957 Net Earnings	Expected Tax Recovery*
Aetna Casualty	$7.78	$0.38
Aetna Insurance	0.14	0.52
Camden Fire	0.60	0.05
Continental Insurance	—0.48	0.03
Continental Casualty	2.75	0.05
Fidelity Phenix Fire Insurance	—0.67	0.01
Fireman's Fund	0.02	0.04
Home Insurance	0.90	0.13
Insurance Co. of North America	4.37	0.32
New Amsterdam Casualty	—3.46	0.98
New Hampshire Fire	4.36	0.10
Northwestern National	3.45	0.98
Republic Insurance	2.35	0.06
St. Paul Fire & Marine	1.20	0.35

*Due to 1957 operations.

Next, there are several companies whose 1957 earnings figures do not include anticipated Federal income tax recovery due to 1956 operations:

	1957 Net Earnings	Expected Tax Recovery*
Fireman's Fund	—$0.02	$2.34
New Amsterdam Casualty	—3.46	1.80

*Due to 1956 operations.

The 1957 results in numerous cases would have appeared much worse if they had not included credits in the form of income tax recoveries of either 1956 or 1957. Some of the more prominent companies are here listed, with the recoveries thus included:

	1957 Net Earnings	Recoveries Included
Aetna Casualty	$7.78	$0.68
Aetna Insurance	0.14	2.51
American Surety	—0.61	0.08
Boston Insurance	—2.55	0.09
General Reinsurance	6.22	0.17
Hanover Insurance	—0.71	0.58
Home Insurance	0.90	0.94
Maryland Casualty	—0.33	0.51
National Union	—0.64	0.61
New Amsterdam	—3.46	0.59
New Hampshire	4.36	0.30
Reliance	—0.54	0.32
Agricultural Insurance	—1.95	0.96
American Insurance	—2.48	0.34
American Surety	—0.61	0.70
Bankers & Shippers	4.24	2.10
Continental Insurance	—0.48	0.68
Fidelity Phenix Fire Insurance	—0.67	0.09
Glens Falls Insurance	0.33	0.18
Great American	—0.17	0.39
Pacific Insurance	4.10	1.76
United States Fire Insurance	1.08	0.22
Westchester Fire	1.25	0.31
Continental Casualty	2.75	0.18

Now, it is apparent that in some cases these recoveries or expected recoveries are small. On the other hand a number of them are of sufficient importance to make a sizable dent in the deficits (underwriting) that in many instances were rung up. But the unfortunate aspect to the entire matter of insurance company earnings outside the life field is that we are now well enough into 1958 to know that what underwriting betterment over 1957 is in store is only of moderate proportion; that 1958 will not be so very much above 1957. It seems that the companies will have to go through another bad period before the unreasonable supervisory authorities will see the light on rates.

Continued from page 3

What Will the Business Recovery Be Like?

years. Do not underestimate the importance of this excessive supply of money: it was not altogether the cause, but it was nevertheless a most necessary prerequisite for the boom conditions which followed.

(3) **A highly inadequate and unusually small increase in the number of people of working age,** as a result of the declining birthrates of the 1920's and the extraordinarily low birthrates of the 1930's. The number of people between the ages of 20 and 64 grew by only 8 million in the 10 years ended in 1955, and this group will have grown by less than 7 million in the 10 years ended 1960—compared, for instance, with a rise of 10 million between 1935 and 1945. Thus labor has been in chronically short supply, persistent wage increases have been inevitable, and these in turn very greatly stimulated the demand for new factories, machines, and products which would economize on the use of labor power in the productive process.

I do not minimize developments subsequent to 1945, particularly the influence of the Korean War and the widespread confidence that the so-called built-in stabilizers would guarantee us against a serious depression. But we both could not and would not have had the great, unprecedented prosperity of the past decade without the explosive backlog of demands, the liquidity to finance them, and the inflationary impact of a shortage of labor.

Probes Present Recession

The recession we are now experiencing is the result of the exhaustion of the first two of these factors.

First, while the American people still want to improve their standard of living, while the birthrate is still high, while the need for new and more efficient factories is still great, we no longer feel the urgency and the hunger for these things which existed during the late 1940's and the early 1950's. When you do not own a car, a house, a refrigerator, a television set, a suit of civilian clothes, or, in the case of a businessman, a new piece of machinery, the urgency of the decision to purchase one of these items is very different indeed from what it is when you already own one but it only happens to look shabby or out of style—or possibly still serves its purpose perfectly well.

Second, you who are primarily concerned with credit matters do not have to be told what has happened to the liquidity of our economy. Since 1946, the money supply has increased by about one-third but the dollar volume of business activity has doubled. And we know only too well that there has been an enormous expansion in both short and long-term liabilities. Thus, even if the urgency of demand still existed, we could be hard put to finance a rise in spending similar to the fabulous rise which occurred during the past 10 years or so.

The current decline in business activity was caused both by the exhaustion of these two influences but, perhaps more ominously, also by the widespread belief on the part of businessmen and public servants that there would be no end to abnormal rate of growth resulting from the pressures of postwar demand and from excessive liquidity. Surplus capacity and unwieldy inventories would have resulted in any case from the gradually declining impact of these inflationary forces, but the degree of difficulty we are now experiencing has been made very much worse by excessive optimism and by the failure to recognize that the only consistent law of history is the law of change.

Heart of the Problem

The essence of our problem today is that we cannot sell at current prices everything that we can produce. It is just that simple. And the nature of the recovery we achieve will be determined by the manner in which this dilemma is solved. That is why I stress that the recovery will be determined by the recession, and any resemblance to past prosperities will be largely coincidental.

You know that a business firm which cannot sell its entire output has three choices which it can employ, singly or in any combination:

(1) The management can just sweat the crisis out until the company's customers do decide or are able to afford to buy everything that it can produce. This seems to be the most popular approach at the present time and it explains why so many businessmen who believe themselves to be sound and conservative nevertheless look to Washington to bail them out. They look to Washington to give their customers more purchasing power, to support the employees they have had to lay off because business was lousy, and, at the worst, they look to Washington instead of their usual customers to buy the output of their factories and mines.

(2) A more painful but perhaps ultimately inescapable method of selling everything you can produce is to offer it at lower prices. For reasons which are too obvious to require any elaboration, this method has not been very popular up to this point. I suspect, however, that the weight of fundamental economic forces may be too great, and that an increasing number of businessmen will resort to price-cutting as a means of stimulating sales volume which just simply would not be there otherwise.

(3) Finally, the business can try to change its product mix (or, by more energetic selling methods, persuade its customers that the products are different). If the company's customers won't buy the present array of products, the possibility always exists that they might buy something different. Of course, the development and exploitation of new products is expensive and time-consuming, and the boys in the research labs cannot time their output so neatly with the requirements of management. But as time goes on, the pace of technological development may speed up from its current lull, with salutary effects for both business men and consumers.

Now I cannot answer the question in the title of this paper—I cannot describe the nature of the recovery we hope to enjoy—unless we know how important each of these three methods will be in overcoming the deflationary influences of the recession. The entire matter is hinged right here, for I flatly refuse to believe that there is going to be any spontaneous jump in either consumer or business demand without either a cut in prices or the introduction of new products and new productive techniques—or, failing these, without a rather massive amount of government intervention.

If we do not induce our customers to buy more from us by either offering our output at lower prices or by offering new types of products which have not been available before, and if, therefore, we rely on government to bail us out, and if government intervention is then too little or too late, we are in for really bad times. The best statistics I have seen suggest that it will be at least 1960 before the normal growth of the economy catches up with the excessive industrial capacity now weighing us down—and that is too long to wait. Thus, unless business or government or both of them do something more dramatic than we have seen up to now there will be no answer to the question I have posed.

Offers Prediction

My hunch is that our problem will be solved by our typically American way of doing things. We are by nature eclectics and we shun doctrinaire solutions. We inherit from our English cousins a tendency to muddle through and to try a little bit of everything to overcome adversity. I suspect that businessmen will cut some prices and make some changes in their product mix, but more reluctantly than they should. The degree of government intervention will consequently be greater than any of us would honestly choose, but not so great as to destroy the basic features of our economy.

As a result we all avoid a depression all right, but the recovery we achieve will have many uncomfortable and unattractive characteristics. If I may coin a phrase, I would say that we are going to experience a rather extended period of "cold recession"—we shall not have a "hot depression," or persistently declining business, but we will continue to be haunted by the fear that we never completely emerged from the recession or overcame the forces which caused it.

In other words, lacking the highly fortuitous combination of events which resulted in the great postwar boom, we shall lack its urgency and massive uprush, even while we continue to feel the headaches of the hangover into which it led us.

Let me paint this picture in somewhat more detail.

Rising Government Spending

First of all, I think we shall learn to expect and to live with a high and rising volume of government spending, both Federal and local. This is not too hopeful a comment for those who look for a gradual easing of the tax burden. Nevertheless, the demands in the public sector are indeed urgent, and, I am really happy to note, we are becoming increasingly conscious of our needs in this area.

I am not referring only to the obvious and painful fact that the Russians are not very peace-loving. In case anyone thought they were, they seem to be doing their best now to make their intentions clear. This is, of course, a matter of highest priority which will continue to engage a substantial part of our labor and resources. But as citizens we are also realizing that we cannot have children and refuse to build schools or pay teachers, that we cannot spread to the suburbs without building sewers and street-lighting systems, that we cannot preach the American Way of Life and fail to replace slums with decent housing, that we cannot drive around by the millions in tremendous automobiles without a road system capable of meeting our traffic requirements, that we cannot meet juvenile delinquency without adequate police and social work facilities, that we cannot enjoy widespread health insurance without plenty of hospitals—and so on and so on.

But I think we shall miss at the same time the powerful pulse of consumer demand which was so characteristic of the recent boom, and I expect that demand for plant and equipment may well fail to go swinging sharply upward as it did during the past few years. For the brute fact remains that we cannot sell everything that we can produce at current prices, that a major adjustment in the price level does not seem to be in the cards, and that changes in the product mix can come only gradually and in bits and pieces. The dominant feature of the decade just passed was that demand tended to exceed supply: in the years to come, I predict that the opposite will be the case.

Downward Price Trend

This has an important meaning for those who have so much to do, for example, with financing textiles and other soft goods, retail trade, and small businessmen. For although we shall probably avoid the classical collapse of the price level which has followed every other major war, we shall probably continue to experience a persistent **pressure** on the price level to move downward. In other words, while the bottom may not drop out of our price structure, prices will go up hard and the general tendency will probably be downward. I should point out that this is the normal peacetime pattern in the United States—except during wartime, the movement of prices in America has been downward for many more years than it has been upward.

I expect this historical tendency to reassert itself for three reasons:

(1) As I have pointed out already, demand falls short of supply at current prices, and although we should expect demand to increase as the economy grows, there are no shortages of supply or great backlogs of demand which would induce customers to keep on buying regardless of increases in prices.

(2) The necessary liquidity to finance a persistent rise in the price level is also lacking. While the money shortage of 1957 has been alleviated, I expect it to reappear when business picks up, due both to natural forces and to the inflationary bias of public policy. Even if the money supply does increase somewhat faster than the volume of production, we shall not see again the truly excessive liquidity of the late 1940's and early 1950's.

(3) Finally, and this may surprise you, I expect wages to rise more slowly and to show much more flexibility than our recent experience would tend to suggest. For one thing, the absence of powerful boom conditions will probably leave us with a permanent pool of unemployed larger than what we have become accustomed to. But, more significantly, the size of the labor force itself will soon start growing with increasing rapidity as our war babies reach working age. The growth in the number of people between 20 and 64 years of age in the years 1960 and 1965 will be nearly half again as great as it will have been between 1955 and 1960, and it will be much more than double this rate in the following five years.

This analysis has, I must emphasize, particular significance for the more competitive areas of the economy, in which you are especially interested. The downward tendency of the price level may not affect **all** prices—the price of steel, automobiles, paint, industrial chemicals, and many other products characterized by administered prices may not go down very much or may actually rise. But this means that the downward pressure on flexible prices will be all the greater.

You know what the history of textile prices and retail profit margins has been even in recent prosperous years. The steady rise in the prices of certain products and most services has given them a larger and larger claim on our spendable incomes, with the result that less and less was available to spend elsewhere—and if that "elsewhere" happened to be a highly competitive industry like textiles or retailing, it was almost impossible to raise prices and most of the time prices tended to be declining.

Advises Price-Flexible Industries

This is one feature which I am afraid will continue to be present, and its painful aspects may become increasingly acute. I honestly do not know any practical way to solve the problem of administered prices, and I believe that this kind of pricing will be with us more or less forever. Most of the popular solutions or drum-beating one sees in the newspapers may sound fine, but they have little meaning as a practical matter. Nor do I think that the price-flexible industries will ever succeed in achieving any kind of permanent organization to keep price competition from breaking out, despite all the publicity which these efforts have also received. It just is not in the nature of the beast.

But this means that the types of companies with whose creditworthiness you are most concerned will continue to have difficulty in maintaining their profit margins. And, if tight money is to be a more or less normal characteristic of prosperity, they will not be able to emulate the steel industry by financing themselves through price increases—they will continue to seek and need outside financing in large quantities.

The most hopeful offset of this will be the change in the availability of labor to which I referred earlier. It is dramatic enough to bear repetition: the annual increase in the number of people between 20 and 64 years of age is now about 660,000; in the five years from 1960 to 1965, it will average 900,000, and in the following five years it will mount to nearly 1,600,000. The impact of this extraordinary development upon the decade of the 1960's may be as overwhelmingly important as the highly inadequate rise in the labor supply has been to the decade of the 1950's.

Conclusion

I can best sum up this discussion, I believe, by telling you how to determine in advance whether or not my prognosis is wrong. The important and indisputable point is that the recovery will be shaped by the manner in which we overcome the recession, by the way in which we adjust the maladjustments. If we rely primarily upon government to shove demand up to where it meets supply at current prices, I shall have been much too optimistic. The recovery will tend to be abortive and unsustainable, inventories will tend to keep backing up and plant capacities will seem too large.

If, on the other hand, a combination of lower prices, more flexible wages, imaginative changes in the product mix, and aggressive selling techniques are employed on a wide scale, then I shall turn out to have been excessively gloomy. I certainly hope so, and in fact we may find that the individual American businessman's sagacity and daring may yet justify his reputation and turn the tide.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Lysle E. Robinson Jr. has become connected with Bache & Co., 556 Central Avenue.

With Hardy, Hardy

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla.—John K. Van Vranken has become associated with Hardy, Hardy & Associates, 1278 North Palm Avenue.

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The State of Trade and Industry

important product lines. All inventories are based on short mill lead times and a plant may have much of its "inventory" at the mill where it will be affected as lead time lengthens. August will see the return of many steel buyers who have not been in the market since 1957. For over a year, the average steel buyer bought less steel than he used. Now he must correct the other way, buy more steel than he uses. He must rebalance his inventory.

Continuing, "The Iron Age" says that as a result of these factors, the average steel purchaser expects to buy 20 to 25% more steel in the third and fourth quarters of this year than he did in the first and second.

Commenting on the overall steel market, the metalworking weekly pointed out that the low point in the steel market was hit in April. For the fourth straight week new order volume has gone along on an even keel, with some mild improvement by diversified customers.

Continued lethargy by the auto industry is obscuring the improvement in other lines, "The Iron Age" further noted.

There is a strong probability, however, that the market will dip again in July, but largely for seasonal reasons, such as hot weather, metalworking plant vacations, steel plant vacations and longer than usual automotive shutdowns for new model changeovers.

In the automotive industry, Detroit-area auto plants, within six to seven weeks, face a virtual production blackout that will last clear into September as the industry enters its model changeover shutdowns at an early date, "Ward's Automotive Reports" declared on Friday of last week.

The factory employment gloom, however, will be quickly followed by a fourth quarter burst of production prosperity that may rival 1955, it added.

The statistical service based this prediction on prospects for a highly successful 1958 model cleanup that promises to "clear the decks" for all-out 1959 model fourth quarter production, heralding a return to six-day operations and factory overtime for the first time in nearly a year.

"Ward's" said General Motors Corp. will begin closing its Michigan assembly plants for changeover in July with Chrysler Corp. going down in late July or early August, and Ford following in September.

May auto sales opened at the best rate since January. "Ward's" pointed out that the 124,000 dealer retail deliveries for May 1 through 10 averaged to 13,777 units daily compared with 13,330 and 13,500 in the like periods of April and March.

Inventories of the "old model" (1958) cars on Sept. 30 are being projected at a level substantially below the cleanup inventory at the same dates in both 1957 and in 1956. But the favorable cleanup will come at the expense of slashed production and bleak employment.

"Ward's" said resumption of operations at many Ford and Chrysler plants the past week lifted industry assemblies to 86,738 units compared with 78,506 the week before. The same week last year netted 127,390 passenger cars.

Dodge and De Soto in the Detroit area returned to work a week ago following inventory shutdowns in the preceding week; however, Chrysler in Detroit plus Edsel and Studebaker-Packard operations in outstate areas were suspended to adjust the new car stocks.

Steel Production Scheduled This Week at 54.9% of Ingot Capacity

Steel production last week continued inching up from the year's low point, following an anticipated pattern of gradual improvement, "Steel" magazine reported on Monday of this week. This is the third week in a row that the ingot rate has climbed.

Furnaces were operated at 51.5% of capacity, up 1.5 points from the previous week's rate. Production was about 1,390,000 net tons of steel for ingots and castings.

In the last three weeks, steelmaking has rebounded from the year's low point to the level of late March. The operating rate has climbed 4.5 points. As much strength has been gained in the three weeks since April 27 as was lost in the five weeks preceding it.

Even without further recovery, continues this trade journal, May production should approach 6,000,000 tons, easily topping last month's 5,530,000 and just beating February's 5,780,000.

Eight of 13 steelmaking districts reported improvement last week. Cincinnati at 52% was up 23.5 points over the previous week; Buffalo at 39, up 4.5 points; Detroit at 36.5 up 3 points; Chicago at 57, up 2.5 points; Birmingham at 66.5, up 1.5 points; St. Louis at 77, up 1.5 points and the Mid-Atlantic at 48.5, up 0.5 point. Youngstown held at 45%, New England at 40 and the Far West at 67. Pittsburgh at 50.5% was down 0.5 point and Cleveland at 26, down 1.5 points.

In Chicago, Detroit and Philadelphia, steelmen are looking less harried. International Harvester Co. reports its farm equipment sales for the six months ended April 30 were 5% over those of a year ago. Its tractor sales for the last week in April were the best of any week in six and a half years.

Construction activity is also helping demand. Steelmakers say they are getting bigger orders for wide flange beams, reinforcing bars, merchant pipe and galvanized sheets.

Car companies have apparently placed their last steel orders for 1958 models. It is understood General Motors wants to complete component production runs by the end of June so it can do tryout work on 1959 models. It does not mean final assemblies of 1958 cars will be cut off at the end of June, only that part runs will be completed.

Detroit mills report an influx of inquiries and small orders for die tryout and preproduction runs.

If steel producers intend to raise the price of tin plate July 1 to coincide with increases expected on other products, they will have to give the can companies 35 days' notice. Look for an announcement to be made by May 27. It may give a hint, too, of the nature of the general steel price increase. If no word comes

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The State of Trade and Industry

on tin plate by next week, it could mean steel producers plan to forego increases on some products, declares this trade paper.

A survey by the magazine shows that prices of most metal-working components will stabilize at present levels or drop slightly the rest of this year. Increases are anticipated by only a few industries. Despite spiraling costs, markups are being postponed because of competition stemming from weak demand and overcapacity in some industries.

The scrap market continued to gain strength for the second week in a row. "Steel's" composite on No. 1 heavy melting was at $32.83 a gross ton up 83 cents. New business is confined to scattered light sales, concludes this metalworking weekly.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *92.2% of steel capacity for the week beginning May 19, 1958, equivalent to 1,481,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *87.9% of capacity, and 1,412,000 tons a week ago.

Output for the week beginning May 19, 1958 is equal to about 54.9% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 52.3% the week before.

For the like week a month ago the rate was *79.1% and production 1,270,000 tons. A year ago, the actual weekly production was placed at 2,212,000 tons, or 137.7%.

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

Electric Output Showed Mild Declines for the Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 17, 1958, was estimated at 11,257,000,000 kwh., according to the Edison Electric Institute. Output reversed its upward trend of three consecutive weeks by declining mildly the past week.

For the week ended May 17, 1958, output decreased by 58,000,000 kwh. below that of the previous week, and by 262,000,000 kwh. under that of the comparable 1957 week, but increased by 382,000,000 kwh. above that of the week ended May 19, 1956.

Car Loadings Reduced 0.4% Last Week and 26% Below Like 1957 Period

Loadings of revenue freight for the week ended May 10, 1958, were 2,200 cars or 0.4% above the preceding week.

Loadings for the week ended May 10, 1958, totaled 535,204 cars, a decrease of 188,113 cars or 26% below the corresponding 1957 week, and a decrease of 242,402 cars, or 31.2% below the corresponding week in 1956.

Automotive Output Turned Moderately Higher The Past Week

Passenger car production for the week ended May 16, 1958, according to "Ward's Automotive Reports," climbed moderately the past week with truck output slightly lower.

Last week's car output totaled 86,738 units and compared with 78,506 (revised) in the previous week. The past week's production total of cars and trucks amounted to 103,383 units, or an increase of 7,439 units above that of the previous week's output, states "Ward's."

Last week's car output increased above that of the previous week by 8,232 while truck output declined by 793 vehicles during the week. In the corresponding week last year 127,390 cars and 23,138 trucks were assembled.

Last week the agency reported there were 16,645 trucks made in the United States. This compared with 17,438 in the previous week and 23,138 a year ago.

Canadian output last week totaled 8,045 cars and 1,295 trucks. In the previous week Dominion plants built 7,914 cars and 1,330 trucks and for the comparable 1957 week 9,893 cars and 2,116 trucks.

Lumber Shipments Increased 9.3% Above Output in Week Ended May 10, 1958

Lumber shipments of 402 reporting mills in the week ended May 10, 1958, were 9.3% above production, according to the National Lumber Trade Barometer. In the same period new orders were 9.9% above production. Unfilled orders amounted to 34% of stocks. Production was 0.9% above; shipments 1.9% below and new orders were 6.0% below the previous week and 7.6% below the like week in 1957.

Business Failures Rose Sharply Last Week From 16-Week Low Level in Preceding Period

Commercial and industrial failures rebounded to 327 in the week ended May 15 from the 16-week low of 279 in the preceding week, Dun & Bradstreet, Inc., reports. This increase lifted casualties considerably above the 264 a year ago and the 279 in 1956. Failing businesses exceeded by 13% their pre-war total of 289 in the comparable week of 1939.

Casualties involving liabilities of $5,000 or more climbed to 290 from 245 in the previous week and were almost half again as heavy as last year when 216 of this size occurred. Among small failures under $5,000, the toll edged to 37 from 34 a week ago but remained below the 48 occurring in the similar week of 1957. Thirty-four concerns succumbed with liabilities in excess of $100,000 as against 27 in the preceding week.

Wholesale Food Price Index Registered Fractional Gains the Past Week

The Dun & Bradstreet wholesale food price index rose 0.8% to $6.62 on May 13 from $6.57 a week ago. The current figure is 8.9% higher than the $6.08 registered one year ago.

Up in price last week were rye, oats, wheat, eggs, cheese, lard, sugar, flour, cottonseed oil, cocoa, lambs and hogs; corn, barley, potatoes, hams and steers were lower.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Made Moderate Gains Last Week

The general commodity price level rose moderately last week, reflecting increases in prices of steel scrap, raw sugar, some livestock and cocoa. The index closed at 280.05 on May 12, compared with 278.34 a week earlier and 286.27 on the comparable date a year ago.

A higher than anticipated Government estimate of this year's Winter wheat crop discouraged wholesale buying, and caused prices to fall somewhat below those of the prior week. Wheat receipts in Chicago were off fractionally. Although trading in corn advanced slightly, a favorable crop outlook resulted in a moderate decline in futures prices.

Oats receipts in Chicago were light and buying rose appreciably. Oats prices climbed moderately over those of the preceding week. Soybean prices ended the week down somewhat in diminished trading. Total inspections of soybeans for overseas export from Oct. 1 through May 2 of this year amounted to 55,066,844 bushels, or slightly higher than that of the comparable period last season. The principal countries involved in the past week's exports of soybeans were The Netherlands, West Germany, Belgium, United Kingdom and France.

A slight rise in flour trading occurred with prices fractionally higher. Commercial sales of flour for export thus far this season totaled 53,300,000 bushels in grain equivalent, up from the 40,900,000 bushels of the same period last season.

Rice prices were steady in the week with wholesale buying close to that of a week earlier. Cocoa futures prices advanced at the end of the week reflecting a slight rise in orders. A lack of buying resulted in a moderate dip in coffee futures prices. There was an increase in raw sugar prices last week, but costs of refined sugar remained close to those of the preceding period.

Although trading lagged, hog prices rose again during the week. Receipts were somewhat lower in Chicago. The increase in butcher hog prices was the most for any week since July, 1957. Salable supplies of cattle were slightly larger the past week than in the prior one, but noticeably less than a year ago. Buying slackened somewhat and prices dipped moderately. Lamb buying was sluggish and a slight decrease occurred in prices. Following the increase in hog prices, lard futures rose noticeably

Cotton prices on the New York Cotton Exchange strengthened during the week. Prospects of a sharp cut in acreage allotments next year and the expectation of increased exports to France and Spain stimulated buying. United States exports of cotton for the week ended on Tuesday, a week ago, were estimated at 115,000 bales compared with 136,000 bales a week earlier and 133,000 bales in the similar week last year. For the season through May 6, exports amounted to about 4,488,000 bales as against 6,110,000 bales in the comparable period last season.

Trade Volume Rose Somewhat Last Week on Heavy Mother's Day Sales Promotions But Was Fractionally Under Like Period in 1957

Extensive Mother's Day sales promotions and sunny weather over the week-end in some regions helped boost total retail sales over the prior week, but volume slipped fractionally below a year ago. Best-sellers were women's fashion accessories, some electric appliances and candy. Spot checks show that interest in new and used passenger cars expanded somewhat, but year-to-year declines continued to prevail.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 3% below to 1% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: Pacific Coast States 0 to +4%; South Atlantic and East South Central —2 to +2; West South Central —3 to +1; Middle Atlantic, West Coast Central and Mountain —4 to 0; New England and East North Central States, —5 to —1%.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended May 10, 1958, decreased 4% below the like period last year. In the preceding week, May 3, 1958, a decrease of 8% was reported. For the four weeks ended May 10, 1958, a decrease of 4% was reported. For the period Jan. 1, 1958 to May 10, 1958 a decrease of 3% was recorded below that of 1957.

Retail trade sales volume in New York City the past week was unchanged to 5% below the similar week a year ago, trade observers reported.

Rain proved to be a deterrent to sales during the week, though some strength was noted in the volume of fashion accessories.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 10, 1958 declined 3% below that of the like period last year. In the preceding week, May 3, 1958, a decrease of 6% (revised) was reported. For the four weeks ended May 10, 1958 a decline of 3% was reported. For the period Jan. 1, 1958 to May 10, 1958 no change was registered from that of the corresponding period in 1957.

Halsey, Stuart Group Offers Central Hudson Gas & Electric Bonds

Public offering of $18,000,000 Central Hudson Gas & Electric Corp. 4⅛% first mortgage bonds due 1988 is being made today (May 22) by an underwriting group managed by Halsey, Stuart & Co. Inc. The bonds are priced at 102.172% and accrued interest, to yield 4%. The group was high bidder for the issue at competitive sale yesterday, specifying a price of 101.38999% for the bonds.

Funds received from the sale of the bonds will be used by Central Hudson Gas & Electric to retire all outstanding short-term notes, proceeds of which were applied to the company's construction program, and toward payment for future construction.

The bonds will be redeemable at the option of the company at prices ranging from 106.30% to 100%, plus accrued interest.

Central Hudson Gas & Electric has its principal office at Poughkeepsie, N. Y., and serves a territory extending about 85 miles along the Hudson River and comprising an area of some 2,500 square miles containing a population of approximately 350,000 persons. The area served includes such cities as Poughkeepsie, Beacon, Newburgh and Kingston.

Operating revenues in 1957 totaled $29,862,000 and net income $4,014,000. The ratio of 1957 earnings to fixed charges for the year was 5.20.

Stern Brothers Adds

KANSAS CITY, Mo.—Gerald D. Toms has been added to the staff of Stern Brothers & Co., 1009 Baltimore Avenue, members of the Midwest Stock Exchange. He was previously with King Merritt & Co., Inc.

With Newhard, Cook

ST. LOUIS, Mo. — Walter J. Boyce has become associated with Newhard, Cook & Co., Fourth & Olive Streets, members of the New York and Midwest Stock Exchanges. He was formerly with J. F. Lynam & Co.

Joins A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Frank B. Stewart has joined the staff of A. M. Kidder & Co., Inc., 506 Florida Avenue. He was formerly with Robert L. Ferman & Co.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jacob L. Arnon has become connected with Bache & Co., 140 South Dearborn Street.

Joins A. G. Becker Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Herbert C. Lust has joined the staff of A. G. Becker & Co., Incorporated, 120 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Rejoins Blunt Ellis

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert L. DuGene has rejoined Blunt Ellis & Simmons, 208 South La Salle St., members of the New York and Midwest Stock Exchanges. He has recently been with Paine, Webber, Jackson & Curtis.

With Smith, Moore

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Thomas D. Adams is with Smith, Moore & Co., 509 Olive Street, members of the New York and Midwest Stock Exchanges.

Continued from first page

We Cannot Take Chances With the Business Slump

action; first in the confidence which she shows to her fellow-nations; first in the heart of all the world, by reason of her friendliness and helpfulness to the world."

America tried to be friendly and helpful. She was generous in thought and in action. But, none the less, the wounds of war festered rather than healed, a great depression came, Hitler rose, a second World War was fought. Then followed 12 years of great prosperity, but no real peace. The cold war was interrupted only by the outbreak of hot wars — in Korea and elsewhere. The boom was interrupted by two minor recessions, and each time came back stronger than before. Now we have had the shock of a Russian Sputnik, and in our economy we are faced with a new recession. We are still trying to be friendly and helpful. We have won some friends, but not enough to make us feel secure. We are not first in the heart of all the world. We have been generous in thought and action, but still much of the world remains uncommitted and some of the committed seem inclined to become uncommitted.

In today's world the winning of friends has become a competitive business. We are just beginning to realize the measure of our competitors. We find ourselves rivalled by the Soviets in military power, in brain power, and in economic growth. Now we see them in the fuller light of their material achievements, wearing the Khrushchev smile of confidence. We always knew they could outnumber us, outpromise us, and outbrag us. Now we realize we shall have to work hard to keep them from outarming us, outthinking us, and outproducing us.

Securing Our Position in the World

We are making a reappraisal, and none too soon. It is inconvenient, even agonizing, and for a certainty it will be expensive. If uneasy, uncompromising rivalry is the only way the Communists will have it with us, then for our own survival, we have no choice but to match their challenge. How shall we do it?

I would not undertake to write a full prescription, but some things seem to me to be essential.

First, for security and for confidence at home and abroad, we must keep our military power at unrivalled strength and in total readiness. This we should leave largely to our military experts and governmental leaders. Too many others are trying to undertake the job. Most of us must content ourselves with helping to pay the cost.

Next, we must hold our allies and win new ones. This can't be done with military programs alone. We shall have to outdo the Russians in their mounting campaign of economic warfare. They are getting tougher to beat on this front, and right now it is the field where they're pressing the battle hardest. The Russian system has some definite advantages in the short-term tactics of economic warfare, but in the long run its effectiveness must be dulled by the lengthy record of broken promises and the political strings with which the Soviet wraps every economic package.

Our sharpest weapon on this front is an increased flow of trade and investment among the friendly and uncommitted nations of the world. We can't afford to surrender the initiative in trade. We shouldn't expect—and shouldn't hope — to preclude the Russians from all trade with the non-Communist world, but we must not let that world become so dependent upon Russian materials and markets as to be subject to Russian domination. Economic dependence means political dependence. To use our trade weapon effectively, we must work to ease trade barriers, including our own, and must contend everywhere against needless controls, quotas, subsidies, defaults, confiscations —ugly heads that snap higher and higher with each nationalistic goose step. No, let's not engage in economic warfare with our friends and allies. The Russians will be enough of a foe.

Urges We Cure Our Recession

There is at least one more urgent requirement that the grave world situation imposes on us. It is the curing of our economic recession at the earliest possible moment. Recession is a bad thing, and bad for our world strategy. The present one has high significance in the cold war and in our national defense. If it should worsen, and become prolonged, and spread to the economies of our Western allies and the rest of the free world, we could lose the cold war without firing a shot. The world would believe, as Communism always has said, that capitalism carries within it the seeds of its own destruction. We must see the recession in the framework of our world struggle. In other circumstances it would be urgent, but less urgent than it is now.

Nor can we look only at the present degree of recession. The current slump is more severe than the two previous ones since World War II, but not so bad as that of 1937-38, and certainly it bears little resemblance to that of the early '30's. What we must **not** do in this recession, however, is gamble with the possibility of its becoming worse. Too much is at stake; we can't take chances.

The recession is the result of the excesses of the boom— as all recessions are the result of all booms. Some said there was no boom — just n o r m a l American growth with its built-in stabilizers. The truth of the matter is—there was a boom, a big boom. It was a war boom and a postwar boom that lasted for 17 years. That is a long life for any boom. The deep roots of the 12 year postwar boom were the almost insatiable demand for civilian goods, buildings and services that followed the austerity of ten years of depression and five years of war, and the immense supply of money created to finance the war and to peg war bonds at par after the war.

Consumers bought and bought, borrowed and borrowed; eventually they overbought and overborrowed. There was intense competition to supply the long-deferred civilian wants, made effective by plenty of money and credit, and everywhere business and industry built and built, and finally overbuilt. Excesses occurred in all parts of the economy, as we hurried to use up in advance the prosperity of the next year and perhaps the year after. "Boom now, pay later" became our slogan, and now we are paying with the inevitable letdown that comes after a spree.

The culminating excesses, the ones that marked the end of the boom, came in the capital expenditures field. We will have to go through a catching-up period before we can expect a strong resurgence of capital outlay. Thus we cannot look to this part of the economy for a quick lift to get us out of the recession. It was the "pep pill" of the economy during 1956 and part of 1957, but now that phase is past.

What Can Government Do?

Where shall we look for a force to stop the downtrend and start us toward new growth — on a steady, sustainable basis, not one of frenzied boom? Many people, as might be expected, are looking to Washington or some state capital, asking that it spend more or subsidize more, or protect or regulate more. There is hardly a sector of business that is not at government's door these days making a howl about something. Many are saying, "Please lay off us with regulation or other interference," or "Please lay on our competitors as you do on us," or "For Heaven's sake, give us regulation, or subsidy, or protection such as our competitors already enjoy." No wonder our legislators are confused and confounded. I am surprised that they do as well as they do.

The distressing thing about so many of the recession cures being proposed is that they represent more artificiality, more government, more subsidy, more special consideration for this group or that. While some real emergencies may have already developed —that may require special help— too many are using the recession to justify more government activity in one field or another.

$5 Billion Tax Cut

The helpful course for government to take at this time lies in the opposite direction. Not more participation in the economy, but less. The best anti-recession move for government would be to lessen the tax burden—an across-the-board remission of income taxes, both personal and corporate, in such percentage as will give material encouragement to all private sectors of the economy. As things now stand, I believe we should lessen—by say, five billion dollars, or perhaps more — the drain of taxes upon incomes this year. We should do it simply and speedily—the same percentage to apply to all taxpayers, whether individuals or companies. Thus the unleashing of economic power would find its way into all lines —consumer goods, autos, housing, plant modernization.

I urge this move plainly and simply as medicine for the economy. The dose is not intended to be habit-forming. The patient must realize that as soon as he is well, he goes off the prescription.

The action proposed must not be encumbered with time-consuming debate over tax reform. Much as reform is needed, it will have to wait for more leisurely treatment. Nor is there room for any social-objective riders to be attached.

The course I have outlined is, I believe, the course of prudence in today's circumstances. Our economy is as much a weapon in the struggle for survival as are our rockets and our missiles. We can't afford a long slump in business. Negative forces feed upon themselves and extend themselves. The recession might cure itself if left alone, but it might not, and to rock along and gamble that it will do so would be taking more of a chance than we should.

In stressing tax relief, I do not overlook the role of monetary policy in countering the recession. Continued action by the Federal Reserve is needed to keep the money climate one of availability. This is a good time to make further progress in bringing reserve requirements down to realistic levels. The objective should not be, however, a money market sloppy with ease. Monetary ease is only the climate for recovery. [illegible] motive power for an upturn. Carried beyond reason, it merely results in loose credit, loosely extended. To spark an upturn, some additional, vitalizing force is needed. It is to supply such a force that I propose tax remission.

I make this recommendation regarding taxes knowing that it puts me in opposition to a great many people with whom, more often additional, vitalizing force is needed than not, I agree on economic matters. Likewise it seems to put me in accord with quite a few with whom, more often than not, I disagree. I don't think either facts requires apology. Actually, a tax remission isn't such a wild thing to do. We have done it before.

States Immediate Problem Is Deflation

Most of the opposition is based, I think, on the contention that a tax cut would be inflationary because it would increase the budget deficit. Now I do not yield to any man in my dread of inflation, nor in my conviction that it is the number-one long-term economic problem for this country. But there are short-term problems as well as long-term ones, and the immediate problem right now is not inflation, but deflation. Too many people are fighting the wrong battle today—they have the guns trained on inflation while the enemy is in the other direction. Even from the long-range viewpoint, the greatest danger of inflation lies in the drastic measures to which we will be forced if the present recession degenerates into a depression and mass unemployment results. Inflation is the product of depression, or of war, or of monetary nonsense. If we avoid these, we will avoid inflation.

I do not minimize the seriousness of budget deficits. Too much deficit, too often, is itself monetary nonsense. We must make it clear that we are firmly determined to return to a balanced budget, to avoid chronic inflation and to defend the value of the dollar.

One of the worst causes of deficits, however, is a depression, which shrinks incomes and therefore shrinks tax receipts. A tax remission which stimulates recovery may generate enough additional taxable income to offset the lower rate. We must remember—the government cannot spend tax rates; it can only spend tax revenues. If you're going to milk a cow, you have to feed her.

Some of the opposition to tax relief stems, I believe, from a feeling that the sins of the boom must be expiated, and that the only way to do it is by sweating out the slump, by suffering a little. It's the old Spartan determination to show that we can take it, coupled perhaps with a belief that we'll be better off for the experience.

It's true that recessions prompt businesses to make needed adjustments, to tighten up their efficiency. It is also true that the economy would fare much better if these adjustments were made during good times rather than bad. The cumulation of adjustments, when everyone is making them at the same time, tends to deepen and prolong a recession rather than cure it. Let's make adjustments where needed, but let's not keep the recession going just to provide the proper background music for them, and in the future let's not wait for slow times to put the house in order.

Considers the Alternatives

No recession cure is all we would like it to be. None is entirely free from undesirable side-effects. But, when we consider the alternatives — selective tax cuts; massive, slow-starting public works; subsidies, tariffs and quotas —when we consider all the proposals being made, an across-the-board easing of the tax load is the most consistent with the principles of a free economy. It gives a push to private spending and private investment, rather than intruding the hand of government further into men's affairs.

In brief, then the present state of business gives us concern, not alone for what it is but, even more, for what it may become if we don't take action while moderate measures still have a good chance of success.

Analyzing a basketful of statistical indicators, cliff-hanging from one unemployment figure to the next, clutching at shreds of good news — or bad — and stretching them to fit preconceived forecasts —these things do not cure a recession.

No, we must fight deflation, as we must fight inflation, and in doing so we must learn not to expect perfection, though we must always vigorously seek it. We should remember that an uninterrupted rise in prices, wages, profits, production and employment is not a law of nature and that inevitably there will be some ups and downs. Our job is to moderate the ups and downs; and I am confident that, if we apply good anti-recession medicine to our present ills and if we stop crying for the moon and content ourselves with a good level of business and a good level of employment, we shall achieve them before long.

And, finally, with this accomplished, with adequate military power well coordinated and well maintained, and with strong and friendly allies by our side, we can stop our shivering and once more move forward with confidence in the direction of a more certain peace and a more secure prosperity.

With H. O. Peet

KANSAS CITY, Mo.—Robert L. Smart is now with H. O. Peet & Co., 23 West 10th Street, members of the New York and Midwest Stock Exchanges.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Aeronca Manufacturing Corp.
Feb. 10 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To go to selling stockholder. **Office**—Germantown Road, Middletown, Ohio. **Underwriter**—Greene & Ladd, Middletown, Ohio.

★ **Altoscan Co.**
May 8 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per sare. **Proceeds**—For engineering, manufacture of static test, preparation of design data and working capital. **Office**—45 West Scottdale Road, Lansdowne, Pa. **Underwriter**—None.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Durox Corp., Englewood, Colo.
May 1 filed 2,500,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of new plant and establishment of the business at Tampa, Fla., including payment of the balance due on a plant site. **Underwriter**—I. A. I. Securities Corp., 3385 S. Bannock Street, Englewood, Colo.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Appalachian Power Co. (5/27)
April 23 filed $25,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (EST) on May 27 at 30 Church St., New York 8, N. Y.

Arkansas Western Gas Co. (5/29)
May 5 filed 55,774 shares of common stock (par $5) to be offered for subscription by stockholders of record May 28, 1958, at the rate of one additional share for each 10 shares then held; rights to expire on June 17. **Price**—$15 per share. **Proceeds**—For property additions and improvements. **Office**—Fayetteville, Ark. **Underwriter**—None.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga **Underwriter**—None.

• **Bankers Management Corp.**
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York. **Offering**—Expected late in May or early in June.

• **Bankers Southern, Inc. (5/26-29)**
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

Bishop Oil Co., San Francisco, Calif.
Feb. 27 filed 112,565 shares of common stock (par $2) to be offered for subscription by common stockholders on the basis of one new share for each five shares held **Price**—To be supplied by amendment. **Proceeds**—For reduction of bank loans, expansion and general corporate purposes **Underwriter**—Hooker & Fay, San Francisco, Calif. **Offering** — Indefinitely postponed. Alternate means of financing studied.

• **Blacksmith Shop Pastries Inc., Rockport, Mass.**
Sept. 17 (letter of notification) $100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par $1) to be offered in units of one $50 debenture and 20 shares of capital stock. **Price**—$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass. Offering was subsequently withdrawn.

Builders Loans Inc.
March 27 (letter of notification) 40,000 shares of 17½c preferred stock (par $1). **Price**—$2.50 per share. **Proceeds** — To selling stockholder. **Office** — Los Angeles, Calif. **Underwriter**—Daniel D. Weston & Co., Inc., Beverly Hills, Calif.

Campbell Chibougamau Mines Ltd.
March 10 filed 606,667 shares of capital stock (par $1), of which 506,667 were issued in connection with the acquisition of all the assets of Yorcan Exploration Ltd. (latter proposes to distribute said shares ratably to its stockholders of record Dec. 16, 1957). The remaining 100,000 shares are to be sold for the account of the Estate of A. M. Collings Henderson on the American and Toronto Stock Exchanges. **Price**—At market. **Proceeds**—To selling stockholders. **Office**—Toronto, Canada. **Underwriter**—None.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Date indefinite. Statement effective March 12.

Chase Fund of Boston (6/3)
April 24 filed 1,000,000 shares of capital stock (par $1). **Price**—$10 per share. **Proceeds**—For investment. **Underwriter**—Shearson, Hammill & Co., New York.

• **Chesapeake Instrument Corp., Shadyside, Md.**
April 30 (letter of notification) $275,000 of 5% 10-year convertible debentures to be offered for subscription by stockholders on the basis of $100 of debentures for each 40 shares of common stock held. **Price**—At par. **Proceeds**—To repay bank loans, for addition to plant and for working capital. **Underwriter**—Drexel & Co., Philadelphia, Pa.

Cobb (John), Inc.
April 24 (letter of notification) 150,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—1182 Broadway, New York, N. Y. **Underwriter**—B. Fennekohl & Co., 205 E. 85th Street, New York, N. Y.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York **Offering**—Indefinite.

★ **Community Public Service Co. (6/17)**
May 15 filed $3,000,000 sinking fund debentures due June 1, 1978. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 17 at 90 Broad Street, New York, N. Y.

Consolidated Edison Co. of N. Y., Inc. (6/3)
March 3 filed $50,000,000 of first and refunding mortgage bonds, series O, due June 1, 1988. **Proceeds**—To retire short-term bank loans and for construction program **Underwriter**—To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received by company up to 11 a.m. (EDT) on June 3.

• **Cosmos Industries, Inc. (6/9)**
April 16 filed 280,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—To pay bank loans and for working capital and other corporate purposes. **Underwriter**—Netherlands Securities Co., Inc., 30 Broad St., New York (not Mortimer B. Burnside & Co. Inc. as previously reported in the "Chronicle" of May 15).

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

★ **Crown Western Investments, Inc., Dallas, Texas**
May 16 filed (by amendment) 350,000 shares of Diversified Income Fund Series D2. **Price**—At market. **Proceeds**—For investment.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

★ **Delaware Power & Light Co. (6/17)**
May 21 filed $25,000,000 of first mortgage and collateral trust bonds due 1988. **Proceeds**—To refund $15,000,000 of 5% bonds due 1987 and to repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Eastman Dillon, Union Securities & Co.; The First Boston Corp. and Blyth & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on June 17.

★ **Denver Acceptance Corp., Denver, Colo.**
May 19 filed 1,000,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To engage, through one or more subsidiary companies to be formed or acquired, in the business of writing life insurance and annuity policies. **Underwriter**—DAC Securities Corp., Denver, Colo.

Dixon Chemical & Research, Inc.
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office** — Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Indefinitely postponed. Other financing may be arranged.

Domestic Finance Group Inc.
April 3 (letter of notification) 30,000 shares of 70-cent cumulative preferred stock, series A. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes. **Office**—112A North Green St., P. O. Box 3467, Greensboro, N. C. **Underwriters**—United Securities Co., Greensboro, N. C. and McCarley & Co., Asheville, N. C.

Dresser Industries, Inc.
Feb. 28 filed 128,347 shares of common stock (par 50¢) being offered in exchange for outstanding common stock of the Elgen Corp. on the basis of one share of Dresser Industries common for 3.4 shares of Elgen's common. No exchanges will be made unless the exchange offer is accepted by the holders of at least 80% of the outstanding Elgen common, and Dresser will not be obligated to consummate any exchanges unless the offer is accepted by the holders of at least 95% of the outstanding Elgen common. The offer will expire on June 17, unless extended. **Underwriter**—None.

• **Elsin Electronics Corp.**
May 1 (letter of notification) 265,266 shares of common stock (par two cents). **Price**—$1.12½ per share. **Proceeds**—To repay bank loan; to purchase new equipment and for working capital. **Office**—617-33 Brooklyn Ave., Brooklyn 3, N. Y. **Underwriter**—Lee Co., New York, N. Y. **Offering**—Expected early in June.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corpora-

Expanded Shale Products, Inc., Denver, Colo.
Jan. 29 filed 60,000 shares of common stock (par $1) and $180,000 of 6% callable unsubordinated unsecured debenture notes due 1960-1964 to be offered in units of $600 of notes and 200 shares of stock. **Price**—$1,000 per unit. **Proceeds**—For construction of plant, working capital and other corporate purposes. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

★ **Fall River Electric Light Co. (6/18)**
May 16 filed $3,000,000 of first mortgage and collateral trust bonds due April 1, 1988. **Proceeds**—Together with other funds, to purchase at par $1,110,000 of debenture bonds and $950,000 par value of common stock of Montaup Electric Co., and to repay $2,050,000 of short-term bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone Webster Securities Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 18.

Famous Virginia Foods Corp.
Jan. 30 (letter of notification) 19,500 shares of common stock (par $5) and 390 common stock purchase warrants to be offered in units of 50 shares of stock and one warrant. **Price**—$500 per unit. **Proceeds**—For equipment and working capital. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter** — Whitney & Co., Inc., Washington, D. C.

Fidelity Bankers Life Insurance Corp.
March 7 filed 450,000 shares of common stock (par $1) to be offered for subscription by holders of outstanding stock on a pro rata basis; thereafter the balance remaining, if any, will be offered to the public. **Price**—$5 per share to stockholders; and to the public at a price to be determined. **Proceeds** — For expansion and other corporate purposes. **Office**—Richmond, Va. **Underwriter**—None.

First Backers Co., Inc., Clifton, N. J.
April 7 filed $1,000,000 of 12% notes, payable nine months after date of issue in units of $100 or in multiples thereof. **Price**—100% of principal amount. **Proceeds**—To be used solely for purchase of notes and other indebtedness issued in payment for improvements on homes and secured by mortgages or other liens upon the improved properties. **Underwriter**—None.

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office** — Portland, Ore. **Underwriter**—To be named by amendment. Sol Goldberg is President.

● **Forest Laboratories, Inc.**
March 26 filed 150,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—H. Carroll & Co., Denver, Colo.; and Alfred L. Powell Co., New York. **Offering**—Expected early in June.

Four Corners Oil & Gas Co., Denver, Colo.
March 25 filed 400,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To pay off debts and for drilling and exploration costs. **Underwriters**—None.

★ **General American Transportation Corp.**
May 16 filed 100,000 shares of common stock (par $2.50) to be issued pursuant to the company's Stock Option Plan.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

★ **General Crude Oil Co.**
May 12 (letter of notification) an estimated 6,750 shares of common stock (par $2.50) to be purchased on the open-market by trustees under the company's Stock Purchase Plan. **Proceeds** — To pay for the stock purchased. **Office**—420 Bank of the Southwest Bldg., Houston, Texas. **Underwriter**—None.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. **Price**—$3.50 per share. **Proceeds**—For expansion, equipment and working capital. **Underwriter**—None.

Georgia Casualty & Surety Co., Atlanta, Ga.
May 6 filed 450,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds** — For general corporate purposes. **Underwriter**—Buckley Enterprises, Inc.

● **Getty Oil Co., Welmington, Del.**
April 11 filed 2,170,545 shares of common stock (par $4) being offered in exchange for capital stock (par $5) of the Mission Development Co., on basis of one share of Getty stock for each 1.2 shares of Development stock, or five shares of Getty for six shares of Development stock Offer to expire on June 25 at 3:30 p.m. (EDT).

● **Glassheat Corp. (6/9-13)**
Feb. 12 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—1 E 35th Street, New York 16, N. Y. **Underwriter**—James Anthony Securities Corp., 37 Wall St., New York 5, N. Y

Gly Inc.
March 4 (letter of notification) 300,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For acquisition, development and operation of oil and gas properties. **Office**—Bacon Bldg., 5th & Pine Sts., Abilene, Texas. **Underwriter** — Barth Thomas & Co., Inc., New York.

★ **Great West Insurance Co.**
May 9 (letter of notification) 15,500 shares of common stock (par $10). **Price**—$15 per share. **Proceeds**—For capital and surplus. **Office**—2607 Dakota Avenue, South Sioux City, Neb. **Underwriter**—None.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — None.

H. & B. American Machine Co., Inc.
May 9 filed $1,024,944 of 5% collateral notes, due June 15, 1968 (subordinated) and 256,236 shares of common stock (par 10 cents) to be offered together with cash in exchange for the outstanding common stock (par $20) of General Trading Co. on the basis of (a) three shares of American Machine common (b) $12 principal amount of 5% notes, and (c) $5 in cash, for each of the 85,412 outstanding shares of General Trading common stock. The offer is conditioned, among other things, upon its acceptance by holders of not less than 68,330 shares of the General Trading stock. **Office**—Culver City, Calif. **Dealer-Manager** — Kalman & Co., Inc., St. Paul, and Minneapolis, Minn.

★ **Handicapped Industries, Inc., Medford, Ore.**
May 12 (letter of notification) 50,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For working capital. **Office**—46 North Front St., Medford, Ore. **Underwriter**—None.

★ **Hill-Valentine Oil Co., Edgemont, S. D.**
May 19 (letter of notification) 31,410 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incidental to acquiring, exploring and developing oil and gas properties. **Underwriter**—None.

Home Owners Life Insurance Co.
Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at $5 per share and 116,366 shares of class B common stock to be offered to stockholders at $6 per share at the rate of two new shares for each five shares held. **Proceeds**—For working capital **Office**—Fort Lauderdale, Fla. **Underwriter**—None. Statement withdrawn. New filing covering 50,000 shares of common stock expected.

● **Household Gas Service, Inc. (6/2)**
May 1 (letter of notification) $60,000 6% convertible debentures dated June 1, 1958 and due June 1, 1973. **Price**—100% plus accrued interest (in denominations of $1,000 and $500). **Proceeds**—For repayment of debt and working capital. **Office**—Clinton, N. Y. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

Illinois Bell Telephone Co. (5/29)
May 9 filed 870,792 shares of common capital stock to be offered for subscription by stockholders of record May 29, 1958, at the rate of one new share for each six shares held; rights to expire on June 30. Minority stockholders own 5,934 shares. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., and for property additions and improvements. **Underwriter**—None.

Industro Transistor Corp. (N. Y.) (6/16-20)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department. **Underwriter** — S. D. Fuller & Co., New York.

Insured Accounts Fund, Inc., Boston, Mass.
May 12 filed 5,000 shares of common stock. **Price**—$5,000 per share. **Proceeds**—For investment. **Business**—To invest primarily in share accounts insured by the Federal Savings and Loan Insurance Corp., in savings and loan associations throughout the country. **Underwriter**—None. Ben H. Hazen is President.

Janat, Inc., Washington, D. C.
July 30, 1957 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None

● **Jefferson Lake Petrochemicals of Canada, Ltd. (6/3)**
May 7 filed 660,000 shares of common stock (par $1), of which 600,000 shares are to be offered to public, one-half in the U. S. and the rest in Canada. The other 60,000 shares are to be reserved for purchase by underwriters through warrants. **Price**—$5.50 per share. **Proceeds**—For working capital and general corporate purposes; and to develop company's projects in Canada. **Underwriters**—Hornblower & Weeks and Robert Garrett & Sons in the United States; and Gairdner & Co., Ltd. in Canada.

Life Insurance Securities Corp., Portland, Me.
March 28 filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

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NEW ISSUE CALENDAR

May 23 (Friday)
Simplicity Pattern Co., Inc.______Common
(Lee Higginson Corp.) 112,500 shares

May 26 (Monday)
Bankers Southern Inc.______Common
(Bankers Bond Co.) $893,400
North American Merchandising Co.______Common
(McDonald, Holman & Co., Inc.) $300,000
Tel-A-Sign Inc.______Common
(Charles Plohn & Co. and Clayton Securities Corp.) 200,000 shares
Willer Color Television System, Inc.______
(Edwin Jefferson) $206,105

May 27 (Tuesday)
Appalachian Power Co.______Bonds
(Bids 11 a.m. EST) $25,000,000
Oslo (City of), Norway______Bonds
(Kuhn, Loeb & Co., Harriman Ripley & Co. Inc., Lazard Freres & Co., and Smith, Barney & Co.) $11,000,000
Rorer (William H.), Inc.______Common
(Kidder, Peabody & Co. and Schmidt, Poole, Roberts & Parke) 100,000 shares
Transcontinental Gas Pipe Line Corp.______Bonds
(White, Weld & Co., and Stone & Webster Securities Corp.) $25,000,000
Transcontinental Gas Pipe Line Corp.______Preferred
(White, Weld & Co., and Stone & Webster Securities Corp.) $15,000,000

May 28 (Wednesday)
Walker-Scott Corp.______Debentures
(Eastman Dillon, Union Securities & Co.) $900,000
Walker-Scott Corp.______Common
(Eastman Dillon, Union Securities & Co.) 40,000 shares

May 29 (Thursday)
Arkansas Western Gas Co.______Common
(Offering not underwritten) $836,610
Illinois Bell Telephone Co.______Common
(Offering to stockholders—no underwriter) $87,079,200

June 2 (Monday)
Household Gas Service, Inc.______Debentures
(Mohawk Valley Investing Co., Inc.) $60,000
Technology Instrument Co.______Common
(S. D. Fuller & Co.) $2,600,000

June 3 (Tuesday)
Chase Fund of Boston______Capital
(Shearson, Hammill & Co.) $10,000,000
Consolidated Edison Co. of N. Y. Inc.______Bonds
(Bids 11 a.m. EST) $50,000,000
Jefferson Lake Petrochemicals of Canada Ltd.______Common
(Hornblower & Weeks; Robert Garrett & Sons; and Gairdner & Co., Ltd.) $3,330,000
Pennsylvania Power Co.______Preferred
(Bids to be invited) 60,000 shares

June 4 (Wednesday)
Texas Eastern Transmission Corp.______Preferred
(Dillon, Read & Co. Inc.) $25,000,000

June 5 (Thursday)
Florida Public Utilities Co.______Common
(Starkweather & Co.; Clement A. Evans & Co.; and White, Weld & Co.) 23,500 shares
Owens-Illinois Glass Co.______Debentures
(Lazard Freres & Co. and Goldman Sachs & Co.) $50,000,000

June 9 (Monday)
Glassheat Corp.______Common
(James Anthony Securities Corp.) $300,000
Southern Union Gas Co.______Preferred
(Snow, Sweeney & Co., Inc., and A. C. Allyn & Co., Inc.) $3,000,000

June 10 (Tuesday)
Rhodesia and Nyasaland (Federation of)______Bonds
(Dillon, Read & Co. Inc.) $10,000,000
Virginia Electric & Power Co.______Bonds
(Bids 11 a.m. EDT) $23,000,000

June 11 (Wednesday)
New England Power Co.______Bonds
(Bids 11 a.m. EDT) $10,000,000
Niagara Mohawk Power Corp.______Bonds
(Bids 11 a.m. EDT) $50,000,000

June 16 (Monday)
Industro Transistor Corp.______Common
(S. D. Fuller & Co.) 150,000 shares
New England Telephone & Telegraph Co.______Com.
(Offering to stockholders—no underwriter) 735,245 shares
Northern Virginia Doctors Hospital Corp.______Common
(Whitney & Co.) $300,000
Oklahoma Gas & Electric Co.______Bonds
(Bids 11 a.m. EDT) $15,000,000

June 17 (Tuesday)
Community Public Service Co.______Debentures
(Bids 11 a.m. EDT) $3,000,000
Delaware Power & Light Co.______Bonds
(Bids 11:30 a.m. EDT) $25,000,000
Missiles-Jets & Automation Fund, Inc.______Common
(Ira Haupt & Co.) $5,000,000

June 18 (Wednesday)
Fall River Electric Light Co.______Bonds
(Bids 11 a.m. EDT) $3,000,000

June 24 (Tuesday)
Central Illinois Light Co.______Bonds
(Bids 11 a.m. EDT) $6,000,000
Pacific Power & Light Co.______Bonds
(Bids 9 a.m. PDT) $20,000,000

June 25 (Wednesday)
United Gas Corp.______Debentures
(Bids noon EDT) $40,000,000

June 30 (Monday)
Orange & Rockland Utilities, Inc.______Bonds
(Bids 11 a.m. EDT) $10,000,000

July 1 (Tuesday)
Chicago, Burlington & Quincy RR.______Eq. Tr. Ctfs.
(Bids to be invited) $4,650,000
Florida Power Corp.______Bonds
(Bids 11:30 a.m. EDT) $25,000,000
Potomac Plastic Co.______Debs. & Stock
(Whitney & Co.) $115,000

July 8 (Tuesday)
Laclede Gas Co.______Preferred
(Lehman Brothers and Merrill Lynch, Pierce, Fenner & Smith) $8,000,000
Northern States Power Co. (Minn.)______Bonds
(Bids 11 a.m. EDT) $30,000,000

July 9 (Wednesday)
Cosmos Industries, Inc.______Common
(Netherland Securities Co., Inc.) $700,000
Laclede Gas Co.______Bonds
(Bids to be invited) $10,000,000
New York Telephone Corp.______Bonds
(Bids to be invited) $60,000,000

June 10 (Thursday)
Southern Natural Gas Co.______Debentures
(Bids to be invited) $30,000,000

July 17 (Thursday)
Tampa Electric Co.______Bonds
(Bids to be invited) $17,000,000

August 26 (Tuesday)
New England Telephone & Telegraph Co.______Debens.
(Bids to be invited) $40,000,000

September 4 (Thursday)
Montana Power Co.______Bonds
(Bids to be invited) $20,000,000

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★ Mammoth Mountain Inn Corp., Beverly Hills, Calif.
May 20 filed $350,000 of 6% subordinated sinking fund debentures due 1963 and 70,000 shares of common stock (par $5) to be offered in units consisting of $100 of debentures and 20 common shares. **Price** — $200 per unit. **Proceeds**—For construction, equipment and working capital. **Underwriter**—None.

Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

★ Mercantile Acceptance Corp.
May 13 (letter of notification) $23,800 of 5½% 12-year capital debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—333 Montgomery Street, San Francisco, Calif. **Underwriter** — Guardian Securiites Corp., San Francisco, Calif.

● Missiles-Jets & Automation Fund, Inc. (6/17)
May 8 filed 500,000 shares of capital stock (par $1). **Price**—$10 per share. **Proceeds**—For investment. **Underwriter**—Ira Haupt & Co., New York.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

Murphy Corp., El Dorado, Ark.
May 5 filed 71,958 shares of common stock (par $1) to be offered in exchange for outstanding common shares of Superior Refinery Owners, Inc., and Lake Superior Refining Co. (both of Superior, Wis.), at the rate of six shares of Murphy stock for each share of Superior Refinery and Lake Superior stock; also in exchange for outstanding negotiable promissory notes and second mortgage notes of Superior Refinery, and for outstanding negotiable promissory notes of Lake Superior, at rate of four shares for each $100 principal amount of such notes. Offer is conditional upon its acceptances by holders of at least 95% of the outstanding shares and notes of both companies.

★ National Distillers & Chemical Corp.
May 19 filed $2,300,000 of Interests in the company's Employees' Savings and Stock Purchase Plan, together with 100,000 shares of common stock (par $5) which may be purchased pursuant thereto.

National Manganese Co., Newcastle, Pa.
March 21 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For mining expenses. **Underwriter**—Johnson & Johnson, Pittsburgh, Pa.

Natural Gas Pipeline Co. of America
Nov. 19 filed $40,000,000 of first mortgage pipeline bonds due 1977. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriters** — Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York. **Offering**—Now expected in June.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

New England Power Co. (6/11)
May 12 filed $10,000,000 of first mortgage bonds, series H, due 1988. **Proceeds** — Together with approximately $5,000,000 from a common stock issue to New England Electric System, the parent, to be applied first to payment of short term notes and any balance will be used for capital expenditures or to reimburse the treasury therefor. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Blair & Co., Inc. (jointly). **Bids**—Scheduled to be received up to 11 a.m. (EDT) on June 11 at 441 Stuart St., Boston 16, Mass.

★ New England Telephone & Telegraph Co. (6/16)
May 16 filed 735,245 shares of common stock to be offered for subscription by stockholders of record June 11 on the basis of one new share for each five shares held. American Telephone & Telegraph Co. owns about 2,547,411 shares (about 69.29%) of the outstanding stock. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent and for corporate purposes. **Underwriter**—None.

★ New Hampshire Bankshares, Inc., Nashua, N. H.
May 16 (letter of notification) 30,000 shares of class A non-voting common stock (par $5). **Price**—$10 per share. **Proceeds** — To pay off notes payable to bank and for working capital. **Office** — Indian Head National Bank Bldg., Nashua, N. H. **Underwriter**—None.

★ New Haven Clock & Watch Co.
May 12 (letter of notification) an undetermined number of shares of common stock (par $1) not to exceed an aggregate value of $300,000. **Price**—At market. **Proceeds**—For working capital. **Office**—Hamilton Street, New Haven, Conn. **Underwriter**—None.

● New York Telephone Co.
May 2 filed $70,000,000 of refunding mortgage bonds, series K, due May 15, 1991. **Proceeds**—To refund a like amount of series J 4½% bonds sold last year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Were to have been received up to 11:30 a.m. (EDT) on May 26 at Room 1600, 140 West St., New York, N. Y., but company on May 16 announced plans for this refinancing have been postponed.

★ Niagara Mohawk Power Co. (6/11)
May 16 filed $50,000,000 of general mortgage bonds due June 1, 1988. **Proceeds** — For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received up to 11 a.m. (EDT) on June 11 at Room 1840, 15 Broad Street, New York, N. Y.

★ Nichols, Inc., Exeter, N. H.
May 13 (letter of notification) 11,111 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—For expansion and working capital. **Underwriter**—None.

★ North American Merchandising Co. (Tex.) (5/26-28)
May 16 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For general purposes. **Underwriter**—McDonald, Holman & Co., Inc., New York, N. Y.

Northern Virginia Doctors Hospital Corp. (6/16)
April 4 (letter of notification) 30,000 shares of common stock (par one cent). **Price**—$10 per share. **Proceeds**—For building fund. **Office** — 522 Leesburg Pike, Falls Church, Va. **Underwriter**—Whitney & Co., Washington, D. C.

Oil Inc., Salt Lake City, Utah
April 4 filed 597,640 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 24, 1958 at the rate of 1¼ new shares for each share then held. Employees may purchase 50,000 shares of unsubscribed stock. **Price**—To stockholders, $1.75 per share; and to public, $2 per share. **Proceeds**—For mining, development and exploration costs, and for working capital and other corporate purposes. **Underwriters**—Harrison S. Brothers & Co., and Whitney & Co., both of Salt Lake City, Utah.

Oil & Mineral Operations, Inc., Tulsa, Okla.
April 14 filed 200,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For payment of loans, various equipment, and a reserve for future operations. **Business**—To acquire and operate mining claims and oil and gas properties. **Underwriter**—Universal Securities Co., Enterprise Building, Tulsa, Okla.

★ Oklahoma Gas & Electric Co. (6/16)
May 16 filed $15,000,000 of first mortgage bonds due June 1, 1988. **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on June 16 at The First National City Bank of New York, 55 Wall St., New York 15, N. Y.

Oslo (City of), Norway (5/27)
May 6 filed $8,000,000 of sinking fund external loan bonds, due June 1, 1973 and $3,000,000 of serial external loan bonds, maturing June 1, 1960, 1961, and 1962. **Price**—To be supplied by amendment. **Proceeds**—For financing in part the completion of the Hemsil Hydro-Electric Power Development Project which is designed to provide the City by the end of 1960 with an additional 152,000 kilowatts of installed power at a total cost of approximately 155,590,000 kroner. **Underwriters** — Kuhn, Loeb & Co., Harriman Ripley & Co. Inc., Lazard Freres & Co., and Smith, Barney & Co., all of New York.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

Owens-Illinois Glass Co. (6/5)
May 14 filed $50,00,000 sinking fund debentures due June 1, 1988. **Proceeds**—To retire $15,266,000 of debentures of National Container Corp. (merged into company in 1956) and all of the $20,000,000 short-term borrowings at maturity; balance to be added to working capital. **Underwriters**—Lazard Freres & Co. and Goldman, Sachs & Co., both of New York.

★ Pacific Power & Light Co. (6/24)
May 20 filed $20,000,000 of first mortgage bonds due July 1, 1988. **Proceeds**—Together with other funds, will be used in carrying forward the company's construction program through 1958 and in retiring bank borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Bear, Stearns & Co., and Salomon Brothers & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 9 a.m. (PDT) on June 24.

Palestine Economic Corp., New York
March 31 filed $2,000,000 of 5% notes, due Oct. 1, 1963 to be offered in two types: (a) interest-bearing notes with interest payable at the rate of 5% and at an offering price of 100% of principal amount; and (b) capital-appreciation notes, at a discount from maturity value so as to yield 5% compounded semi-annually. **Proceeds**—For making investments and loans in companies or enterprises that the corporation is already financially interested in, or for other corporate purposes. **Underwriter**—None.

Paradox Production Corp., Salt Lake City, Utah
April 18 filed 767,818 shares of common stock (par $1), of which 100,000 shares are to be offered by the company in exchange for oil and gas properties and 3,000 for services; the remaining 664,818 shares are to be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah.

★ Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Pecos Valley Land Co., Carlsbad, N. Mex.
March 13 filed 2,000,000 shares of common stock (par 10 cents), of which 300,000 shares are to be offered for sale by the company and 1,700,000 shares by the present holders thereof. **Price**—$1 per share. **Proceeds**—From sale of the 300,000 shares, to be used to pay 6% mortgage notes and interest and to pay back tax claims, and interest due on the note to Mr. Harroun. **Underwriter**—Wiles & Co., Dallas, Texas.

★ Penn-Jersey Cooperative Association
May 1 (letter of notification) 10,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For inventory, equipment and fixtures, and operating expenses. **Office**—105 Fillmore Street, Phillipsburg, N. Y. **Underwriter**—None.

Pennsylvania Power Co. (6/3)
May 7 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—Together with cash on hand and estimated to be received from operations, toward the company's construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Blyth & Co. Inc. (jointly); Lehman Brothers; Smith, Barney & Co.; Merrill Lynch, Pierce, Fenner & Smith; Glore, Forgan & Co., and W. C. Langley & Co. (jointly); Kidder Peabody & Co. Inc., and White, Weld & Co. (jointly). **Bids**—Expected to be received after June 2.

Peoples Protective Life Insurance, Co.
March 27 filed 310,000 shares of common stock (par $1), consisting of 62,000 shares of class A-voting stock and 248,000 shares of class B-non-voting stock to be offered in units consisting of one class A and four class B shares. **Price** — $75 per unit. **Proceeds** — For working capital and for development of district offices in the states where the company is currently licensed to do business. **Office**—Jackson, Tenn. **Underwriter**—None. R. B. Smith, Jr., is President and Board Chairman.

★ Pizza & Properties, Inc., College Park, Md.
May 9 (letter of notification) 20,000 shares of class B common stock (par $1) to be sold in blocks of 10 shares. **Price**—$10.25 per block. **Proceeds**—To purchase real estate; and for construction and working capital. **Underwriter**—None.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

Potomac Plastic Co. (7/1)
March 31 (letter of notification) $57,500 of 6% subordinated convertible debentures and 57,500 shares of class A common stock (par one cent) to be offered in units of 500 shares of stock and $500 of debentures. **Price**—$1,000 per unit. **Proceeds** — For equipment and working capital. **Office**—1550 Rockville Pike, Rockville, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Prairie Fibreboard Ltd.
Feb. 28 filed 210,000 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $2.50 per share. **Proceeds** — For construction purpose. **Office** — Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., Saskatoon, Canada.

Private Enterprise, Inc., Wichita, Kansas
May 5 filed 125,000 shares of common stock. **Price**—$10 per share. **Proceeds** — To be used to organize, or reorganize and then operate companies in foreign nations, principally, but not exclusively, in the Far East, Near East and Africa. **Underwriter**—None.

Rhodesia and Nyasaland (Federation of) (6/10)
May 8 filed $10,000,000 of external loan bonds due May 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—Together with a loan of $15,000,000 from World Bank, to be used, mainly for capital expenditures, including railroad development. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ Riddle Airlines, Inc., Miami, Fla.
May 15 filed 750,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—James H. Price & Co., Inc., of Coral Gables, Fla., for 250,000 shares; balance on "best efforts" basis.

Rockcote Paint Co.
March 21 (letter of notification) 14,250 shares of 7% cumulative preferred stock (par $10) and 10,000 shares of common stock (par $1). **Price**—For preferred stock, $10.25 per share; for common stock, $8 per share. **Proceeds**—For working capital. **Office**—200 Sayre St., Rockford, Ill. **Underwriter** — The Milwaukee Co., Milwaukee, Wis.

Rockwell-Standard Corp., Coraopolis, Pa.
April 28 filed 285,600 shares of common stock (par $5) being offered in exchange for the capital stock of Aero Design & Engineering Co. in the ratio of 1 5/7 shares of Rockwell-Standard stock for each share of Aero stock. Not less than 80%, or 133,280 Aero shares, may be accepted. Offer will expire on May 31.

Rocky Mountain Quarter Racing Association
Oct. 31, 1957 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

Rorer (William H.) Inc. (5/27)
May 6 filed 100,000 outstanding shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business**—The company makes and sells ethical pharmaceuticals. **Underwriters**—Kidder, Peabody & Co., New York, N. Y., and Schmidt, Poole, Roberts & Parke, Philadelphia, Pa.

Samedan Associates, Inc., Ardmore, Okla.
March 24 filed 98,613 shares of common stock (par $10) **Price**—$14.25 per share. **Proceeds**—For working capital acquisition, development, and exploration of oil and gas properties. **Underwriter**—None.

★ Scudder Special Fund, Inc.
May 19 filed (by amendment) an additional 200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

● Simplicity Pattern Co. Inc. (5/23)
Oct. 10 filed 112,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Lee Higginson Corp., New York.

★ Southern Frontier Finance Co.
May 15 filed 2,000,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—$1,525,000 for purchase of receivables secured by Mobile Homes, or other collateral; and $275,000 for working capital, reserve, etc. **Office**—Raleigh, N. C. **Underwriter**—None.

★ Southern Syndicate, Inc.
May 8 (letter of notification) $31,400 of 6% 10-year convertible debentures, series A, and 87,000 shares of common stock (par $1) the latter to be offered initially to stockholders to satisfy negotiable stock warrants now outstanding. Warrants are exercisable on or before Feb. 1, 1961. **Price**—Of debentures, at par (in denominations of $100 and $500); and of stock, $2 per share. **Proceeds**—To expand investment activities in the real estate and mortgage field. **Office**—1206 Citizens & Southern Bank Building, Atlanta, Ga. **Underwriter**—None.

★ Southern Union Gas Co. (6/9-13)
May 19 filed 30,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To be added to the company's general funds and used to defray a portion of the company's current program of property additions and improvements, including those of its subsidiaries during 1958. **Underwriter**—Snow, Sweeney & Co., Inc., New York, and A. C. Allyn & Co., Inc., Chicago, Ill.

Springfield Fire & Marine Insurance Co.
March 28 filed 1,000,000 shares of common stock (par $2 being offered in exchange for capital stock of Monarch Life Insurance Co. at rate of 1¼ shares of Springfield for each Monarch share. The offer will expire at 3:30 p.m. (EDT) on May 29, unless extended. **Dealer-Managers**—The First Boston Corp. and Kidder, Peabody & Co., both of New York.

Standard Oil Co. (New Jersey)
May 5 filed 2,246,091 shares of capital stock (par $7) to be offered in exchange for common shares of International Petroleum Co., Ltd., of Toronto, Canada, and Coral Gables, Fla., in the ratio of nine shares of Standard Oil stock for 15 shares of International stock. Offer would expire on July 1, 1958.

Strategic Minerals Corp. of America, Dallas, Tex
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

Sun Oil Inc., Philadelphia, Pa.
April 22 filed 15,000 memberships in the Stock Purchase Plan for the employees of the company and its subsidiaries, together with 188,000 shares of common stock (no par) which may be purchased by the trustees of the plan during the period July 1, 1958, to June 30, 1959, with respect to the 1958 plan. Registration also covers 243,288 shares of outstanding common stock which may be offered for possible sale by the holders thereof during the period July 1, 1958 to June 30, 1959. **Underwriter**—None.

★ Sylvania Electric Products Inc.
May 16 filed 176,590 shares of common stock (par $7.50) to be offered to certain employees of the company and of two wholly-owned subsidiaries, Sylvania Sales Corp. and Victor H. Meyer Distributing Corp., pursuant to the company's Employees Stock Purchase Plan.

Tax Exempt Bond Fund, Inc., Washington, D. C
June 20, 1957 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds**—For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Technology Instrument Corp. (6/2-6)
March 27 filed 260,000 common shares (par $2.50) of which 204,775 shares are for account of three selling stockholders and 55,225 shares are for account of company. **Price** — $10 per share. **Proceeds** — For working capital and general corporate purposes. **Business** — Develops and manufactures precision potentiometers and other precision electronic components and measuring instruments. **Office**—Acton, Mass. **Underwriter** — S. D Fuller & Co., New York.

Tel-A-Sign Inc., Chicago, Ill. (5/26-29)
April 24 filed 200,000 shares of common stock (par 20 cents). **Price**—To be supplied by amendment. **Proceeds**—To retire $197,000 of notes and to reduce accounts payable by $150,000; the balance to be used for general corporate purposes, including the increase of working capital. **Underwriters**—Charles Plohn & Co., New York, N. Y., and Clayton Securities Corp., Boston, Mass.

Tele-Broadcasters, Inc.
March 31 (letter of notification) 40,000 shares of common stock (par five cents). **Price** — $3.25 per share **Proceeds**—To complete the construction of Station KALI **Office**—41 East 42nd St., New York, N. Y. **Underwriter**—Sinclair Securities Corp., New York, N. Y.

Texas Calgary Co., Abilene, Texas
April 30 filed 2,000,000 shares of capital stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Underwriter**—Thomson Kernaghan & Co., Ltd., Toronto, Canada. To be offered in Canada only.

★ Texas Eastern Transmission Corp. (6/4)
May 15 filed 150,000 shares of preferred stock (par $100) and 100,000 shares of subordinate convertible series preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Dillon, Read & Co., Inc., New York.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds**—For working capital. **Office**—111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter** — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

Townsend International Growth Fund, Inc.
May 14 filed 1,000,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds** — For investment. **Office**—Short Hills, N. J. **Underwriter**—FIF Management Corp., Denver, Colo.

Trans-America Uranium Mining Corp.
Nov. 6, 1957 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

Trans-Cuba Oil Co., Havana, Cuba
March 28 filed 6,000,000 shares of common stock (par 10 cents) to be offered for subscription by holders of outstanding shares of capital stock and holders of bearer shares, in the ratio of one additional share for each share so held or represented by bearer shares. **Price**—50c per share. **Proceeds**—For general corporate purposes, including exploration and drilling expenses and capital expenditures. **Underwriter**—None.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

Transcontinental Gas Pipe Line Corp. (5/27-28)
May 5 filed $25,000,000 of first mortgage pipe line bonds due 1978 and 150,000 shares of cumulative preferred stock (no par—stated value $100 per share). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

★ Trusteed Funds, Inc., Boston, Mass.
May 16 filed (by amendment) 600 participating units in Commonwealth Fund Indenture of Trust Plan A with insurance; 300 participating units in Commonwealth Fund Indenture of Trust Plan B without insurance; 800 participating units in Commonwealth Fund Indenture of Trust Plan C; 400,000 Theoretical units. **Proceeds**—For investment.

★ Tuttle Engineering, Inc.
May 7 (letter of notification) 58,600 shares of common stock (par 10 cents) and $293,000 of 6% five-year convertible debentures due June 1, 1963 to be offered in units of 100 shares of common stock and $500 of debentures. **Price**—$510 per unit. **Proceeds**—To pay bank and other notes payable and for working capital. **Office**—4251 East Live Oak Avenue, Arcadia, Calif. **Underwriter**—White & Co., St. Louis, Mo.

United Artists Associated Inc., New York
March 31 filed $15,000,000 of 6% subordinated sinking fund debentures, due 1963 to be offered in exchange for capital stock and warrants and debentures of Associated Artists Productions Corp.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Hardware Distributing Co.
May 5 filed 1,475 shares of 5% cumulative preferred stock (par $100), and 11,750 shares of common stock (par $10) to be offered to retail hardware dealers who are stockholders of the company to equalize holdings. **Price**—For preferred stock, $100 per share; for common stock, $50 per share. **Proceeds**—For working capital to be used to increase inventory of hardware items. **Office**—Minneapolis, Minn. **Underwriter**—None.

United States Lithium Corp.
May 5 (letter of notification) 580,000 warrants bearing rights to purchase 580,000 shares of common stock (par 10 cents); warrants expire Oct. 18, 1960. **Price** — At market. **Proceeds**—For mining expenses. **Office**—504 Walker Bank Bldg., Salt Lake City, Utah. **Underwriters**—Peter Morgan & Co. and Greenfield & Co., Inc., both of New York, N. Y.; Dagget Securities, Inc., Newark, N. J.; Julius Maier Co., Inc., Jersey City, N. J.; Bauman Investment Co., New Orleans, La.; and Walter Sondrup & Co. and Thornton D. Morris & Co., both of Salt Lake City, Utah.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

United States Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Virginia Electric & Power Co. (6/10)
May 6 filed $25,000,000 of first and refunding mortgage bonds, series O, due June 1, 1983. **Proceeds**—For construction expenditures or to reimburse the treasury thereof. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and American Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on June 10 at Room 238, 43 Exchange Place, New York, N. Y.

● Walker-Scott Corp., San Diego, Calif. (5/28)
April 28 filed $900,000 of 6% subordinated sinking fund debentures due 1973, with warrants, and 40,000 shares of common stock (par $1), of which the company proposes to offer $400,000 of the debentures (with warrants) in exchange for its presently outstanding 4,000 shares of 7% preferred stock at the rate of $100 of debentures for each share of preferred. **Price**—At par for debentures; and for stock to be supplied by amendment. **Proceeds**—Together with other funds, to repay an insurance loan, and for working capital, etc. **Underwriter** — Eastman Dillon, Union Securities & Co., New York, N. Y., and San Diego, Calif.

● West Coast Airlines, Inc., Seattle, Wash.
Feb. 12 filed (as amended) 90,000 shares of common stock (par $1) being offered for subscription by common stockholders of record May 1, 1958 at rate of one new share for each two shares held; rights to expire on May 30. **Price**—$4 per share. **Proceeds**—For working capital. **Underwriter**—None.

Western Electric Co., Inc.
April 17 (letter of notification) 2,853 shares of common stock (no par) being offered to minority stockholders at rate of one new share for each 10 shares held as of April 8, 1958; rights to expire on May 29. **Price** — $50 per share. **Proceeds**—For plant improvement, expansion and general corporate purposes. **Office**—195 Broadway, New York 7, N. Y. **Underwriter**—None.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price** — $60 per share. **Proceeds**—For working capital. **Underwriter**—None.

● Willer Color Television System, Inc. (5/26-27)
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For

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general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

Wisconsin Power & Light Co.
April 23 filed 30,000 shares of 4.76% cumulative preferred stock (par $100) being offered for subscription by preferred stockholders of record May 5, 1958, and by company employees; rights to expire on May 27. **Price**—$100 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Smith, Barney & Co., New York; and Robert W. Baird & Co., Milwaukee, Wis.

Wisconsin Power & Light Co.
April 23 filed 241,211 shares of common stock (par $10) being offered for subscription by common stockholders of record May 5, 1958 at rate of one new share for each 12 shares held; rights to expire on May 27. **Price**—$26.25 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Smith, Barney & Co., New York; and Robert W. Baird & Co., Milwaukee, Wis.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

Alco Products Inc.
March 6 it was announced that the company is considering plans for long-term refinancing. **Proceeds**—For payment of all notes payable and provide the company with additional working capital. **Underwriter**—Eastman Dillon, Union Securities & Co. may handle any common stock financing.

Associates Investment Co.
Jan. 23 it was reported company plans to issue and sell some additional debentures (amount not yet determined). **Underwriters** — Salomon Bros. & Hutzler and Lehman Brothers, both of New York. **Offering**—Expected before July 1.

Atlanta Gas Light Co.
May 5, the directors authorized the offering of 121,317 shares of common stock (par $10) to stockholders on the basis of one new share for each eight shares held. **Price** — To be named later. **Proceeds** — To repay bank loans and for construction program. **Underwriters**—The First Boston Corp., New York; and Courts & Co. and Robinson-Humphrey Co., Inc., both of Atlanta, Ga. **Offering**—Expected to be made in July.

Boston Edison Co.
Jan. 27 it was reported company may issue and sell in the Summer of this year some additional first mortgage bonds and preferred stock (about $25,000,000). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds to be determined by company, with prospective bidders including Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Harriman Ripley & Co. Inc. (jointly). For preferred stock, The First Boston Corp., New York.

C. G. S. Laboratories, Inc.
March 20 it was reported that company plans to issue and sell about $500,000 of common stock. **Proceeds**—For working capital and other corporate purposes. **Business**—Electronics. **Office**—391 Ludlow St., Stamford, Conn.

California Electric Power Co.
March 10 it was reported company may issue and sell in 1958 about 450,000 additional shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: White Weld & Co.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Carl M. Loeb, Rhoades & Co., and Bear Stearns & Co. (jointly).

Central Illinois Light Co. (6/24)
May 13 it was announced that the company plans sale of $12,000,000 first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Merrill Lynch, Pierce, Fenner & Smith and Stone & Webster & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 24 at 300 Park Ave., New York, N. Y.

Central Louisiana Electric Co., Inc.
March 28 it was announced that the company's financing program for the year 1958 anticipates the sale of both debt and equity securities (probably preferred stock) aggregating approximately $5,000,000. Both issues may be placed privately.

★ **Chicago, Burlington & Quincy RR. (7/1)**
May 14 it was reported company plans to issue and sell on July 1 $4,650,000 of equipment trust certificates due in 30 semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Columbus & Southern Ohio Electric Co.
Dec. 9 it was reported company plans to issue and sell about 250,000 additional shares of common stock. **Underwriters** — Dillon, Read & Co. Inc. and The Ohio Co. (jointly). Permanent financing not expected until late in 1958 or possibly early in 1959.

Consolidated Natural Gas Co.
Feb. 25 it was announced company plans to issue and sell $45,000,000 of sinking fund debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and First Boston Corp. (jointly). **Offering**—Expected in second quarter of 1958.

Consumers Power Co.
Feb. 21 Dan E. Karn, President, announced that $100,600,000 has been budgeted for expansion and improvement of service facilities during 1958. Indications are that $60,000,000 of senior securities may be involved. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). An offering of $35,156,700 of 4⅝% convertible debentures, offered to stockholders, was underwritten in October, 1957, by Morgan Stanley & Co.

● **Continental Air Lines, Inc.**
May 19 it was announced that company plans to issue and sell $12,000,000 of convertible subordinated debentures. **Proceeds**—For general corporate purposes. **Underwriter**—Lehman Brothers, New York.

Dixon Chemical Industries, Inc.
March 10 it was reported company plans to do some financing, the type of securities to be announced later. **Proceeds**—For expansion. **Underwriter**—Harriman Ripley & Co. Inc., New York

Equitable Gas Co.
April 7 it was reported that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

Florida Power Corp. (7/1)
Jan. 29 it was reported corporation plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Eastman Dillon, Union Securities & Co., and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on July 1.

★ **Florida Public Utilities Co. (6/5)**
May 13 it was reported company plans to issue and sell 23,500 shares of common stock. **Underwriters** — Starkweather & Co.; Clement A. Evans & Co.; and White, Weld & Co.

Gas Service Co.
March 24 it was reported that company plans to issue $11,000,000 of first mortgage bonds later this year. No decision as yet has been made as to the procedure the company will follow. **Proceeds**—For repayment of short-term notes and loans and for construction program. **Underwriter** — If determined by competitive bidding, probable bidders may be Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, and White, Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

General Acceptance Corp.
April 22 it was reported that the stockholders will vote May 21 on approving the creation of 1,000,000 shares of preferred stock (no par), of which 80,000 shares are to be 60-cent series. **Underwriter**—Paine, Webber, Jackson & Curtis.

★ **General Public Utilities Corp.**
April 7 stockholders approved a plan authorizing the directors in connection with an offering of common stock to stockholders, also to offer certain shares on the same terms to employees, including officers, of System companies. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York.

Grace Line Inc.
March 20 it was announced by Lewis A. Lapham, President, that the company plans to issue approximately $21,000,000 of government insured bonds secured by a first preferred ship mortgage on the new "Santa Rosa" and "Santa Paula." **Underwriters** — Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; White, Weld & Co.; and F Eberstadt & Co., all of New York. **Offering**—Tentatively scheduled for June.

Great Atlantic & Pacific Tea Co.
Feb. 19 it was reported a secondary offering of common voting stock is expected in near future. **Underwriters**—May include: Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co.; Hemphill, Noyes & Co.; Smith, Barney & Co.; and Merrill Lynch, Pierce, Fenner & Smith.

Hackensack Water Co.
March 12, George H. Buck, President, said that company plans to sell some $7,000,000 in new securities by the end of this year in the form of first mortgage bonds and preferred stock. Recent bond financing was made privately. In event of competitive bidding for bonds or debentures, bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; Blyth & Co., Inc.; Drexel & Co. and Dean Witter & Co. (jointly). The First Boston Corp. and White, Weld & Co. (jointly) underwrote last common stock financing. There is no preferred stock presently outstanding. Private sale of 30,000 shares ($3,000,000) of preferred is planned.

Hawaiian Telephone Co.
March 17 it was reported company plans to offer 500,000 additional shares of common stock to stockholders. **Proceeds** — About $5,000,000, to be used for additions and improvements to property. **Underwriter**—None. **Offering**—Expected in June.

Indiana Gas & Water Co., Inc.
March 25 it was announced that the company plans to issue and sell $3,000,000 of first mortgage bonds. May be placed privately. **Proceeds**—To repay bank loans and for new construction.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp.

Kentucky Utilities Co.
Jan. 21 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginson Corp.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. **Offering**—Expected in September or October.

Kentucky Utilities Co.
Jan. 21 it was also reported that company may offer approximately 165,000 additional shares of its common stock to its common stockholders on a 1-for-15 basis. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

★ **Laclede Gas Co. (7/8)**
May 15 it was announced company plans to issue and sell 320,000 shares of cumulative preferred stock (par $25). **Proceeds**—To retire bank loans and for construction program. **Underwriters** — Lehman Brothers and Merrill Lynch, Pierce, Fenner & Smith, both of New York.

★ **Laclede Gas Co. (7/9)**
May 15 it was annouunced company plans to issue and sell $10,000,000 of first mortgage bonds due 1983. **Proceeds**—To refund 4⅞% first mortgage bonds due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith and Reinholdt & Gardner (jointly); Stone & Webster Securities Corp. **Bids**—Tentatively expected on July 9.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Montana-Dakota Utilities Co.
March 24 it was reported the company plans to issue and sell an undetermined amount of first mortgage bonds in the latter part of this year or in early 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

Montana Power Co. (9/4)
May 12 it was reported that the company plans to issue and sell $20,000,000 of first mortgage bonds due 1988. **Proceeds** — For exploration and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received on Sept. 4.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brazil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering**—Expected this Summer.

Mountain Fuel Supply Co.
March 27 it was reported company expects to offer a debenture issue prior to July 1, 1958. **Proceeds**—Among other things, to repay $11,000,000 of bank loans. **Underwriter**—The First Boston Corp., New York.

Naxon Telesign Corp.
March 19 it was announced by this corporation that it plans to issue and sell 120,000 shares common stock (par $1). **Price** — $5 per share. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C.

New England Telephone & Telegraph Co. (8/26)
April 11 it was announced company plans to issue and sell $40,000,000 of debentures. **Proceeds**—To redeem a like amount of 4½% bonds due 1961. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids** — Expected to be received on Aug. 26.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

New York Telephone Co. (7/9)
May 1 it was announced company plans to issue and sell $60,000,000 of refunding mortgage bonds, together with 1,200,000 shares of common stock, par $100 (the latter to American Telephone & Telegraph Co.). This is in addition to the $70,000,000 bonds registered on May 2 with the SEC. **Proceeds** — To retire short-term bank borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on or about July 9.

Northern Illinois Gas Co.
April 14 it was reported that the company is planning to issue and sell $20,000,000 to $25,000,000 of mortgage bonds late this summer or early Fall. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

● **Northern Indiana Public Service Co.**
May 14 it was reported company plans to offer to its common stockholders about 370,000 additional shares of common stock on a 1-for-10 basis. **Underwriters**—Dean Witter & Co.; Blyth & Co., Inc.; and Merrill Lynch, Pierce, Fenner & Smith.

Northern States Power Co. (Minn.) (7/8)
April 28 it was reported that the company may be considering the issue and sale of $30,000,000 of first mortgage bonds due 1988. **Proceeds**—To refund $18,000,000 of 5% bonds and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on July 8.

★ **Orange & Rockland Utilities, Inc. (6/30)**
May 15 it was announced that company has applied to the New York P. S. Commission for permission to issue and sell $10,000,000 first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; W. C. Langley & Co.; Equitable Securities Corp. **Bids**—To be received up to 11 a.m. (EDT) on June 30.

Pacific Gas & Electric Co.
March 20 the company announced it plans a common stock offering about the middle of this year, first to present stockholders and then to public. **Underwriter**—Blyth & Co., Inc., New York.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidders—The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Lighting Corp.
May 8 Robert W. Miller, Chairman of the Board, announced that it is likely the corporation will sell some common stock within the next several months (probably to stockholders). **Proceeds**—For new facilities and equipment. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

St. Joseph Light & Power Co.
April 15 it was announced that the company plans to market $6,500,000 in bonds or preferred stock "sometime this summer." The stockholders on May 21 will vote on authorizing an increase in bonded indebtedness of $6,500,000, and an increase in preferred stock from 25,000 shares to 50,000 shares. **Proceeds** — For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

South Carolina Electric & Gas Co.
April 7 it was announced by the company that it plans to sell some additional bonds during the latter part of the year. **Proceeds** — Together with bank loans, to be used for $16,000,000 construction program. Bonds may be placed privately through Kidder, Peabody & Co.

Southern Colorado Power Co.
April 21 it was reported stockholders will vote May 9 on creating an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis.

● **Southern Natural Gas Co. (7/10)**
May 19 it was announced company plans to issue and sell $30,000,000 of sinking fund debentures due 1978. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly). **Bids** — Tentatively scheduled for July 10 at 90 Broad St., New York, N. Y. **Registration** — Expected about June 12.

Southern Railway Co.
March 20 it was reported that the company plans to issue about $20,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder Peabody & Co., Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Morgan Stanley & Co.; Eastman Dillon, Union Securities & Co., and Salomon Bros. & Hutzler (jointly).

Standard Oil Co. of California
May 6 it was announced by R. G. Follis, Chairman of the board, that it is planned to issue $150,000,000 of long-term debentures. **Proceeds**—To refinance a bank obligation of $50,000,000 due this year to provide additional capital for the company's overall program. **Underwriters**—Blyth & Co., Inc., and Dean Witter & Co., both of San Francisco, Calif., and New York, N. Y. **Offering**—Expected in June.

★ **Tampa Electric Co. (7/17)**
May 14 it was reported company plans to issue and sell $17,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Smith; Goldman, Sachs & Co. **Bids**—Expected to be received on July 17.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

United Gas Corp. (6/25)
May 5 it was reported that this corporation plans the sale of $40,000,000 of sinking fund debentures due 1978. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Harriman Ripley & Co. Inc., and Goldman Sachs & Co. (jointly); White, Weld & Co., Morgan Stanley & Co. and Equitable Securities Corp. (jointly). **Bids** — Expected to be received up to noon (EDT) on June 25 at Room 2033, Two Rector St., New York 6, N. Y.

Washington Gas Light Co.
March 24 it was announced company plans to issue and sell about $7,000,000 of new securities, which may include some preferred stock. **Proceeds**—For construction program. **Underwriters**—Johnston, Lemon & Co., Alex. Brown & Sons, Auchincloss, Parker & Redpath and Folger, Nolan Inc. **Offering**—May be early in Summer.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co.

Our Reporter's Report

Right now the rank and file in the underwriting business have their eyes glued pretty much on Washington waiting announcement by the Treasury of its plans for refinancing some $9 to $13 billion of outstanding obligations.

Announcement is due next week and it is seldom that informed sources have been as thoroughly mixed up about things as they seem to be on this occasion. Guessing runs the gamut, but with a tendency to shy away from expectations of any really long-term effort at this time.

Rather the best hunch, and it is definitely no more than that, is for a rollover of $9 billion at this time, with an offering of one-year to eighteen months notes and five to seven-year paper expected to be made to holders of maturity debts.

Feeling is that the Treasury probably will let the remaining $4 billion wait until along in August when this segment will be consolidated into a broader refunding effort.

Belief is that the Treasury will have a better opportunity for trying its hand at long-term operation then since it is likely that the current pressure of corporate demands on the money market will have been pretty well spent by that time.

For the moment even the Government market is satisfied to do little more than mark time pending the Treasury's forthcoming decision.

Demand Still Slack

Corporate new issues reaching market this week have been sluggish in moving out to investors. In short, the overall picture in this part of the market had not changed basically from a week ago.

Funds are available among institutional investors but these experienced hands continue to bide their time refusing to be rushed into decisions. And with underwriters' bids for new securities swinging through a fair price are in search of a common meeting ground their attitude seems justified to some observers.

This week's offerings of new debt securities for Gulf States Utilities and for Illinois Power Co., both attracted multiple bids and were somewhat slow in moving out upon reofferings.

Waiting on Market

The decision of New York Telephone Co., to postpone plans for refinancing its issue of $70 million of refunding mortgage 4½% bonds, series J, brought out last year, made a big dent in the calendar for the week ahead.

Presumably the company feels that market conditions will be better a few weeks or a few months hence thus permitting it to do a better job of cutting the cost of its borrowed funds.

New Jersey Bell Telephone Co. and Merrimack-Essex Electric Co. both managed to refinance high-coupon bonds floated a year ago. But the latter company completed the job after a postponement.

Slow Week Ahead

Unless a few negotiated deals are brought into the picture, next week promises to be relatively quiet in the new issue market. Sidetracking of New York Telephone Co.'s projected operation cut back the total of prospective new debt issues to around $61 million.

This includes an offering of $11 million slated to be marketed by bankers for the City of Oslo, Norway, on Tuesday. The same day Appalachian Power Co. will take bids on $25 million of new bonds and Transcontinental Gas Pipe Line Corp. will sell a similar bond issue plus $15 million of new preferred stock.

Rounding out the week on Thursday, is a project in which underwriters will have no part, namely Illinois Bell Telephone Co.'s offering on "rights" of $87,079,000 additional common stock to its shareholders.

Mutual Funds

By ROBERT R. RICH

Mutual Fund Sales Up Sharply

Investor purchases of open-end investment company—mutual fund—shares in April were $122,206,000 compared with $105,712,-000 in March and $112,980,000 in April, 1957, according to the National Association of Investment Companies.

Total net assets of the 144 open-end member companies of the Association at the close of April were 9,786,243,000. At the end of March, they came to $9,462,830,000. Net assets at the end of April, 1957 totaled $9,463,314,000.

Mutual fund shares turned in for redemption by shareholders during April were valued at $32,453,000, compared with $31,858,000 for the previous month and $37,181,000 for April a year ago.

Accumulation plans continued to be popular. In April of this year, 17,678 new plans were started by investors, compared with 18,682 in March, 1958, and 17,492 in April, 1957.

Cash, U. S. Government securities and short-term corporate obligations held by the 144 open-end member companies of the Association totaled $638,990,000 at the close of April this year. This compares with cash holdings of $619,687,000 at the end of March, and $486,731,000 on April 30, 1957.

Group Securities Reveals Increase In Large Orders

Group Securities, Inc., $100,-000,000 Mutual Fund, in a survey of investor purchases for the year 1957 and the first four months of 1958, reports the number of large individual orders has increased substantially.

The survey groups investor purchases into two general price categories. First, those between $10,000 and $25,000, and secondly, those above $25,000.

During the year 1957 there were 165 separate purchases between $10,000 and $25,000. In the first four months of 1958 there were 98 — an increase in the annual rate of 78%.

For 1957 the number of investor purchases in excess of $25,000 totaled 48, while in the first quarter of 1958 there were 30. The increase in the annual rate of purchases in this higher category is 88%.

Commenting on this trend, Herbert R. Anderson, Group Securities' President, stated that "there is a somewhat popular misconception that the advantages of a mutual fund — diversification, convenience and full-time management by an investment research organization — are aimed rather exclusively at the investor of modest means. The truth of the matter is," he continued, "that these qualities may be even more important to people of more substantial means. Large orders generally represent an older person's accumulation, and by reason of the relatively short period before retirement (if that has not already occurred) the avoidance of speculative losses through proper diversification and competent administration is of primary concern."

"Another very important development attracting the individual of substantial means," Mr. Anderson said, "is our Periodic Remittance Plan. This relatively new service permits an individual to receive a fixed monthly payment from the earnings of his shares, which are with Group Securities. A shareholder may use a portion of his principal in combination with the income to make up the desired monthly withdrawal."

Mr. Anderson concluded that "there is every evidence this trend toward broader use of Mutual Funds by individuals of larger means will continue to show further substantial gains."

NAIC Offers New Study on Fund Holders

Individual shareholders of mutual funds—about one-sixth of all U. S. investors—for the most part are planning their own economic futures through combinations of equity investments, life insurance and savings, says the National Association of Investment Companies.

A new comprehensive survey of open-end investment company shareholders, made public by the Association in a 53-page booklet, shows them to be a cross-sectional group that uses mutual fund shares as part of an over-all financial plan. This is true of shareholders of all ages, income groups and occupations.

The survey, more extensive than previous studies of shareholders, reveals significant differences between the regular account holder, or "lump-sum" purchaser, of mutual fund shares and the accumulation plan holder, the one who invests new money on a monthly or quarterly basis.

Compared with the accumulation plan holder, the regular account holder is older and has larger financial assets, the survey states. He is more inclined to own shares of more than one mutual fund and to have a greater percentage of his total financial assets in individual corporate stocks. His insurance coverage is lower than that of the younger accumulation plan holder who has responsibility to a growing family.

The study examines the vital statistics of mutual fund shareholders as well as their investment objectives, size of holdings and the characteristics of their financial programs.

It reveals also the influence of marital status, sex and age on mutual fund investing. It shows that men usually have larger holdings of mutual funds than women; that, on the average, the older the individual, the greater his holdings; and that usually the larger his mutual fund investment, the more likely that an individual has extensive holdings of securities acquired directly and larger cash reserves.

According to the survey, the total of median financial assets of regular account holders of mutual funds is $15,702, excluding life insurance coverage. Accumulation plan holders divide their assets in three almost equal parts between cash, mutual fund shares and securities owned directly. The total of their median holdings is $5,556.

The study is based on a representative sampling of shareholders of 12 different mutual funds. Replies in sufficient detail for use in the compilations were received from 3,355 mutual fund shareholders.

The booklet is available from the National Association of Investment Companies, 61 Broadway, New York 6, New York. Price is $1.00 a copy.

Wellington Fund Sales Increase

Wellington Fund sales for April 1958 were nearly 30% higher than for April 1957, according to A. J. Wilkins, Vice-President.

The comparable sales figures are as follows:

April 1958	April 1957
$9,293,037	$7,222,580

The record April 1958 volume follows a first quarter which also showed an increase over 1957.

The comparable sales figures for the first four months of 1958 and 1957 are as follows:

1958	1957
$35,240,971	$32,654,830

Mr. Wilkins believes the sales records indicate 1) that investment dealers and shareholders are favorably impressed with the long range results produced by a conservative balanced mutual fund and 2) that investors increasingly appreciate the value of services uniquely available to mutual fund shareholders.

Total assets of the Wellington Fund on April 30, 1958, were $674,038,602.

Incorporated Stresses Ethical Drug Stocks

Net assets of Incorporated Investors have increased to $217 million from $210 million, during the quarter ended March 31, 1958, according to the Fund's 129th Quarterly Report to Stockholders.

Substantial commitments in the stock of companies making ethical drugs have been made by Incorporated Investors during this quarter. "The steady expansion of research activities and the resultant flow of new products to a waiting market is the basic factor in our judgment for the expected growth of this industry at a rate in excess of the economy and largely independent of its ups and downs," the President's letter to stockholders states.

The letter points out other factors contributing to favorable prospects for long-term earnings growth in the ethical drug industry. "The steady upward movement in the per cent of disposable personal income spent for pharmaceuticals, the rapid increase in drug sales abroad, and the growth of those segments of the population — the very young and the elderly — that are major consumers of drugs."

"In keeping with our investment point of view," it concludes, "we look for no spectacular immediate profit from these investments. We do believe that in time growing earnings coupled with investor reappraisal of these earnings could result in substantially higher prices for these ethical drug stocks as a group."

Shares of the following companies were purchased by Incorporated Investors during the first quarter of 1958: Eli Lilly & Co., Merck & Co., Minnesota Mining and Manufacturing, Republic Steel, Royal Dutch Petroleum, Schering Corp., Smith Kline & French Labs, U. S. Steel, Weyerhaeuser Timber and Youngstown Sheet and Tube.

Sales were made in Illinois Central Railroad, National Lead, Standard Oil of California and Union Oil of California.

New Study on Chemical Industry

"The Chemical Industry, a major factor in the steadily rising standard of living in the U. S., has attained its growth primarily through the development and sale of new products importantly affecting virtually every industry as well as most of us as individuals," according to a new report issued by Distributors Group, Inc., investment manager of Group Securities, Inc., $110,000,000 Mutual Fund.

Discussing the source of the industry's expansion, the report notes that "a high proportion of each year's earnings are retained to finance its growth. Although this necessarily reduces the income dividends currently paid on the common stock, it provides the money for research and plant expansion which increase future earning power. Stockholders are foregoing a higher current return in seeking the rewards of long-term growth of principal and income."

The high investment standing of securities of companies in this industry is illustrated by the fact that many professionally managed institutional portfolios have substantial holdings of chemical and drug stocks. "This endorsement," the report comments "is significant to investors contemplating an investment in this dynamic industry."

Fund's Bond Reserves at All-Time High

Total assets of Rowe Price Stock Fund at end of the March quarter increased to $10,731,650 from $8,-830,996 the year previous. Net asset value declined to $29.91 from $30.85 on March 31, 1957. This represented a gain, however, of 1% for the period after adjustment for the $1.25 distribution paid in December, 1957 from realized gain on the sale of securities. During the first quarter of 1958, net asset value per share increased from $27.67 to $29.91.

During the year, the total number of stockholders increased from 1,943 to 2,756.

In his letter, Mr. Price stated, "The present business recession is greater than anything experienced since the end of World War II and the leading economic indicators give no assurance that the decline in business activity has run its course. We have no way of telling how much further business will decline, when it will hit bottom, or how long it will stay there before starting to recover." "We do know," he said, "that profit margins of many companies are being squeezed as a result of lower sales and continued high cost of operation and have, therefore, continued our cautious investment policy by investing the proceeds from new subscriptions in short term bonds thereby increasing our bond reserves.

"On March 31, 1958, these reserves represented 26.6% of the total portfolio value which is the highest since the formation of our Fund. At the same time," he continued, "we are convinced that further inflation in the long run is inevitable and that ownership of well selected growth stocks will afford the best protection to investors."

Investors Syndicate Of America Reports New Highs for 1957

Investors Syndicate of America, Inc., wholly-owned subsidiary of Investors Diversified Services, Inc., reached new highs in net assets, earnings, sales of face-amount accumulation certificates and maturity value of certificates outstanding, Joseph M. Fitzsimmons, Chairman of the Board and President of ISA, reported in the company's seventeenth annual report.

Total net assets increased to $456,045,074 as of Dec. 31, 1957, compared with $420,792,701 at the preceding year end, a gain of $35,-252,373.

Certificate reserves stood at $431,770,455 at the close of 1957 against $401,670,710 at the prior year's close. The increase of $30,-099,745 for the year included $13,088,976 of reserve accumulations and additional credits provided from the earnings of the company. Credits in addition to basic yields on ISA certificates have been determined by the Board of Directors for each year since 1942. Such additional credits were determined for the year 1958 at the rate of ½ of 1%, the same rate as for 1957.

Net income for the year rose to $4,888,167 from $4,001,523 at the end of 1956. All of the earnings for both years were retained in the company's surplus account. Combined capital and surplus at the close of 1957 amounted to $21,454,447.

New certificates issued during 1957 numbered 46,882 which had an aggregate maturity value of $306,664,441, marking all-time highs. In the prior year, 43,060 certificates with completion values of $283,886,822 were issued.

Certificate accounts in force at the year end reached the record number of 327,058 with aggregate completion values of $1,861,129,638, also a record high.

Investments of the company continued to be made in diversified mortgages and securities, the report shows. Qualified securities investments were increased to a total of $162,356,230 as of Dec. 31, 1957, against $124,558,650 at the preceding year end. The major part of new investments was in holdings of municipal and other tax-exempt bonds which were increased by $31,109,068.

Real estate mortgages held at the close of 1957 declined to $260,436,766 compared with $269,655,677 at the end of 1956, due largely to amortization payments. Approximately 84½% of these mortgages are insured by the Federal Housing Administration or carry a full or partial guarantee under the Servicemen's Readjustment Act of 1944, as amended.

Certificates having a face-amount of $28,755,000 were completed in 1957. Holders of $25,402,500 of these maturities elected to receive cash settlements, while holders of the remaining $3,352,500 left the proceeds with the company for extended periods under various settlement options.

National Shares Corporation, closed-end investment company managed by Dominick & Dominick, reports a net assets value on March 31, 1958 (after deducting the dividend of 12 cents per share payable April 15, 1958) of $19.93 per share on the 1,080,000 shares of capital stock outstanding. This compared with a net asset value on Dec. 31, 1957 of $19.27 per share.

Common stocks held at the end of the first quarter constituted 86% of the company's assets. U. S. Government obligations and cash and receivables, net of liabilities, accounted for 5.6%; corporate bonds, 7.7%; preferred stocks, 0.7%.

Portfolio changes during the first quarter included new purchases of 7,500 shares of Royal Dutch and 4,500 shares of Anaconda and an increase in holdings of International Nickel, International Paper, Kaiser Aluminum, Outboard Marine Corp., Minnesota Mining and Manufacturing and Jones & Laughlin Steel, The company sold 6,600 shares of Socony Mobil Oil, 4,200 shares of Pittston Company and 4,000 shares of American Smelting & Refining.

Carriers & General Corporation's total net assets at March 31, 1958, with securities valued at market quotations and before deduction of principal amount of outstanding debentures, were $15,882,132 (excluding unamortized debenture financing costs of $2,625), it was announced.

This compared with total net assets of $14,926,614 on Dec. 31, 1957. Net asset value of the common stock was $24.97 a share on March 31, compared with $23.27 on Dec. 31.

The asset coverage per $1,000 of debentures outstanding on Mar. 31 (excluding unamortized debenture financing costs) amounted to $8,484. Interest and amortization requirements on debentures outstanding were earned 8.25 times during the first three months of 1958. Net income applicable to common stock for the three months ended March 31, 1958 (exclusive of profits on sales of securities) was $103,462.

Joins Grant, Fontaine

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Robert F. Kohnke has joined the staff of Grant, Fontaine & Co., 360 Twenty-first St.

Delaware Fund Skeptical of Stock Price Level

Recently completed transactions of Delaware Fund include the sale of American Airlines and the purchase of American Telephone & Telegraph common, as well as a small block of International Telephone & Telegraph debentures, reported D. Moreau Barringer, partner of Delaware company, the fund's Investment Manager, in his latest semi-monthly Directors' Letter.

Mr. Barringer said he and his associates have felt for some time that the outlook for airlines, despite their continuing growth, would remain clouded by mounting operating costs, increasing expensive equipment, and the intensification of CAB-fostered competition. The market recovery, which boosted American's price nearly 30% above its 1957 low, gave the fund an opportunity to eliminate its holdings of the big air passenger and freight carrier.

The investment adviser, who is also Chairman of Delaware's Board, described both AT&T and IT&T as "defensive investments." Their purchase, he said, was prompted by the fact that the market has moved up more than seems justified by current business figures.

He pointed out, however, that the defensive nature of these investment changes "does not imply we have jettisoned our optimism about a business recovery." It is rather, he explained, a recognition of the fact that the market has anticipated by what may prove too wide a margin of time, the reversal of the downtrend in business statistics. Recent steel production, employment and even railroad carloadings indicate a leveling, he observed. "But at the same time," Mr. Barringer told his directors, "the level of stock prices, only about 10% below their high point, seems less justified by actual earnings than has been the case for several months."

Nucleonics Funds Expands on Contractual Plans

Nucleonics, Chemistry & Electronics Shares has substantially expanded the number and variety of its contractual investment programs to meet a very rapidly growing demand for NCE shares through this type of investment, according to William G. Damroth, Vice-President.

Mr. Damroth said the new plans are tailored to meet investors' requirements based on a field study that disclosed a strong national sales trend toward contractual programs in the mutual fund industry.

The study, according to Mr. Damroth, was prompted by NCE's own experience. "We entered the contractual field rather timidly a little more than a year ago with a very limited number of contractual programs," he said. "From the outset," he continued, "our contractual programs—only four in number—had acceptance. Sales rose sharply month after month and although the plans are less than a year old," he observed, "they are selling at the rate of close to $1 million monthly and rapidly climbing."

Mr. Damroth said the new contractual plans make NCE Shares fully competitive for the first time in the contractual field. They make available to investors purchase programs at the rate of from $20 up to $1,000 monthly with life insurance available for plans up to $250 monthly. The new plans also include single payment programs beginning at $500.

The new plans became a [illegible] with distribution of NCE's new contractual prospectus now under way. The prospectus is dated April 7, 1958.

Dividend Shares Reports Rise in Total Net Assets

Total net assets of Dividend Shares, Inc., an open-end mutual fund managed by Calvin Bullock, were $213,603,828, or $2.54 per share on March 31, 1958, the report accompanying the 103rd consecutive quarterly dividend stated.

These figures compare with total net assets of $208,435,033 or $2.64 per share reported on March 31, 1957 and total net assets of $199,479,202 or $2.40 per share for the quarter ended Dec. 31, 1957.

The fund, which seeks income plus capital gains through investment in some 100 common stocks of America's leading corporations, noted principal investment groups as follows: utilities, 15.08%; petroleums, 14.84%; and chemicals and drugs, 9.11%. Largest individual common stock holdings were: Standard Oil (N. J.), International Paper, IBM, Texas Company, Standard Oil (Calif.), U. S. Steel, American Gas & Electric, American Cyanamid, Union Carbide and Gulf Oil.

Fund Looks for Better Oil Earnings

In the Gas Industries Fund Annual Report, James H. Orr, President, states that the current oversupply of oil resulting from the reopening last year of the Suez Canal and from reduced business activity is being checked by a reduction of imports, a reduction in crude oil production, and a cutback in refinery operations. Further reductions in gasoline inventories are expected as the country moves into the automobile-driving season. These factors should result, he said, in improved earnings for the oil industry developing through the year.

The natural gas industry, according to Mr. Orr, presents a different picture. With no inventory problems and demand continuing to increase strongly, most natural gas pipelines reported record earnings and dividends. Gas utilities also had a good year. Total gas sales during 1957 were up about 4% over the previous year and construction expenditures in the industry were at an all-time high of $2 billion.

Turning to the future, Mr. Orr pointed out that the growth of the oil and natural gas industry has been consistent and impressive since World War II, and that the demands of our growing population make it reasonable to expect that this strong growth trend in the use of energy will continue.

Gas industries Fund per share net asset value at the March 31, 1958 year end was $11.44 after allowance for payment of security profits of 29 cents. This compares with net asset value of $10.77 three months previous and $13.93 a year ago. The total net assets of the Fund rose to $56,500,000 over the $52,700,000 of the previous quarter.

New System for Reporting Systematic Investments

A new and greatly improved system of reporting systematic fund investments to shareholders has been announced for The Income Fund of Boston, Inc. The advantages of the new method should be of great interest to the many thousands of investors who are now making regular investments in mutual funds.

Heretofore, shareholders of the Fund have received [illegible]

their accounts. Under the improved system the statement will also show a cumulative record of every transaction which has taken place in the shareholders' accounts during the entire year.

The principal advantage of the improved system is that it will no longer be necessary for the investor to retain for tax purposes all of his confirmations of the many transactions in his account during the preceding year. Since each statement of the last transaction also shows a record of every transaction in his account during the entire year, the investor can discard all previous statements received by him.

The new system will also reduce the possibility for error by making any errors readily apparent and very easy to correct.

Continued from page 2

The Security I Like Best

tal over last year finds the company in a strong financial condition. That the funds arising from the increased capitalization were wisely committed will be evident in later comment on mergers and new acquisitions.

Sales last year were $264,000,000. That's up from the $108,000,000 figure at the time of my 1953 appraisal. Current ratio in round figures now $146½ million to $41¼ million ends up percentage-wise at 3.55 to 1—a year earlier 2.65 to 1.

Because the name Carrier immediately suggests air conditioning, the company has not generally been thought of as diversified. This was true prior to the early and middle 1950's. Through concentration of engineering skill and marketing talent, world leadership in their basic line has been attained. Competition has not been lacking and at times has been of the rough and tumble variety. This has proven a healthy challenge, resulting in new and advanced products designed to broaden markets in homes and industry.

The following will illustrate the broad range of current Carrier products:

Elliot Company: Products include electrical equipment, motors and generators, steam turbines, heat transfer apparatus, compressors, turbochargers; supplied to electric and gas utilities, diesel engine manufacturers, oil refineries and chemical plants, among others.

Machinery & Systems Division: Designers and manufacturers of larger sizes of air-conditioning and refrigeration; air and gas compressors for use in refineries, chemical, rubber, steel and food industries. MSD is an important supplier to the U. S. Navy, resulting in Carrier equipment being found on nuclear powered submarines now in service or under construction.

Unitary Equipment Division: Major products include air conditioners for commercial use, home heating, cooling, or both, automatic ice makers and related products.

Bryant Manufacturing Company: Gas fired and oil fired furnaces, air conditioning products and boilers.

Spectrol Electronics Corporation and Monrovia Aviation Corporation: Bonded metal components for the aircraft industry. Precision instruments for use in guided missiles, radar, automation, electronic computers.

Allied Products Division: Food freezers, industrial space heaters, and air conditioning for aircraft, railway passenger cars, buses, and mobile homes. Also refrigeration for trucks and freight cars.

Cambridge Corporation: Equipment for storage and transportation of liquified gases.

This is not a complete coverage of divisions, subsidiaries or products. It does, however, suggest the scope and purpose of the expansion policy.

There are two new and recently announced products which merit comment. A new portable home air conditioning unit is now available [illegible] outlet and sells in the price range of a small TV set. There seems to be no point in commenting further upon the large potential market for this convenient appliance.

Then there is the new Rotospray Weathermaker, a machine which holds promise of wide-spread acceptance. Foregoing engineering terms, it may be described as a unit to wash air—and the term is used in its literal sense. Its appeal is especially toward industrial plants, particularly textile mills where dust and lint pose a serious problem. Rotospray may well be its solution. Dirt and dust laden air passes through its chamber, becomes washed along the way, and returns to the factory area in purified form. Because it is suspended from the wall or ceiling, no sacrifice of floor space is involved. Rotospray-equipped factories provide healthier and more satisfactory working conditions, resulting in increased efficiency and improved employee relations.

Cloud Wampler, Carrier Chairman, at a recent meeting of the New York Society of Security Analysts, revealed the almost measureless future of the industry which he represents. Aside from the 151 countries where markets now exist or are under development, he emphasized the significance of projected increases in our domestic population to 200 million in 1965. Quoting him directly: "That's an awful lot of customers." He told of other plans and projects, some still in the minds of their 2,000 engineers and researchers, others well on their way to fruition.

Envisioned are the cleansing of air out of doors as well as inside and moderating the effects of weather extremes (air-conditioned sidewalks are already in use). Even now under development are processes for the conversion of salt water to a potable commodity.

Mr. Wampler's remarks and projections led to a single conclusion. Carrier is a company of vision and progress engaged in the creation of greater human comfort.

A word or two about the investment quality of the stock and then, in the words of the little boy sitting on a cake of ice, "my tale is told." In 1952 with sales at $108 million, dividends of $1.40, earnings of $4.89 and book value at $34.64, the common sold at 40. Today, with sales at $264 million, dividends of $2.40, earnings at $3.17 and book value at $49.05, it is selling at 38.

February, 1958, bookings have been reported. They are 15% ahead of last year and 132% of what had been budgeted for the period. This is, of course, gratifying in the light of present uncertainties. The expansion program is completed and $14 million of bank loans have been paid off. Although management anticipates somewhat lower sales this year than last because of the general business situation, they anticipate a modest increase in earnings due to the impact of extensive cost and expense improvement programs.

The common stock of Carrier, now held by [illegible] owners shows [illegible]

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date.

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	May 25	§54.9	*52.3	47.1	86.4
Equivalent to—					
Steel ingots and castings (net tons)	May 25	§1,481,000	*1,412,000	1,270,000	2,212,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 9	6,220,385	6,227,035	6,186,885	7,433,815
Crude runs to stills—daily average (bbls.)	May 9	¶7,255,000	7,078,000	7,494,000	8,050,000
Gasoline output (bbls.)	May 9	25,416,000	24,892,000	25,817,000	26,019,000
Kerosene output (bbls.)	May 9	1,568,000	1,698,000	2,031,000	2,080,000
Distillate fuel oil output (bbls.)	May 9	11,130,000	11,037,000	11,720,000	12,772,000
Residual fuel oil output (bbls.)	May 9	6,651,000	6,298,000	7,248,000	8,370,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 9	201,235,000	202,515,000	213,786,000	197,402,000
Kerosene (bbls.) at	May 9	19,114,000	18,703,000	17,406,000	21,907,000
Distillate fuel oil (bbls.) at	May 9	78,287,000	76,266,000	73,727,000	82,260,000
Residual fuel oil (bbls.) at	May 9	59,120,000	58,050,000	56,962,000	38,745,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 10	535,204	533,004	521,035	723,317
Revenue freight received from connections (no. of cars)	May 10	495,748	491,170	486,754	614,772
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 15	$435,399,000	$380,569,000	$304,489,000	$357,673,000
Private construction	May 15	200,517,000	147,240,000	142,987,000	123,455,000
Public construction	May 15	234,882,000	233,329,000	161,502,000	234,218,000
State and municipal	May 15	181,550,000	181,574,000	121,755,000	168,020,000
Federal	May 15	53,332,000	54,755,000	39,747,000	66,198,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 10	6,180,000	6,350,000	6,960,000	9,602,000
Pennsylvania anthracite (tons)	May 10	396,000	357,000	358,000	479,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 10	138	132	110	143
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 17	11,257,000	11,315,000	11,107,000	11,519,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 15	327	279	346	264
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 13	5.967c	5.967c	5.967c	5.670c
Pig iron (per gross ton)	May 13	$66.49	$66.49	$66.49	$64.56
Scrap steel (per gross ton)	May 13	$32.67	$32.00	$32.83	$45.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 14	24.550c	24.475c	24.375c	30.950c
Export refinery at	May 14	22.075c	22.200c	21.375c	29.775c
Lead (New York) at	May 14	11.500c	12.000c	12.000c	15.500c
Lead (St. Louis) at	May 14	11.300c	11.800c	11.800c	15.300c
‡Zinc (delivered) at	May 14	10.500c	10.500c	10.500c	12.000c
Zinc (East St. Louis) at	May 14	10.000c	10.000c	10.000c	11.500c
Aluminum (primary pig. 99%) at	May 14	24.000c	24.000c	24.000c	25.000c
Straits tin (New York) at	May 14	94.625c	94.500c	92.250c	98.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 20	96.24	95.61	97.29	89.69
Average corporate	May 20	96.07	96.07	95.92	95.77
Aaa	May 20	102.80	102.96	102.63	100.16
Aa	May 20	99.52	99.68	99.68	98.73
A	May 20	95.62	95.62	96.07	96.23
Baa	May 20	87.18	87.18	86.65	88.40
Railroad Group	May 20	91.34	91.62	91.48	93.97
Public Utilities Group	May 20	97.78	97.62	97.78	96.23
Industrials Group	May 20	99.20	99.20	98.88	97.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 20	2.82	2.88	2.73	3.36
Average corporate	May 20	4.00	4.00	4.01	4.02
Aaa	May 20	3.58	3.57	3.59	3.74
Aa	May 20	3.78	3.77	3.77	3.83
A	May 20	4.03	4.03	4.00	3.99
Baa	May 20	4.62	4.62	4.66	4.53
Railroad Group	May 20	4.32	4.30	4.31	4.14
Public Utilities Group	May 20	3.89	3.90	3.89	3.99
Industrials Group	May 20	3.80	3.80	3.82	3.94
MOODY'S COMMODITY INDEX	May 20	400.7	400.6	393.5	412.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 10	285,090	286,835	236,799	257,884
Production (tons)	May 10	264,699	246,385	256,970	291,074
Percentage of activity	May 10	86	81	82	95
Unfilled orders (tons) at end of period	May 10	383,220	365,246	382,210	456,700
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 16	109.91	109.92	110.09	110.44
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	April 26	1,623,210	1,537,800	1,363,880	1,694,880
Short sales	April 26	359,290	287,810	276,600	330,700
Other sales	April 26	1,333,040	1,273,340	1,033,670	1,400,690
Total sales	April 26	1,692,330	1,561,150	1,310,270	1,731,390
Other transactions initiated on the floor—					
Total purchases	April 26	474,940	438,690	353,280	392,230
Short sales	April 26	49,700	38,700	37,900	34,300
Other sales	April 26	402,890	385,960	344,620	427,860
Total sales	April 26	452,590	424,660	382,520	462,160
Other transactions initiated off the floor—					
Total purchases	April 26	578,840	584,915	434,200	594,739
Short sales	April 26	151,680	138,060	75,990	139,650
Other sales	April 26	648,942	561,629	490,260	886,548
Total sales	April 26	800,622	699,689	566,250	1,026,198
Total round-lot transactions for account of members—					
Total purchases	April 26	2,676,990	2,561,405	2,151,360	2,681,849
Short sales	April 26	560,670	464,570	390,490	504,650
Other sales	April 26	2,384,872	2,220,929	1,868,550	2,715,098
Total sales	April 26	2,945,542	2,685,499	2,259,040	3,219,748
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	April 26	1,307,769	1,201,302	1,162,232	1,474,328
Dollar value	April 26	$54,737,326	$51,370,713	$50,336,445	$74,561,794
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 26	1,101,334	992,714	1,012,454	1,303,949
Customers' short sales	April 26	18,847	18,837	16,078	14,109
Customers' other sales	April 26	1,082,487	973,877	996,376	1,289,840
Dollar value	April 26	$46,137,901	$42,521,298	$43,040,716	$66,219,250
Round-lot sales by dealers—					
Number of shares—Total sales	April 26	290,380	267,160	279,890	364,640
Short sales	April 26	—	—	—	—
Other sales	April 26	290,380	267,160	279,890	364,640
Round-lot purchases by dealers—					
Number of shares	April 26	510,660	492,670	408,370	518,200
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	April 26	1,000,750	805,550	601,260	657,060
Other sales	April 26	13,325,820	11,871,490	10,726,790	13,275,630
Total sales	April 26	14,326,570	12,677,040	11,328,050	13,932,690
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 13	119.5	*119.3	119.5	117.2
Farm products	May 13	98.8	*97.7	98.2	89.7
Processed foods	May 13	112.9	112.0	111.4	105.0
Meats	May 13	114.4	111.7	110.2	90.8
All commodities other than farm and foods	May 13	125.4	*125.4	125.7	125.3

*Revised figure. ¶Includes 914,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of March:			
Total gas sales (M therms)	8,346,100	8,749,300	7,592,400
Natural gas sales (M therms)	8,034,700	8,409,400	7,333,000
Manufactured gas sales (M therms)	27,200	27,400	25,300
Mixed gas sales (M therms)	284,200	312,500	234,100
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of April	5,531,000	*6,254,622	9,814,780
Shipments of steel products (net tons)—Month of March	4,448,526	4,262,935	7,821,616
AMERICAN PETROLEUM INSTITUTE—Month of February:			
Total domestic production (barrels of 42 gallons each)	213,372,000	238,052,000	238,722,000
Domestic crude oil output (barrels)	190,651,000	212,810,000	215,006,000
Natural gasoline output (barrels)	22,697,000	25,227,000	23,682,000
Benzol output (barrels)	24,000	15,000	34,000
Crude oil imports (barrels)	23,232,000	31,747,000	22,119,000
Refined product imports (barrels)	20,601,000	*24,578,000	18,196,000
Indicated consumption domestic and export (barrels)	294,271,000	*319,396,000	291,565,000
Decrease all stock (barrels)	37,066,000	25,019,000	12,528,000
AMERICAN TRUCKING ASSOCIATIONS, INC. —Month of March:			
Intercity general freight transported by 366 carriers (in tons)	4,452,245	4,177,530	4,818,269
AMERICAN ZINC INSTITUTE, INC.—Month of April:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	70,214	72,274	96,506
Shipments (tons of 2,000 pounds)	52,684	57,822	80,332
Stocks at end of period (tons)	221,171	203,641	105,531
COAL OUTPUT (BUREAU OF MINES)—Month of April:			
Bituminous coal and lignite (net tons)	29,630,000	31,800,000	42,006,000
Pennsylvania anthracite (net tons)	1,553,000	*1,501,000	2,048,000
COKE (BUREAU OF MINES)—Month of Mar.:			
Production (net tons)	4,340,634	*4,078,728	6,895,077
Oven coke (net tons)	4,301,831	4,041,122	6,631,662
Beehive coke (net tons)	38,803	*37,606	263,415
Oven coke stock at end of month (net tons)	3,478,465	3,347,045	2,108,147
METAL PRICES (E. & M. J. QUOTATIONS)—April:			
Copper—			
Domestic refinery (per pound)	24.253c	24.018c	31.517c
Export refinery (per pound)	21.631c	20.738c	29.775c
††London, prompt (per long ton)	£175.600	£170.137	£241.956
††Three months, London (per long ton)	£176.925	£171.220	£242.788
Lead—			
Common, New York (per pound)	12.000c	13.000c	16.000c
Common, East St. Louis (per pound)	11.800c	12.800c	15.800c
††London, prompt (per long ton)	£72.869	£74.789	£111.872
††Three months, London (per long ton)	£73.016	£74.563	£111.703
Zinc, (per pound)—East St. Louis	10.000c	10.000c	13.500s
§§Zinc, prime Western, delivered (per pound)	10.500c	10.500c	14.000c
††Zinc, London, prompt (per long ton)	£62.375	£63.488	£98.375
††Zinc, London, three months (per long ton)	£62.578	£63.557	£94.669
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.625c	88.625c	91.375c
Silver, London (per ounce)	76.044d	76.429d	79.869d
Sterling Exchange (check)	$2.81706	$2.81540	$2.78885
Tin, New York Straits	92.957c	94.514c	99.452c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$231.077	$231.692	$255.000
¶Antimony, New York boxed	32.590c	32.590c	36.590c
Antimony (per pound), bulk Laredo	29.000c	29.000c	33.000c
Antimony (per pound), boxed Laredo	29.500c	29.500c	33.500c
Platinum, refined (per ounce)	$72.000	$72.154	$92.692
†Cadmium, refined (per pound)	$1.55000	$1.55000	$1.70000
‡Cadmium (per pound)	$1.55000	$1.55000	$1.70000
§Cadmium (per pound)	$1.55000	$1.55000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.00000
Aluminum, 99% grade ingot weighted average (per pound)	26.100c	28.100c	27.100c
Aluminum, 99% grade primary pig	24.000c	26.000c	25.000c
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of April:			
Total number of vehicles	391,678	430,095	654,851
Number of passenger cars	316,911	357,466	549,744
Number of motor trucks	74,427	72,289	104,633
Number of motor coaches	340	340	474
PORTLAND CEMENT (BUREAU OF MINES)—Month of March:			
Production (barrels)	17,856,000	14,144,000	22,642,000
Shipments from mills (barrels)	17,370,000	10,944,000	20,551,000
Stocks (at end of month—barrels)	36,668,000	*36,382,000	34,277,000
Capacity used (per cent)	57	50	76
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of March:			
Total operating revenues	$767,554,559	$692,782,401	$904,561,622
Total operating expenses	623,581,702	599,436,253	690,733,978
Taxes	74,267,571	60,447,833	100,406,966
Net railway operating income before charges	43,704,298	8,897,266	90,019,081
Net income after charges (estimated)	24,100,000	‡‡9,000,000	71,000,000
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of March:			
Passenger Tires (Number of)—			
Shipments	6,620,561	5,832,701	8,006,608
Production	6,568,545	6,319,966	8,630,008
Inventory	19,786,283	19,819,951	18,067,612
Truck and Bus Tires (Number of)—			
Shipments	922,688	904,038	1,107,088
Production	1,003,984	993,784	1,135,649
Inventory	3,659,257	3,572,372	3,675,082
Tractor-Implement Tires (Number of)—			
Shipments	353,325	310,407	349,726
Production	325,152	283,170	318,370
Inventory	742,884	760,923	758,498
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,764,413	*3,295,764	3,397,399
Production	3,685,427	3,443,870	3,821,887
Inventory	7,066,028	*6,982,661	6,539,561
Tread Rubber (Camelback)—			
Shipments (pounds)	32,265,000	*30,515,000	31,298,000
Production (pounds)	33,750,000	*32,588,000	30,530,000
Inventory (pounds)	27,707,000	*26,837,000	30,713,000
ZINC OXIDE (BUREAU OF MINES)—Month of March:			
Production (short tons)	12,951	11,804	16,939
Shipments (short tons)	11,426	11,058	15,451
Stocks at end of month (short tons)	32,579	31,054	29,877

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ‡‡Deficit.

Gulf States Utilities Common Stk. Offered

Public offering of 240,000 shares of Gulf States Utilities Co. common stock at a price of \$43.12½ per share was made on May 20 by an underwriting syndicate jointly managed by Merrill Lynch, Pierce, Fenner & Smith and Lehman Brothers.

Net proceeds from the sale of the additional common shares, together with funds from the sale of \$20,000,000 of 4% first mortgage bonds, will be used by the company to pay off \$16,000,000 short-term notes due Sept. 23, 1958, issued to finance construction, and to provide funds to carry forward the company's construction program and other corporate purposes.

Gulf States Utilities is engaged in the business of generating, distributing and selling electric energy in an area in southeastern Texas and south central Louisiana. The company's electric system is interconnected and maintains additional interconnections for the exchange of power with other utilities. Electric energy is sold at retail in 288 communities within their territory. The company also conducts a steam products business and sells natural gas in the Baton Rouge, Louisiana, area.

For the 12 months ending Feb. 28, 1958, the company had total operating revenues of \$62,954,085 and net income of \$11,724,675, equivalent to \$2.25 per common share.

DIVIDEND NOTICES

Now With Sutro Bros.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Robert A. Barsily has become connected with Sutro Bros. & Co., 1048 Kane Concourse, Bay Harbour Islands. He was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Forms Broccardo Secs.

(Special to THE FINANCIAL CHRONICLE)

KINCAID, Ill.—Raymond Broccardo is engaging in a securities business from offices here under the firm name of Broccardo Securities and Investment Co.

DIVIDEND NOTICES

With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Lewis W. Barron is now affiliated with E. F. Hutton & Company, Trust Company of Georgia Building.

Joins Weltner Staff

KANSAS CITY, Mo. — Harry Vollrath Jr. has joined the staff of A. E. Weltner & Co., Inc., 21 West 10th Street.

DIVIDEND NOTICES

L. G. Mason Opens

ATLANTA, Ga.—Lion G. Mason has opened offices at 1269 Spring Street, N. W., to engage in a securities business.

With Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Frederick W. Reinemann is with Cruttenden, Podesta & Co., First Wisconsin National Bank Building.

DIVIDEND NOTICES

With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—S. Dale Stewart has joined the staff of Crowell, Weedon & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange.

DIVIDEND NOTICES

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The friendship stock of the United States is at its lowest ebb since World War II. It has been declining gradually for years. Yet it took the unwarranted and inexcusable attack on Vice-President Nixon at Caracas, Venezuela; Lima, Peru, and to a lesser extent at Bogota, Columbia, to forcibly bring this fact to the attention of the people of this country.

The United States the world over is regarded as the big, rich and powerful nation. Peoples of other countries think the United States is wealthy because of the great natural resources.

However, those countries don't know and apparently have never been told that the paramount reason for the wealth in the United States is hard work. Few, if any people on earth work harder than the people of the United States. While it is true that labor generally is on a five day work week, millions of people work five and one-half and even six days a week. Thus, hard work and development of the natural resources have created wealth.

Because of this wealth, the United States has been able to provide many billions of foreign assistance since 1946. It has been the hard work of the taxpayers of this country that has been able to supply the foreign aid to some countries whose people work less than the average United States citizen.

Here in the Nation's Capital only members of Congress who are extremely partisan in their politics were critical of Vice-President Nixon. Perhaps any fair-minded Congressman, be he Democrat or Republican, will tell you that most of his constituents who have been heard from, are proud of the statesman-like behavior of the Vice-President during the terrible ordeals he and Mrs. Nixon encountered by groups of Communists and ruffians in Venezuela and Peru.

The Vice-President and the courageous Mrs. Nixon added lustre and dignity to the United States despite the fact their lives were in jeopardy. This country lost nothing by their behavior in the face of the indignities thrust upon the Nation's No. 2 couple.

Milton Eisenhower's Trip

The Central and South American visit of the President's brother, Dr. Milton Eisenhower, who is President of Johns Hopkins University, will probably be longer than the 18-day visit of the Nixons. President Eisenhower last visited Latin America in 1956 when he attended the Western Hemisphere Conference at Panama. This conference was attended by the greatest number of heads of State in the world's history. Some 18 Presidents were in attendance. There the President was given two thunderous ovations as he rode through the thronged streets of Panama City. He was the only chief of state to ride in an open-topped automobile.

Dr. Eisenhower is planning a trip in June. He will represent the President on a visit to several countries. There is no intention of the White House calling off Dr. Eisenhower's visit as a result of the reception given the Nixons. The United States is Latin America's best customer, and Latin America is our best customer in trade relations.

Nixon's Views

The Vice-President has already made a partial report of his visit to South America to the President and the Secretary of State. He was to make a formal report during the week. No radical changes in United States policies are to be proposed. There were reports that he expected to recommend that the U. S. information program be overhauled. The masses of the population in South American countries do not get the truth about this country's policies, it seems. He will also recommend a few changes in personnel in the U. S. embassy staffs.

Mr. Nixon is convinced that Latin American countries should do more for themselves, but at the same time he wants to continue helping those countries through United States loans. He believes South America is undergoing a profound economic and social revolution. The Communists have had a lot to do in spurring on the revolution, particularly among the students, intellectuals and laboring class.

Communists Effective

Russell Brines, the editor of the Copley news service, and formerly a Washington correspondent of the Associated Press, who accompanied the Vice-President on the Latin American tour, says the propaganda of the communists has been effective across a wide section of Latin life.

"United States diplomats, however, have confined the activities and contacts," he said, "largely to the cultured elite—political and business leaders—who themselves often are unaware of the deep pressure building around them.

"Mr. Nixon believes his presence has served as a lighning rod, attracting all the real and bogus animosities against the United States, created by the broad revolution, by United States policies, by economic troubles and by communist agitation. . . .

"The most important issue, in his view, is the emotional hatred of dictators among people who have overthrown them in every country except Paraguay and the belief that the United States has supported them."

Good Purpose

For several years now reports have been coming out of Latin America that the United States was not paying enough attention to our neighbors to the South. The historic trip of the Nixons probably served a good purpose to the people of North America and South America.

Upon returning to Washington the Vice-President was given his greatest acclaim. The tremendous welcome was not for Mr. Nixon as a Republican, but as a citizen and as a representative of the United States. Certainly his statesman-life actions further enhanced his chances for the Republican Presidential nomination in 1960.

The spotlight was on the Vice-President so sharply that some wags on Capitol Hill were saying that Senator John F. Kennedy of Massachusetts, the Democratic presidential aspirant, should insist on equal time in Lima and Caracas.

United States investors each year are pouring millions and millions of dollars into Latin America in developing the resources of those countries. The United States Government recommends that its citizens and companies insist upon local capital being invested along with their money. Local capital participation means greater likelihood of success of the investments. Such an investment policy is regarded as sound for any country.

Canadians Complain

While the Vice-President and Mrs. Nixon were being mistreated in Venezuela and Peru, some Canadian sources continued to blame Washington for some of the Canadian economic ills, particularly U. S. tariffs. Citizens of the United States, meanwhile, are continuing to invest billions of dollars in Canadian industries.

From the American tourist alone, Canada reaps a tremendous harvest of many millions of dollars each year. The Ottawa "Journal" recently made a self-appraisal of the Canadian situation and the neighborly policy of that country with the United States. The "Journal" in a very frank editorial said in effect Canadians should stop their "belly-aching."

". . . Americans are only doing what Canadians and all other nations have been doing all through history; namely trying to put first their own interests. After all, Canada has quotas, and Canada has tariffs—tariffs which she uses against her own commonwealth partners. And what wild enthusiasm did Canadians show when a few months ago, one of their Mother countries, Britain, came to them with an offer of free trade.

"We complain—at least a lot of us do—that Americans don't buy our nickel, aluminum, lead and zinc when Americans don't happen to need them. Do other countries, including Canada, keep on importing things when they don't happen to need them? And does it ever occur to us that had it not been for American capital in the first place we might not today have much aluminum or zinc or lead to export to anybody anywhere?

"Americans are not perfect; they hardly pretend to be; and sometimes their Congress and their Mr. Dulles leave us mad. But aren't we Canadians in danger of getting to the point of blaming all our troubles on Americans; or thinking that almost everything that goes awry in this country is the fault of somebody in Washington?

"In fact, are we not in danger of losing all sense of proportion—becoming in the process a sort of humorless crybaby of the Western World?"

[*This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.*]

BUSINESS BUZZ

"First of all, Miss, my name is T. J. Twits—not Mr. Reg Rep."

Business Man's Bookshelf

Budgeting Your Car — Cyrus A. Martin — Public Affairs Press, 419 New Jersey Avenue, S. E., Washington 3, D. C. (paper), $1.00.

Business Planning for Economic Stability—Henry Thomassen—Public Affairs Press, 419 New Jersey Avenue, S. E., Washington 3, D. C. (cloth), $2.00.

Carolina Economy — A Resource Chartbook to the Future—Bureau of Business and Economic Research, University of South Carolina, Columbia, S. C., $1.00.

Construction Review — A Statistical Supplement—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—55¢.

Economic Comparison—U. S. A.-U. S. S. R.—National Industrial Conference Board, 460 Park Avenue, New York 22, N. Y., (paper), $1.50.

Essentials of Accounting—William A. Paton and Robert L. Dixon—The Macmillan Company, 60 Fifth Ave., New York 11, N.Y.—cloth—$7.50.

Florida's Fabulous Cooperative Apartment Boom—Cecil M. Self and H. R. McGrath — Florida Publications, P. O. Box 2023, Ft. Lauderdale, Fla., (paper), $2.00.

Highlights of Foreign Policy Developments: 1957 — Department of State Publication 6631—Superintendent of Documents, U.S. Government Printing Office, Washington 25, D. C.—paper—20c.

Loans at Work—Illustrated brochure — International Bank for Reconstruction and Development, 1818 H Street, N. W., Washington 25, D. C.—paper—on request.

Model Municipal Revenue Bond Law—Sixth in a series of model fiscal laws—National Municipal League, 47 East 68th Street, New York 21, N. Y. (paper), $1.

Ordeal of Woodrow Wilson—Herbert Hoover—McGraw-Hill Book Co., Inc., 330 West 42nd Street, New York 36, N. Y.—paper—$6.

Profits with Puts and Calls—Paul Sarnoff — H. K. Simon Co., 48 Fifth Avenue, Pelham, N. Y. (paper), $1.95.

Savings and Loan Associations in the State of Illinois—Elbert S. Smith, Auditor of Public Accounts, State Capitol, Springfield, Ill. (paper).

What the Businessman Should Know About Federal Taxes and Foreign Investments—Stanley I. Posner and Herbert J. Allan—Public Affairs Press, 419 New Jersey Avenue, S. E., Washington 3, D. C. (paper) 50c.