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EDITORIAL

As We See It

Writing in the April issue of the Survey of Current Business, Clement Winston of the Department of Commerce, had this to say about consumer buying in recent years:

"While the decline in spending from the peak of 1957 to the first quarter of 1958 was relatively about the same as that in disposable income, there have been wide variations among the commodities. In some cases there has been the expected response to a lower income. In others buying has shown appreciable independent movements by continuing upward or by undergoing exceptionally large reductions.

"The largest relative decreases have occurred in consumers' durables where to a considerable degree purchasing involves taking on new debt obligations. These reductions have extended over a wide range of commodities. For the group as a whole, purchases had fallen off gradually during 1957, and by the fourth quarter consumer expenditures for durable goods were 4% lower than in the opening quarter on a seasonally adjusted basis. The largest decrease, however, came in the first quarter of 1958 when dollar purchases of durables were one-eighth below the first quarter of 1957—the lowest in three years.

"About four-fifths of the decline over the past year has resulted from the sharp fall in demand for automobiles. Other consumer hard goods have also experienced substantial sales reductions.

"In evaluating these developments, the trend in durable goods outlays in recent years should be kept in mind. From a low in the fourth quarter of 1953 these outlays rose about one-third to a peak seasonally adjusted annual rate of $37 bil-

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Monetary Policy During A Period of Recession

By ALFRED HAYES*

President, Federal Reserve Bank of New York

N. Y. Federal Reserve head fears immediate dangers of recession more than those of inflation and trusts our dread of the latter does not prevent all reasonable efforts to combat the former—even though the Federal Reserve's "record in the past few months in this regard is pretty creditable" and there are signs that the bottom of the recession is near. Mr. Hayes takes stock of what monetary policy has accomplished; looks to the more important recovery role of fiscal policy and labor-management efforts; advances the case for supplemental selective credit controls; praises rise in foreign reserves and urges strengthening international economic trading ties; and interprets gold flow movements as a healthy sign showing our international gold standard is working as it should work.

About seven months have passed since the Federal Reserve System, in recognition of a fundamental change in underlying business conditions, began to substitute a policy of credit ease for one of restraint. It would seem appropriate now to take stock briefly of what monetary policy has accomplished in this period—of what it is supposed to do to combat recession and promote recovery, and of what it cannot be expected to do. Parenthetically, I am not unaware of various comments to the effect that we did not turn soon enough—that we erred in holding on too long to a policy of restraint, fighting inflation when recession was already in evidence and constituted the greater danger. Whether the timing was exactly right I shall not try to argue, but I think the important thing is that the pattern of recession had already been set by imbalances which had

Alfred Hayes

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*An address by Mr. Hayes before the 55th Annual Convention of the New Jersey Bankers Assn., Atlantic City, N. J., May 22, 1958.

Meeting and Conquering Challenges of Our Time

By BENJAMIN F. FAIRLESS*

President, American Iron and Steel Institute

That there is confidence in our economy and that we need to talk confidence, Mr. Fairless heartily agrees; but he does insist that truth go hand in hand with confidence. With this in mind, the steel leader asks that we face up to hard problems we have to overcome and strongly advises tax reform rather than tax cut, in submitting a blueprint of long-range measures designed to "keep our economy strong" and withstand onslaught of communism. Cautions against wages exceeding productivity and against tax policies stimulating consumption without investment as well, and advocates tax reform so that part of the sales dollar left over for investment will be adequate for business growth.

We are facing, in 1958, a year of decisions of highest importance to our future. It is a year that is going to try the mettle of the American people, and American business, in a unique and telling way.

In recessions of the past, the causes have been fairly well agreed upon; and after a while, at least, a majority of the people have come to agreement on the solutions.

Now we have a recession for which every opinion-holder, it seems can present a different cause. And the solutions range from eliminating the coffee break to building a bridge from California to Honolulu with public funds.

Out of all this welter of fact and fancy, we must find the answers. We must find the real causes and—more importantly—the real steps that will take us back to the main road as rapidly and as soundly as possible. We see

Benjamin F. Fairless

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*An address by Mr. Fairless before the 66th General Meeting of American Iron and Steel Institute, New York City, May 22, 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

H. W. Lay & Co., Inc. Class A—Harrison Clarke, Vice-President, Johnson, Lane, Space & Co., Inc., Atlanta, Ga. (Page 2)

International Textbook Co.—Ernest Stent, Partner, Hooker & Fay, San Francisco, Calif. (Page 2)

HARRISON CLARKE

Vice-President, Johnson, Lane, Space & Co., Inc., Atlanta, Ga.

H. W. Lay & Co., Inc. Class A Com. Stock

The security I like best is quoted about 35% higher than a year ago, profits for fiscal 1957 were 83% above 1956 and, what's more, sales and profits for the first half of 1958 are running well ahead of 1957. The story of the growth and progress of H. W. Lay & Co., Inc. is indeed exciting.

Harrison Clarke

Twenty-five years ago, an ambitious young man of 22 by the name of Herman W. Lay, using his second hand 1928 automobile as a delivery truck, started his own business in Nashville, Tenn., as a distributor for a potato chip manufacturer. His single route sales for the first year amounted to approximately $12,000. The modest business, founded by Mr. Lay in 1932, is now one of the nation's largest producers of potato chips and snack foods. H. W. Lay & Co., Inc. reported sales for the year ended Aug. 31, 1957, of $16,215,022, which represented an increase of 22% over 1956. The company has more than 1,000 employees. Manufacturing plants are located in eight of the South's principal cities and sales warehouses and branches are located in 12 others. The company serves a 17-state area extending from Louisiana and Arkansas to Maryland.

Within a few years after Mr. Lay took over the lone route as distributor for the Barrett Food Products Co., the organization consisted of six men who were servicing five routes. Four of the six in the firm at that time now hold executive positions in the company.

In 1938 the company opened a warehouse in Chattanooga to serve several routes started there and in 1939 Mr. Lay formed a corporation with headquarters in Atlanta to buy the Atlanta and Memphis plants of the Barrett company. Two years later, Barrett's Jacksonville plant was acquired and the real growth of H. W. Lay & Co. had begun.

During the early years of operation, the Barrett trademark "Gardner" was retained but in 1944 it was changed to "Lay's" and the widely known symbol "Oscar — the Happy Potato" was created.

The company's growth has been due in part to the effectiveness of aggressive sales promotion and advertising programs and the record annual increases in sales has not been broken since the company was founded.

Lay's most recent expansion program includes the purchase in 1955 of the Richmond (Virginia) Potato Chip Co., the purchase in 1956 of Capitol Frito Corp. (which serves Washington, D. C.), and the opening of a new plant in New Orleans in January 1958.

The new $1,800,000 H. W. Lay & Co. main plant and office building went into operation in 1956 and gave the company's home office and main plant facilities surpassed by none. This new plant, which has been described as "the largest and most modern of its type in the world," has an area of 152,000 square feet and was chosen by Factory Management and Maintenance Magazine from nearly 1,000 entries as one of the ten best new plants built in the nation in 1956.

Lay's products include potato chips, Frito's corn chips, "Cornetts," peanut butter sandwiches, sweet cookie sandwiches, popcorn and salted nuts. These products are distributed by a company owned fleet of more than 300 trucks and are handled by more than 50,000 retail outlets.

The rapid growth of both sales and profits of H. W. Lay & Co. is shown in the accompanying tabulation.

Capitalization of H. W. Lay & Co. as of March 15, 1958, consisted of 343,480 shares common stock 50¢ par value and 293,520 shares class "A" common stock, 50¢ par value. The class "A" common stock is entitled to a dividend preference of at least 36¢ per share in any fiscal year before any dividend may be paid on the common stock. After the common stock has received 36¢ per share, no further dividends may be paid on the common stock, unless a like amount is also paid on the class "A" common stock.

The common stock is closely held. Certain percentages of it are convertible into class "A" common stock on a share-for-share basis each year from 1958 through 1961. The two classes of stock have equal voting rights.

Dividends are currently being paid on the class "A" common at the rate of 10¢ quarterly. The stock is traded in the Over-the-Counter market.

H. W. Lay & Co.'s record growth, the recent impact of great expansion, and a well planned program for future development form the basis for my opinion that the class "A" common stock, which offers a generous dividend income, represents an unusual opportunity for capital gains.

Year Ended August 31	Net Sales	Net Profit After Taxes	*Per Shr. Profits
1953	$8,801,460	$235,853	.35
1954	9,682,726	242,217	.36
1955	10,958,989	273,406	.41
1956	13,313,870	312,705	.48
1957	16,215,022	573,661	.90
28 Wks. Ended Mar. 15			
1957	7,923,829	233,064	.37
1958	9,251,384	267,975	.42

*Based on number of shares outstanding March 15, 1958.

ERNEST STENT

Partner, Hooker & Fay, San Francisco, Calif.

Members: New York Stock Exchange and Pacific Coast Stock Exchange

International Textbook Co.

International Textbook Co. has had a remarkable record of growth in sales and earnings since 1950, and the year 1957 produced new highs in both figures. Dividends have grown with earnings, and prospects for further growth in the coming years are very promising.

Ernest Stent

The company owns the International Correspondence School, which is the leading factor in the home education field. The number of students served increases steadily and, with the emphasis now being placed by industry on technical knowledge, the demand for correspondence courses should continue its upward trend.

In addition, International, through its Haddon Division, manufactures hard books, mostly text books, for 60 leading publishers as well as for its own correspondence school division. Over 14,200,000 volumes were published by this division in 1956.

International Textbook Co., in my opinion, can be bought for both income and growth at this time. It should be strongly resistant to the ill effects of business recession and should respond favorably to improving business.

Steady growth in sales, earnings and dividends are evidenced by the record in the accompanying table:

	Sales	Net Profit	Per Share—Net	Per Share—Dividends
	(000's Omitted)			
1957	$18,491	$1,300	$7.23	$3.00
1956	16,520	1,157	6.37	2.30
1955	14,499	780	4.30	1.80
1954	13,304	656	3.61	1.45
1953	12,069	411	2.26	1.25
1952	10,247	494	2.72	0.50
1951	9,910	253	1.40	0.20
1950	9,237	111	0.61	---

Rising dividends are usually evidence of good management, satisfactory growth, and sound expansion, particularly when the increased dividend is amply justified by earnings and a strong cash position, as in this case.

There is probably not an institution of learning that is not endeavoring to raise substantial funds for its endowment. Harvard College alone is conducting a huge drive to raise $84,000,000 and its graduate schools plan drives of their own. Yale, Princeton and others will no doubt follow the same course.

But, the private institutions are not the only ones striving to acquire more funds to improve efficiency and expand facilities. Taxes are also rising steadily to support the public school system, as every taxpayer knows. And at the same time, individuals are spending a steadily increasing portion of their incomes to educate their children and themselves. A substantial part of this outpour-

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The American Economy— Trends, Problems and Prospects

By SUMNER H. SLICHTER
Lamont University Professor
Harvard University, Cambridge, Mass.

Dr. Slichter's panoramic analysis of the economy convinces him that the recession: (1) is of a limited and concentrated nature; (2) reached its low quarter during 1958's first quarter and will be followed by slow recovery; (3) cost the country about $22 billion in lost output; and (4) "cannot be satisfactorily ascribed to overcapacity because there is no general overcapacity." The widely known economist wants a study made of reasons for plant and equipment cutbacks as well as general deficiency of demand; believes we need to prevent auto industry's unstabilizing influence on the economy; and calls for Federal administrative changes so as to speed up development of Government economic policies.

The following comments on economic conditions in the United States have been prepared for publication in Japanese by the Nihon Kezai Shimbun of Tokyo. Although American readers will find that many of the facts are familiar, they may find the analysis of the facts of interest. American readers will find (1) that I emphasize the limited nature of the recession and the strong resistance of the economy to contraction more than do most American reviews of economic trends and (2) that I contrast sharply the behavior of consumers and the behavior of businessmen.—S. H. S.

I. Summary

Events are bearing out the statements made in this monthly letter several months ago that the first quarter of 1958 would mark the low quarter of the recession, but that the recovery would be slow. Although the liquidation of inventories may be expected to continue for some additional months, it is inconceivable that the liquidation will remain much longer at the record-breaking rate of $9 billion a year. And even the Federal Government, slow-moving and inefficient as it has been in dealing with the recession, cannot be expected indefinitely to reduce its purchases of goods and services in the face of contracting business. Consumer incomes have been holding up remarkably well, and consumers, the real heroes of the recession, have increased the proportion of their incomes that they are spending for goods. Housing is holding up satisfactorily in spite of the recession and in spite of the tardy response of interest rates on mortgages to easier credit.

Sumner H. Slichter

In the second quarter of 1958 a drop in the rate of inventory liquidation, slowly rising government expenditures, and steady expenditures on total consumption will more than offset the moderate reduction in outlays on business plant and equipment and a possible drop in net foreign investment. The net result will be a small rise in the gross national product. In the third quarter there will be a larger rise.

The picture presented by the recession is that of an economy displaying impressive capacity to resist contraction in spite of widespread timidity among businessmen and in spite of tardy action on the part of the Federal Government in taking steps to halt contraction.

The recession sheds new light on the several widely accepted fallacies about inflation, such as: (1) the erroneous notion that price movements rather than the movements of production should be decisive in determining Federal Reserve policy; (2) the erroneous notion that there is no such thing as wage-push inflation; and (3) the erroneous notion that a small amount of unemployment can prevent strong unions from pushing up wages.

The cutback in plant and equipment expenditures planned for business in 1959 and 1960, which is partly a cause of the recession and partly a result of it, is not well understood. It cannot be satisfactorily ascribed to over-capacity because there is no general over-capacity, but cutbacks are general. No aspect of the economy needs more to be studied than the causes of these cutbacks and how similar cutbacks may be prevented in the future.

The recession shows the need for the automobile industry and the government to take steps to reduce the unstabilizing influence of the automobile industry on the economy. And the recession shows the need of administrative changes in the Federal Government to speed up the cumbersome process by which the government develops economic policies.

II. The National Expenditures and Production in the First Quarter of 1958 and in the Two Preceding Quarters

The most interesting figures of the last month are the preliminary estimates of Gross National expenditures and production for the first quarter of 1958. A comparison of these figures with figures for previous quarters shows the course of the recession. Table I

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Soup Stock

By DR. IRA U. COBLEIGH
Enterprise Economist

A description of the company which produces and sells more soup than any other North American enterprise — Campbell Soup Company.

Today's title is a quite descriptive one. It not only represents a logical investor-slanted reference to a truly distinguished soup manufacturer, but draws considerably on a very old culinary phrase. For, decades before Campbell Soup became a household word, European and American housewives were busy collecting soup stock in a kettle—meat and bones which,

U. Cobleigh

after a suitable period of simmering in water at the back of the stove, became the basis (followed by the addition of vegetables such as celery, leeks, onions, beans and/or peas) of delectable and dietetically balanced soups. So, with that quite topical introduction, we get to the meat of our selection today. Campbell Soup Co.—purveyor of delicious purees, as well as a soup stock of investment quality, which 17,000 stockholders have already found to their taste.

Eighty-nine years ago, Campbell Soup Co. started in business. By sustained effort, sound managements, and a program of concentrating in its special field, this distinguished enterprise has attained top rank in its industry and is the largest manufacturer of canned soups, spaghetti, vegetable juices, pre-cooked frozen dinners, and frozen meat pies in both Canada and the United States. Campbell is also second in output of canned pork and beans, and tomato juice. Most of the growth was straight-line progress in the company itself, but a significant part of the expansion was due to logical mergers.

For example, Campbell purchased Franco-American Products, long a leader in spaghetti, in 1921; and developed its name brand with a line of macaroni in 1940, beef gravy in 1947; and spaghetti sauce with mushrooms in 1951.

In 1948 V-8 Cocktail Vegetable Juice production facilities and trade name were purchased from Standard Brands; and in May 1955, in exchange for 641,000 shares of Campbell stock, C. A. Swanson & Sons, leading specialist in frozen cooked dinners and frozen meat pies, was acquired and absorbed.

All this expansion and assimilation was consonant with a long range program of providing housewives with "convenience" foods. The trend to labor saving techniques, so pronounced in industry, transportation and agriculture, has been equally dynamic in the home. No longer will Milady be content to hover for hours over an oven while bread or cake is baking; or to assemble and prepare a welter of ingredients for soup, stew or meat pies; especially when all this time and labor can be short-cut with canned or frozen or pre-cooked items. And relatively few households can afford (or find) satisfactory kitchen help.

Milady still has her kitchen standards, so that these "convenience" items, however time and energy saving, must be acceptable on at least four counts: (A) Quality comparable with Milady's own best products; (B) a time savings in hours, not minutes; (C) a price not too far afield from costs of "home cookin'" and (D) real convenience in packaging and preparation.

On all these major points, Campbell has moved swiftly forward in consumer acceptance—so much so that, today, for example, less than 40% of all home-consumed soup is kitchen prepared. Of the 60% balance, namely soup sold through grocers, supermarkets, and delicatessens, it is believed that Campbell now does upwards of 75% of the business. The show case at Campbell includes 26 kinds of canned and condensed soups, eight frozen varieties, and 14 ready to serve.

All this has built a large and exceedingly well known organization, which has increased its net sales with almost monotonous regularity in each successive year; and recorded a rise in net earnings at the rate of roughly 6% a year. (This is substantially in excess of the national rates of growth in population and in gross national product.)

To retain its eminence and leadership, Campbell has recently been engaged in a major expansion program involving $29 million in the fiscal year ended July 31, 1957, and $20 million more in the 12 months ending July 31, this year. The main Camden, N. J. plant has been completely rehabilitated; a new ultra-modern plant at Napoleon, Ohio, was completed last year, and new plants are nearing completion in Manitoba, Canada and in Kings-Linn, England.

Campbell is a prodigious consumer of tin cans, and to fill its needs it manufactures its own tin cans in the United States (but buys them for Canadian operations). Campbell is believed to be the third largest can manufacturer.

The company spends about 1% of net sales on research, constantly testing not only new recipes, formulas and products, but delving into improvement in agricultural methods, better packaging, handling and transportation.

Campbell has been a consistent believer in advertising. Starting with cards in 1899, it has advanced its ad budget steadily. It spent $13 million in fiscal 1956, $17 million in fiscal 1957 and will spend even more this year. As a result few, if any, "brand" names are better known to the American housewife than "Campbell."

Campbell has never been one to stress price volatility. It aims to distribute each of its products at one standard price and has preferred to accent quality of, and preference for, its products rather than to woo buyers by gimmicks, special offers, etc. Intensive and thorough distribution is achieved through 8,500 major customers—wholesalers, chain stores, institutional and industrial buyers—but no direct sales to retail stores.

Within the past year, three new soups have been introduced and there have been some changes and additions in the Swanson line of TV Dinners. These, added to the old standbys, are expected to propel Campbell sales to a new high this year — possibly above $455 million against $440.85 million for 1957.

The earning power of Campbell Soup Co. has been truly remarkable. The company has operated at a profit in each year since 1898 and earned and paid dividends in every year since 1902. Not only that, but Campbell has been averaging a 13% return on capital investment, and a return of above 7% (after taxes) of net sales. This quality and durability of earning power is a great builder of shareholder contentment.

Company capitalization couldn't be simpler consisting solely of 10,683,812 common shares listed on the New York Stock Exchange and now selling at 41 to yield, on a $1.50 dividend rate, about 3.7%. 1957 per share net was $2.80 and a somewhat higher figure seems expectable for fiscal 1958, perhaps $3 a share. On this basis, the stock sells at about 14 times earnings.

Until November 1954 the stock was all held either by Dr. John T. Dorrance or by his estate. At that time, 1,300,000 common shares were offered for public subscription at 39¼. The issue was well received and accepted as an entrenched equity of investment caliber. It is noteworthy for market stability having ranged between a low of 32½ and a high of 44⅝ in the three and a half years during which it has been publicly held and actively traded.

CPB makes no dazzling appeal to the speculative buyer. To the more conservative investor for income, however, this issue offers excellent defensive qualities coupled with a steady underlying trend of long-term growth which should find reflection in higher dividends later on. Both the soup and the stock are of high quality.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Forrest E. Heacock has become connected with Merrill Lynch, Pierce, Fenner & Smith, 120 North Greene Street.

Commonwealth Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Frederick T. Potter has been added to the staff of Commonwealth Securities Corp., 150 East Broad Street.

Joins Samuel & Engler

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Rodger E. Russi is now with The Samuel & Engler Company, 16 East Broad Street.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert C. Koplin is now with Mutual Fund Associates Incorporated, 506 Montgomery Street.

Observations . . .

By A. WILFRED MAY

CLARIFYING OUR FOREIGN AID POLICY

In view of the public's confusion currently exhibited over the Administration's current position regarding international economic assistance procedure, including the "Monroney Plan," we summarize the present "net" attitude, as disclosed to us in a special interview with the Deputy Under Secretary of State for Economic Affairs, C. Douglas Dillon. Increase of overall assistance to the less developed countries is strongly advocated, through channels ranging from enlargement of the resources of the International Monetary Fund to new avenues of American private investment.

A. Wilfred May

Regarding Senator Monroney's idea for establishing a second World Bank, despite the stories to the contrary there is no "shift" in the Administration's stand from that pursued since the Senator last February introduced his resolution calling for an affiliated International Development Association. Further study, not "endorsement," still marks the limit of the Department's interest.

The need has been stressed for making it certain that Senator Monroney's project be not conceived of as a substitute for the existing Development Loan Fund.

It should be realized by the Congress that the use of local currencies, as contemplated by the Senator, should not supplant the employment of dollars and other hard currencies—with the International Development Fund to be recognized as of prior importance.

It is understood that revised Monroney proposals will go along to the extent of using some hard currencies.

* * *

"UNCOMMON INVESTING POINTERS"

Important clarification and realism about investing, with highlighting of the difficulties, is brought home to the expert and layman in a new book, **Common Stocks and Uncommon Profits, by Philip A. Fisher,** with a foreword by Jeremy C. Jenks (N. Y., Harper, 146 pp., $3.50).

This contribution by the head of a San Francisco investment firm, which caters to a comparatively small clientele, is in the vein of "Don't" rather than "Do" or "How To." For example, he specifies ten important *Dont's* which explode popular fallacies held by some of the expert as well as a large part of the lay investing community.

But, far from confining himself to a debunking operation and a highly useful depiction of prevalent psychological foibles, the author lays down some affirmative basic tenets which cannot get too much emphasis. One is the indispensability of patience, in lieu of market timing efforts, for the securing of worthwhile profits ("It is often easier to tell what will happen to the price of a stock than how much time will elapse before it happens."). Another basic principle urged is the sticking to one's own sound principles with recognition of the inherently deceptive nature of the stock market and the usual wrong-ness of "the crowd."

Position of the Layman

To the layman, how he shall use his detailed technical education and the choice of an adviser constitute two of his most frequently expressed worries. Our author wisely points out that the layman's accommodation to these twin difficulties lies in learning enough of the principles to enable him to pick an adviser, and then intelligently to appraise his activities.

Our author makes an important contribution in preliminarily delineating the structural differences between the present markets and those of a generation ago, with the practical effects investment-wise. Formerly, the focal point of investor action was the cyclical boom-and-bust nature of business activity, which prompted emphasis on timing the cycles rather than long-term issue selection which is called for now.

Other relevant areas of change cited embrace the new outlook in corporate management, the tremendous rise in corporate research activities, and the bipartisan devotion to inflationary government policies.

Accent on "Growth"

Foremost in investing procedure in the present era advocated by our author is concentration on *growth* stocks. The general and specific attractions are explored at length, including a full chapter on "The Hullabaloo about Dividends." The latter contains the conclusion that dividend considerations should be given the least, not the most, weight by those desiring to select outstanding stocks; that those giving them the least consideration usually end up getting the largest return; that the best long-term dividend results will come from progressive companies with low instead of high yields at time of purchase. Perhaps some oversimplification here; but the viewpoint is stimulating.

An importantly needed qualification to uncritical enthusiasm for earnings plough-backs for supposed growth, or at least expansion, is cited. Earnings are sometimes required for retention in the business without contributing to any increase in the value of the stockholder's shares. This occurs in the cases of such expenditures being prompted "defensively," as when retailers compete in supplying non-profitable services including air-conditioning. The setting up of such expenditures as a capital asset, with funds that have been subjected to income tax, if not actually unfair, is at least misleading.

Attempts to Time Growth

Curiously, in the growth stock area the author gets inconsistent with his own sound anti-timing strictures. "Buying points" are suggested, to coincide with temporary periods of corporate mismanagement or periods of indigestion of an expansion program. Actually, the quite evident difficulties in the way of such recognition together with the attending complexities implied by the author's rules, would seem to substantiate his overall anti-timing philosophy.

In any event, the volume's conclusions end "right on the beam"! "Knowing the rules and understanding the common mistakes will do nothing to help those who do not have some degree of patience and self-discipline . . . in the stock market a good nervous system is even more important than a good head."

P.S.:—This volume's title and subtitle inscribed on the jacket, *Common Stocks and Uncommon Profits. Tested. Successful, unconventional advice on how big money is made in the stock market,"* is typical of the growing current practice of using slogans, however inaccurate, to accomplish the "hard sell."

* * *

PRO INSURANCE

On one of the popular radio programs the other night, we heard the interview-ee publicly give voice to a widespread impression that the populace is still both under-insured and under-educated about the subject. Serviceable in filling such a gap is a little volume of 31 pages newly published by the Home Life Insurance Company of New York:—**"Life Insurance Property — The Hallmark of Personal Progress,"** by **Merryle Stanley Rukeyser.**

As indicated by the title, the insurance company's chief objectives are to educate the public as to the intrinsic property values of life insurance, as well as to help clients understand the values and satisfactions to be derived therefrom.

Expect treatment, in lieu of a house promotion, is given by this writer, the veteran nationally syndicated economic-columnist for the Hearst newspapers and International News Service. Mr. Rukeyser is also author of "Financial Security in a Changing World," and "The Common Sense of Money and Investments," and has over the years been an instructor of journalism at Columbia, and editorial writer for the Hearst newspapers.

In easily readable and understandable terms, the booklet succinctly describes life insurance and the benefits to be derived from it. Life insurance is estate property in modern form, says Mr. Rukeyser, offering the owner not only a sound financial return but also unmeasurable psychical income. It provides the owner with the assurance of needed time, he says; a reserve against human obsolescence and a mathematical equivalent of immortality.

In final conclusion, the author characterizes the life contract as "a major tool for the practical person's adjustment to reality. Instead of fretting over the ways of nature and man, the prudent individual builds a bridge—through the insurance contract—from the present to the somewhat unpredictable future."

While not concerning itself with pitfalls such as over-insurance, needless insurance, or misconception about investment attributes, this little volume is valuable for the concise content of basic observations made available for client and prospect.

The State of Trade and Industry

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

In the steel industry this week steel men are feeling more optimistic about their market outlook than they have in some months, "The Iron Age," national metalworking weekly revealed on Wednesday last.

Most steel people, it points out, feel that the bottom of the recession has been reached. While keeping their fingers crossed, they point out that order volume has kept on an even keel during the last three to four weeks. One company reported that last week was its second best of the year.

Continuing, this trade journal says, there has been an influx of new business from relatively small customers, such as stampers, appliance parts makers and automotive parts makers. Some steel salesmen in Detroit are beginning to think that May might be their best month since January. This sentiment is based largely on business from non-automotive buyers.

This trade weekly adds that there is a growing feeling that the auto companies are scraping the bottom of the barrel on inventories. "Auto companies have gotten themselves into a spot," asserts one steel man. "They've held off some of their orders for their build-out programs. Now they must buy if they intend to build."

The magazine notes indications that pipeline companies may be coming back into the steel market soon. These firms had cancelled out orders because of a court ruling involving the mechanics of setting oil and gas rates. An appeal is now pending before the United States Supreme Court, but the word is that the pipeline firms will not wait for a final ruling. Two or three major line-pipe orders are expected to hit the mills in the near future.

Steel leaders have told "The Iron Age," they look for a definite market improvement in the last quarter and an even better market in the first quarter of 1959. The current improvement may be short-circuited by a seasonal letdown in July due to metalworking plant vacations.

Barring an unlooked for change in the wage-price outlook, steel prices will almost certainly rise on July 1, "The Iron Age" predicts. This is because mill employment costs will go up about 20 cents an hour under contracts with the United Steel Workers. Some mills are thinking in terms of a price rise of $10 or more. But chances are the average increase will be in the neighborhood of $6 per ton.

This trade authority speculates this week on the outlook for aluminum prices. Wage costs of domestic aluminum producers are scheduled to rise 15 to 20 cents an hour on Aug. 1, but competitive factors have injected an element of doubt in the picture.

Aluminum producers feel they are in no position to absorb the higher wage costs, but when the time comes they will have to keep one eye on a large Canadian mill which has been shipping large tonnages of ingot aluminum into the United States. This Canadian company last April forced United States producers to follow its lead in cutting prices 2 cents a pound. Even though its own labor costs will rise in September, there are indications the Canadian mill still does not favor a price hike.

The employment situation in the week ended May 10, shows the biggest decline in the number of workers drawing unemployment payments in nearly two years, a report from the United States Department of Labor reveals.

The agency states the total dropped by 93,308 to 3,101,516, the largest decline since August, 1956, when the total fell by 100,000.

All but four states—Alabama, Connecticut, West Virginia and Delaware—shared in the decrease, the department says.

However, the rate at which unemployed workers are using up their compensation payments continued to rise, according to the department. In the week ended May 17, benefit exhaustions went up by 1,400 to 26,500 in the eight large states which report weekly to the agency. It does not collect national benefit exhaustion figures.

New claims for payments in the week ended May 17 declined by 49,410 from the week before to 359,236—the first time since

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The Impact of Exports-Imports

By R. L. GRAY*

President, Armco Steel Corporation, Middletown, Ohio

Steel industrialist declares "our inflated labor costs are rapidly pushing us to the point where we will be priced out of the market—not only abroad but here at home too—if we should have to compete on a free trade basis." In citing weaknesses said to be found in our cost of production, and the dangers of going too far either way in our foreign trade policy, Mr. Gray urges we stop costly wasteful and inefficient labor practices and adopt a middle-ground approach between the extremes of free trade and protectionism to solve our foreign trade problem. Suggests we liberalize trade policies as a long-range goal, encourage higher standard of living abroad, utilize Anti-Dumping Act of 1921, establish a world trade association in the field of steel, and adopt a reasonable, flexible tariff structure until gap between domestic and foreign costs is narrowed.

At various times of my life, I have been on both sides of the fence on the foreign trade question.

Until graduation from college, I was a "free trader." Every penny of my support came from the land. My folks were farmers, and most farmers in Missouri in those days were Democrats. The farmers needed to export their products and the Democrats were the champions of free trade. On the other hand, the Republicans—including most of the steel industry people—were exponents of high tariffs, which raised the prices the farmer had to pay for barbed wire and agricultural implements.


R. L. Gray

In 1916, I became a "protectionist" when I started to work for a small forging company. I had to jump over the fence and join the Republicans as an industrialist whose concept was that the struggling American steel industry had to be protected from imported steel.

Now, looking at the foreign trade question from all angles—and believe me, there are a lot of them—I find myself right on top of the fence and cannot lean very far one way or the other.

Within my own company, some take the position that we should have unrestricted international trade in steel, while others are equally convinced that high tariffs and trade restrictions offer the only realistic solution to our problem. You can be sure that both of these groups have had a hand in preparing this talk.

My *second* qualification comes from a rather disconcerting experience with the problem of dumping. This dates back to 1941, when my company announced very proudly that we were going to build a steel plant at Houston, Texas. All of us, including Charles R Hook, then President of our company, felt we were doing a great thing in bringing the steel industry to the great Southwest. That was on Friday.

On Monday morning, Mr. Hook walked into a meeting of this Institute and one of the patriarchs of our industry greeted him by saying, "Charlie, you folks certainly have a lot of guts to start a steel plant in the dumping ground of the world!" I am sure this expressed the feelings of many steel people, not only in this country but throughout the world, who were looking for places to dump their surplus steel.

However, I am happy to say that since 1941, most of the steel companies here at home have come to realize that dumping steel in Texas or anywhere else, for that matter, is not good business for anyone — neither the steel company nor, in the long run, the customer. I believe the steel industry in other countries will someday reach this same conclusion.

Another of my qualifications on this subject has to do with the importation of raw materials. To sweeten our blast furnace burden at Houston, we arranged to bring in iron ore from Mexico. While this arrangement has worked out very satisfactorily, there were a lot of headaches at first. Consequently, I had a first-hand insight into the difficulty of importing foreign raw materials before it became a national problem.

Now that you are all convinced I am no more of an expert on

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*An address by Mr. Gray before the 66th General Meeting of American Iron and Steel Institute, New York City, May 22, 1958.

Canada's Growing Steel Industry

By D. S. HOLBROOK*
President, Algoma Steel Corporation, Ltd.
Sault Ste. Marie, Ontario, Canada

Canadian steel executive attributes the very real improvement in Canadian steel affairs to the depreciation tax laws found in his country which he compares with and finds are more favorable than those found here. Mr. Holbrook observes that the Canadian iron and steel industry, as a result, has doubled its ingot capacity and more than tripled its investment in the past 10 years, and refers to excellent long-term growth prospects and prediction that steel ingot capacity will double in the next 20 years.

The time has long since passed when Canada was considered a nation mostly made up of Eskimos, Indians, Englishmen who didn't know how cold it was and Frenchmen who knew which side of the Atlantic their bread was buttered on. In recent years, there has been a continuing effort to throw more light on relationships between Canada and the United States. There have been many speeches made with the intention of paving the way for a clearer understanding between the two nations. I have no such lofty contribution and wish to speak only about the iron and steel industry.

I wish to make a report on the progress of our industry in Canada, particularly with respect to its recent growth and development. And then, since our industry has doubled its ingot capacity and more than trebled its investment in the last 10 years, I would like to make some observations on one factor which has contributed largely to the development of the industry — favorable depreciation tax regulations.

I have elected to discuss depreciation because I believe it is a critically important issue with you, and that our Government in Canada has shown better understanding of the problem than has yours. I further believe that we in management must promote a clear knowledge of the importance of the depreciation problem, since it affects all of us.

It is not an academic thing. It's the reason why the blooming mill superintendent can't get a new battery of pits to replace the museum piece that Julian Kennedy installed in 1903, and it's the reason why there are still steam locomotives chugging around a few of the mills.

If a blast furnace operator had a 5,000-pound coke rate, or an open hearth operator was getting 10 tons an hour from his modern furnaces, he wouldn't be around long enough to worry about it. And yet this is the kind of a performance which is taking place in the "depreciation end" of the business and is accepted by too many people in the industry as only an accountant's problem.

The Industry

The Canadian steel industry of today principally consists of four integrated companies with an aggregate capacity of 5,375,000 ingot tons per year; the largest with a capacity of a little more than two and a quarter million tons and the smallest about 900,000 tons. There is also a large alloy steel company and a dozen or so smaller mills melting scrap in small furnaces or rerolling purchased steel. All together, ingot capacity amounts to about 6,000,000 tons per year. This report discusses the experience of the integrated basic iron and steel comanies, and does not specifically consider the alloy and rerolling mills. This is in no way neglecting their importance; it is just that their experience is more special than the industry's as a whole.

Although the Caandian steel industry is more than 70 years old, the development of the modern industry, as we know it today, can best be summarized in three periods: pre-1939, 1939 to 1949 and 1949 to the present.

Pre-1939

Until the start of the Second World War in 1939, the prosperity of the steel industry in Canada had been very spotty. In the early 1900's the great demand for rails for building Canadian transcontinental railroads furnished much of the stimulus for industry, and this was followed by the boom and resulting steel expansion of World War I. By 1920, Canadian ingot capacity had reached two million tons per year but with disproportionate financial strength among the producers. Much of the money earned during the World War I years had been spent on plant for which there was no use, following the war, and the industry was over expanded. All through the 1920's the average rate of operation in Canada was only 50% of capacity and profits were not widespread. As a result, the Depression, starting in the early 1930's, necessitated extensive financial reorganization of several of the companies.

The most striking commentary of the state of the industry in Canada between the wars is that its capacity did not appreciably expand from 1920 to 1940 while, in the United States, capacity had risen by one-third, or 20 million tons, in this period.

1939-1949

With few exceptions, the advent of World War II in 1939 found the Canadian steel industry with plants poorly maintained and unprepared for the emergency. There had been no blast furnace capacity added in the previous 20 years; less than 10% of the open hearth capacity was of then modern construction and between the wars only two companies had built rolling mills. A very strong effort was made by the steel companies, encouraged by the Government in much the same manner as in the United States, to rehabilitate plant and add capacity. Blast furnaces and coke ovens were built, and annual ingot capacity was increased by approximately a million tons during the war. Blooming and heavy plate capacity was installed and the industry gained some semblance of its present form.

During the war and, in fact, the decade from 1939 to 1949, the Canadian steel industry was badly lacking free enterprise; construction, production, prices, profits and most critical phases of the business were closely regulated. Steel capacity at the end of this period stood at about three million tons annually.

1949-Present

By 1949, however, price controls, excess profits tax and steel allocation controls had been successively dropped and the industry was "on its own." The postwar Canadian industrial boom, then only beginning to gain impetus, provided Canada with a strong and continuing steel demand. This demand was stimulated by a tremendously expanding capital investment, fast population growth triggered by heavy immigration and a rising standard of living. I will not quote a lot of statistics, but it is significant to say that all of these growth factors have been proportionately greater than those in the United States in the same period.

A Government which, during the war and postwar period, had imposed very strict controls became anxious to encourage the Canadian iron and steel industry to modernize its plants and expand to meet the needs of industry in times of steel shortage.

On Jan. 1, 1949 the Canadian Government replaced straight line depreciation regulations with a much more realistic declining balance system and, in 1951, greatly encouraged growth by providing accelerated amortization for a program of iron and steel expansion approved at that time.

In recognition of such heavy demands and in a relatively favorable depreciation tax allowance atmosphere, the Canadian iron and steel industry has expanded so that by the end of this year it will have added some three million tons annual ingot capacity since 1949, doubling its size in 10 years.

The growth of the United States industry in the same period makes a three-million-ton increase look small by comparison but, to the Canadian industry, this has been a giant stride. I will not detail here the new installations which have been made but the growth has been much more significant than the measure of increase in ingot capacity alone would indicate. The growth has been deep and sound and not accomplished solely by additions to melting capacity. I believe that Canada is the only country in the non-Communist world where increase in ingot capacity has been accompanied by proportionate increase in blast furnace capacity. Basic production equipment has been brought up to date and auxiliary equipment greatly improved.

This growth can best be expressed in terms of 1957 production:

Eighty percent of the coke was made in ovens built in the last 10 years,

Forty percent of the hot metal was produced from blast furnaces built in the last seven years, and

Fifty percent of the ingots came from furnaces in the last seven years.

The development of primary rolling and finishing capacity has been very impressive. Two new blooming mills have gone into production in the last 18 months and a third is scheduled for the year-end. At least 75% of the hot rolled steel was produced on mills new or completely rebuilt since the mid-forties. Cold rolled steels, galvanized sheets and tinplate have made the same rapid progress with almost all the highly finished steel forms produced on mills built in the last ten years.

For the most part technology has kept apace with the United States. Raw material beneficiation and blast furnace practice is sound; open hearth production is better than average and a new oxygen steel plant, the first in North America, pioneered in this field. By the end of this year, 20% of Canada's steel capacity will be in oxygen steel installations.

And so, the Canadian steel industry has become a modern industry with a great deal of energy and confidence. In summary—in the first 50 years capacity reached two million tons; in the next ten years, another million tons; and in the last ten years, an additional three million tons!

Although Canada, as a nation, has grown by leaps and bounds, a measure of the relative progress of the steel industry is that it has

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*An address by Mr. Holbrook before the 66th General Meeting of American Iron and Steel Institute, New York City, May 22, 1958.

Solving the Problems of Recession and Inflation

By LANSING P. SHIELD*
President, The Grand Union Company, East Paterson, N. J.

This year's recipient of "Grocery Man-of-the-Year" award decries wage-price spiral, and calls for an emergency anti-recession combined meeting of business and labor leaders at the White House. Mr. Shield states that, even if we soon turn the corner in the recession, we still must solve the major problem threatening our economy—i. e., wage-price race—and suggests business and labor be asked to pledge resistance to further wage-price increases and, also, agree to work together to fight the recession.

Now we all have reason to respect our industry for its accomplishments but we food people don't operate in a vacuum. For our prosperity and our survival, we are dependent upon certain fundamental economic and social changes that are reshaping our national and international way of life. It is significant that more than 75% of the news on the front page of yesterday's "New York Times" (and the same is true of any other morning) is devoted to two subjects: first, the state of our domestic economy and second, what is happening to the people who live outside the borders of the United States.

Lansing P. Shield

Finds Problems Still The Same

The other day I sent over for a copy of the "New York Times" dated exactly 25 years ago. Here are some of the headlines. With a change in name here and there, wouldn't every one fit today?

(1) National Recovery Bill before President.

(2) Federal Reserve Ready to Ease Credit Under New Act.

(3) New Wage Rise Marks Upturn in Business.

(4) Roosevelt Delays Farm Acreage Cut and Levy.

(5) Arms Parley at Geneva Delays Debate.

(6) French See No Way to Coerce Germans on Arms.

(7) Plan to Save Gold Standard Ready in France.

Almost the identical problems we faced 25 years ago are with us still, but now they are even more urgent and pressing. The wage-price spiral, for example, was then a minor worry. Our foreign trade balance a quarter of a century ago was expanding, not declining, and the oceans made America an almost impregnable fortress. The shrinking world that has made all nations interdependent has now put us within 18 minutes of Moscow by way of the intercontinental ballistic missile (although, fortunately no regularly scheduled flights have yet been announced).

Our domestic economy is becoming increasingly dependent on our neighbors for its survival and prosperity. If the finest food distribution system on earth is being built on a foundation that may be destroyed either from within or without, we are going to a lot of trouble in planning to provide food at lower costs for people who won't be around to eat it.

So let's examine for a moment what is really happening to us in this world of ours where baseball and golf and television and our day-to-day problems serve to divert us from facing up to major threats to our way of life.

Examines Domestic Economy

First, what is really happening to our domestic economy?

After a decade of prosperity, business is not good. During the last 10 years, we, as a nation, have been expanding our productive capacity at such a fast rate that it is now in excess of current needs and, in so doing, have drawn millions of workers into the labor force. Now we have a greatly enlarged physical plant and 5,120,000 idle workers. You and I, wondering what our customers are going to use for money, need to know what reason is there to believe that in 1958 our economy will shake off this recession and use this tremendous capacity and at the same time find jobs for millions of workers, many of whom helped build this plant.

We should like to know how, with automatic and negotiated raises in wages in union contracts adding to costs without respect to productivity and thus increasing prices, a balance can be restored without resorting to a further cheapening in the purchasing power of our dollar?

The really grave question before the country today is whether increases in wages will continue to outrun increases in productivity. The wage-price spiral, about which you will hear more and more, is undoubtedly the greatest single internal threat to our domestic economy.

Already American industry is in danger of pricing itself out of both the domestic and international market places. This spiral is undermining not only our short- and long-term prosperity, but our economic and social systems to a point where we may be easy prey for our enemies.

During these last 10 years of unparalleled prosperity, the standard of living in this country has steadily mounted. Output per man hour has increased 23% and real hourly earnings 31%. This is not a dangerous trend because, on the average, wages moved ahead of productivity by less than 1% per year. Then, in 1956, there was an alarming change. In a single year, increases in wages outstripped increases in output per man hour by 4%. Then in 1957, inflation really got under way—wages increased 8.4% and productivity advanced only 1.6%. By the end of last year, the dollar you earned or saved in 1946 was worth only 67¢. Unless the wage-price spiral is checked, 10 years from now your dollar literally will not be worth 30¢.

Wage-Price Spiral

One has only to review the thousands of labor contracts in force and now being signed to understand that automatic and negotiated step-ups each year, regardless of productivity or a business recession, make certain a continuation of the wage spiral—and a resulting cheapening of the dollars you earn or are settting aside for a rainy day. 1968 prices are likely to look like these: a suit of clothes bought in a medium priced store — $200, a pair of shoes—$40, a medium-priced automobile — $7,000, a sirloin steak

*An address by Mr. Shield upon receiving the "Grocery Man-of-the-Year" Award presented by the Grocery Manufacturers' Representatives, New York City, May 19, 1958.

bought in a super market—$3 a pound. In 1968 when you check out of your room in this hotel, the usual sign, "Have you left anything?", will probably read, "Have you anything left?"

If the wages of the butcher, the baker and the candlestick maker are doubled or tripled, you can expect the price of meat, bread and of kilowatts to be doubled or tripled just a little later. Prices will go up but not necessarily the supply of these items. As the inflationary trend accelerates, a small segment of our community may have the money to pay these high prices. As against this, over 62,000,000 people supported by white collar workers and many millions depending on pensions, will be in a desperate position. In the meantime, too, we will have priced ourselves out of international trade on which 4,500,000 Americans depend for their livelihood. (Incidentally, Russia has signed trade agreements with 31 countries.) And so the whole economy gets out of whack.

We should all remember that although we may soon turn the corner in this current recession, we shall not have solved the major problem threatening our economic and social system — the problem of wage-price spiral. Unless we solve it and recapture the image of America as a nation of people who are willing and eager to give a day's work for a day's pay, the way of life that you and I now enjoy will be but a memory.

Now let us not become reconciled to the point of view that this balance between wages and productivity can be restored only through a drastic business readjustment. The critical situation in which we find ourselves today requires leadership of a high order from business as well as government. When an emergency exists, emergency measures must be taken to counteract it. When we are literally fighting for survival on many fronts, the captains of industry and of organized labor cannot afford to be tearing each other down.

Wants Combined Attack

Isn't the time overdue when business, labor and government should make a combined attack on our basic economic problems? Isn't the time overdue for an emergency session of business and union leaders to be called at the White House and a voluntary pledge sought from them to resist further wage-price increases and, equally important, to work together as a team to lick this recession?

There has been a complete turn of the wheel in management's relationship to its employees since the days when labor was purchased as cheaply as possible and discarded when its usefulness was at an end. For a quarter of a century a wave of social reform ridden by the unions has yielded constantly increasing benefits for the worker but once again he is in danger of becoming a tool—this time a tool of the unions. We

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Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 38) on growth of civilian nuclear projects, planned new uranium-milling capacity to be allocated by AEC, and developments affecting Algom and Pronto Uranium Mines—Atomic Development Mutual Fund, 1033 Thirtieth 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.**

Business in Brief—Economic trends—Economic Research Department, The Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

Canadian Business and Market Trends—Analysis in Monthly Bulletin, with a list of investment suggestions — Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Canadian Review—Monthly bulletin—The Bank of Nova Scotia, Toronto, Canada.

Dividends Every Month—Suggested portfolio—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a selected list of large electric power and light companies.

Farm Equipment Stock Index—Discussion with a brief analysis of six farm equipment stocks—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

Fire & Casualty Insurance Stocks—Comparison of 1957 earnings—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Foreign Exchange Quotations—Folder listing current quotations of currencies of 141 countries throughout the world—International Banking Dept., Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

Inflation—Study—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on the **Kendall Co.**

Insurance Stock Analyzer—Comparative figures as of Dec. 31, 1957—Blair & Co., Incorporated, 20 Broad Street, 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.

Life Insurance Company Stocks—Data on 21 selected issues—First Boston Corporation, 15 Broad Street, 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.

Nickel Industry—Analysis of outlook—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Canada and Royal Bank Building, Toronto, Canada. Also available is a review of the **Canadian Construction Industry** and **High Yield Corporation Bonds.**

Oil in Alaska—Report—McDonald, Holman & Co., Inc., 70 Pine Street, New York 5, N. Y.

Railroad Industry—Analysis with particular reference to **Chicago, Rock Island & Pacific Railroad, Missouri-Kansas-Texas Railroad, Seaboard Air Line, Great Northern Railway, Denver & Rio Grande Western, Kansas City Southern Railway,** and **Baltimore & Ohio**—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Stock Market vs. Industrial Activity—Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Treasury Refunding—Discussion—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Yields in the Post Recession Boom—Discussion—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

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American Air Filter Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

American Hospital Supply Corp.—Memorandum—The Illinois Company, 231 South La Salle Street, Chicago 4, Ill.

American Optical—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are data on **Kennecott Copper.**

Arizona Public Service Co.—Memorandum—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah.

Bankers & Shippers Insurance Company—Report—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif. Also available are reports on **Camden Fire Insurance Association, Kansas City Fire & Marine Insurance Company, Maryland Casualty Company, Pacific Indemnity Company, Pacific Insurance Company** and **Peerless Insurance Company.**

Brooklyn Union Gas Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **U. S. Borax & Chemical Corp.**

Colorado Oil and Gas Corporation — Card memorandum — Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

Cormac Photocopy Corp.—Analysis—Casper Rogers Company, 40 Exchange Place, New York 5, N. Y.

Eastern Industries, Incorporated,—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Emporium Capwell—Report—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available are analyses of **Stauffer Chemical Company** and **Pacific Clay Products.**

Equity Oil Co.—Data—James M. Toolan & Co., 67 Wall Street, New York 5, N. Y.

Erie Resistor Corp.—Memorandum—Fulton Reid & Co., Union Commerce Building, Cleveland 14, Ohio. Also available is a memorandum on **William S. Moore, Inc.**

Fuller Manufacturing Co.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available are memoranda on **Portsmouth Steel Corp., River Raisin Paper Co.** and **Standard Tube Co.**

Gas Service—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis. Also available is a memorandum on **Hamilton Manufacturing.**

Georgia Pacific Corporation—Analysis—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Government Development Bank for Puerto Rico—Quarterly report for period ended March 31, 1958—Government Development Bank, San Juan, Puerto Rico.

W. R. Grace & Company—Bulletin—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Great Southern Life Insurance Company—Analysis—Eddleman-Pollok Co., Bank of the Southwest Building, Houston 2, Tex.

E. J. Korvette, Inc.—Analysis—Cady, Roberts & Company, 408 Madison Avenue, New York 22, N. Y.

Mackey Airlines, Inc.—Memorandum—Atwill & Co., 605 Lincoln Road, Miami Beach 39, Fla.

Maine Turnpike—Bulletin—Tripp & Co., Inc., 40 Wall Street, New York 5, N. Y.

Marmon Herrington—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Marsh Foodliners, Inc.—Memorandum—K. J. Brown & Co., 118 South Mulberry Street, Muncie, Ind.

McColl-Frontenac Oil Company Limited — Analysis — Burns Bros. & Company Limited, 44 King Street, West, Toronto 1, Ont., Canada.

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

Page Hersey Tubes, Limited—Analysis—McLeod, Young, Weir & Company, Ltd., 50 King Street, West, Toronto, Canada.

Photon Inc.—Report—May & Gannon, 140 Federal Street, Boston 10, Mass.

Preway Inc.—Analysis—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available are studies of **Cutler Hammer, Inc.** and **American Express Company.**

Texas Gulf Sulphur — Analysis — Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

United American Life Insurance Co.—Memorandum—Lloyd Arnold & Co., 364 North Camden Drive, Beverly Hills, Calif.

Upper Peninsula Power Company—Analysis—A. G. Becker & Co., Incorporated, 60 Broadway, New York 4, N. Y.

Wilcox Oil—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Raytheon Manufacturing.**

COMING EVENTS

In Investment Field

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

June 5, 1958 (New York City)
American Stock Exchange 5 & 20 Club 12th annual golf tournament and dinner at Sunningdale Country Club, Scarsdale, N. Y.

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

June 6, 1958 (New York City)
Bond Club of New York 34th annual field day at Sleepy Hollow Country Club, Scarborough, N. Y.

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.

Aug. 21-22, 1958 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group IBA 24th annual summer frolic at the Columbine Country Club.

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.

A New Method of Disinflation

By PAUL EINZIG

Dr. Einzig looks askance at newly developed British formula of allowing wage increases, in nationalized industries, so long as they are coupled with neutralizing, increased productivity. The writer anticipates this new policy of cutting down uneconomical services and output will not so readily be imitated in the private sector and, in either case, sees no stop to higher wages producing higher unit costs and, in turn, higher prices. So long as trade unions insist, and receive, compensation for higher cost of living and for increase in output, the outlook for runaway inflation is assured according to this across-the-sea economists who, thus, disapproves of relaxed anti-inflationary policy accompanying this new wage formula.

LONDON, Eng.—The reduction of the Bank rate from 6 to 5½% on May 22 appears to indicate that the Government is not unduly worried about the prospects of another round of wage increases initiated by granting the employees of British Railways an increase of 3%. The Bank rate decision was made on the very day when an increase in the cost of living index by 2 points in April was announced, and when it was also announced that the terms of trade have moved against Britain.

Paul Einzig

Wage demands by trade unions representing 8¾ million workers are under consideration, and their outcome may decisively influence the trend of prices and exports. Yet the authorities decided to relax the disinflationary drive by further lowering the Bank rate from its crisis-level.

New Wage Formula

The explanation of official optimism lies in the development of a new formula which, the Government hopes, would be able to neutralize inflation created by wage increases. This formula was actually applied in the terms of the railway wage settlement. The 3% increase was granted on the understanding that the additional £10 million a year for wages would be found by cutting down services to a corresponding degree. A number of branch railway lines which have been run at a loss will be closed down, even though this will be gravely detrimental to the interests of the districts they serve. The number of passenger trains will be reduced, even though this is bound to cause considerable inconvenience to the traveling public. As a result, many thousands of employees will become redundant, and through their dismissal the total of wages paid by British Railways is hoped to be kept down at its present figure in spite of the 3% increase in wages.

The Government intends to make an effort to ensure the application of this formula to other wage settlements. This is feasible in the case of nationalized industries. The National Coal Board intends to close down a number of uneconomical coalfields, in order to be able to concede part of the wage increases demanded by the National Mineworkers Union. Other public services run by national boards will doubtless be in a position to save money for wage increases, by giving less satisfactory services to the public. When it comes to privately-owned industries, however, the matter is not so simple.

Doubts Increased Productivity Will Result

The public services may save money by producing less, but if private firms should do the same the decline in their output would wipe out the benefit of the reduction in their staffs. It would be a totally different matter if the trade unions were to agree that a smaller number of men would maintain the same output, and if such agreements were to be honored by the men. But judging by past experience it would be foolish to grant wage increases on the strength of such agreements. What would probably happen would be that the output of the reduced staffs would show a decline unless more overtime would be worked, in which case the total wage payments would increase in spite of the reductions in the number of employees.

Moreover, the Government's new formula would not even pretend to provide a remedy against cost inflation as distinct from demand inflation. Its declared aim is to keep down demand by preventing an increase in the total of consumer purchasing power resulting from the higher wages. But higher wages mean higher costs per unit of output, and this must mean a further increase in prices.

It is true, in the absence of a corresponding expansion of purchasing power, consumers would not be able to maintain the volume of purchases on the basis of the higher prices. In theory, therefore, this should prevent an increase in the price level, or it would tend to bring down the increased prices to their previous level. But in practice the higher prices would result in additional wage claims which, if satisfied to any considerable extent, would provide the purchasing power to maintain the demand in spite of the higher prices.

Formula Found Defective on Other Grounds

The Government's formula could not be continued to be applied indefinitely even by the public services. There is a limit beyond which these services could not be reduced. As for private firms, any attempt to maintain a limit to total wage payments in face of the rising wage rates would necessarily lead to a curtailment of the output, which again would reinforce the rising trend of prices.

Having regard to above considerations, it seems that the Government's enthusiasm for its newly-invented formula of disinflation through redundancy is misplaced. Perhaps the Government is well aware of this. But the alternative to putting forward this formula would be either to stand firm against wage demands at the risk of major strikes or to admit candidly that the disinflationary drive has failed. So the new formula is as good a face-saving device as any that could be devised at short notice. Nothing can stem the tide of inflationary wage increases so long as the conception that organized labor is entitled to be compensated for any increase in the cost of living, even if it is caused by the previous wage increases, continues to prevail.

There are no indications of any possibility of inducing the trade unions to abandon that conception. Indeed, the latest Socialist formula is that workers are entitled to annual wage increases corresponding to the increase in the cost of living *plus* the increase in the output. If such a super-inflationary formula should be widely accepted Britain's economy would be doomed to runaway *inflation.*

Jos. A. Field, Jr. With Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Joseph A. Field, Jr. has become associated with Hemphill, Noyes & Co., 9478 Santa Monica Boulevard. In the past he was a partner in Daniel Reeves & Co.

Malcolm Rogers With Walston & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Malcolm A. Rogers has rejoined Walston & Co., Inc., 408 Fourteenth Street. Mr. Rogers has recently been conducting his own investment business, Rogers & Co., in Oakland. In the past he was Vice-President of the First California Company.

Norman Sitzenstatter With Shumate & Co.

DALLAS, Tex. — Shumate & Company, Inc., First National Bank Building, announce the opening of a trading department

N. J. Sitzenstatter

specializing in Southwestern issues, with Norman J. Sitzenstatter as Vice-President and Manager. Mr. Sitzenstatter was formerly an officer of Eppler, Guerin & Turner, Inc.

Edward V. Mills With Irving Lundborg & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Edward V. Mills has become associated with Irving Lundborg & Co., 310 Sansome Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Mills was formerly with White, Weld & Co. and prior thereto was a partner in Reynolds & Co.

America Needs More Stockholders

By LOUIS H. ENGEL*

Vice-President, Merrill Lynch, Pierce, Fenner & Smith
New York City

Mr. Engel sees as the saving grace to the problem of meeting economy's continuously increasing capital requirements presented by people's ignorance of investing in American business the fact that people do "want to know." The securities dealer recounts efforts made by his firm to acquaint and educate the public in the A B C's of investing, and stresses the importance of this in terms of the individual's protection against price inflation and the national economy's welfare.

The program of public education which Merrill Lynch has pursued for the past 15 years, using virtually every means of communication possible, rests fundamentally on one premise: We believe it is desirable for everyone to invest who can afford to buy even so much as a single share of stock. We believe it is desirable from the personal point of view and from the point of view of our national economic welfare. I would like to explain why we believe investing is good from the personal point of view. There are two principal reasons for this conviction. The first is the fact that American business over the years has grown steadily, and it is going to go on growing. Obviously, benefit is to be gained from sharing in this growth.

Louis Engel

I dislike using statistics, but it is only in terms of figures that I can trace this dramatic story of industrial expansion. In 1913, this country had a gross national product of approximately $40 billion, according to the Department of Commerce. "Gross national product" is the economist's phrase for the total value of all goods and services produced in this country. By 1940, gross national product had increased to $100 billion—a nice, steady pattern of growth. But nothing compared to what happened in the succeeding 15 years. From 1940 to 1950, gross national product rose from $100 billion to $285 billion and by 1955, it stood at the astounding level of $390 billion—a figure ten times what it was in the days just before the first World War. Last year, gross national product was $434 billion.

But that isn't the whole story. The staff economists on the Joint Congressional Committee on the Economic Report tell us that the rate of production is going to accelerate still further until by 1965 gross national product will reach a level of $535 billion.

A second reason why it is good to invest is that common stocks can help offset the decline in the purchasing power of the dollar. The dollar of 1913 has dwindled until it is worth only 34 cents today. This, of course, means that prices have virtually tripled since 1913.

But in that same period, the average price of common stocks listed on the New York Stock Exchange has increased roughly 800%. They have virtually tripled in the past ten years alone.

Now you may properly ask if there isn't a risk in buying common stocks. Yes, there is a risk. But you should remember that there is a risk in just having money—the risk that the dollars you simply set aside may not buy as much in years to come when you want to spend them as they do now.

So much for the reasons why investing is good from an individual point of view.

Now let's look at the problem from the broader point of view of our national economy.

If business is going to go on growing at the rate predicted by the economists, it is going to need money for new plant and equipment. Ours is a mechanized economy. About 95% of everything we produce is made by machines, only 5% by hand. Not only do machines wear out but we are constantly developing new machines which can produce more efficiently.

Future Capital Requirements

Let me give you an idea of how much money American business has had to put into new plant and equipment over the years. From the turn of the century until the end of World War II, it applied $218 billion to that purpose. But in the next ten years alone, from 1946 to 1956, it put $232 billion into plant and equipment—more in that one decade than in all the preceding years of this century. And the Joint Committee on the Economic Report predicts that by 1965 capital requirements of business will rise from their present levels of about $35 billion to an estimated *$65 billion* a year.

Where, you may ask, is this money coming from that business needs? From banks? Some of it. From insurance companies? Some of it. From pension funds? Some of it. From trusts and estates? Some of it. But the blunt fact of the matter is that the great bulk of the money that business will need in the years ahead must come from individuals. And by "individuals," we necessarily mean people of moderate circumstances. It must come from millions of people with hundreds of dollars, rather than from hundreds of people with millions of dollars.

This is so because of the great redistribution of wealth and income which has been effected in this country over the past 25 years as a result of the application of our tax laws. Today, the millionaire can aptly be described as the Vanishing American and the great social phenomenon of our time has been the rise of the middle class. Let me give you some idea of the dimensions of that phenomenon. Since 1941, the total number of families has increased to 56 million—up 42%—but the number of families with incomes of $5,000 and over has multiplied 12½ times—up from 1½ million to 19½ million.

Before the war, a family with a $25 a week income was typical. Now that same family has a weekly income in excess of $75 a week.

You may say that this increase in income is not too significant because prices have increased so rapidly. That's true, they have. You may point out that taxes have also gone up drastically. And that's true, too. But for once in our history, income has increased faster even than prices and taxes. As a consequence, we have in the aggregate today more cash savings and money in the bank than ever before. In 1940, these liquid assets held by people amounted to just about $50 billion. Today it is over $200 billion—more than four times greater.

Not Doing Too Well

How well, you may ask, are we doing in channeling these savings, these liquid assets, into investments? How well are we doing in persuading people to buy a share in American industry in order that American industry may have the funds it needs for continued growth? The frank answer is: Not too well.

In 1952, the Brookings Institution of Washington completed the first census of American stockholders. That census showed that there were just 6½ million shareholders in America, representing about 4% of the individuals and only about 10% of all families. These findings, I may say, came as something of a shock to Wall Street, who always assumed that there were two or three times as many stockholders.

Two years ago, Alfred Politz Research, Inc. made another census for the New York Stock Exchange and this one provides some encouraging news—because it shows that in the intervening four years the number of share-owners has increased 33% to a level of 8,630,000. Still, this means that only about 13% of all the families own any stocks, and this figure contrasts unhappily with the 48% of families who own their own homes; and with the 78% who own life insurance. Currently, the Stock Exchange says shareholders number 9,000,000.

Public Ignorance

Why is it that more people don't invest in American business? The answer to that can be put in one word: ignorance. It is almost impossible to overstate the extent of public ignorance about stocks and bonds. You may recall in 1956 that the common stock of the Ford Motor Company was offered to the public for the first time, and this well-publicized offering seemed to catch the imagination of many people. Like other investment firms that helped to underwrite this gigantic issue, we were beleaguered by requests from all over the country for shares of Ford stock.

One of these requests came from an influential and successful Chevrolet dealer in a town in Texas, a presumably well informed businessman. He explained that he thought it was a fine thing the Ford Company was doing to let the public participate in ownership of the company and he concluded by saying that he only wished his own company would let people buy its stock! He didn't know he could buy a share of General Motors from any broker or security dealer in the United States by simply making a telephone call.

The best documentation of public ignorance about securities is afforded by a survey made some years ago by the New York Stock Exchange. The researchers asked people what they would do if they suddenly received a large sum of money—money which they didn't need for any purpose. To make the problem easy, six possible channels of investment were suggested to them — government bonds, common stocks, life insurance, corporate bonds, real estate, and savings banks. People were not restricted in their choice of these various types of investments. In other words, anyone who was being questioned could say that he would put some of the money into the saving bank, some into life insurance, some into common stocks, etc.

Here are the results of that survey: 83% said they'd put some of the money into government bonds. 67% said they'd put some into life insurance. 43% said they'd put some in the savings banks. 42% into real estate. Finally, only 16% of the people said they would put any of the money into common stocks, and

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*An address by Mr. Engel before the American Management Association Seminar on Investors Relations, New York City, May 7-9, 1958.

The Stockholder: The Neglected Man

By DONALD I. ROGERS*

Business and Financial Editor, New York "Herald Tribune"

Well-known financial publicist, after citing company attitudes of former times when financial information was cloaked in secrecy, appraises the stockholder's present status. Maintains present stockholder relations programs are characterized by lip service and lack of follow-through, and that conviction at top management levels is required for really good stockholder relations. Lists criticisms of conduct of annual meetings. Commends company executives' growing awareness of their shareholders as potential consumers. Urges managements learn who their stockholders are, and give them what they want; tell the company's full story to the press, investment bankers, brokers and security analysts; to make the reports worth reading; conduct the annual meeting meaningfully and gracefully; pay a fair dividend; and via stock ownership "put your money where your mouth is."

Marrying the Boss' daughter is still one of the traditional routes to success. It was not too long ago that this was also about the only way the small stockholder could get the full financial story of a corporation he might have invested his money in.

Donald I. Rogers

These were the days in which most of the newspapers in town kept a pool of one or two-share odd lots in several companies ready to use during the annual meeting season. Unless they were armed with a proxy, reporters just couldn't get a foot in the front door.

And the annual report in those days—not so remote as you think—was characteristically a bare-bones two-page statement, often more interesting for what it concealed than for what it revealed. Earnings and assets, as a matter of fact, were top secret stuff, and as jealously guarded as the combination to the underground vaults at Fort Knox.

Mystery, the Mother of Manipulation

This cloak of secrecy, though much in fashion, was thought to be *de rigeur* by almost everybody except a few free-thinking nonconformists. They, of course, could do little but take refuge in the understanding that if necessity was really the "mother of invention," then mystery was the mother of manipulation — as of course it is. There was scant comfort in this refuge, though, and one commentator, examining the balance sheet of a major paper company, took a really good look at an item headed "Mills, Plants and Water Powers" and somewhat despairingly conjectured that the figure certainly did contain "A generous volume of water."

This was a time, obviously, when management uncompromisingly regarded the stockholder as a foe—an antagonist. The stockholder was not a bell cow to be courted, but a Bossy to be milked.

The Present Situation

Now it appears that things have changed—but have they really?

Has management really come to regard the stockholder as a friend? Has it really stopped biting the hand that feeds it—or is management simply going through the motions—smiling through bared teeth much as you might suffer a bore at a cocktail party, the while meditating on the clinical joys of slipping a stiletto between his sixth and seventh ribs?

There is some evidence this is the case. Lots of corporations, of course, seem to be working hard at doing a job. You know the hallmarks as well as I do. An annual report that is as easy on the eyes and as slick and as presentable as good editorial judgment and the four color press can make it. There are other signs, too.

The hard working stockholder relations staff—even if it is a one man band, so to speak — that answers every letter no matter how trivial; every complaint, no matter how infantile; the welcome letters to new stockholders; the interim reports; plant tours; "Open House"; the "Road Show" regional annual meeting, and all the other "Win Friends and Influence People" techniques that fertile minds can devise.

This is all to the good. But much of it, I am afraid, does not spring from the genuine conviction that the stockholder is really a friend. Much of this "expertise," I am afraid, is simply just so much lip service. The stockholder is still the bore at the cocktail party. That seeming grin of welcome is really the grimace of the stout-hearted fellow who will bear up under it all — who will keep up appearances even if it kills him.

The Trappings

I say this for a number of reasons. There are corporations which have all the customary trappings of stockholder relations; the frosting on the cake; the four-color annual report—and no real understanding of stockholder relations at all. It takes some technical skill to generate these trappings and it takes a willingness to spend some money. Given these factors, you can't write down the ability of these corporations to construct a real stockholder relations program. But since they have the skills; since they have the trappings—and no real stockholder relations program—you can only conclude that management is just going through the motions; it is paying lip service to an ideal for which it has no conviction. The stockholder is still a Bossy to be milked —only now we'll do it with a smile.

A Reporter's Experiment

Let me show what I mean. Reporters, as every editor knows, are a Machiavellian lot. I know this because—as the press agent's favorite cry goes, "I'm an old reporter myself." Well, not too long ago one of the really Machiavellian types in our shop — he can quote from "The Prince" and the "Discourses" like the devil from scripture, and you should see his expense accounts—came up with a firebrand of an idea.

He had been immersed in the usual crop of annual reports and was struck by one thing. Those

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*A talk by Mr. Rogers before the American Management Association, New York City, May 7, 1958.

Commercial Finance Companies' Role in Present Day Lending Field

By J. MARTIN SEILER*

Executive Vice-President, A. J. Armstrong Co., Inc., N. Y. City
Vice-President, National Commercial Finance Conference, Inc.
New York City

In disabusing misconceptions held regarding the commercial financial industry, Mr. Seiler explains to bankers: (1) the distinguishing, important differences in the various types of finance companies making up the industry; (2) why finance companies are not competitive with banks; and (3) specialized techniques and services provided in domestic and international trade, and importance of charging proper costs in running an accounts receivable department. Asks bankers not to fix a portion of their loanable funds to "finance industry" but to break this general category down into different kinds of finance business to accord with diversification policies governing risk and seasonable use of funds. The author denies financing is restricted to those concerns doing badly and, in expressing skepticism about the proposed capital banks for small business, points out how worth-while small and large growth firms are financed with and without bank cooperation.

Bank executives are aware of the fact that there are many different types of finance companies, such as:

(A) The sales finance company which lends against the security of automobiles and trucks; (B) The small loan companies which make loans of limited size pursuant to the various small loan laws of the various states; (C) Discount finance companies which buy paper arising out of the sale to the consuming public of appliances, white goods, furniture, etc; (D) Companies who lend against or buy paper arising out of the sale of machinery and equipment; (E) Factors, and (F) Finally, commercial accounts receivable companies.

Jacob Martin Seiler

Frequently, bank officers refer to the various types of companies as "finance companies," and place them in one category in considering their loans. I respectfully submit that, except for broad generalizations, this is not quite proper. Over the years each of the various types of lenders have developed special techniques, procedures, laws and methods. In the case of the Factor and commercial finance company, there is a very high degree of liquidity as opposed to most other types of financing where loans are made from anywhere up to five years. The degree of risk is different, depending upon the underlying collateral security and the hazards of the particular business. Each of these types of business is differently affected by seasons and changes in the economy.

Frequently banks have refused to issue a new line of credit to a Factor or Commercial Accounts Receivable company because a fixed portion of the bank's lendable funds have already been committed to the "Finance Industry." I suggest that where this is done, if the bank's credit policy committee is really looking for diversification of risk and seasonal use of funds, it should break down this general category into its separate distinct and different kinds of finance business.

Commercial financing embraces generally the field of making loans and advances secured by accounts receivables. It differs from factoring mainly in the following respects:

Distinguishes Commercial Financing

The Factor buys the account outright and assumes the credit risk. The commercial finance company does not. It merely makes a loan against the account receivable, and although relying primarily upon the underlying security, nevertheless has the guaranty of the borrower, and in addition, usually receives the personal guaranty of the owners of the business. The factor notifies the debtor to make payment directly to the factor. In the case of commercial accounts receivable financing, the relationship is generally confidential — there is no notice given to the debtor — and payments are made to the seller, the client of the finance company. These payments are then turned over in specie, as received, to the finance company.

Occasionally, the commercial accounts receivable company also makes loans secured by inventory or machinery and equipment of the borrower. There are some companies, such as ours, who do both factoring and receivable financing, and in addition rediscount the paper of other smaller finance companies, finance imports and exports, and lend against contracts for exhibition of motion picture or television films. Frequently, in order to meet the requirements of the client, we have to engineer a financial plan which may incorporate a combination of various methods of lending and security.

One of the serious misconceptions that many people hold about financing is that it is restricted to those concerns doing very badly or on the verge of bankruptcy. Nothing could be further from the truth. If the funds to be supplied by the finance company cannot improve the prospects of the client and be employed profitably in the business, the finance company will generally not make the loan.

That is not to say that merely because the firm is losing money the finance company will turn it down. The finance company, however, will very closely examine the situation to see whether the causes for the losses are only temporary and can be overcome or remedied. It will often give its advice and counsel in helping to turn the tide and restore the company to profitable operations.

Most frequently, however, the typical customer of the finance company is a rapid growth business, whose continuously expanding sales require financing greater than can be obtained from banks or other similar institutions. As a matter of fact, many of these rapid growth companies have publicly acknowledged that, through the use of funds and assistance supplied by commercial finance companies, they were enabled to grow into highly successful multi-million dollar publicly held corporations. Among them, to mention only a few are, Monsanto Chemical Co., National Airlines, Dow Chemical Co. Continental Motors, Diners Club of America, O. A. Sutton Corp., Lithium Corporation and Vitamin Corp. of America.

Finance Companies Are Not Competitive With Banks

Bank men may wonder whether commercial finance companies are not competing with banks in making loans. That is not the case. Wherever the account is worthy of bank credit, the finance company will not vie for it.

In its excellent survey of Commercial Finance Companies and Factors just published by the Federal Reserve, it is stated: "In their long history these finance companies have developed specialized operating techniques and security devices to protect them from excessive risk in supplying large amounts of credit to businesses **that could not qualify for ordinary unsecured bank loans.** Moreover, the financing they provide **is not merely a higher cost substitute for bank credit.** It offers a continuing flexible supply of credit as needed, through immediate cash advances upon the assignment or sale of receivable invoices, and provides also for additional financing to meet seasonable needs and special opportunities for expansion. **While not a substitute for equity funds, commercial financing helps many small businesses with limited capital to grow."**

Proposed Capital Banks for Small Business

Several bills are now pending in Congress which would create capital banks for small business.

Some of these bills have powerful backing, such as that of Senator Lyndon Johnson, Representative Wright Patton and the Administration. In essence these bills are for the purpose of making available sources of equity capital as well as providing long term loans to small business.

Obviously, in the light of present day business conditions, this type of legislation has definite political appeal. However, there are two things that should be guarded against, and they are:

(1) Federal ownership of private business, and

(2) The use of Federal funds in competition with banks and other existing financing institutions, presently equipped with both personnel and experience to render this type of service.

There can be no disagreement with the general thesis that small business should be aided, if possible. However, we must not forget that business discontinuances are the result most frequently of a lack of business ability and experience.

A recent study by Dun & Bradstreet reveals that the preponderance of small companies who go bankrupt each year, do so primarily because of poor management. Because of rigorous competitive conditions existing today, all business finds itself in a period where only the efficient, cost conscious operator, able to market its merchandise effectively, can succeed. It is a time when business and industry are facing a fundamental test of their efficiency and ability.

Government financing, which would subsidize and keep alive small business which is marginal or incompetent, and does not have a valid economic reason for existence, cannot be a panacea for the economic ills of our country. There may be a place for such government capital banks if they confine their activities to furnishing equity capital and long term loans to businesses which have a sound reason for existence and encouragement. However, such capital banks should not compete with existing lending facilities, such as commercial finance companies, who are eager to lend to deserving small- and medium-sized firms.

Finance Companies Relationship With Banks

Our industry looks at itself as a retailer, to such companies, of the funds which the banking industry and the insurance companies, lend to us in wholesale quantities. The Robert Morris Associates, in a recent study, indicated that finance companies generally are one of the largest groups of borrowers from banks throughout the country. In addi-

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*An address by Mr. Seiler before the Bank Credit Associates of New York, New York City.

A New Look at the Budget

By MAURICE H. STANS*
Director of the Bureau of the Budget
Executive Office of the President

Federal Budget Director forecasts $8 to $10 billion deficit resulting from dynamic pre- and post-Sputnik and domestic economy changes. Mr. Stans points out that, even though deficits for economic recovery are accepted as inevitable now, we should not stampede ourselves into hasty, ill-considered actions which will add unnecessarily to our future burdens, nor allow pump-priming pressures to lead to unnecessary military expenditures. He also reviews Administration's policies and program dealing with nation's water and land resources.

I have been Director of the Budget for a very short while—a bare two months, to be explicit. I wouldn't have believed it possible, if anyone had told me that a budget so carefully and conscientiously compiled in January would be hardly recognizable a few weeks later.

Maurice H. Stans

In a dynamic economy the factor of change is always to be reckoned with. The budget is both a long-range estimate of income and outgo, and a work program for the government sector of the nation's economy. In any private business, the best laid plans are likely to be upset by shifts in consumer preferences, market conditions, and unforeseen requirements over and above a normally adequate cushion of reserves.

This is what has now happened to the Federal Budget. Our income is down, our defense costs are up, anti-recession measures are under way, and deficits of serious proportions confront us. Simple prudence compels us to rethink our work program and look critically at each one of the additional expenditure proposals being urged upon us.

I have said we much reckon with the factor of change. This does not mean that we either propose to fight change or be overwhelmed by it. Rather, it means that we have to accept it within a perspective that measures its meaning, its needs, and its probable duration. This is far from a "do-nothing" psychology; we are doing plenty, but we are doing it with our eyes open.

I want to detail something about the budgetary situation the country is facing at this time and its implications for the years to come. I hope that by doing this I can help to clarify some of our fiscal problems and how we might best approach them. Within this general setting, I want to discuss our public works programs, and more specifically about those concerned with water resources.

Past Budget Cut Pressure

A year ago, a great deal of indignation was voiced throughout the country about a Federal budget totaling almost $72 billion. A lot of pressure developed to cut back the budget and get government spending down below $70 billion in the next fiscal year.

Then last fall, while we were working on the 1959 budget, came the Sputnik and increased awareness of Soviet technological progress. This resulted in a substantial step-up in our expenditures for defense purposes.

Of course, we too had been making great progress in shifting to modern weapons and reshaping our military strategy over a period of years before the Sputnik. Significant changes in emphasis were taking place and are continuing to occur in our defense programs. For example, over three-quarters of our procurement funds in 1959 will go for types of equipment which hadn't been developed or weren't being bought in production quantities as recently as 1955, the first full fiscal year after Korea. Our spending in 1959 for missiles will be about four and a half times greater than in 1955, while spending for military equipment of declining importance is decreasing substantially.

Because of our efforts during the past few years, we can now take advantage of the successful developments thus far and are adding immeasurably to the power of our forces.

Since the 1959 budget was prepared, we have found that certain high priority military activities can effectively be speeded up even more. The President therefore recently requested $1.5 billion in additional funds from the Congress, and defense expenditures are now expected to be higher than the $40 billion estimated in the budget.

With over half of the budget going for defense, we are determined to assure that this spending is devoted to sound and essential purposes and that pressures for pump-priming do not lead to unnecessary military expenditures. But there is no escaping the great budgetary cost involved in providing adequately for the security needs of this country, given present world conditions. This is a cost we certainly must meet.

Altered Economic Course

Even more striking than the increase in defense costs is the way in which the current economic setback has changed the budget outlook. The early signs of an economic downturn were just appearing at the time we prepared the 1959 budget last fall. We now have a better measure of the recession we are in and have taken various actions to help reverse it.

Substantial programs have been enacted, such as the new housing bill and the highway act. Authority has been granted to enable civilian agencies to speed up planned purchases of supplies and equipment. The executive branch has acted to accelerate defense contracting, housing programs, repair and modernization of Federal buildings, civil public works (about which I will say more in a few minutes), and various other activities. Various proposals are now pending, including those to extend present periods of benefits for the unemployed and to assist areas of high and persistent unemployment.

These actions and proposals mean rising expenditures. Therefore, with lower tax collections as well, the deficit in the current fiscal year will be bigger than we anticipated. Similarly, a large deficit—in the general range of $8 to $10 billion, according to present tentative estimates — is in prospect for next year instead of the surplus we had planned.

Although we accept these deficits as inevitable now, if the government is to do its part in promoting economic recovery, we can't close our eyes to what's ahead. Pressures are continuing for vast new programs which would commit the government to large expenditures for years to come. Many of the proposals call for large scale new public works programs, even though these programs are already at a high level, and it would take a long time to get new projects started. Let's look briefly at this portion of the budget.

Looks at Domestic Budget

Here, a little perspective may be helpful. In the early 1820's about the time the rivers and harbors program was started, Federal expenditures for public works amounted to about half a million dollars. By the early 1900's, when the National Rivers and Harbors Congress was founded, spending for public works came to about $40 million a year, with rivers and harbors work accounting for about half of this amount. Fifty years later the annual amount for all public works had reached more than $2 billion. In fiscal 1957, the total was $4½ billion. This increase of more than one hundredfold since the turn of the century far exceeds the general growth in national production.

The upward trend is continuing. The 1959 budget estimated more than $6½ billion for public works, including highway construction. This estimate is higher than any previous year's total except during World War II, when military construction hit a peak.

Now let's look more specifically at the water resources programs. They account for the largest segment of civil public works except for the Federal-air highway program. Over the years the Federal Government has made large investments in navigation, flood control, irrigation, and related power developments. From the early 1820's through 1957, the government has spent $11 billion for projects of the Corps of Engineers and the Bureau of Reclamation alone. More than half of this investment has been made in the last 10 years. By the end of 1959, the total investment will reach around $12½ billion. These are capital expenditures for construction only. They exclude the substantial amounts spent for operation and maintenance of the projects.

In the 1959 budget, construction expenditures of these two agencies were estimated at almost $700 million—higher than in any of the five preceding years. Recently, the Corps of Engineers and the Bureau of Reclamation were directed to provide for an orderly speedup of their rates of construction in 1958, and the 1959 budget was amended to provide additional appropriations to continue the expanded rates in 1959. Such actions reflect the belief that speeding up projects already under way can provide employment more promptly than new starts would. The result will be to increase expenditures in these years over the budget figures.

To complete the projects now under way will require expenditures of about $5 billion in the next few years. By 1960 and 1961 annual construction expenditures by the Corps of Engineers and the Bureau of Reclamation may well reach a billion dollar level, even with no new starts. The completion of going projects will, of course, pave the way for new starts at a later time.

Water and Land Resources

This Administration is vitally interested in the orderly development, conservation, and use of the nation's water and land resources. The President has continuously sought, with the cooperation of other public and private interests, to strengthen and improve resource programs at the Federal, State, and local levels. Recently he regretfully withheld his approval of an omnibus bill authorizing appropriations for rivers and harbors and flood control improvements. While the bill included many worthwhile projects, it included some which did not meet the requirements of sound projects. The President dislikes vetoing legislation. But he feels that he must meet his responsibility to follow an orderly and legally established process under which a project authorization is sought only after basic investigations have indicated its economic justification. Moreover, there should be adequate local cost-sharing to reflect local benefits resulting from the project.

Over the 50 years of its existence, the National Rivers and Harbors has contributed toward the orderly development of our water resources. With your background of information and experience in this field, I am sure that you can be most helpful in the coordination of efforts to secure enactment of legislation — such as the President recently recommended in his letter of April 26 to Senator Knowland and Representative Martin — which carries out these principles.

There is now a backlog of almost $8 billion of authorized river and harbor, flood control, and irrigation projects which have not been started. Through mutual efforts of all interested groups, other justifiable work will be authorized within the framework of sound overall budgetary policies.

As you know, the budget as a whole includes a large variety of programs. We have programs for national security, for agriculture, for veterans, for natural resources, and for a host of other competing needs. Of necessity, these must all be weighed against each other and priorities must be determined on the use of the tax money we all pay. In that way we can plan to meet our urgent national responsibilities while keeping our financial position sound.

At the present time, with so many programs being considered as anti-recession measures, we are moving rapidly toward $80-billion budgets — just a year after the loud outcry about a budget of $70 billion. This could well mean extended deficit spending. Then the pendulum will swing the other way again and there will be great demands for economies and cutbacks in government programs.

I am sure you will agree with me that it would be far better in the long run if the problems of the country could be dealt with on a more rational and consistent basis. To accept and deal with change does not necessitate violent ups and downs from year to year in an atmosphere of crisis over temporary conditions.

No Hasty Action Urged

That is why I want to urge upon you that we must keep a sense of perspective about our national problems and the budget. The current recession should not be allowed to stampede us into hasty, ill-considered actions which will add unnecessarily to our future burdens. Let's not forget that the course of our type of economy depends in the last analysis on millions of economic decisions by individuals and businesses, made freely every day. The role of government in this economic system should be to stimulate rather than to try to dominate private activity.

To perform his role wisely, the government needs the understanding and assistance of everyone—individuals, business organizations, and local, State and national groups. As citizens and as members of this Rivers and Harbors Congress, your continued cooperation can play an important part in helping to assure that our Federal investments in resources are devoted to those projects which contribute most to meeting national needs, with due consideration for our total fiscal situation. In this way, you will be making a vital contribution to the present and future strength of America.

*An address by Mr. Stans before the National Rivers and Harbors Congress, Washington, D. C., May 15, 1958.

Continued from page 7

Solving the Problems of Recession and Inflation

in management, because we are resentful over the pressure tactics of unions, unconsciously may fall into the frame of mind that the welfare of our employees is no longer of primary concern to us. All too often shop stewards and grievance committees, through indefensible actions, have erected an American version of an iron curtain between the employee and management. The initiative of our organized employees has been smothered by seniority rules, slowdowns and the compulsion to conform to minimum standards of performance.

It is understandable that we throw up our hands, bargain collectively as best we can and look upon our employees as tools of the union rather than as members of our company team. We discard one of the chief assets of the free enterprise system when we consider the welfare and the interests of our employees the concern of the union and not ours. Once more we in industry need a new concept of management-employee relationships. We businessmen are supposed to be smart but we are letting union leaders put us on the defensive. It is about time we take over the position of being the champions of our own employees.

Also, by encouraging productivity and loyalty among our employees, we can strengthen our hands in combatting unsound union practices and demands. Unless these approaches are taken by industry, management-employee relationships will deteriorate still further and the "more pay for less work" philosophy will continue to prevail. There is just the chance, too, that if, in our relationships with the unions, we take the initiative in seeking a teamwork approach to the critical problems facing business, we may find union leadership somewhat more receptive than some of our conservative business leaders may anticipate.

Since the largest single share of the consumer's dollar goes for food, you and I have a special obligation to solve these problems. This we can and must do.

In peace and in wartime, this industry has shown leadership of a high order. This same resourcefulness and statesmanship which businessmen have demonstrated in past emergencies is needed now. If you and I and thousands of other businessmen will meet this challenge, our economy will remain sound and our customers will enjoy an ever-increasing standard of eating and living.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Walter R. Steinhoff, Jr., is now affiliated with Walston & Co., Inc., 550 South Spring Street.

Elworthy Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jack D. Hawkins has been added to the staff of Elworthy & Co., 111 Sutter Street.

With Hannaford, Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Don J. Hall is now affiliated with Hannaford & Talbot, 519 California Street. He was formerly with Pacific Coast Securities Co.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—John L. Kennedy has become connected with E. F. Hutton & Company, Trust Company of Georgia Building.

Signs of Better Days Ahead For Railroad Industry

By DANIEL P. LOOMIS*

President, Association of American Railroads, Washington, D. C.

Railroad industry's spokesman believes adoption of Senate subcommittee's recommendations relating to public transportation policies would improve the present serious railroad situation. Mr. Loomis notes that legislative proposals, which he reviews, will not establish equality of treatment and opportunities sought by railroads but finds, nevertheless, it is definitely a helpful step in that direction. Concludes that current rising interest is an encouraging sign of better days ahead.

As a representative of the railroads I take particular pride in discussing a form of transportation which the Senate Subcommittee on Surface Transportation has recently described as "the bedrock of our nation's transportation system." The railroads, of course, are but one of the several important transportation industries that serve the people of America. But the flexibility and convenience of the rail method of individually loaded cars, combined with the economy of moving these cars in mass between terminals, give the railroads a unique position in the transportation field.

Daniel P. Loomis

These railroads are, nevertheless, in financial difficulties—difficulties so severe as to cause Senator George A. Smathers, Chairman of the Senate Surface Transportation Subcommittee, to describe them as being in a "deteriorating situation." If this deterioration were due in any large degree to inherent deficiencies in the rail method of transporting people and goods, or to failure of the railroads to keep pace with the parade of progress, their situation would not be hard to understand. The fact is, however, that it is due to neither. Railroads have important and unmatched advantages in efficient and economical use of fuel, manpower and materials to produce transportation service. And just in the years since the end of World War II, they have virtually completed a revolution of motive power resulting in the highly efficient diesel locomotive doing more than 90% of all railroad work. In the same years, the railroads have put into service more than 800,000 new freight cars, many of them especially tailored to shippers' varying needs. They have improved the alignment of track, strengthened bridges, installed 20,000 miles of centralized traffic control, built push-button yards which are marvels of efficient operation.

And the research which has made these and other changes possible is going on today at an accelerated rate. The first building in the Association of American Railroads Research Center on the campus of the Illinois Institute of Technology was built in 1950. The second building was added in 1953, a third one in 1957, and a fourth is planned for 1959 or 1960. This is but one indication of the spirit of study and investigation and the testing of new devices and methods that have been trademarks of railroads from the beginning. And today on the great 220,000-mile proving ground which the railroad system is, this enthusiasm for research and testing is more in evidence than at any time in the long history of railroad achievement.

But research and investigation by themselves are not enough to keep up with national needs. There must also be investment of money in the improved materials and machines developed by research. Such investment has gone on to the tune of more than $1 billion a year for every year since the end of World War II, a total of nearly $14 billion in 13 years.

And yet there can be no doubt that the railroad situation is—as Senator Smathers said — both difficult and deteriorating. What is needed, the railroads believe, is a revision of the public policies under which the business of transportation is carried on. This need has been recognized by students of transportation, and by public officials, the latest such recognition being given in a report by Senator Smathers' Subcommittee on Surface Transportation submitted on April 30 last. This report on "Problems of the Railroads" carries with it a recommended program for improvement of the situation.

Extensive Hearings

The program is the result of hearings extending over 11 weeks in which 103 witnesses presented the views not only of all forms of transportation but also those of transportation users, agricultural associations, labor organizations, public regulatory bodies, government departments, and economists and students of transportation. It is not the program of any one of these groups or individuals. It is rather the result of study and consideration of the views of all by the Subcommittee. It is based on the Subcommittee's conclusion that the general decline in the railroad industry is due to the intense competition of newer methods of transportation, the government's assistance offered to the railroads' competitors, over-regulation by Federal and State agencies usually under ancient and outmoded laws and procedures, and failure on the part of some railroad managements to "recognize changing conditions, times and tastes."

The program is not one that deals completely with all these factors. One reason is the Subcommittee's conclusion that in major areas the railroads' difficulties are attributable to matters which are principally under the control of state and local governments and their agencies. These matters include the problems of commuter service in large metropolitan centers, the losses from which impose a serious burden upon interstate commerce. It is likewise true of another area—that of inequitable state and local taxation. In both areas the Subcommittee concludes that solutions must be found but recommends that these be sought locally.

In the areas of Federal action the Subcommittee has recommended a program which, while it will not establish the conditions of equality of treatment and opportunity which the railroads seek, is nevertheless a definitely helpful step in that direction.

Guaranteed Loans

One item of this program is a plan for government guaranteed loans to aid temporarily railroads unable to obtain needed funds on reasonable terms through ordinary commercial channels. Such a program under the administration of the Interstate Commerce Commission would be in keeping with procedures already established under the housing laws, the Merchant Marine programs, the feeder airline programs, and others. The guaranteed loans would be made by commercial lending institutions for a term not to exceed 15 years. The proceeds could be used to finance or refinance acquisitions or construction of equipment and other additions or betterments, and to provide funds for operating expenses, working capital and interest on existing obligations. Such guaranteed loans would help prevent bankruptcy of those railroads that are in precarious financial condition but the Subcommittee does not contemplate that this should constitute a "giveaway" program.

The risk of loss to the government on its guarantees, if we may judge by past experience of the government in making loans to railroads, would be negligible. For example, in the early days, the Federal Government made loans to six pioneer "Pacific" railroads. These loans—which, incidentally, are often erroneously described as gifts — amounted to $64 million, and they were repaid, plus $104 million in interest. The second experience of the Federal Government in making loans to railroads was when the roads were returned to private operation after World War I. These loans totaled $1,080,000,000 and again they were repaid, this time with $244 million in interest. Public Works Administration and Reconstruction Finance loans amounted to $1,200,000,000, made the railroads during the depression, and were repaid with $277 million in interest. It is true that the proposal now under consideration is not that the government lend money to railroads but only that it guarantee repayment of loans made by private lenders. The government's experience with its direct loans to railroads under emergency conditions is cited, however, merely to indicate the slight degree of risk involved in this proposal.

In making this proposal, the Subcommittee emphasizes that temporary financial assistance to the railroads is of an emergency nature and is not an answer to long-range problems. The Subcommittee, therefore, offers other legislative proposals designed to "furnish more substantial basis for curing the basic ills of the railroads."

Substantial Proposals

Among these recommendations are two affecting depreciation of railroad equipment and property for tax purposes. The importance of the level of depreciation charges permitted is highlighted by the fact that freight cars which cost $2,500 are having to be replaced with cars which cost $8,500. That leaves a difference of $6,000 between the amounts which railroads have set aside in depreciation accruals to provide for replacement of the car and the cost of the new car—a difference of $6,000 which railroads must find for every new car purchased. Moreover, because corporation earnings are taxed at the rate of 52%, the railroads must earn more than $12,000 in order to accumulate $6,000.

As a measure of partially relieving this situation, as well as to encourage more rapid replacement of railroad facilities and the necessary modernization of the railroad plant, the Subcommittee recommends that railroads be allowed to set up a "construction

Continued on page 23

*An address by Mr. Loomis before Pittsburgh Chapter of Delta Nu Alpha, Transportation Fraternity, Pittsburgh, Pa., May 12, 1958.

From Washington Ahead of the News

By CARLISLE BARGERON

Vice-President Nixon is reported now to be at the top of his political popularity and a virtual shoo in for the Republican Presidential nomination in 1960. Your correspondent would like to think this is true because there is no one for whom he has greater admiration, that is, in the great game of politics.

Carlisle Bargeron

I met Mr. Nixon when he first came to Congress as a young California member of the House Labor Committee. The word had come down from the Republican leadership that the Taft-Hartley labor bill was to be passed. As a result the pro-labor and conservative members of the committee simply went through the motions in questioning the various witnesses who appeared pro and con. Two exceptions were the freshmen, Nixon and young John Kennedy. They asked penetrating questions of the witnesses and brought them to brook.

It is interesting to note that both men have come far in politics and together are being mentioned as Presidential candidates.

When Nixon came in he had defeated the leftist Jerry Voorhees. Nixon is still blamed by the leftwingers, including the ADA, for the campaign he made against Voorhees but more so for the subsequent campaign he made against, for the Senatorship, Helen Gahagen Douglas, a darling of the so-called liberals. He called a spade a spade and left no trick unturned in this campaign.

But Mr. Nixon, now riding a popularity wave because of his treatment in Latin America, is in for some of the greatest abuse an American politician has ever taken.

Already the smear has set in that he deliberately went to Latin America knowing the hostile treatment he would receive and that he was willing to involve his country in war to further his own political ends. This is certainly a new twist in the vicious game of politics. One thing that is quite clear is that he did not cook up the trip. What is not so clear is what information our security agencies had on the nature of the reception he would receive.

As it turns out, he acted most courageously in the face of humiliating and dangerous treatment and since his return he has acted most graciously towards the people who insulted and mistreated him. In the matter of the Venezuelans I think he has acted entirely too graciously. It is quite high minded of him to say that we have got to re-examine our policy towards these people. The fact is that Venezuela has built its present prosperity on our oil imports and on the investments of United States and Bethlehem Steel. In particular the two steel companies have built schools and roads and otherwise contributed to the Venezuelan economy.

It is a frequent piece in our propaganda ridden country that we have given our money to Asiatic and European countries but we have neglected our neighbors to the south of us. The fact is that the Export-Import Bank has been twice reorganized with a view to helping Latin America countries and it is also a fact that their internal policies resist this help and they particularly resist investments by United States enterprises.

The situation hasn't changed much since Franklin Delano Roosevelt encouraged the Mexicans to expropriate American properties.

Getting back to Nixon, I worry about the efforts of the "Liberals" to change him, to make him as they say, a much broader and mature man. One reads at the hands of "Liberal" writers that he regrets his attacks upon Jerry Voorhees and Helen Gahagen Douglas. He assigns this, according to these writers, to his immaturity. Insofar as I know he hasn't apologized for his attack upon Alger Hiss. That would be the last straw. I admire the man for what he has done and I don't think he owes any apology to anybody. What is more, his political strength so far has come from the right of center Republicans. I hope that in his anxiety to please he doesn't get away from them. As their spokesman, I believe, lies his future and if he would make the same sort of campaign in 1960 that he made in seeking a seat in Congress and subsequently in the Senate we would have a showdown in this country between the right and left, and in such a showdown I think he would win. If the campaign is not on such a showdown what difference would it make?

With P. W. Brooks

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, Me.—W. De Wolfe Finch has become affiliated with P. W. Brooks & Co. Incorporated, 15 Western Avenue.

Joins du Pont, Homsey

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Stanley S. Wolkowicz has joined the staff of du Pont, Homsey & Company, 95 State Street. He was formerly with J. C. Roberts & Co.

Goldman, Sachs Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Philip S. Aronson has been added to the staff of Goldman, Sachs & Co., 75 Federal Street.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William E. Kramer, Richard S. Slocumb and W. William Young are now affiliated with Merrill Lynch, Pierce, Fenner & Smith, 511 Locust St.

Joins Jaclyn Oertle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Robert E. Quest has joined the staff of Jaclyn Oertle Investments, 7713-A Brookline Terrace. Mr. Quest was previously with J. F. Lynam & Co., Inc.

With Peninsular Inv.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Lawrence L. Dee is now affiliated with Peninsular Investments, 134 Beach Drive, North.

With Yarnall, Biddle

PHILADELPHIA, Pa.—Yarnall, Biddle & Co., 1528 Walnut Street, members of the New York Stock Exchange and other leading exchanges, announce that Charlton Yarnall II is now associated with them as a registered representative.

Proposal for Federal Industrial Mortgage Program

By FRANK G. BINSWANGER, SR.*

President, Frank G. Binswanger, Inc., Philadelphia, Pa.

One of the country's leading industrial and commercial realtors submits a far-reaching proposal for the Federal Government to cut a "financial Gordian knot" by establishing a mortgage insurance program for industry — similar in concept to the FHA for private home owners. Mr. Binswanger's plan envisions a long-range industrial mortgage insurance program for manufacturing industries with assets of $5 million and under. Believes this would affect 84% of entire industrial community, which produces 48% of its volume and yet finds it extremely difficult to secure adequate financing for construction, expansion and modernization, and ventures the prediction that this program will do more to combat the recession than would a public works program.

A widespread industry problem which has been developing for many years has assumed critical proportions, partly because of the current business downturn and other economic factors.

It is a problem which I believe now requires direct assistance from the Federal Government. But, unlike the usual program asking for government help, it does not entail subsidization. In 1958, an estimated $34 billion is scheduled to be spent for new plant construction, modernization, expansion or relocation.

Yet, small and medium-sized companies have found it extremely difficult to get financing to carry out their plans. As a result, such capital expenditures are being sharply curtailed or dropped completely.

Many large corporations which are publicly held can float stock or bond issues to raise the necessary funds.

But small and medium-sized companies have no place to turn.

Yet, companies of this size represent 84% of the total industrial units of the country, and account for 48% of the dollar volume of American industry.

Such companies constitute the backbone of our industrial might. If these firms are forced to curtail expansion, new building and similar activities, the repercussions will be felt throughout our economy.

With the guaranteed FHA mortgage available to most prospective home buyers, the building industry has prospered, and as its prosperity mushroomed, helped the national economy reach unprecedented heights.

Details Advantageous Consequences

The effects of industrial expansion are even more far-reaching. It means a greater demand for labor; more tax revenue for states and communities, increased activity in the construction field and a general business upswing.

To industry itself, it means the ability to take advantage of modern techniques which, coupled with modern plant facilities will mean increased efficiency and economical productivity.

It will aid a firm with multistory space to relocate in a single floor building; help a firm which has a multi-plant operation consolidate in a single facility if necessary to control costs and maintain a competitive status; or allow a company to undertake new construction.

In order that these objectives may be accomplished, I propose that the Federal Government immediately institute a long-range program of mortgage insurance for industry, similar in concept to the FHA, which will fill the gap between the circumscribed lending powers of the Small Business Administration and available public or private financing.

It would be designed specifically to provide mortgage insurance for industrial firms with assets of $5 million or less.

To further insure that such a program make funds available where they are most needed, I suggest that the money be allocated in ratio to the number of industries operating in the following categories:

Assets of:
$1 million or less
$1 million - $1,999,999
$2 million - $2,999,999
$3 million - $3,999,999
$4 million - $5 million

The money to operate such a program would be drawn from a Congressional appropriation. The agency responsible for administering the fund would be empowered to incur obligations up to half the total appropriation the first year of its operation, then 50% of its balance each succeeding year as the revolving fund becomes established.

I believe that by guaranteeing 50% of the mortgage money required by industrial firms for new plant construction, modernization and expansion, such an agency would accomplish two things:

(1) It would stimulate the flow of funds from private sources much as the FHA guarantee program does for private home construction.

(2) By limiting the insurance to one-half of the total, it would, in effect, make at least twice as much money available to industry under the program for construction, relocation, expansion and modernization.

I further propose that a committee representing industry, finance and government be established to regulate the amounts appropriated to the agency guiding the program. Increases or decreases in the demand by industry for financing would be translated by this committee into larger or smaller appropriations for the agency.

The agency established to regulate a Federal Industrial Mortgage program would be empowered to insure mortgages for a maximum of 25 years at interest rates commensurate with realistic prevailing rates.

To Cover New and Old Facilities

It is important to stress that Federally - guaranteed mortgages must be available for either new construction, or the purchase by an industrial firm of an existing facility. In the past, when industrial mortgage money was plentiful, there was a marked reluctance on the part of private sources to supply funds for the purchase of an older, existing building. With industry engaged in a migratory period, there are an increasing number of existing facilities which are ideally suited for continued use. Yet, if a mortgage insurance program were available only for new construction, these plants would become a glut on the market. Since many industries rely upon the sale of their old facility to enable them to build a new plant, or relocate in an existing building, the effectiveness of a mortgage insurance program would be seriously hampered if it did not include provisions for guaranteed mortgages to purchase existing structures.

In addition to the ceiling proposed for limiting the scope of such an insurance program, there are several standards that should be adopted to establish the eligibility of a company.

Aside from the normal financial stability and worth of a company, these factors should be used as guides to eligibility:

(1) The company must be engaged in a manufacturing process, or an allied field, such as research and development.

(2) No permanent priority system should be put into effect, so that all industries which fall into the proposed financial categories are equally eligible for insured mortgages. However, due to the current business conditions, it is suggested that plants located in areas where there is a labor surplus applying for insured mortgages be given temporary priority.

(3) There should be no limit on the number of insured mortgages a company is permitted. This will provide protection for companies with multi-plant operations who, of necessity, might apply for several mortgages in a relatively short period.

(4) Insured facilities, whether new construction or existing structures, should not exceed 300,000 square feet per plant, and should be buildings that can be used by more than one industry.

In order to secure the necessary funds to begin such a program, I strongly urge that a portion of the Federal money now being allocated for "pump priming" public works projects be used instead to establish a treasury for the mortgage insurance program for industry.

Better Than Public Works

The funds thus diverted to industry would produce many times more employment, more taxables, more productivity and more financial activity and consumer spending than could ever be produced by the most ambitious public works program, or other proposed anti-recession measures.

While it will benefit labor, communities and the national economy in general, there is another important factor to be considered. The U. S. now leads the world in production and techniques, but Russia and other Eastern countries have a far higher percentage of modern plant facilities than the U. S. To rid itself of creeping obsolescence, American industry must be given adequate financing to modernize and expand.

Under this proposal, the responsibility of creating a healthier economy is placed squarely where it belongs—upon industry, which is the base of our entire economy.

Such a program would be self-liquidating and, in the long run, would return a profit to the government in the form of taxable corporate and personal income.

Historically, industrial firms comprise the best credit risks in the country. The ever-dwindling number of mortgage failures by homeowners with FHA and VA insured loans is testimony to the fact that insured mortgages given to average credit risks are profitable comparatively risk-free investments.

In summation, I propose the following steps be taken immediately by the Federal Government to help the nation's economy in this critical period and on a long term basis:

Summary

(1) That a Federal Industrial Mortgage Loan program be established to guarantee mortgages to industry for a maximum of 25 years at prevailing interest rates; the government to insure 50% of the total mortgage commitment.

(2) That such insured mortgages be made available to manufacturing companies, and allied firms, for the construction of new plants, the purchase of existing buildings, modernization and expansion.

(3) That the only firms with assets of $5 million or less be eligible to receive Federally-insured mortgages, with funds being allocated in proportion to the total number of companies in the five financial brackets suggested.

(4) Funds for such a program would come from Congressional appropriation, with a committee empowered to recommend an increase, or decrease, in the total budget available as the economy of the country fluctuates. The agency established to administer the program could incur obligations of up to 50% of its balance each year, working on a revolving fund principle.

(5) To start the program immediately, the initial funds could be drawn from current appropriations for public works. As a temporary measure, because of the current business downturn, priority should be given to plants in areas where there is severe unemployment. However, no permanent priority system is advocated.

*Mr. Binswanger's proposal was made to Sen. Styles Bridges (R.-N. H.), Sen. Joseph C. O'Mahoney (D.-Wyo.), and Carl F. Oechsle, Deputy Assistant to the Secretary of Commerce, Washington, D. C., May 14, 1958.

H. J. Burke Joins Cruttenden, Podesta

CHICAGO, Ill. — Herbert J. (Joe) Burke has joined Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, as a registered representative, Robert A. Podesta, managing partner, announced.

Herbert J. Burke

Mr. Burke formerly managed the Stock Department of the New York Hanseatic Corporation. Prior to that, he was Vice-President of Rogers & Tracy, Inc. before their merger. He began his career on La Salle Street with A. C. Allyn & Co. in 1923.

Granger & Company Celebrates 60 Years

Granger & Company, 111 Broadway, New York City, members of the New York Stock Exchange, May 26 celebrated their Sixtieth Anniversary.

L. C. Fisher Branch

ATHENS, Ala.—L. C. Fisher & Company has opened a branch office in the Gray-Holt Building, under the direction of Binford Turner.

Public Utility Securities

By KENNETH HOLLISTER*

Northern Natural Gas

Northern Natural Gas owns and operates an extensive natural gas pipeline system extending from northwest Texas through the wheat and corn growing states of Kansas, Nebraska and Iowa and extending northward into Minnesota and minor portions of South Dakota. The company owns two subsidiaries: Northern Natural Gas Producing Co., which is wholly owned, operates as an exploration and development arm of the system, and Permian Basin Pipeline Co., majority owned, which gathers and transmits gas for the Northern system in west Texas and New Mexico. Approximately 70% of sales is made to other utilities for resale and the remaining 30% is delivered to industrial customers for direct consumption. Among the major cities served by customer companies are the Twin Cities of Minneapolis and St. Paul, Minn., Des Moines and Dubuque, Iowa and over 380 other medium and smaller-sized communities. Total population served is about 2,800,000 of which about 77% use natural gas for house heating. While the market area is predominately agricultural, there is an increasing influx of industry which is giving the economy a desirable balance. Some of the more important industrial operations in the territory are food processing, the manufacture of cement, ceramics and gypsum, fabrication of farm implements and chemicals, fertilizer and glass plants.

Growth of the area has been below the national average in recent years, but has been steady. In common with most other areas there also has been a fairly rapid population shift toward the urban areas. Because of the relatively high heating saturation, the major portion of future growth of Northern Natural Gas will depend to a greater than average extent on service to new towns and areas.

For the past two years, the company has sought authority to extend its lines to serve over 200 new communities in Nebraska, Iowa, South Dakota and Minnesota. Because of a competitive application of another pipeline, however, hearings before the FPC have been delayed and no new towns connected. Additional service was provided, however, to customers that currently purchase gas from the company. Most of the communities that the company proposes to serve are of moderate size, but the major cities of Superior and Duluth, Minn., are included in the application. Recent developments indicate that the hearings on these applications will continue for sometime and much of Northern's proposed expansion program may be delayed for another year. An interesting non-related development concerns a proposal to provide Northern Illinois Gas Co. with 50 million cubic feet commencing in the fall of 1958. This sale, if approved by the FPC, will be made near Dubuque, Iowa, and will provide the company with a new high load factor market.

During 1957, the company spent $50 million, and the subsidiaries about $22 million. As no new communities were added, the bulk of the construction expenditures were directed toward enlarging the gathering system, connection of new gas wells, development of underground storage and addition of compressor capacity. The level of construction expenditures for 1958 will depend on FPC action on the company's proposal to serve new areas, but is tentatively estimated at about $42 million. An additional $22 million will again be spent for exploration and development of gas and oil properties and miscellaneous additions and improvements by the subsidiaries. If the full expansion program were to be approved by the FPC, total expenditures, including those of the subsidiaries, would aggregate about $114 million. Last year, $55 million of debentures and $16 million of preferred stock were sold to finance the construction program and early in 1958 $22 million of common stock was sold. No additional common stock sale is anticipated during 1958, but authorization to undertake the full construction program would undoubtedly necessitate the sale of equity. The consolidated capital structure as of Dec. 31, 1957, adjusted, pro forma, for the sale of common stock in January 1958 aggregates $404 million, divided as follows: funded debt 55%, preferred stock 11% and common stock and surplus 34%.

Gas is purchased under long term contracts in the Panhandle and Hugoton fields in Texas, the Kansas and Oklahoma portions of the Hugoton field and the Permian Basin area in Texas and New Mexico. Approximately 90% of requirements are purchased from independent producers and the remaining 10% from the producing subsidiary. Owned or controlled gas reserves exceeded 11.8 billion cubic feet at the end of 1957, and appear ample to support the company's sales for over 20 years. Reserves of Northern Natural Gas Producing Company are now about 1.9 trillion cubic feet, reflecting a net increase of 400 billion cubic feet during the past year. In addition, the company in conjunction with other operators, owned a sizable interest in the Savanna Creek field in southern Alberta. Initial production in this field is to be sold to Westcoast Transmission for export to the Pacific northwest markets, but Northern Natural Gas has a call on gas from this field above the requirements of the Westcoast contract.

In August 1957, the company filed an application with FPC to increase its rates $6.5 million annually in order to offset higher costs and to increase the rate of return from 6% to 6¼%. This application of course will ultimately be subject to the outcome of the Memphis decision and may have to be refunded. In recent months, however, the company has signed contracts with all of its customers for increased gas deliveries beginning October 1958. Terms of these agreements relating to rates specify that the tariff on file with FPC at that time shall be the effective rate. As the company does not contemplate seeking any increased rates beyond those which were sought in 1957, the Memphis decision should affect only revenues collected between August of that year and October 1958.

The earnings record of Northern Natural Gas in recent years has been quite impressive, rising from $1.38 for 1954 (adjusted for a 2 for 1 split in April 1958) to $1.87 for 1957. Of the latter figure, however, approximately 27¢ is subject to refund if the Memphis decision is upheld. Assuming the present rates are permitted to remain in effect, earnings for 1958 are expected slightly more to offset the dilution resulting from a 1 for 8 common stock offering last January. As expansion plans beyond this year are uncertain, valid estimates of future earnings cannot be made at this time. The company has followed a policy of recognizing increased earnings with higher dividends, the last increase to $1.40 annually being made in November 1957. At the current price of 29½, this stock yields about 4.75% which seems reasonable for a stock of this quality.

*Substituting for Owen Ely who is on vacation.

Continued from page 10

America Needs More Stockholders

only 13% named corporate bonds.

The researchers then asked the people to assume that the country faced ten years of steadily rising prices and to make their selections on the basis of that assumption. When the question was put that way, some of the people thought about it a little more intelligently and as a result common stocks got a vote of 23%.

Finally, the researchers asked the most penetrating question of all. They asked the people, again assuming we were faced with ten years of steadily rising prices, whether they could see any disadvantage in owning government bonds in such a period. Despite the fact that the researchers virtually gave away the answer, 56% of the people questioned thought the problem over and blandly answered no. They could see no disadvantage to having their money tied up in an asset of fixed dollar value during a period of inflation. Quite obviously, these people did not know that common stocks represent one of the few forms of investment in which they could hope that their dollars would not lose purchasing power.

Our problem then, is one of how to expand securities ownership when the market for those same securities is almost totally uninformed—financially illiterate.

People Want to Know

This would be a most dismal and discouraging outlook if it weren't for one saving grace in the situation. People may not know about securities, but they *want to know*. Specific evidence that they want to know can rest on the story of one advertisement which our firm first published some ten years ago. That ad, entitled, "What Everybody Ought to Know . . . About This Stock and Bond Business" occupied a full-page in the New York "Times"—a solid page of newsprint. As far as appearance was concerned, it was probably the most forbidding ad ever to be published. The copy consisted wholly of questions and answers about securities — What are securities? What are bonds? What's the Stock Exchange? What does a broker do? What's a bull market? A bear market? How do you buy stocks? What does it cost?

When the advertisement was ready for publication, we decided to put a line at the bottom offering reprints. Frankly, we didn't know why anyone who spent a half hour wading through 6,000 words of text would want to have a reprint, but we thought the inclusion of that offer — stated in very small type at the bottom—might at least give us some clue to readership. To our very considerable astonishment, within the next several days after publication we received 5,000 requests for reprints. The letters came to us from bank presidents, from the presidents of corporations, from school teachers, college professors. But the bulk of those requests came from just ordinary people, and in their letters to us they said things like these:

"I waited 30 years to find this out."

"I majored in economics in college, but I never understood securities."

"I have $5,000 to invest. What should I do?"

"I have put this away for my children because I don't expect to see it again in their lifetime."

Several people even wrote that they owned stocks but they frankly never understood what it was they owned until our ad explained it to them.

Other Evidence

Another evidence of the public interest in this advertisement was supplied by an advertising agency with which we have never had any contractual relations, Cunningham and Walsh in New York. As you know, the virtues of long copy versus short copy have been a matter of controversy in the advertising business practically since the day the serpent offered Eve the apple in the Garden of Eden.

Because this was about the longest ad ever published, Cunningham and Walsh had its own researchers the next day ask people in New York whether they had read the New York "Times" the previous day and whether they recalled any ad. If any one mentioned our advertisement, the researchers then produced the ad and checked on the readership, paragraph by paragraph. Later, Cunningham and Walsh sent me a copy of the report in which they observed that our advertisement was seen by half of the New York "Times" audience and that "very few ads, even those with appealing human interest illustrations, equal this record." In summary, they said the ad had three to four times the normal reading of an ad of similar size.

I tell you this story because it's the story of an ad which succeeded in spite of itself and succeeded only for one reason: Because people wanted to know about securities.

There are other evidences, that people want to know about our business. In 1925, Merrill Lynch took over the Armory at 34th St. and Park Avenue in New York City, and with the help of eight other corporations like General Electric, General Motors, I.B.M. and the Telephone Company, presented for one week "The How to Invest Show." Over 100,000 people attended that show. Currently, in New York's Grand Central Station, we are presenting much the same kind of a show in miniature at our Investment Information Center right on the main floor of the station. Since this exhibit was opened in March, 1956, over three million people have visited it.

Of course, it is obvious that people who never invested before need help. That's true even of those who have invested. That's why in our booklet and ads we constantly offer the services of our Research Department. We tell people that if they will simply write to us about their problems, we will give them objective unbiased suggestions about their solution—whether they want recommendations for the investment of a given amount of money, a review of an entire portfolio, or an opinion on an individual security. Every year, the number of people who write to our Research Department as a result of these offers has grown. This year it will exceed 75,000 people — people who write to us and tell us all about their individual financial situations in the knowledge and with full confidence that this is the only way we can give them intelligent help.

This, then, is the story of stocks and bonds as we try to tell it to the American people. Admittedly, in telling this story we have a self-interest, but parenthetically, it should also be evident that we are not likely to grow tremendously rich selling just one or two shares of stock to an individual. Yet we feel that each individual investor is vitally important to our whole way of doing business.

Here, happily, our self-interest coincides with the national interest, for business needs millions of new stockholders.

This is the only way to build a healthier business, a healthier America.

Nammack Vice-Chman. Of N. Y. Stock Exch.

Jerome W. Nammack, a Governor of the New York Stock Exchange and a partner in the specialist firm of Sprague and Nammack, has been elected Vice-Chairman of the Board, it has been announced. He succeeds Edward C. Werle who was elected Chairman effective May 19.

Jerome W. Nammack

Mr. Nammack, 57, has been a member of the Exchange since 1933, a specialist since 1946 and a Governor since 1953.

Stearns & Co. to Open

Roland B. Stearns, member of the New York Stock Exchange, and Eugene Greenberger, will form Stearns & Co. as of June 2, to engage in the investment business in New York City.

THE MARKET . . . AND YOU

By WALLACE STREETE

Selected favorites did better this week while other items, including a sprinkling of dividend casualties, sagged a bit obviously, but for the general stock market it was largely a case of backing and filling.

* * *

The rails and utilities on occasion mustered enough spotty strength to nudge both averages to new peaks for the year but—for a change—the industrial average lagged just below its high without any apparent intention of soaring above the line in a rush.

Short Interest Beneficiaries

There was some good action in cases where the short interest was large, notably U. S. Steel which posted its own 1958 peak. Lorillard, where the shorts are also a bit congested, was given to small and inconclusive price fluctuations, however. What attention was devoted to tobacco shares centered on others in the group.

* * *

The apparent end to widespread tax cuts to prop up the economy was pretty much ignored by the market, despite earlier hopes that such action would also shake the market out of its lethargy. The laggards more times than not were the oils, with some of the foreign unrest making traders cautious over this group.

Foods in Demand

As has been the case for some time, some of the persistent demand centered on the food shares and General Foods was able to stand out as a star occasionally. Foremost Dairies, third largest in the dairy lineup, was the languid item despite a yield of well above 5½% and a record of earnings quadrupled over the last decade. In part the reticence over Foremost stemmed from fears that the very thing that contributed to the vast jump in sales and earnings—a long series of mergers—might bring antitrust action to require the company to dispose of some of the companies it had so busily acquired. In any event, it was one of the more handsome yields in the food division.

* * *

There was considerable attention of a related type being given by market students to Thatcher Glass which is an issue that is near the head of the list of companies doing better despite the recession. So far the business downturn is remote to Thatcher since last year was its third straight year of new records in shipments and there is nothing on the horizon to keep the company from stretching its string to a fourth new record this year.

* * *

Glass containers for food products are the mainstay of Thatcher Glass these days since the company in recent years broadened its participation in the field. Earlier it was noted mostly as the nation's main maker of milk bottles. First quarter results showed a comfortable increase over last year in volume while the per-share picture is a bit clouded through continuing conversions of preferred. The projections are, however, that final 1958 per share earnings could come to around last year's record figure even if all of the almost 78,000 preferred shares were converted. The preferred is convertible into 2.4 shares of common.

Drugs in Top Role

Drug shares still have a top role as a recession-proof, improved-earnings section although the demand for them had quieted down a bit. Sterling Drug, with a yield of 4%, has had relatively less of a runup than some of the others which could indicate it is among the issues that have yet to join in fully on the drug popularity.

* * *

Where Sterling so far this year has ranged from slightly under 30 to a shade over 40 at best, others, such as Parke Davis, have roamed over a range of nearly 30 points. Sterling, as the others, is being projected to another new high in earnings this year which would leave more than a dollar a share over the present dividend which is an indicated $1.50 including a year-end extra. The 1957 payout had risen to half again as much as that paid as recently as 1953. With the dividend so well covered, Sterling is automatically a dividend increase prospect.

A Deflated Issue

More of a case of a well deflated issue is A. O. Smith. Even with an upturn in pipe orders already underway which could make a favorable change in earnings for the company's final fiscal quarter, the company is far from being a candidate for anything approaching record earnings. Apart from its oil well supplies, A. O. Smith relies importantly on automotive orders, chiefly from General Motors. And sales to the auto industry have been depressed in line with auto output generally.

The speculative aspect of A. O. Smith is the famous Memphis gas decision which was followed by a sharp cutback in pipeline projects pending clarification of this controversial court decision. Any reversal in the Memphis decision would undoubtedly spur demand for pipe importantly and change the company's outlook drastically. In any event, the present price is a slash of about a third from last year's high and its 5.3% dividend is above average.

* * *

The oil companies themselves have had little sustained investment interest in view of the many uncertainties overseas, although now and then some interest centered on the purely domestic companies not involved in international markets. The placid member of the oil section, however, is Getty Oil which has been unable so far this year to stretch its range to as much as five points.

* * *

In the past there were periodical runups in Getty on tales of simplifying its corporate setup and indirect holdings in Skelly Oil and Tidewater. But now that preliminary steps toward that end have actually been started, their lift seems to be missing. Getty's published figures are, to a degree, always understated since the full equity in earnings of its affiliates is not used for the computation. Last year's official results, for instance, were little more than half the actual equity in the various profits. To that extent Getty is generally listed as an undervalued oil equity. Also mitigating against drastic market action is the fact that the company is not a cash payer, its dividends in the last few years being confined to 5% in stock. So far the simplification has eliminated a cumulative preferred in Getty and the next involves an exchange for Mission Development shares, which would bring the large Tidewater holdings in Mission that much closer to home. Eventually a consolidation of the diverse bundle could set up a new petroleum giant.

* * *

There was only momentary interest in railroads and the companies associated with them although General Railway Signal had its backers who, on a longer range basis, still clung to high hopes for their favorite. The logic was simple and direct. Since War II the pressure on railroads to trim operating expenses centered largely on dieselization which, by now, is largely completed. The next stage, which the recession snuffed off a bit, was to go in for automation in yard and mainline operations to trim high labor costs. Once the roads themselves turn the corner General Railway's boom should resume.

[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.]

Wm. Gallagher Joins Vance, Sanders & Co.

William G. Gallagher of New York has become associated with Vance, Sanders & Co., it has been announced by Henry T. Vance, senior partner.

Mr. Gallagher, who formerly was manager of the Mutual Funds Department at Kidder, Peabody & Co., will make his headquarters at the firm's New York office, 61 Broadway, and will serve as a wholesale representative, working with investment dealers in the Eastern Seaboard territory. Widely known in New York area financial and investment circles, he is President of the Investment Association of New York.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William B. Schwartz is now with Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Thomas H. Kindel is now with Reynolds & Co., 425 Montgomery Street.

K. L. Provost Adds

SANTA ANA, Calif.—Fred Mitchell has been added to the staff of K. L. Provost & Company, 325 North Broadway.

Continued from page 2

The Security I Like Best

ing of money for education is bound to find its way into the purchase of books.

The full impact of this will be felt in the decade of the '60s. The postwar crop of children, which has accelerated our population growth to proportions never dreamed of a few years ago, will be filling the classrooms from kindergarten to post graduate courses. And this will be so, despite all the books and all the equipment which we have paid for in the past ten years. Even more will be needed to furnish the classrooms and study halls now coming into use.

Outstanding as has been the history of International Textbook, I feel confident that the next few years will provide an even more favorable record. The stock is traded in the Over-the-Counter market and strikes me as being particularly interesting at this time. It is suitable for investment by individuals interested either in speculative or conservative investments. Trustees might well use it in trusts where permitted by the prudent man rule, provided the beneficiaries are in a position to assume the risks inherent in conservative common stocks.

Two With Shaw, Hooker

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Alfred J. LaCoste and Douglas D. McConnell have become associated with Shaw, Hooker & Co., 1 Montgomery Street, members of the Pacific Coast Stock Exchange. Both were formerly with A. R. Nowell & Co.

The Search for Security

By H. C. GRAEBNER, C. L. U.*
Dean of The American College of Life Underwriters
Philadelphia, Pa.

Life insurance dean reviews some little known facts about Social Security programming in discussing briefly some of the causes of individual economic insecurities existent in our system. Dean Graebner also suggests some of the plans society and individuals have been employing to accommodate themselves to, or attempted to do about, these insecurities. Author discusses various causes of insecurity, ranging from accident and retirement to business cycles and inflation, and compares those who "want to be secure in opportunity" to those who "worship the golden calf of economic security by government edict."

The authors of a recent book on "Economics and Social Security" begin their discourse with two quotations. The first one is: "The best way to security is to marry the boss's daughter." The second suggestion reads: "The best security for old age is a large family." From readings in newspapers and popular magazines, one certainly realizes that all through the ages numerous persons have pursued one of these policies and, I suspect, have gained some degree of economic security. At least this may be true of the first suggestion; I am not at all certain that having a large family today gives one any security for his own old age!

Herbert C. Graebner

Facetious as these suggestions may sound, I believe they do indicate that the problem of insecurity is a problem with which a great many persons are confronted. Furthermore, like so many problems that are so universal, numerous quack remedies are suggested as solutions.

I should like to limit my discussion somewhat. I would like to suggest that we do not include in our consideration of this subject several of the dimensions of the security problem, such as the anthropological, the legal, the political, the psychological, and the sociological problems of insecurity. In each of these it is interesting to note that the economic component of the security problem is always important. For example, the possibility of unemployment gives many people a sense of insecurity. Now obviously this insecurity is primarily one of economic dimension. However, such unemployment may have serious psychological implications with the individual, and certainly we know from past experience, that protracted unemployment also may have very serious political implications, as well as sociological consequences for society as a whole. So our first limitation is that we are going to direct ourselves to the economic implications of the search for security.

Another limitation which I feel compelled to set up is that we will refrain from dealing with questions related to national or international security insofar as these matters involve relations among the states and among the nations.

Our plan, then will be to limit ourselves to the categories of individual economic insecurities existent in our system. We will discuss briefly some of the causes of such insecurity and also suggest some of the plans society and individuals have been employing to accommodate themselves to these insecurities; that is, what has society attempted to do about these insecurities?

*An address by Dean Graebner before the Sixth Annual Brokers Forum, Philadelphia, Pa. The Forum was jointly sponsored by Girard Trust Corn Exchange Bank and Gordon S. Miller Agency of Massachusetts Mutual Life Insurance Company.

Nature and Causes

Now as to the nature and causes of economic insecurity. It is not easy to define economic insecurity briefly. But perhaps we can identify it as this: *economic insecurity for the individual is first of all one that involves a loss or threat of loss of income.* This loss can be either relative or absolute, or it could be in the form of an additional expense. The primary cause in most instances of this loss of income is either the destruction of income-producing property or the loss of a job. We know also that such loss can be permanent or temporary in nature. We should mention also, however, that the job loss may not always be involved with income loss. For example, an individual may be injured and yet be able to continue his work; but the injury he sustains may cause him to incur various medical costs. Likewise the head of a family may suffer a loss of his income because of injuries and accidents to members of his family. As the term is commonly employed today, economic insecurity would embrace all such cases involving income loss or additional expense or the loss of property.

Where job separation is the factor in question, any one of several additional causal factors may be involved. Here are some of the possible causes for the loss of income due to the loss of a job: (1) loss of job arising because of old age; (2) loss of job arising out of accident and/or sickness with death as the extreme case; (3) loss of job arising from outside economic causes.

In situations where the job separation arises from old age, it is interesting to note that programs designed to overcome this type of insecurity do not necessarily have as their goal the continuance of the individual in his job. No longer do the programs set up a cultural pattern whereby the children or the relatives take the retired person in to live with them. Rather, modern programs aimed at alleviating the problem of income loss from jobs upon reaching old age arrange for the accumulation by the individual of a fund so that when job separation does occur at retirement, economic insecurities are not created.

Retirement's Problems

The financial distress at retirement has become so acute in recent decades, largely because of industrialization and urbanization. In our practice of industrialization we have, quite incorrectly, I believe, accepted the idea that workers and managers lose their effectiveness as economic producers at some magical chronological age like 60-65 or 70. Although many thoughtful persons —and much research—attempt to go counter to this concept, the fact remains that compulsory separation from the job upon reaching a certain age is mandatory for a large segment of the working population. The specter of loss of job and loss of income from job becomes a disturbing outlook for middle-aged workers.

Existing Solutions

It is no longer a secret that solutions exist for this insecurity. Systematic savings, life insurance and annuities represent excellent solutions for this problem. Each of these plans, however, requires full measure of personal plans that require time and self-denial. Present consumption must be reduced in order to guarantee income for consumption in retirement.

Some persons advocate a program of government aid for persons upon reaching retirement. I will discuss this before I conclude my remarks.

With respect to the second type of insecurity, that is, where the job separation arises from accident or sickness, we find that not only does the income frequently cease but additional expenses must be borne to take care of persons who have suffered an accident or become ill. If such illness or accident is brief and culminates in premature death for the income producer, serious financial problems usually result. Undoubtedly each of you is well aware of economic and social dislocations that usually accompany death of an economic producer. It is significant to me that more and more fathers and mothers are giving evidence of being deeply concerned with this type of insecurity. I could cite research studies among consumers which indicate that family heads recognize the terrifying hazard they face. Our educational program, in schools, colleges, universities—in various advertising campaigns, and the effective efforts of life underwriters—all have played an important part in educating the public to the creative power of life insurance in meeting the hazard of economic loss due to premature death of the breadwinner.

Likewise where the job separation due to accident or illness is temporary, private insurance has offered sound programs of financial security based upon private insurance. The fact that the public is interested is reflected in the vast growth of such insurance programs in the past decade.

Here also, however, some who question the willingness of Americans to care for themselves, have advocated a program of government assistance. I will have a few comments about this development before I finish.

Business Cycle Induced Insecurity

The typical example of the third classification which is listed above, namely, economic causes, is usually the situation where unemployment is brought about through business fluctuations. At this very moment we observe evidence of this type of insecurity. In a dynamic economy, fluctuations are bound to occur. In fact, such economic fluctuations are evidence of the re-allocation of capital and human resources responding to changes in the demands of consumers. In effect, consumers are changing their dollar votes for one thing in place of another — it may be housing instead of automobiles or education instead of vacations or any number of combinations.

How can we best prepare for this type of insecurity? One method certainly would be to develop various skills and abilities so that one can shift from one type of economic activity to another with the minimum amount of loss.

There is another area of insecurity which is running rampant today in the minds of many people, and that is the one caused by the reduction in the purchasing dollar which a man has accumulated in order to take care of periods of income shrinkage or elimination. This is commonly called the inflationary trend. It perhaps is the most insidious and the most difficult type of insecurity with which most people are confronted today. Closely associated with this type of insecurity are the problems created by the ever increasing planes of living. When planning the amount of income needed, future changes in living standards should be anticipated and planned for. Perhaps the cost of high living claims as many victims as the high cost of living.

Social Security Act

Any discussion of the Search for Security is incomplete without consideration of the Social Security Act and the trends in social security. One of the best recent articles I have seen on this subject appears in the Winter, 1957, issue of the *Journal of the American Society of Chartered Life Underwriters.* It was written by Mr. Benjamin Kendrick. One quotation sounds the following warning: "There may be grounds for worry, with respect to corporate pension plans, life insurance, and disability insurance in the thought that continual expansion of the compulsory Government system may progressively diminish the area in which these voluntary mechanisms can operate. There may also be ground for worry about whether social security will be expanded to a level where it will definitely interfere with incentives for savings, for investment, and for work — and generally with the expanding productiveness of the American economy from which all the Nation's economic security stems."

Here are seven basic facts about Social Security:

(1) Social Security is worldwide and is expanding at a rapid pace.

(2) Social Security is not a single program but is a whole stable full of programs.

(3) Social Security is extremely popular with the American people.

(4) The American people want more social security than they now have.

(5) Essentially the O.A.S.D.I. system is now on a pay-as-you-go basis.

(6) Under present law, O.A.S.D.I. tax rates will increase by 70% by 1975 (on $4,200 ceiling wage, employees will pay $178.50 compared to $105.00 at present). The increased receipts will be needed to meet the rising costs of the present benefits provisions. For liberalized benefits still higher taxes will be required.

(7) There is serious danger that Social Security in the U. S. will be over-expanded. There is the threat of ultimate disillusionment.

How Secure Is Social Security?

An earnest, objective study of Social Security trends might well lead one to ask the question, "How secure is Social Security?" The base is, of course, the productive capacity of the economy and the willingness of the working segment of our population to be taxed at a rate high enough to pay the beneficiaries out of current tax receipts. Assuming representative type of government, the Congress will determine from time to time upon the size of the benefit formula. We have experienced only increases in the benefit. Is it possible that Congress may at some future time feel compelled to reduce the amount of such benefits? It might be proper for us to ponder this question.

Before closing my discussion, I should like to comment briefly on the social sagnificance of the efforts of all whose activities are in the field of estate creation, conservation, and systematic liquidation. If the work of these persons is accomplished by professional methods, such labor unquestionably is socially useful.

Numerous reasons could be stated as evidence of the productivity of this group. I would direct attention to just one which is summarized in the word "incentive."

One of the noblest instincts of a normal man is his desire to provide for the financial future of himself and his family. To have a healthy economy with a large measure of individual freedom of action, economically and politically, it is imperative that the majority of citizens be encouraged to seek and achieve financial security privately. The quest for this type of security will serve as an incentive for individuals to become more effective and efficient producers of the goods and services which are so vital to improved planes of living.

This is so important because the incentive to increase productivity is the only sound basis for the government guaranteed security which any humanitarian group will make available for the relatively smaller number of unfortunate citizens, who depend upon public or private charity.

"Security" Connotes Different Ideas

The word "security" connotes different ideas to different people. Most people want to be secure in opportunity. They do not offer to sell their souls for a guaranty that someone will throw "bread and honey" into their windows each morning. They know that there is some catch to that. They know that such a program can easily degenerate into a system of economic slavery.

Again and again, after freedom has brought opportunity and some degree of plenty, the competent as well as the unfortunate, grow envious and covetous; and many turn away from the hard road of freedom to worship the golden calf of economic security by government edict. In all too many cases the cycle seems to be from bondage to spiritual faith; from faith to liberty; from liberty to abundance; from abundance to selfishness; from selfishness to apathy; from apathy to dependence; and from dependency back to bondage.

This is the routine in countries where people have bartered their independence for government security—and in the end they have found themselves deprived of both —independence and security.

Professional activities in teaching people how to plan their own financial security is helping to save Americans from the eroding effects of a twentieth-century feudalism and paternalism which our forefathers shook from their feet when they emigrated to America and established these United States.

Tucker Anthony Day Absorbs Elmer Bright

BOSTON, Mass.—The securities underwriting and brokerage firm of Tucker, Anthony & R. L. Day, 74 State Street, has announced that the combining of its business with the securities business of Elmer H. Bright & Co. became effective May 26.

The combined firm will operate under the Tucker, Anthony name and will continue to operate former Bright offices in Providence, R. I., and Haverhill, Mass.

Horace O. Bright and Alexander H. Bright have been admitted to the firm as limited partners.

Tucker, Anthony, founded in 1892, also operates offices in Boston and New York City and in Rochester, N. Y., Hartford, Conn., Manchester and Nashua, N. H. and Springfield and New Bedford, Mass.

Municipal Bond Club Annual Field Day

The Annual Field Day and election of officers of the Municipal Bond Club of New York will be held on June 13 at the Westchester Country Club and Beach Club, Rye, N. Y. Reservations should be made prior to June 2 with George W. Hall, Wm. E. Pollock & Co., Inc., General Chairman, indicating choice of lobster or steak for dinner.

William M. Durkin, First National Bank of Chicago, New York City, is handling the sale of Municipal Underwriters & Traders Trust Shares.

A special car on Train No. 268 will leave Grand Central at 10:25 a.m. Eastern Daylight Saving Time, for the convention, and will leave Rye, returning to New York, at 10:20 p.m.

Scheduled for the day are a golf tournament with prizes for low gross, member; low gross, guest; low net, member; low net, guest; lowest net score each foursome; longest drive; nearest-the-pine; and pay-off, involving the I. B. A. handicap system.

Also planned for the outing are a tennis doubles tournament; bridge tournament; horseshoe pitching contest, softball game; swimming, etc.

One copy of the Bond Crier will be included in each envelope distributed to members and guests. Additional copies may be ordered through William Simon, Weeden & Co., Inc., New York City, at $1 per copy.

Members of the Field Day Committee are George W. Hall, General Chairman.

Chairman's Committee: John C. Fitterer, Jr., Kuhn, Loeb & Co.

Announcements Committee: William P. McKay, Blue List, Publishing Co., Chairman; William T. Hall, Jr., the Blue List; William S. Shanks, the Bond Buyer.

Arrangements Committee: Edmund C. Byrne, Phelps, Fenn & Co., Chairman; John W. Large, C. J. Devine & Co.; Wilson D. Lee, Rand & Co.

Finance Committee: William M. Durkin, First National Bank of Chicago, Chairman; William D. Muller, Halsey, Stuart & Co. Inc.; William E. Simon, Weeden & Co.

Prizes and Venture Committee: Theodore P. Swick, White Weld & Co.; Chairman; Alfred J. Bianchetti, J. A. Hogle & Co.; Francis D. Devers, Kidder, Peabody & Co.; Francis P. Gallagher, Jr., W. H. Morton & Co., Inc.; Edward J. Meyers, Laidlaw & Co.; Charles V. Smith, Clark Dodge & Co.

Sports Committee: Jerome J. Burke, Blyth & Co., Inc., Chairman; Donald Breen, Glore, Forgan & Co.; Davis Kales, Wood, Gundy & Co. Inc.; Edmund G. O'Leary, Eastman Dillon, Union Securities & Co.; Donald C. Stroud, McDonnell & Co.; Alan N. Weeden, Weeden & Co., Inc.

Daily Bond Crier: Berger Egenes, Merrill Lynch, Pierce, Fenner & Smith, Editor; Leonard Bucci, Bond Buyer; Joseph G. Cross, C. J. Devine & Co.; Francis D. Devers, Kidder, Peabody & Co.; Brenton W. Harries, Blue List; Eugene E. Kelly, Jr., Loeb Rhoades & Co.; Wilson D. Lee, Rand & Co.; Edward J. Meyers, Laidlaw & Co.; William H. Moser, Andrews & Wells, Inc.; Frank J. Murphy, John Nuveen & Co.; Edmund G. O'Leary, Eastman Dillon, Union Securities & Co.; James F. Reilly, Goodbody & Co.; William S. Shanks, the Bond Buyer; William E. Simon, Weeden & Co., Inc.: Chester W. Viale, L. F. Rothschild & Co.

Carroll Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Thomas M. Carroll is now connected with H. Carroll & Co., Equitable Building.

$100 Million State of Michigan Bonds Marketed

Trunk line highway obligations offered by syndicate managed jointly by Blyth & Co.; Smith, Barney & Co.; Lehman Brothers; Halsey, Stuart & Co.; Drexel & Co.; Harriman Ripley & Co., and First of Michigan Corp.

Blyth & Co. Inc.; Smith, Barney & Co.; Lehman Brothers; Halsey, Stuart & Co. Inc.; Drexel & Co.; Harriman Ripley & Co. Incorporated, and First of Michigan Corporation are joint managers of the group of about 270 members which on May 27 offered an issue of $100,000,000 State of Michigan 4, 3, 3¼ and 3⅜% trunk line highway bonds, series I, at prices to yield from 1% for those due Feb. 1, 1959, to 3.40% for the 1979-82 maturities. The group was awarded the bonds at competitive sale on a bid, the sole bid submitted, of 100.00253 for the combination of coupons, a net interest cost of 3.30732%.

The proceeds from the sale of the bonds are to be used to pay the cost of construction and reconstruction of 13 state trunk line highways in various locations throughout the state. These projects are a part of the Federal-aid primary and secondary system, which, with continuous construction, should be completed in approximately three years. Stated generally, this $100,000,000 will provide the state with about 245 miles of highway.

The bonds, which are rated A by Moody's and A-1 by Standard & Poor's, are not general obligations of the state, but their principal and interest are payable from moneys appropriated to the State Highway Department from the Motor Vehicle Highway Fund, a separate fund in the State Treasury consisting of the proceeds of taxes on gasoline and motor fuels and on motor vehicles registered in the state. A sufficient amount of these funds have been irrevocably appropriated by law to pay principal and interest on these bonds.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Marion W. Kelley, formerly with Walston & Co., Inc., has joined the staff of Mutual Fund Associates Incorporated, 1871 The Alameda.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Martin S. Zuanich, Jr. is now with Mutual Fund Associates Incorporated, 506 Montgomery Street.

With C. M. Hathaway

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Francis J. Ryan is with C. M. Hathaway Company, 1575 Sherman.

An Economic Program for More Than Temporary Success

By GEORGE G. HAGEDORN*
Associate Director of Research
National Association of Manufacturers

In recommending we treat "underlying ailments, rather than their current symptoms," Mr. Hagedorn maintains we must remove excessive labor power rather than prescribe budget deficits and monetary expansion in an attempt "to offset job-destroying effect of uneconomic cost increases." Holds the latter is a palliative which would result in prosperity with inflation and bring about economic chaos in time. Also prescribes tax reform and strict government economy to permit free competitive market forces to provide economic balance and private capital formation to provide growth.

A physician can diagnose an ailment and discuss possible treatments, even if he is unable to predict with confidence the erratic day-to-day fluctuations in the patient's fever chart. The American economy suffers from certain underlying chronic difficulties which have been with us for some years. The recession which began last year is one phase in the working-out of those chronic underlying difficulties, and it can be correctly understood only in that context.

There are two chief economic problems, to which most of our other economic problems can be referred. These are:

(1) The tendency for unit labor costs to increase continuously. This puts us in perpetual danger of inflation, recession, or a combination of both.

(2) A tax system which impairs both the incentives for capital formation and the sources out of which capital formation can be financed. This has serious consequences in regard to our prospects for economic growth.

These two problems, and their implications for fiscal policy, will be the focal points of the discussion which follows.

Rising Labor Costs

The basic cause of the tendency for wages to rise faster than productivity, and hence for labor costs to increase, is the power position organized labor has attained in our society. Since that problem is not the subject of these hearings, I will pass over it, but it must always be recognized in the background of current economic developments.

In and of itself, the effect of any increase in costs is to restrict markets. It is an elementary principle that if your product or service becomes more costly you are very likely to sell less of it.

Of course, the restrictive effect of increased costs can be offset in various ways, and that is where fiscal and monetary policy comes in. The net effect of relying upon these offsets is inflation.

You might view our economic history during the years since 1940 as a race between the restrictive effects of rising labor costs and the ability of fiscal and monetary measures to offset them. By the end of World War II, the fiscal and monetary measures had attained a long lead in this race. There was enough money in circulation, and sufficient credit was available, to insure that there would be little resistance in the market place to increased costs, and inflation thus went its merry way.

We have now reached a situation where rising cost levels have not only caught up with the money supply, but evidently forged somewhat ahead.

A year ago, economists were disputing as to whether the inflation, which had then been going on for about a year, was due to the "push of costs" or the "pull of demand." This controversy should be resolved by now, by the fact that price rises are still continuing. Rising prices with rising volume might be due to either cost-push or demand-pull. But rising prices with falling volume must obviously be ascribed to the pressure of costs.

Poses Two Choices

We have two choices in dealing with this situation. First, we can do something to reduce the excessive economic power of organized labor, in which case we can have some hope for prosperity *without* inflation. Alternatively, we can use budget deficits and easy money to offset the job-destroying effect of uneconomic cost increases, in which case the best we can hope for is prosperity *with* inflation.

In the long-run, it is doubtful that we can even have that. Reverting to the analogy of the race, monetary expansion can move ahead, but labor costs can move ahead even faster. It seems likely that, if this is the course we choose, the pace of the whole process must continuously accelerate. Once it becomes clear that fiscal and monetary policy will be used "to whatever extent is necessary" there will be very little incentive to resist whatever cost increases are demanded. The end of this accelerating process must be some form of economic chaos that no one can predict in detail.

The revenue effects of the present recession are creating substantial budgetary deficits, even without any deliberate decision to adopt such deficits as a weapon against the recession. This should be further cause for hesitation in taking action, the primary purpose of which is to enlarge those deficits.

Government Spending as a Cure For Recession

There is no doubt that if our only objective were to put the unemployed back on a payroll, one way it could be accomplished would be by a program of government spending — provided we used enough government spending. The trouble is that we don't know how much "enough" would be and experience warns us that, if this is our sole reliance, the amount required might be astronomical.

In 1930, the spending side of the Federal budget amounted to slightly over $3 billion. By 1939, it had risen to almost $9 billion and there were still nine million unemployed. In other words, tripling the expenditure rate was not "enough." It wasn't until 1942, when annual expenditures had risen to $34 billion, ten times the pre-depression level, that excess unemployment disappeared.

This is an indication of what we might be letting ourselves in for if we placed our major reliance on government spending as our way out of our present difficulties. And remember we are starting from a base of over $70 billion in government spending instead of the $3 billion we started from in 1930. The lengths to which we might be driven are so fantastic, and the prospects of success so poor, that only the utmost desperation could justify seeking a solution down this road.

Tax Reduction as an Anti-Recession Weapon

Various schemes of tax reduction have been proposed as an antidote to this recession. Probably almost any one of them would be effective to some degree as a temporary palliative. But surely in making changes in our tax system, we will went to have a broader objective than that.

The NAM has long advocated a thorough-going reform of our income tax rate system. This would involve reductions of corporate and individual rates in every bracket. It would also involve a compression in the spread of rates along the income scale. Our reasons for recommending this action will be explained more fully in the later discussion of restrictions on economic growth.

We believe that such a reform of the tax rate structure would give a tremendous and permanent lift to the economy. It will leave us in better condition to face whatever other problems may exist.

At the same time, frankness compels me to state that we had better not rely on this as a complete cure for the ailments which afflict us. The upward pressure on labor costs seems to be relentless, and we can't expect that tax rate reform will solve this problem.

Inflationary Effects of Fiscal Measures

There is a widespread illusion that we can use fiscal measures—increased spending or reduced taxes—to restore full employment and then abandon or reverse these measures before they start to cause inflation. But this is a misunderstanding of the problem. Even if our knowledge and our timing were perfect, this neat solution would be impossible since inflation and recession are simply different aspects of the same condition.

Perhaps we have put too much emphasis on the tendency for cost increases to be passed on to customers. In some cases, the problem is that market conditions will not permit them to be passed on, and they have to be absorbed in the form of reductions in profit margins. The evidence that this has been going on extensively is the fact that the dollar total of corporate profits did not increase at all between 1948 and 1956, while the dollar total of corporate sales increased by 60%.

This squeeze between costs and prices is one of the factors which is depressing business at present. Since fiscal policy does not deal with the cost side of the squeeze, it can relieve the pressure, and thereby improve business conditions, only by raising prices. It is impossible to separate the inflationary from the anti-recessionary effects of fiscal measures.

The Problem of Economic Growth

The inflationary-recessionary race brought about by rising costs is not the only major problem we face now. There is also the danger that we may be falling far below attainable rates of economic growth.

Much current economic discussion seems to assume that if we simply avoid depressions and recessions economic growth will be assured. But this is not so. Even if we keep our manpower and other productive resources at a level reasonably close to full employment, the rate of growth still depends on how economic forces allocate our output as between current uses and capital formation. Our current tax system seems almost designed to insure that very little will be allocated to capital formation.

It may come as a shock to hear the suggestion that we haven't been devoting enough of our energies to the formation of business capital. There has been much talk of our "capital goods boom" in the period since World War II and especially in 1955 and 1956. Some feel that the current reduction in capital goods outlays is a reflection of previous excesses in such outlays.

It is true that a part of our productive facilities is now lying idle. But this is no more an indication that we have more capital than we should have, than unemployment is an indication that we have too many people. Unemployed facilities and unemployed manpower are both the result of the impairment of markets by cost rises.

The statistics on gross outlays for new business capital can give a very false impression. The $35 to $40 billion totals of recent years make it seem as though we are building up our facilities at a tremendous rate. What few bother to recall is that in our huge economy capital facilities are also being used up at a rapid rate. A careful study by the NAM Research Department indicates that the current rate of capital consumption is about $35 billion a year, so that the net gain in our available capital is now a very narrow margin.

Standards for Economic Growth

One of the problems in trying to devise policies to promote economic growth, and to balance them against other objectives, is that we have no realistic standards by which a growth objective may be set. Merely equalling past rates of growth cannot be considered satisfactory when potential enemies may be doing much better. The only conclusion is that no rate of growth is satisfactory below the maximum attainable within our free enterprise system.

The Russians devote a substantially larger part of their national income to capital formation than we do. They do so by a program of austerity forcibly imposed on their consumers. This is a method we wouldn't want to use and it probably wouldn't work here anyway. We prefer to rely on individuals and businesses to devote a part of their incomes, by their own choice, to saving and investment. Still, we had better strive to eliminate any condition which impedes or deters them from making such a choice. The present structure of income tax rates most assuredly has this effect.

Recommendations

The foregoing discussion is intended to explain the basic thinking which lies behind the recommendations of the National Association of Manufacturers. Due consideration has been given to the aspects of the situation which are peculiar to the present moment. These have been related to the underlying problems of which they are the current reflection. As a result of this analysis, the NAM sees no reason for modifying the position it has maintained in the past.

Fiscal policy should not be regarded as a balance wheel or regulator for the economy, nor as a means of redistributing income. The function of fiscal policy should be simply to provide revenue for necessary government expenditures. For providing economic balance, we should rely on the forces of free competitive markets, supported by a non-inflationary monetary policy. For growth, we must rely on private capital formation.

It should also be clear that this attitude does not reflect a belief that all is well and there are no problems. On the contrary, free competitive markets cannot do an adequate job at present because of the monopolistic condition of the one market which pervades all others—the labor market. Private capital formation is seriously impeded in its task of providing the basis for economic growth, by a tax system which confiscates the sources of capital and reduces the incentives for saving.

Our association, therefore, urges the following measures:

(1) *Strict government economy*—expenditures limited to those necessary for ordinary government functions.

(2) *Curbing of labor monopoly*—impose the same restrictions as are imposed on industrial or commercial monopoly.

(3) *Reform of the income tax rate system*—the Sadlak-Herlong Bill embodies the methods we believe should be followed. Its reduction goals should be considered as a minimum program of rate reform.

These recommendations deal with the underlying ailments, rather than their current symptoms. It is the only program which offers the hope of more than temporary success.

*A statement by Mr. Hagedorn before Fiscal Policy Subcommittee of the Joint Economic Committee, Washington, D. C., May 1, 1958.

Steele, Haines & Co. Succeed Fauset, Steele

PITTSBURGH, Pa. — J. Barr Haines has joined Harry J. Steele in forming the firm of Steele, Haines & Co. to continue the investment securities business originally established in 1946 by Mr. Steele and his late partner, Joseph H. Fauset. The firm's offices will continue to be located in the First National Bank Building.

J. Barr Haines

Mr. Haines has had long experience with securities and investments having worked as a security analyst with the Union Trust Company of Pittsburgh for nine years after graduating from Princeton University. During World War II he served with the Air Transport Command as Chief of Statistical Control and at the time of his separation in 1946, he held the rank of Lieutenant-Colonel.

Following his military service, Mr. Haines spent three years with the Guaranty Trust Company of New York, and for the past nine years he has been associated with Fiduciary Counsel, Inc., as its regional Vice-President.

Justo Ruiz Joins J. R. Williston & Beane

J. R. Williston & Beane, 115 Broadway, New York City, member of the New York Stock Exchange, have announced that Justo G. Ruiz has become associated with its Foreign Department.

Mr. Ruiz, a native of Havana, Cuba, was formerly with Merrill Lynch, Pierce, Fenner & Smith, having spent eight years in its Havana office and the past two years in its Brooklyn office.

Inv. Planning Group

EAST ORANGE, N. J.—Investment Planning Group, Inc. has been formed with offices at 19 South Harrison Street, to engage in a securities business. Morton Feren is a principal.

Joins Remmele-Johannes

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio—Rita A. Flahive has joined the staff of Remelle-Johannes & Co. Mrs. Flahive was formerly with L. E. Jenkins & Co., Incorporated.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Walter N. Thayer, managing partner in the venture capital investment firm of J. H. Whitney & Co., has been named a Director of

Walter N. Thayer

Bankers Trust Company, New York, it was announced May 27 by William H. Moore, Chairman of the Board.

* * *

The Quarter Century Club of the **East River Savings Bank, New York** held its annual dinner on May 27. The Club now consists of 73 Quarter Centurians.

Attending their first Annual Meeting were four Senior Officers and six Senior Supervisors.

Joshua De Giulio outgoing President presided.

Edward Focacci was elected President, D'Artagnan Adamo Vice-President, and Arthur E. House, Secretary.

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On Monday, June 2, **Union Dime Savings Bank, New York** will open for business in a new home on its old site, corner of Avenue of the Americas at 40th Street. The bank has leased the lower level and first three floors of the 111 West 40th Street Building recently completed. Since January, 1956, Union Dime has been in temporary quarters on Amenue of the Americas at 41st Street.

* * *

Approximately 150,000 square feet, representing the first six floors of the 14-story building has been leased to **Guaranty Trust Company of New York.**

Guaranty Trust Company will relocate its stock transfer division in the new 30 West Broadway structure upon completion of the new building in September, 1959. The bank's stock transfer division has been housed in recent years in the former Frederick Loeser department store at Elm Place in downtown Brooklyn.

* * *

Irving Trust Company, New York announces the promotion of Frederick van B. Joy from Assistant Vice-President to Vice-President.

Mr. Joy, who has been with the Irving since 1953, is in the bank's Presonal Trust Division and is engaged in estate planning and business development.

William L. Carlisle, Personal Trust Division, and Eric Freund, Loan Administration Division, were promoted to Assistant Vice-President from Assistant Secretary.

Roger L. Day, 21st Street Branch Office, John W. Downey, Walter W. Gendermann, Harry E. Goett and Charles J. Peterman, Comptroller's Division; Cecil J. Gunter and William W. Owen, Personal Trust Division, were named Assistant Secretaries.

William R. Conroy was named Assistant Auditor.

* * *

Henry G. Cooperman, a Vice-President of the **Trade Bank and Trust Company, New York,** died May 23. His age was 66. Mr. Cooperman started his banking career in 1906 with the old Corn Exchange Bank, N. Y. He was in charge of the bank's branch at 48th Street.

* * *

George F. Jebbett and F. Stanley Saurman, both Vice-Presidents, and Sol A. Rosinko, Assistant Secretary are celebrating their 50th year with the **Corporation Trust Co., New York.** A testimonial luncheon was given in their honor at the Downtown Athletic Club on May 23.

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Edgar T. Hussey, President of the **West Side Savings Bank, N. Y.,** announced the election of Peter C. Haeffner as Trustee.

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The 24th annual dinner-dance of The Dime Club, composed of officers and employees of **The Dime Savings Bank of Brooklyn, N. Y.** was held May 24.

The Dime Club was formed in 1933 to further social relationships among the bank's personnel and to sponsor charitable activities.

* * *

The Lincoln Savings Bank of Brooklyn, N. Y. opened a new office at Avenue X and West 2nd Street.

The Lincoln, founded in 1866, has total resources of $600,000,000. The bank serves over 310,000 depositors, including 25,000 school savings depositors. Its latest dividend was at the rate of 3¼% per annum, compounded quarterly from day of deposit.

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The seventh annual dinner meeting of **The County Trust Company, White Plains, N. Y.,** Quarter Century Club was held May 21 in Scarborough.

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By a stock dividend, the common capital stock of **South Shore National Bank of Quincy, Mass.,** was increased from $1,000,000 to $1,250,000, effective May 13. (Number of shares outstanding—50 shares, par value $25.)

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David S. Meiklejohn has been elected to the Board of **Putnam Trust Company of Greenwich, Greenwich, Conn.**

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First Pennsylvania Banking & Trust Co., Philadelphia, Pa. has elected William P. Davis, III and John Reilley, Senior Vice-Presidents.

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Herman F. Dietz has been appointed Assistant Manager of the Mt. Lebanon Office of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** Frank R. Danton, Vice-Chairman of the bank announced.

Mr. Dietz started his banking career with the **Citizens Trust Company in Canonsburg, Pa.,** in 1933. He worked in various divisions of the bank and in 1946 was appointed Assistant Secretary and Treasurer. He joined Mellon Bank in 1952 when the Citizens Trust Company became the Canonsburg Office of Mellon and at that time was appointed Assistant Manager of that office.

* * *

Robert M. Herbert has been appointed Manager of the West Aliquippa Office and J. Austin Leis, Assistant Manager of the Aliquippa Office of **Mellon National Bank and Trust Company, Pittsburgh, Pa.** Frank R. Denton, Vice-Chairman of the bank announced.

Mr. Herbert, formerly Assistant Manager of the Aliquippa Office, is replacing Carl H. Droshar, who has been transferred to the Principal Office of Mellon Bank. Mr. Herbert started his banking career with the **Woodlawn Trust Company** in 1926. After working in the various divisions of the bank he was appointed Assistant Secretary and Assistant Treasurer in 1944. He joined Mellon Bank in February, 1958, at the time of the merger of Woodlawn Trust and Mellon Bank.

Mr. Leis came to the Woodlawn Trust Company in 1931. He served as Assistant Treasurer and Trust Officer there and also joined Mellon Bank in February, 1958, when the two banks merged.

* * *

John D. Beswarick, Vice-President of **Fidelity Trust Company, Pittsburgh, Pa.,** has been appointed Manager of the bank's Wilkinsburg Office, according to J. A. Byerly, President.

Mr. Beswarick, who has been Manager of the Bloomfield Office, succeeds Karl M. Hewitt, Assistant Vice-President, who is retiring May 31. Mr. Hewitt has been Manager of the Wilkinsburg Office since January, 1957. He has been with the Wilkinsburg Office of Fidelity and its predecessor, the **First National Bank of Wilkinsburg,** since 1911.

Assistant Manager Charles O. Brawdy will assume the responsibility of operation of the Bloomfield Office. He will be assisted by Harry Thompson and Harlan Cassidy who were recently elected as Assistant Managers of Fidelity.

Mr. Beswarick has been with Fidelity since 1936. He became Manager of the Bloomfield Office in 1946.

* * *

The Board of Directors of **Ohio Citizens Trust Company, Toledo, Ohio,** has elected Benedict J. Smith, Assistant Secretary of the bank to serve as investment officer in the Trust Department.

In his new position he will report to Robert L. Knight, Vice-President and Trust Officer of Ohio Citizens.

* * *

By the sale of new stock, **The Citizens National Bank of Evansville, Ind.,** increased its common capital stock from $1,000,000 to $1,250,000, effective May 14. (Number of shares outstanding—100,000 shares, par value $12.50.)

* * *

Dixon National Bank, Dixon, Ill., increased its common capital stock from $250,000 to $500,000 by a stock dividend, effective May 16 (Number of shares outstanding 5,000 shares, par value $100).

* * *

Charles R. Gill and Joseph Wahala were elected Vice-Presidents of the **South East National Bank of Chicago, Ill.**

* * *

Merger certificate was issued by the office of the Comptroller of the Currency approving and making effective, as of the close of business May 9, the merger of **The First National Bank of Camden, Camden, S. C.** with common stock of $160,000, into **The South Carolina National Bank of Charleston, Charleston, S. C.** with common stock of $3,650,000. The merger was effected under the charter and title of The South Carolina National Bank of Charleston.

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By a stock dividend the common capital stock of **The Fulton National Bank of Atlanta, Ga.** was increased from $2,800,000 to $3,000,000, effective May 9 (Number of shares outstanding—300,000 shares, par value $10).

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By the sale of new stock, the common capital stock of **Mercantile National Bank of Miami Beach, Fla.** was increased from $1,500,000 to $2,000,000 effective May 14 (Number of shares outstanding — 200,000 shares, par value $10).

* * *

John P. Moreton has been appointed resident representative of **The Canadian Bank of Commerce in Dallas, Texas.**

The Canadian Bank of Commerce established a petroleum and natural gas department at Calgary, Canada, in 1950. Mr. Moreton, as Manager of the bank's business development department in Alberta region, was closely connected with the petroleum and natural gas department until his appointment at Dallas.

Mr. Moreton has had more than 20 years' service with the bank.

The bank which Mr. Moreton represents in the United States Mid-continent area has nearly 800 branches in Canada, and branches in Portland, Ore., Seattle, San Francisco and Los Angeles and an agency at New York, as well as a resident representative at Chicago.

* * *

The First National Bank of Shiner, Texas increased its common capital stock from $100,000 to $200,000 by a stock dividend effective May 9. (Number of shares outstanding—10,000 shares, par value $20.)

* * *

Exchange Bank & Trust Co., Dallas, Texas, elected Charles E. Beard a Director.

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The First National Bank of Great Falls, Mont. increased its common capital stock from $1,000,000 to $1,200,000 by a stock dividend effective May 15 (Number of shares outstanding—12,000 shares, par value $100).

* * *

By a stock dividend **First National Bank in Bozeman, Mont.** increased its common capital stock from $150,000 to $250,000 effective May 13 (Number of shares outstanding—2,500 shares, par value $100).

* * *

"Buttonwillow National Bank," Buttonwillow, Calif. changed its title to **"Community National Bank of Buttonwillow"** effective May 16.

* * *

"The directors of **The Standard Bank of South Africa, Ltd., London, Eng.,** have resolved to recommend to shareholders at annual General Meeting to be held on July 30 payment of a final dividend of one shilling and six pence per share payable in British currency and subject to income tax of eight shillings and six pence in the pound making total distribution of two shillings and six pence per share for the year ended March 31, 1958, to appropriate £160,000. To the Reserve Fund and £50,000 to writing down bank premises carrying forward a balance of £479,021. Bank's investments stood in books at less than market value as at March 31 last and all usual and necessary provisions have been made. Register of shareholders will be closed from July 2 to 15, both date inclusive."

The Current Recession And the Economic Outlook

By DR. COLIN CLARK*
Consultant-Economist, The Econometric Institute, Inc.
Former Director of Research Institute, Oxford University

After analyzing causal factors responsible for present recession, and dismissing fears that another depression of the 1930's is likely to come about, noted British econometrician now here as a visiting economist anticipates recovery beginning before the end of 1958. Dr. Clark warns, however, that errors committed in tax and monetary policies will cause greater suffering than necessary and calls for public clamor to prevail upon Congress "to initiate necessary counter-measures." Attributes our inflation to our tax policy, terms us an "over-taxed country," and hopes tax cut will not only be immediate but also permanent.

The economic recession now in progress has not yet reached the end of its down-phase; but it has already shown a decline greater than the complete downward movement of the last economic recession, that of 1953-54, as measured by three of the most important indicators available—the fall in industrial production, the fall in manufacturers' sales and the fall in employment.

These recessions certainly fall far short of the economic devastation of the Great Depression of the 1930's. Nevertheless, they cause great and avoidable economic losses, are responsible for much human suffering, and—a further important point which may have escaped you, but which an outsider sees very clearly—these recessions, even though mild, do great harm to American prestige in other countries.

Communist and neutralist propagandists throughout the world will hasten to play up every piece of unfavorable news, and give to millions of uninformed people, who have little accurate knowledge of the United States, the impression that the American economy is crumbling. To those who believe, as I do, that the preservation of world peace largely depends upon the maintenance of American prestige and influence throughout the world, this is a very serious matter.

Could not these recessions have been foreseen? And if so, could they not have been avoided?

* * *

Causal Factors at Work

The fact that we can now foresee these recessions, even partially, means that we can claim to have some understanding of the different causes at work, and of their relative importance. If we wish to isolate a single principal cause, we can say that this recession, like that of 1953-54 and of 1948-49, is primarily an inventory cycle. To describe it a little more fully, we can also say that not only was there a somewhat excessive building-up of inventories, but also a building-up of a backlog of unfilled orders. These movements were more marked in some stages of the productive process than others, and much more marked in the durable than in the non-durable goods trades. New orders, unfilled orders, productive capacity, inventory and sales all influence each other, in a manner which is exceedingly complex. We now understand more of these interrelations than we did. But they will probably never be simple enough to be reduced to words. The relationships will have to be expressed in fairly complex mathematical formulae, similar to those which engineers use; and the non-mathematical economist will be left out of the running. Further research into these relationships, which are clearly of vital and urgent importance, is being pressed ahead as rapidly as possible.

Although the present recession can be described as predominantly an inventory cycle, this is not a complete description. There is another element in it, which began quite early in 1957, namely a decline in sales of capital goods. As always happens on these occasions, production in the capital goods trades, in fact in all heavy industry, has, for the time being, declined much faster than sales. This, however, is a temporary relationship, which will later be reversed. The recovery of production in these industries will also be more rapid than the recovery of sales. These relationships are due to the emptying, and subsequent refilling, of production pipelines. There has also been a decline, rather more rapid, in residential construction. Industrial and commercial construction, on the other hand, has, on the whole, held up surprisingly well. Probably the basic reason for this is the high rate of obsolescence now prevailing on old buildings, which become uneconomic to operate, and therefore have to be replaced.

Finally, there has been some decline in the quantity of goods and services purchased by the Federal Government.

When first forecasting the present recession, early in 1957, I thought at the time that it was likely to continue well into 1959. The events of 1957, however, fortunately indicate some speeding up of this process. Inventory cycles generally all take the same form. During the years of good trade there is a steady buildup both of inventories and of unfilled orders. Then, after business has begun to turn down, there follows a short and painful period best described as one of "involuntary inventory accumulation." Manufacturers and traders are trying to dispose of their inventories, but goods from orders placed in the recent past are still being delivered, while sales are falling. So inevitably they find their inventories growing, for a time, although they are trying to reduce them. This period of involuntary inventory accumulation finished before the end of 1957, and inventory reduction, the basic necessity for recovery, began. These figures of inventory reduction are those which should be watched most closely, to indicate when recovery can begin.

Sees No Depression

The present recession is more serious than that of 1954. But let me reassure you by saying that, we have clear grounds for saying, that nothing resembling the Great Depression of the 1930's is likely to come about. What made the depression which began in 1929 so disastrous were two other economic factors, only dimly realized at the time, both very unfavorable then, and both favorable now.

Farm Sector

The first of these factors is farm prices. The depression of 1929 was preceded and intensified by a depression in farm prices, of a world-wide nature, which had begun as early as 1925. Now, on the other hand, the American farm problem, which has been with you for so many years, at last appears to be within sight of solution. We still hear a great deal about surplus stocks and about support prices. But, after all, these only refer to a limited number of commodities. Many of the most important American farm products, particularly livestock products, now sell satisfactorily on the free market—which should be the ultimate objective for all farm products. There have been great improvements in productive methods in farming, but the movement of labor out of farming has been so rapid that since 1945 the gross production of American agriculture has only been rising at about 1% per year, less than the rate of growth of population. In the case of farm products, demand is on the whole now tending to catch up with the supply. Higher prices for farm products—which will inevitably involve further wage demands on the part of industrial labor—are now in prospect.

This improvement in the relative position of farm products is a world and not merely an American phenomenon. It is indeed surprising how well world prices of agricultural prices have stood up during the present recession. In 1941, I wrote a book which I was rash enough to entitle "The Economics of 1960" making an estimate of world markets at that date and forecasting prices for farm products much higher, in relation to the prices of industrial products, than they had been before the war, largely because of the expected entry of Russia into world markets as a seller of manufactured goods and as a buyer of farm products. I think that these predictions will be fulfilled, though perhaps not quite so early as 1960.

But the other factor, more important even than farm prices, is that of population. About 1929 there was a serious slowing-down in the rate of population growth in the United States, and also in many other countries important in world trade. This slowing-down in population growth indeed played an important part in bringing about the fall in the prices of farm products on world markets. It meant also a very heavy fall in the demand for housing, particularly as the rate of residential construction had been exceptionally high in the 1920's (in 1925 nearly one million residences were constructed, a rate almost the same as that of the present day, although the United States then had 25% less population and 50% less real income than now). But the United States has now entered a new phase of population growth, at a rate which has confounded all the experts of the Census Bureau, at a rate of population growth of 1¾% per annum, one of the highest rates in the world, considerably higher than that of India.

Sees Recovery Before 1958 Ended

So, to conclude, there are a number of beneficial factors, which will pull the economy upwards again. The recovery, so far as we can now see, will begin before the end of 1958.

This still however gives us no grounds for treating the recession lightly, for undue optimism about the near future, or for failing to think in advance about the next inventory recession, which may be due some four or five years hence. Even in 1959, production and employment will be below what they might have been, and economic losses will be incurred which could have been avoided. A substantial tax remission, if it had been made some months ago, might have prevented the recession altogether; it would hasten the recovery if it were made now. Undue severity of monetary policy also contributed to the recession; neither private families nor businesses will buy readily if they feel themselves short of cash. Both the 1948-49 and 1953-54 recessions were mitigated by such measures. In 1954, not only were tax remissions granted, but also a very rapid increase in the money supply, by 7% in nine months. In the current recession there have been no such remedial measures, and America is suffering more in consequence.

Suggests Quick Action

It is the duty of economists and of all others who understand the nature of these recessions not to remain silent, but to raise as much clamour about them as possible, to get them talked about, and to get people worried—in fact, I advocate the exact opposite of the line which is being taken in Washington. For it is only when business and public opinion is clearly moved, and the electors are becoming anxious, that the average politician will be willing to initiate the necessary counter-measures. It is a natural tendency of all governments, of whatever political party, to like to go on collecting taxes. They will not relax their grip on tax revenues until a real movement of public opinion compels them to do so.

Finally, on the question of tax remission, I should like to say that I strongly agree with Professor Burns, in demanding a tax remission which shall be not only immediate, but also permanent, to be offset by economies in government expenditure as soon as business improves. Though not so heavily taxed as Britain, where taxation takes 37% of the entire net national income, the United States, where the proportion now stands at over 30%, is also an over-taxed country. The economic health of the country will not be really satisfactory until the ratio of taxation to national income has been substantially reduced. Although I find that many American economists disagree with me, I am convinced that excessive taxation, particularly too high a rate of taxes on corporations, is the root cause of the persistent fall in the value of the dollar, which has been going on ever since the war ended. Businesses become all too ready to incur increased costs and wage payments when they figure that more than half of any increase in their costs will fall upon the Treasury, and not upon their own net profits. The Federal Reserve Board has followed a well-meant but mistaken policy of monetary restriction in the vain hope that they could thereby check this persistent increase in costs, which is in fact due to other causes; and the policy of monetary restriction has only served to aggravate the inventory cycle.

*From a talk by Dr. Clark before New York Society of Security Analysts, New York City.

Joins Foster Bros., Weber

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio—Richard D. Topolski has joined the staff of Foster Bros., Weber & Co., 241 Superior Street, members of the New York and Midwest Stock Exchanges.

John F. Wark

John F. Wark, partner in Merrill Lynch, Pierce Fenner & Smith, passed away May 17 at the age of 61. Mr. Wark was the first employee of Charles E. Merrill & Co., the firm's earliest predecessor company, joining them as office boy in 1914. He became a partner in 1940.

Transcontinental Gas Pipe Line 4⅝% Bonds And $5.70 Pfd. Offered

Public offerings of $25,000,000 Transcontinental Gas Pipe Line Corp. 4⅝% first mortgage pipe line bonds due 1978 and 150,000 shares of the company's $5.70 cumulative preferred stock were made yesterday (May 28) by underwriting groups headed jointly by White, Weld & Co. and Stone & Webster Securities Corp.

The bonds are priced at 99.25 and accrued interest, to yield 4.68%. The preferred stock is priced at $100 plus accrued dividends per share.

Part of the net proceeds from the financing will be applied to repayment of all of the company's outstanding bank loans, expected to amount to $34,000,000. The balance of the proceeds will be used for construction.

The company estimates that it will spend approximately $155,000,000 after Dec. 31, 1957 to complete the construction program scheduled at that date. The program includes three principal segments: completion of the "looping" of the original main line from Louisiana to New York City with larger diameter pipe; construction of 445 miles of lateral lines in southern Louisiana to tap new gas reserves; and construction to 192 miles of line from points of connection with the main line in New Jersey to the Leidy Storage Field in north central Pennsylvania.

The bonds will have the benefit of an annual sinking fund which will commence in 1962 and which will retire approximately 90% of the issue prior to maturity. The company may redeem the new bonds optionally at prices ranging from 105% to 100% except that no redemption may be carried out for five years as a part of a refunding operation involving the incurring of debt with an interest rate of 4.68% or less. For the sinking fund the bonds will be redeemable at 100%.

The preferred stock will be entitled to an annual sinking fund amounting to 2.5 shares for each 100 shares commencing with the 12 months period ending May 1, 1964, and continuing in each succeeding 12 months' period through May 1, 1973; thereafter the annual sinking fund will be 5 shares for each 100 shares of preferred stock.

The company reported for the 12 month period ending March 31, 1958 revenues of $101,326,852 compared with $89,689,567 for the same period ending in 1957. Net income for the 1958 period was $15,978,680 against $12,830,749 in 1957.

Transcontinental owns and operates an interstate pipeline system for the transportation and sale of natural gas. The main pipeline system extends 1,842 miles from the Texas and Louisiana Gulf Coast to the New York-New Jersey-Philadelphia metropolitan area.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—John Dimitroff has been added to the staff of Harris, Upham & Co., 1904 Farnam Street.

With John A. Kemper

(Special to THE FINANCIAL CHRONICLE)

LIMA, Ohio—August H. Plumpe has become connected with John A. Kemper & Co., 121 West High Street.

With Central States

MANSFIELD, Ohio—Rowland C. Sponaugle is now with Central States Investment Co., Walpark Building.

Continued from page 14

Signs of Better Days Ahead For Railroad Industry

reserve fund." The plan is similar in purpose to that set up by the Merchant Marine Act of 1936 to encourage ship construction. It contemplates that moneys set aside in the construction reserve fund would be deductible in computing Federal income tax, provided that such funds are used only for the acquisition of transportation equipment and facilities or for reduction of debt incurred in such acquisition, and provided further that amounts deposited in the fund are used for the intended purpose within five years from the date of deposit.

Under this proposal, taxes would be deferred and not forgiven. As funds are withdrawn for the purposes intended there would be a corresponding reduction in the basis of the property acquired for the purpose of computing the depreciation of such property. Thus the deferred taxes would be substantially made up by increased taxes paid in future years. However, such a proposal would tend to level out the peaks and valleys of railroad expenditures for equipment and other improvements—to the benefit not only of the railroads and the industries which supply railroad needs, but also of the shippers and the industries which supply railroad needs and the national economy.

Twenty Years Depreciation

Another recommendation in this field of depreciation charges arises from the extremely long service life that is assigned to depreciable railroad property for tax purposes. This service life averages 40 years, which means that only 2½% of railroad investment can be recovered in depreciation charges each year. Believing that it would help railroad managements to make the additions and betterments necessary to meet the modern competitive conditions, the Subcommittee proposes to permit railroads to establish a 20-year life for depreciable property as a maximum for tax purposes.

Another recommendation — and one that is warmly endorsed by virtually everybody, calls for repeal of transportation excise taxes of 3% on freight charges and 10% on passenger fares. The subject is one which comes before the Ways and Means Committee of the House and the Finance Committee of the Senate, but the Transportation Subcommittee has expressed the hope that repeal of these taxes will be approved.

In the field of rates and ratemaking, the Subcommittee makes two important recommendations. The first has to do with competitive ratemaking—a subject as to which there has been a vast deal of misunderstanding. It has been represented that railroads seek the unrestricted right to make whatever rates they please—that this in turn would lead to "a return to the law of the jungle" and "utter chaos." What railroads really seek is not unrestricted ratemaking freedom but only that proposed rates by rail may not be rejected by the Interstate Commerce Commission because they may adversely affect another mode of transportation. The railroads agree that their rates must always be reasonably compensatory, in the opinion of the Interstate Commerce Commission, and nondiscriminatory as among shippers, again in the opinion of the Interstate Commerce Commission.

Some Concession

The Subcommittee did not adopt the railroad's recommendation, familiarly known as the "three shall nots," but it did recommend that the Interstate Commerce Commission consistently follow the practice of allowing each mode of transportation to assert its inherent advantages whether they be of service or of cost. This principle, the Subcommittee said, was well stated in the 1945 case *New Automobiles in Interstate Commerce* (259 ICC 475), in which the Commission concluded that "there appears no warrant for believing that rail rates, for example, should be held up to a particular level to preserve a motor-rate structure, or vice versa."

Affirming this interpretation by the Commission, the Subcommittee recommended that the only amendment to be made to the Interstate Commerce Act would be to add to Section 15(a), a new paragraph 3 as follows:

"In a proceeding involving competition with another mode of transportation, the Commission, in determining whether a rail rate is lower than a reasonable minimum rate, shall consider the facts and circumstances attending the movement of the traffic by railroad and not by such other mode."

While this is not just what the railroads proposed, it does represent a distinct clarification of the law and the intent of Congress.

The other rate recommendation made by the Subcommittee is designed to remove discrimination against interstate commerce caused by intrastate rates which are out of line with interstate levels. The Subcommittee's proposal would make it possible for the Interstate Commerce Commission to act more expeditiously in such cases and also clarify the standards under which the Commission would determine what constitutes an undue burden upon interstate commerce.

Federal vs. State Authority

The Subcommittee proposes to give the Interstate Commerce Commission jurisdiction in the field of discontinuance or changes of railroad facilities and services. At present the Interstate Commerce Commission may authorize the entire abandonment of a line, but the discontinuance of particular trains or services is a matter of state authority. The Subcommittee believes that the Interstate Commerce Commission should also have authority in this field, in the interest of having a sound transportation system adapted to national needs without "undue importance being attached to matters of a local nature."

The Subcommittee also gave attention to the problems arising from the exemption from regulation of motor transportation of agricultural products. Originally intended as an aid to farmers in the initial movement of produce to market, the exemption has been expanded by judicial and administrative interpretation to include a great variety of products that have received varying degrees of commercial processing and to the transportation of such commodities in ordinary commercial channels beyond the initial movement. Believing that this trend should be halted before the position of all regulated carriers is more seriously impaired, the Subcommittee recommends a halt to further expansion of the exemption and a return to economic regulation of the transportation of frozen fruits and vegetables and imported agricultural commodities.

The Subcommittee was concerned also over the growing practice of persons representing themselves to be private carriers who actually engage in for-hire transportation under various guises—a practice which is seriously crippling the legitimate public carriers "upon which the nation depends," the Subcommittee says. The Subcommittee, therefore, has recommended that the Interstate Commerce Act be amended to provide that no person in any commercial enterprise other than a duly authorized or specifically exempt for-hire transportation business shall transport property by motor vehicle in interstate or foreign commerce unless such transportation is solely within the scope and in furtherance of a primary business enterprise (other than transportation) of such persons.

Such an amendment to the law, the Subcommittee said, would not disturb in any way the "primary business test" contained in the *Brooks* case. That test, indeed, would be written directly into the statute.

More Study Needed

From this brief resume of the principal points of its report, it is obvious that the Senate Surface Transportation Subcommittee has made a comprehensive, thorough and penetrating study of the transportation situation. As the committee has pointed out, however, there are long-range policy matters that "need extensive study and recommendation to the end that appropriate legislation be enacted to insure a sound national transportation system." The Subcommittee recommends that such studies be made under the direction of the Senate Committee on Interstate and Foreign Commerce, which would be given authority to employ three highly qualified experts for the purpose. The study would go to such fundamental points as the need for regulation under present day conditions and the type and character of that regulation; the ownership of one form of transportation by another; Federal policy on the subject of large-scale railroad consolidations and mergers; the kind and amount of railroad passenger service necessary to serve the public and provide for national defense; and —perhaps most important of all— the question of government assistance to the various forms of transportation and the desirability of a system of charges for the commercial use of publicly provided and maintained facilities.

Such a study, it would seem, might well take up where the present study leaves off.

But whether there are to be further studies, the fact that our essential transportation is receiving such close and concentrated attention is an encouraging sign of better days ahead—a time when each form of transportation will have an equal chance to give the public the benefit of whatever inherent advantages it may possess, whether they be advantages of service or advantages of cost. When that times comes, each form of transportation will be permitted to do that which it does best, all factors of cost and service considered — and our observance of Transportation Week will not be clouded by the hovering shadows of difficulties and deterioration. Speed the day!

Now With E. I. Hagen Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Marjorie B. Hagen has joined the staff of Edward I. Hagen, 1705 Northwest 32nd Avenue. She was formerly with Zilka Smither & Co., Inc.

With A. G. Becker Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Herbert J. Yates III, is now with A. G. Becker & Co. Incorporated, Russ Building.

Sunday Selling Means Spiritual Losses for Material Gains

By ROGER W. BABSON

Mr. Babson draws the line against retail sales on Sunday and opines that the argument in favor of Sunday selling cannot compare with the spiritual harm in store for merchants and consumer-shoppers.

There is no one who wants to see a prosperous America more than I do. But if the only way to more business is to convert Sunday into just another work day, then America is in worse shape than I had thought!

Roger W. Babson

People in puritanical New England where only 1% of the supermarkets are open on Sundays are probably unaware that 78% of these markets are open Sundays in the Mountain and Pacific States. In California, stores of all kinds never close. The real reason for this is competition for the everlasting sales dollar.

There are a number of causes for the inroads the merchant is making on the Sabbath: (1) The long-term pattern of business from 9 to 5 gave way to wartime needs when stores in certain manufacturing areas remained open evenings to cater to round-the-clock defense workers. (2) The mass movement to Suburbia following the war radically changed consumers' buying habits; it was much more convenient to stay at home and shop in Suburbia, especially if the stores there remained open nights. (3) When competition for consumer dollars stiffened, it was but a short step into Sunday from Saturday afternoon—particularly in those parts of our country where Sunday Blue Laws either are weak or receive only token enforcement.

Is Sunday Selling Good for Merchants?

That depends on who and where you are! The now famous case of Hess Brothers, Allentown, Pennsylvania's largest department store, points up one answer to this question. Last October, a large discount house, **"Two Guys from Harrison, Inc.,"** began drawing away the Hess sales volume. Hess Brothers finally threatened to keep its doors open on Sunday, too. Hess' threat caused a Pennsylvania district attorney not only to fine the owners of "Two Guys from Harrison, Inc.," but also to fine each of the 100 or so employees of the discount house for violation of a 160-year-old Pennsylvania Sunday statute. This is one side of a typical problem confronting many communities today.

Another look, however, reveals that more and more merchants remaining open on Sundays count on their Sunday sales to make the difference between the week's profit and loss. These merchants argue that times change, and with changing times must come changing merchandising techniques. In short, Sunday selling, they say, has become a matter of economic survival.

The Case Against Sunday Selling

The very fact that so many favor Sunday selling is a reasonably good index of how materialistic our culture has become. The paths of history are strewn with the wreckage of cultures that neglected their spiritual development. The place for our families on Sunday is in God's House, not in a Discount House. Surely in a country where the work week becomes constantly shorter and leisure ever greater, we ought to be able to find a little time during the week for reflection and spiritual regeneration.

Parents, law enforcement officials, educators — all who work with young people—are concerned with the many symptoms of maladjustment: juvenile delinquency, divorce, cheating, etc. But, these are indications of a deeper problem: lack of adequate standards and values.

Better Homes Needed

We parents need to bring into much sharper focus the standards of right and wrong, and we need a philosophy of life much less egocentered and a lot more others centered. Dare I say that most of our youth are what our homes have made them This is where the Church comes in. Where, if not in the Church and in the church-oriented home, is the average youth going to develop sound moral and spiritual fibre?

As a businessman, I believe the business community owes more to its constituents than just making it easy for people to buy what they want when they want it. The balance sheet must be scrutinized for spiritual losses that may do far greater harm, in the long run, than the immediate material gains. We may need a "business depression" to bring us to our senses— and perhaps something more serious.

Coast Exchange Explains Operations

The San Francisco division of the Pacific Coast Stock Exchange has concluded a series of five meetings with representatives of San Francisco banks at which Exchange operations were explained.

Seventy-five participants were divided into five groups. Each group was addressed by George W. Davis, Davis, Skaggs & Co., Chairman of the Board, San Francisco Division, members of the Exchange Staff, and a Specialist Odd Lot Dealer on the Floor of the Exchange. After the lecture, which lasted about half an hour, the groups were taken onto the Floor where the detailed operations were explained by the Chairman and Vice-Chairman of the Floor Trading Committee, after which each banker was assigned to a Specialist Odd Lot Dealer where the system of handling odd lots and the specialist's functions were explained.

Joins Copley Staff

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.— Vincent F. Assaiante has joined the staff of Copley and Company, Independence Building.

With Andersen, Randolph

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Richard W. Haas is now affiliated with Andersen, Randolph & Co., Inc., C. A. Johnson Building.

Midwest Exch. Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange elected John E. Munger of Chicago, to membership in the Exchange.

Watson of IBM Governor of NYSE

Keith Funston, President of the New York Stock Exchange, has announced the election of Thomas J. Watson, Jr., President of International Business Machines Corporation, New York City, as a Public Governor of the Exchange.

T. J. Watson, Jr.

Mr. Watson succeeds Charles E. Wilson, former President of General Electric Company and former Chairman of W. R. Grace & Co., who is completing his term as a Public Governor. Other Public Governors are Frank Hugh Sparks, President of the Council for Financial Aid to Education, New York City; and John David Biggers, Chairman of Libbey-Owens-Ford Glass Co., Toledo, Ohio.

The office of Public Governor was created in 1938 to bring to the Board of the Exchange a closer understanding of the public viewpoint and interest. The Board is composed of 30 other Governors representing the Exchange community, including the Chairman and the President of the Exchange.

Bank Credit Assoc. Elect New Officers

At the meeting of the Bank Credit Associates of New York held May 22, 1958, the following Officers and Governors were elected for the 1958-59 term:

President: Francis D. Weeks, Jr., Marine Midland Trust Co.;

1st Vice-President: John J. Battista, Swiss Credit Bank;

2nd Vice-President: Justin McCarthy, Industrial Bank of Commerce;

Treasurer: Thomas E. McCullough, Chemical Corn Exchange Bank;

Secretary: Ramsey E. Joslin.

Members of the Board

Raymond T. Bogert; Samuel W. Kearney; Henry Kees; Joseph H. Scharpf; William G. Schetlick; Grover A. Strauss.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

The Hanover Bank, New York

This bank is the outgrowth by mergers of three large New York institutions, the Central Trust Co., Union Trust Co., and Hanover National Bank. It has operated since 1873 under Central Trust Co.'s New York State charter, granted specially a number of years previous of the enactment by the legislature of the state's general Trust Company Act. Hanover National, organized in 1851, had absorbed three banks. Union Trust Co., dating from 1864, merged with Central Trust Co. in June 1918; and in May 1929, Central Union Trust and Hanover National combined under the title Central Hanover Bank & Trust Co. This name was shortened to the present title in July 1951.

The merger was logical. Unlike so many others in the period it was not made to attain greater asset size under single management, but rather because the two banks tied in so well. Hanover had been a bankers' and correspondents' bank. Central Union Trust had a large part of its operations concentrated in trust and in similar lines. There thus came into being an exceptionally well integrated institution whose growth since that time has been steady and consistent.

At the time of the Central Hanover merger deposits were $446,000,000. On Dec. 31, 1957 they were $1,576,000,000, an increase of approximately 250%. Hanover continues to occupy a prominent position with respect to its trust business. It operates nine branch offices in Manhattan, a complete banking office in London, and a representative in Paris. Two more branches are planned for New York's mid-town area. Its loans are to an important extent with corporate customers, no retail or small loan business being conducted.

Statement of Condition — December 31, 1957

Assets		Liabilities		
Cash & due from banks	$500,560,881	Capital	$36,000,000	
U. S. Gov't obligations	262,538,456	Surplus	100,000,000	
State, munic. & other secur.	57,482,129	Undiv. profits	27,507,257	
Loans	912,329,335			$163,507,257
Real estate mortgages	3,239,125	Reserves:		
Banking houses & equipment	12,207,001	Taxes, int., etc.		8,781,238
Accrued int. rec.	2,558,969	Dividend payable		1,800,000
Customers' liab. on accep.	45,144,526	Acceptances, net		45,903,232
		Deposits		1,576,068,695
	$1,796,060,422			$1,796,060,422

Since the date of this statement, Hanover issued a stock dividend of 11 1/9%, increasing the capital to $40,000,000; and the shares outstanding to 4,000,000. The par value is $10 a share.

A breakdown of these assets into principal categories follows:

Cash	27.9%	Loans	50.8%
U. S. Government obligations	14.6	Banking houses and equipment	0.7
State, munic. & other securities	3.2	Miscellaneous assets	2.8

Following is a comparison of Hanover's United States Government bond portfolio for the past five year-end dates:

Maturities

	Up to 5 Years	5 to 10 Years	Over 10 Years
1953	70%	30% *	------
1954	58	42 *	------
1955	61	39 *	------
1956	100	----	------
1957	82	18 *	------

*Due in five or more years.

There is also given a breakdown of the bank's sources of gross income:

	Loan Interest	Interest & Dividends from Securities	Fees, Commissions and Miscellaneous
1953	55%	24%	21%
1954	52	27	21
1955	55	24	21
1956	66	14	20
1957	69	12	19

If we go back to 1948 we find that loan interest contributed only 35% of gross income; income from securities was 41% and commissions, etc., 24%. The last named item has remained fairly close to the 20%-25% area; but loan interest grew with both volume and with higher rates. Naturally, with the letdown in volume and with the prevailing lower rates this loan interest ratio will shrink somewhat; but it is to be doubted that it will go back to the proportion of a decade ago.

Ten-Year Statistical Record — Per Share*

	Book Value	Operating Earnings	Invested Assets	Dividend	Price Range High	Price Range Low
1948	$32.63	$1.80	$273	$1.05	24⅜	21⅝
1949	33.30	1.79	291	1.05	26½	21⅝
1950	34.04	1.77	312	1.05	27⅝	24¾
1951	34.62	1.95	322	1.16	29½	25¾
1952	35.52	2.28	321	1.20	30	26⅛
1953	36.56	2.47	339	1.20	30⅝	27
1954	37.66	2.53	337	1.35	36⅛	28⅛
1955	38.61	2.91	345	1.46	40⅞	35¾
1956	39.65	3,40	335	1.58	40¾	34¼
1957	40,88	3.74	323	1.80	41	36½

*Adjusted for capital changes.

There are three outstanding facets to this tabulation, first the doubling of operating earnings; secondly, the marked increase in dividend; thirdly, the favorable treatment of the stockholder, for he received the following stock dividends if he held the stock throughout the period: 1951, 14 2/7%; 1954, 12½%; 1955 11 1/9% and a two-for-one split; 1956, 20%; 1958, 11 1/9%. And the stock remained on, in effect, the same dividend rate.

The shares are on a $2 annual basis, which has been the rate that has been maintained since the two-for-one split. Previous to that, $4 was paid.

At the present price of about 42½ the yield is around 4.70%. The $2 payment is only 48% of operating earnings; and in 1957 about 9.2% was earned on the year-end book value. The stock is now selling at approximately 10.2 times 1957 operating earnings.

Continued from first page

Monetary Policy in a Recession

grown up in the preceding two or three years—imbalances in costs, prices and incomes, in the expansion of capacity in relation to current demand, in our foreign trade, and perhaps in the debt structure—and which together made a period of adjustment inevitable.

Now, let us consider what monetary policy has done to cope with this state of affairs. As you know, our influence is exercised largely through affecting the availability and cost of credit through actions affecting the supply and cost of bank reserves. Oddly enough, for a number of weeks after our policy changed, it was the fashion to say "Yes, it is true that interest rates have dropped sharply, because of expectations of future developments in business conditions and Reserve policy, but **really** the Federal has done very little." Actually, open market operations were then doing their job of easing the banks' reserve position by more than offsetting the seasonal strains of the year-end, and by doing much less than in other years to offset the seasonal additions to reserves early in the new year. Subsequently, these operations have been powerfully supplemented by a series of reductions in required reserve ratios (which released nearly $1.5 billion of reserves) and by three further reductions in Reserve Bank discount rates.

Describes Extent of Credit Ease

Have we gone far enough to get the desirable degree of credit ease? Well, the member banks throughout the country, instead of having net borrowed reserves of about half a billion dollars, as they did during much of last year, have had free reserves of half a billion dollars or more in the last few months—a swing of about $1 billion in the figure which is perhaps most frequently used as a measure of pressure, or lack of it, in the banking system. This statistical measure represents the difference between member bank borrowings and excess reserves. With excess reserves a relatively stable quantity, the swing has been due largely to a drop in borrowings at the discount windows of the Reserve Banks from around $1 billion to a little over $100 million.

Perhaps it would be well to note in passing that the total of member bank borrowings has responded as it should, in "classic" fashion, to the "Fed's" activities. At first glance it might be thought that with four cuts in discount rates since November, we would expect to have stimulated greater, not less, use of the discount window, but that is not the way discounting works. Banks borrow from us mainly to cover temporary deficiencies in their reserves, and their needs for borrowing are much less frequent when bank reserves generally are not under pressure. The discount rate reductions represented support and confirmation of the open market operations and the cuts in reserve requirements which have made reserves available and have made borrowing at the "Fed" virtually unnecessary.

The most significant indication of the effectiveness of the change in Federal Reserve policy is the fact that, over and above the tremendous swing from net borrowed to free reserves, member banks had enough additional reserves to be able to expand their earning assets and their deposit liabilities by several billion dollars. In this way the banks have used several hundred million dollars of the reserves released by the lowering of percentage reserve requirements. Thus the fact that member bank reserves are now lower than a year ago does not mean that there has been a corresponding contraction in the money supply. On the contrary, the money supply in the form of demand deposits, seasonally adjusted, has been increasing at the rate of nearly $1 billion a month since January.

Statistics on changes in bank loans and investments since October also throw light on the profound alteration which has occurred in the bank's position. Total loans and investments have risen by $7 billion, as compared with less than $2½ billion in the corresponding period of 1956-57 and $1 billion in 1955-56. With demand for business loans shrinking, the greater part of the increase has been in investments, chiefly in U. S. Government securities, but with a substantial increase also in other securities and in loans to carry dealers' increased holdings of securities. Accordingly, we have witnessed a very considerable improvement in the liquidity of the banks, and along with it has come a gain in liquidity for others than banks as they have received cash directly or indirectly from the banks' security purchases. The loan-deposit ratios of banks, often looked upon as a rough measure of bank liquidity, have dropped since October from 66% to 61% in the case of the New York City banks, and from 55% to 52% in the case of banks outside of New York. Granted that these loan-deposit ratios are still far above those of 1954, we have clearly made headway in restoring a good deal of the liquidity that was lost during the period of restraint—and I hope, and believe, that the banks are much better disposed now than six months ago to seek aggressively to meet all sound demands for credit.

Interest Rates & Capital Markets

Another major result of the change in Federal Reserve policy has been its effect on interest rates and the consequent stimulus to the capital markets. As is usual in any cyclical swing in rates, short-term rates have fallen much more sharply than long-term, although even in the latter the decline has been very substantial. Undoubtedly, an important factor preventing a steeper drop in long-term rates has been the very large volume of new corporate and municipal securities that have been brought out in response to the more favorable market conditions. Of course this has been a very healthy development which we have welcomed, as the corporate financing has helped to improve business liquidity and the municipal issues have contributed to the financing of expenditures which have provided a partial offset to recessionary tendencies.

Long-term interest rates, having started down from a much higher level than was reached in 1953, are still considerably above the levels reached in 1954 in spite of the sizable drop since last autumn. The significance of any particular rate level is not always the same in all circumstances, however. The important consideration in present conditions is that money and capital should be readily available; that no sound economic project should be deferred or dropped because funds are not available on reasonable terms. The necessary condition is that rates be satisfactory to borrowers and, at the same time, acceptable to investors. It is that broader complex, and not just rates as such, which we try to keep in view in the development of credit policy.

Funding of Treasury debt earlier this year probably tended, at least in some degree, to slow the rate of decline in long-term rates and, with another large refunding in immediate prospect, the Treasury now faces the difficult problem of whether to include a long-term issue. The dilemma faced by the Treasury at times like this is how best to reconcile the need for improving the maturity structure of the debt with the desire to avoid serious interference with other desirable financing.

It seems to me that the developments of recent months refute pretty effectively the old allegation that monetary policy, effective though it may be in checking a boom, is helpless to combat recession. The fact is that the banks do largely use any reserves which are made available to them to make additional loans or investments, and in so doing contribute substantially to the supply of investible funds, with marked effect on the strength of the capital markets. Naturally I am not claiming that monetary policy alone can create eager borrowers nor that it can provide all the stimulus needed to pull the country out of a recession—but it can be of tremendous help and is, in fact, an indispensable element for resumption of economic growth.

More Uniform Reserve Requirements

I would like to emphasize that there is no electronic computer to tell us exactly how far we should go in this process of easing credit conditions. After all the obtainable statistics are accumulated and studied, it is still largely judgment which the central banker must use in deciding how far or fast to move. We must at all times be mindful of the "feel" of the money and capital markets, and the geographical distribution of reserves, so that there is not undue tightness in either the money centers or in other parts of the country.

Incidentally, the action of the Board of Governors in reducing central reserve city bank reserve requirements more sharply than those of reserve city bank requirements, and the latter more sharply than country bank requirements, has not only helped to reduce an inequitably wide spread between requirements, but has also tended, along with other measures, to prevent the appearance of a degree of tightness in the larger cities which would have been inconsistent with our general policy of monetary ease.

As has often been said more eloquently than I can, monetary policy must always seek to tread a narrow and at times difficult path between the objective of steady economic growth and the objective of price stability. The replies a month or two ago by the Reserve Bank Presidents to the questionnaire sent to them by Senator Byrd, set forth in considerable detail reasons why we believe that these two objectives are consistent in the long run. But we also recognized that there may arise substantial inconsistencies in the short run. We have been criticized for easing money too much by some observers who believe in fighting inflation at all costs, and we have been criticized for being tardy or niggardly by those who believe we should be more mindful of the growing supply of unused human and material resources in the country.

Fears Recession More Than Inflation

The first group have tended to point to the continuing increase in some price indices, notably in the consumer price index, as calling for continued restraint. Yet I am quite clear in my own mind that during recent months the immediate dangers of recession had come to outweigh very clearly the immediate dangers of inflation, and they still outweigh them. Granted that we may again be faced with a problem of fighting inflation after we emerge from the current recession, I think it would have been inexcusable to let this consideration prevent our doing all that we could reasonably do to combat the recession and to provide an atmosphere of money and credit ease conducive to recovery.

Even though there are some signs that the bottom of the recession may be near, we cannot look with equanimity on current levels of unemployment or on the possibility of an increasing spread between actual output and the country's growing resources of labor and capital equipment. Naturally I hope and expect that we in the Federal Reserve System, and the country in general, will have the sense and courage to recognize the need for a change of monetary policy when it comes.

One serious problem is the adequacy of our statistical tools, on the basis of which important national policies must, to a considerable extent, be decided. An example is the consumer price index which is one of the principal measures used in connection with our objective of attaining price stability. In spite of all the skill and care used in preparing this index, the question still remains whether it gives us an accurate reading as to the true cost of living for the average American family. Without attempting to go into all aspects of this subject, I might merely point out that, in the view of many economists, the index may not take sufficient account of improvements in quality; it represents a fixed "market basket" and cannot give recognition to the consumer's ability to make substitutions when certain prices rise; and it probably fails to give adequate weight to all the discounts or price reductions actually available at the retail level under present conditions. Similarly, many of our other statistical series are subject to substantial reservations.

Closely related to this matter of the adequacy of our statistical tools is another question which is often raised. Why cannot the monetary authorities forecast more effectively and anticipate needs for policy changes, instead of waiting until a business trend has become fairly obvious? The answer, I think, lies in the absence of conclusive statistical measurements even of present conditions, let alone of future conditions. Many of our statistical data tell us only what has happened some weeks previously, not what is happening now nor what will happen tomorrow. There are some so-called "lead" series which may give a clue to the future of other series, but I would stress that it is only a clue; that the statistical history of business cycles is full of false starts, both upward and downward. So there must always be an element of tentativeness in our approach. We can never go "all out" at the first suspicion of a trend, but must patiently watch and probe and reappraise, intensifying our efforts or pulling back as additional evidence becomes available.

Suggests Supplemental Selective Credit Controls

Another problem has to do with the instruments of credit control at our disposal. By and large the Federal Reserve System has relied on very general credit controls—control of the total money supply and aggregate bank credit—with a minimum of interference with the market's allocation of credit and resources to the various segments of the economy. This is as it should be in an economy which relies for its motivation primarily on market forces and freedom of enterprise. In keeping with this philosophy, the System has applied restraint only when the aggregate of demand was tending to exceed available supply at stable prices, and when aggregate credit demands were running ahead of savings. Yet there have been occasions when imbalances have developed in particular sectors which may have contributed strongly to ultimate imbalance of the whole economy. Such specific imbalances might involve the proportion of output going into investment as against consumption, or the proportion going into some major industry or industries, under the stimulus of unusually rapid expansion of particular types of credit.

Conceivably, monetary policy might have done better to supplement its general credit controls with some more selective controls, especially in the area of consumer credit, designed to check particular distortions before they had gone too far. As I recently wrote to Senator Byrd, there exists no bureaucratic urge in the Federal Reserve System to administer such controls—quite the contrary. But it is quite possible that the supplemental use of some selective controls (over and above margin requirement regulations, which constitute the only selective control currently exercised by the System) may prove useful at times in helping to achieve our goal of steady economic growth.

I hope I have made it clear that I believe there is a great deal which monetary policy can and should do to combat recession. But, while I think our record in the past few months in this regard is pretty creditable, I have some misgivings over the tendency of the nation to place too great a burden on monetary policy — to expect too much of it. There were times during the 1955-57 boom when fiscal policy could have contributed more strongly than it did to the checking of inflationary forces. More recently serious questions have been raised as to the extent to which fiscal policy might help in the efforts to combat recession and to promote recovery. Moreover, the actions of labor and management in the area of wages and prices can be at least as important to ultimate recovery as anything that may be done through monetary or fiscal policy.

Better International Economic Ties

So far I have spoken of our economic problems as if the United States were living in an isolated world of its own. We all know how far this is from reality and how important our relationships with the rest of the world are. As a matter of fact, the rest of the world is not hesitant to accuse us, from time to time, of giving too little thought to the international effects of our internal policies. Perhaps an extreme example of this is the advice we sometimes receive to let "a little inflation" occur in this country, so that foreign countries with somewhat shaky exchange rates and more sharply rising unit costs may escape a major exchange crisis. I can see no justification for such a plea. We in the Federal Reserve System are determined to do all we can to resist inflation, either slow or rapid, in this country.

On the other hand, it is clear that we must do our best to avoid exporting recession to other countries. This is merely another way of saying, as has been said so often, that the most useful contribution we can make to world prosperity is to see to it that steady economic growth, with reasonable price stability, is achieved in our own country. I believe our responsibility in this regard is greater, perhaps, than it was in the last recession of 1953-54, for at that time Europe and other areas were surging ahead so strongly that a minor dip in our own activities was hardly felt. That momentum has recently diminished, in most foreign countries, so that they may be more sensitive than they have been in several years to economic tendencies in the United States. Fortunately there is ground for hope that we shall not let matters go so far in this country as to constitute a serious threat to the economies of our friends abroad.

It seems to me that all of us who are interested in the development of ever stronger economic ties between the major trading nations of the world can derive a good deal of satisfaction from events of the last few months. For one thing, sterling, which was subjected to such a powerful though misguided speculative attack last summer, has made a remarkable recovery, primarily because of the United Kingdom's demonstrated determination to take such internal measures as were called for to preserve its strength as a leading international currency. I am thinking also of the tendency in recent months for the total monetary reserves of foreign countries—gold and dollars—to increase again, after a pause in their growth during 1957. Although this pause in growth reflected in part the unusual demands for American products growing out of the Suez crisis and foreign crop difficulties, a large part was simply due to excessive internal demand in many foreign countries brought about by failure to check domestic inflation. The recent tendency for foreign monetary reserves to increase is attributable, at least partly, to a more effective control of inflation in a number of major foreign countries, which we may rightly applaud.

Endorses Gold-Dollar Fixed Ratio

To some extent the growth of reserves abroad has taken the form of purchases of gold from the United States. These purchases have been quite heavy in the last few months, and the total so far this year has been of about the same order of magnitude as the sales of gold to the United States in all of 1957. Similar large gold movements have occurred from time to time since the war, and to me they are a decidedly healthy sign, showing that the international gold standard (a gold bullion standard, supplemented by a dollar exchange standard to the extent that dollars have been used as a reserve currency) is working as it should work. Gold and dollars are, and I am sure will continue to be, interchangeable at the present fixed price—subject only to minor handling charges in this country and the very limited swings in the London gold market.

Even after the recent gold movement, the United States still holds almost $22 billion worth of gold, or 56% of the free world's monetary gold stock. It would not be in the interest of world financial stability if this country were always to gain gold at the expense of the rest of the world. We make a crucial contribution toward the effective operation of the international financial and monetary system by standing ready to sell our gold at the same price at which we bought it, and by thus keeping stable the key relation between gold and the dollar.

The strengthening of this international gold standard must always be of tremendous interest to the Federal Reserve Bank of New York, acting as we do as the principal arm of the System in holding dollar deposits, investments and gold for the central banks and international financial institutions of the world. But I believe it is of virtually equal interest to the entire System and indeed to the entire country; for there is no escaping the fact that internal stability and external stability are inextricably intertwined in every country of the free world, including the United States. I trust that we in this country will always have in mind the need for keeping our own house in order, and for pursuing policies with respect to foreign trade and investment, as well as with respect to money and credit, which will contribute to the healthy and growing world economy we all seek.

City of Oslo, Norway Bonds Offered in U. S.

Public offering of $11,000,000 City of Oslo (Kingdom of Norway) bonds comprising $8,000,000 of 5½% sinking fund external loan bonds due June 1, 1973 and $3,000,000 of 4⅞% serial external loan bonds due in equal amounts on June 1, 1960, 1961 and 1962 was made yesterday (May 28). The serial bonds were offered jointly by Kuhn, Loeb & Co., Harriman Ripley & Co., Inc., Lazard Freres & Co., and Smith, Barney & Co. and the sinking fund bonds by an underwriting group headed by these four firms. Interest and principal are payable in United States dollars. The offering is the first to be made in this country by a Norwegian municipality since World War II.

The sinking fund bonds are priced at 97½% to yield 5.75% and the serial bonds at par, both plus accrued interest.

Annual sinking fund payments, commencing in 1963, will retire the 1973 issue by maturity. This issue is optionally redeemable beginning June 1, 1968 at prices declining from 102% to 100% during the last year.

Net proceeds from issuance of the securities will be added to the foreign exchange reserves of the Kingdom of Norway and the Norwegian kroner equivalent of the proceeds transferred to the City of Oslo. The latter will loan the funds to the Oslo Electricity Works, a municipal enterprise which supplies the City with its entire electricity requirements, to be used to finance in part completion of Hemsil Hydro-Electric Power Development Project. The project will provide the City of Oslo, by the end of 1960, with an additional 152,000 kilowatts of installed power.

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

Marcus Goodbody

Marcus Goodbody, senior partner of the New York Stock Exchange firm of Goodbody & Co., passed away May 26 at the Greenwich Hospital after a short illness. He was 81 years old.

Mr. Goodbody was born in Ireland and came to this country in 1885. Except for a short time spent in St. Paul, Minn., in railroad work, Mr. Goodbody's entire business life was spent with the firm of Goodbody & Co., 115 Broadway, New York. He was first employed there 60 years ago when the firm was known as Robert Goodbody & Co. In 1902 he became a partner, in 1911 a member of the New York Stock Exchange and at the time of his death he was the senior partner of the firm.

Mr. Goodbody was a Quaker and active in the Quaker Meeting at the Stamford Meeting House where a memorial service will be held on Sunday, June 1, at 3:00 p. m. Interment will be private.

With B. C. Ziegler

(Special to THE FINANCIAL CHRONICLE)

FOND du LAC, Wis.—Robert G. French has joined the staff of B. C. Ziegler & Co. He was formerly with Roger Gormican & Co.

Newborg Office

LONG BEACH, N. Y.—Newborg & Co. has opened an office at 45 West Park Avenue with Basil Skelos as resident manager.

William St. Sales Offices

William Street Sales, Inc. has opened a branch office at 650 South Spring Street, Los Angeles, and at 231 South La Salle Street, Chicago.

Securities Salesman's Corner

By JOHN DUTTON

"Don't Take Anything for Granted"

In this fast moving world I suppose it is unnecessary to remind anyone that things are not always what they seem, and the statements we sometimes hear are (to put it politely) "slanted" a bit. Sometimes it is a bit difficult to write such a column as this, which has as its primary purpose the review of certain aspects of security salesmanship that will be helpful to men in the business. The subject I want to discuss with you this week is perhaps a "touchy" one but even though it deals with incorrect and misleading statements that investors will sometimes make to a salesman, I could hastily add that the examples I am giving here are the exceptions rather than the rule. If most investors were not basically truthful, and those who sell securities also trustworthy, this business could not function.

What a Man Says Is Not Always What He Does

I am at a loss to understand why an otherwise truthful and highly respected individual will sometimes tell a salesman something that is not in accord with the facts of his own situation. I have had bankers tell me that they bought no bonds at a premium and several weeks later I have received their list for study (sent to me by another officer of the bank) and I found on that list bonds bought within the recent past at premiums of as much as 10 to 15 points. Why was I told this? Possibly because this banker did not wish to buy anymore short term high premium bonds, or he thought he had enough of them, and so it was convenient for him to say, "I don't buy any of them." (What he meant was, ordinarily I have enough but if something unusually attractive comes along I may buy it.) You must be very tactful in handling situations where you have a hunch that "no" means "maybe." But don't take it as a given fact that what you hear is always what is so.

Then there is the man who will tell you "I buy nothing but 'blue chips'." Or, you have been told that another investor buys no "unlisted" securities. Then later on you will discover, and sometimes you will be told by the man who originally declared that he bought nothing but "blue chips," that he had just picked up a substantial block of some speculative, but attractive, security. Not only that, but it was "unlisted" and one of your competitors got the order!

"No" Sometimes Means "Maybe"

"No" is a word that many people do not like to use when they are ask to "buy." It is the same with everything from cars to houses, television sets, and securities. Many people will, however, give a salesman an excuse for not buying which is **not the real reason** they do not wish to buy. Often, this real reason is not fully understood by them and it can only be evaluated when the salesman digs into the situation with a series of well designed questions that will elicit answers that are pertinent to the real reasons as to why the purchase is resisted.

Most people who give evasive answers, or make excuses that are not valid objections, do so because they are not cognizant of the advantages of buying instead of refusing. In the case of the banker, I am aware that someone who did not accept his statement as I did, and who went to the trouble to sit down with him and show him the advantages of buying certain high premium bonds, obtained an order. When this man fully understood the value, and the tax advantages offered, he bought. The man who bought the unlisted, speculative stock who said he only bought "blue chips" also aprpeciated the opportunity that was offered and he bought. There is always a reason why people do not buy. Sometimes it is obscure.

A sound approach to this problem is to have a discussion, ask questions, and make every sales interview a conference between two people of good-will. By your attitude of friendliness and your interest in your clients will you be able to help them make decisions that will be what is usually best for them. Unless you are qualified to do this your customers don't need you. A salesman of securities should combine all the qualities of friend, consultant, and advisor in regards to investments. You can only measure up to this responsibility if you are also willing to tell a client **not to buy** if your best judgment indicates that he should not do so.

NY Inv. Assn. to Hold 1958 Outing

The annual outing of The Investment Association of New York (for members only) will be held on Friday, June 27, at The Sleepy Hollow County Club, Scarborough-On-Hudson, New York.

The Entertainment Committee has planned the most active field day agenda.

Billy Talbert, Vic Seixas, and Harry Cooper will be on hand. Billy Talbert, "Mr. Tennis," was Captain of the Davis Cup Teams from 1954-1957, twice runner-up in the National Singles, a four-time National Doubles Champion, and a member of the 1948 and 1949 winning U. S. Davis Cup Teams. Mr. Talbert hopes to bring along a couple of other ranked players. Mr. Talbert is with Security Columbian Bank Note.

Vic Seixas has won everything there is to win in tennis. Vic has played in 20 Davis Cup matches—more than any player since Tilden. Vic was National Singles Champion in 1954, won the National Doubles in 1952 and 1954, and shared the Mixed Doubles crown many times. He is now with Goldman, Sachs & Co.

Harry Cooper will conduct his famous golf clinic again this year. The good doctor and ardent patriot was the uncrowned champion of The 'Twenties and 'Thirties. He is the son of a famous British professional and won his first prominent tourney in 1923. In 1926 he won the first Los Angeles $10,000 open with a record breaking 280. In 1927 Harry Cooper tied for the U. S. Open honors but lost in the play-off to some fellow named Tommy Armour. In 1936 Harry Cooper was the first to break through the 30 year low U. S. Open score of 286 with a 284. He held the record for 40 minutes only to become Runner-Up once again. The next year he was high-money winner on the circuit taking down $14,000, an equivalent to over $65,000 in winnings today. He was the Metropolitan Champion in 1955.

The Investment Association of New York Golf and Tennis Championships will be held as usual with awards of ten sterling silver trophies and many other prizes. The golf Grand Challenge Trophy with replicas is displayed at The Lunch Club.

Continued from page 3

The American Economy—Trends, Problems and Prospects

compares the first quarter of 1958 with the two preceding quarters, including the third quarter of 1957 in which expenditures and production were at an all-time high. I have revised downward the preliminary figures for the last quarter of 1957 in order to incorporate the lower estimates of outlays on business plant and equipment required by the returns from the February-March survey of the Securities and Exchange Commission and the Department of Commerce. The figures in the Table are expressed in billions of dollars and at seasonally adjusted annual rates.

The most striking aspect of these figures (and an aspect of the recession that has been quite generally overlooked) is the fact that final sales for more than five-sixths of the economy (84.0% in the third quarter of 1957) have increased slightly during the recession from $368.3 billion a year in the third quarter of 1957 to $370.5 billion in the first quarter of 1958. The parts of the economy included in the figures are government purchases of goods and services, residential construction, other construction, purchases of non-durable goods, and purchases of services.

The decrease in sales has been concentrated in purchases of producers' durable equipment, net foreign investment, and consumer durable goods. These parts of the economy, representing less than one-sixth of its total sales, have suffered a drop in sales from $68.7 billion to $60.5 billion—a fall of $8.2 billion a year in sales, or 11.9%.

The net drop in sales for the economy as a whole has been only $6.0 billion a year, or less than 1.4% from the third quarter of 1957.

This modest drop in sales has led to cutbacks in production of three dollars in output for every drop of one dollar in final sales.

The drop in production has had little effect upon general income which fell only $4.4 billion a year, while production was dropping by $18 billion a year.

The gap between the rate at which the economy is selling goods and the rate at which it is producing them has been widening. By the first quarter of 1958 the excess of final sales over production was $9.0 billion a year.

The Federal Government has failed miserably to mitigate the recession by stepping up its spending.

If one estimates the normal growth of the economy at the conservative rate of 3% a year, the recession by the first quarter of 1958 was costing the country about $22 billion a year in lost output.

In this picture of the recession, the roles played by business and by the Federal Government stand out as sorry ones. The Federal Government has allowed its purchases of goods and services to drop for the first two quarters of the recession, and business has exhibited an amazing lack of confidence by cutting inventories at a record-breaking rate. The heroes of the recession have been the consumers who were spending a larger proportion of their incomes on goods after six months of recession than at the peak of the boom.

III. Production and Employment

Production of commodities in general seems to have slowly declined between March and April. The index of industrial production (seasonally adjusted) dropped two percentage points betwen March and April—not a bad record in view of the 12% curtailment of automobile output to the lowest level since April, 1948, and a further drop in steel output. The index of non-durable manufactures did not drop at all — this is the part of the index that usually moves us first of all. But steel production shows signs of a slow pickup. After dropping from 1,366,000 tons in the last week of March to 1,270,000 tons in the week beginning April 21 (47.1% of capacity and the lowest point in 8¾ years for a non-strike period), it rose slowly to 1,334,000 tons in the week beginning May 5, and for the week of May 12 output at the rate of 1,400,000 tons was scheduled — the highest rate since the week of March 17. The slow rise in steel output is being helped by the seasonal movement of building and by the demand for tinplate from the canning industry. No increase in demand for steel from the automobile industry is in prospect, and little buying in anticipation of price increases on July 1 is reported.

Construction after seasonal adjustment, declined nearly 1.5% between March and April. The dollar volume was only slightly above April, 1957, but in the meantime construction costs have risen by 2.2%, so the dollar figures indicate a small year-to-year drop in the physical volume of construction. Non-farm private residential construction in April was down 1% compared with last year; private industrial construction was down 25%; private commercial construction was down 2%; public utility construction was up 7%; and total public construction up 5%.

Private housing starts rose from a seasonally adjusted annual rate of 880,000 in March to 950,000 in April. This encouraging gain left the rate of housing starts somewhat below the monthly average of 1,019,000 a year that prevailed in the second half of 1957.

The production of services continues to rise.

The employment report for April, 1958, was neither good nor bad — it might be described as "neutral." The newspapers, in reporting the figures, were misled by the fact that the seasonally adjusted unemployment rate rose from 7.0% in March to 7.5% in April. They overlooked the fact that the participation rate in the labor force jumped from 57.7% of the non-institutional population of 14 years of age or over in March to 58.1% in April. Hence, the rise in the seasonally adjusted unemployment rate occurred in the face of a fairly good rise in employment. The gain of 596,000 in employment between March and April was larger than last year and better than the March-April rise in five of the last eight years. About five-sixths of the rise, as is usual this time of the year, was in agriculture, where the increase between March and April was greater than in six out of the last eight years. But even non-agricultural employment increased more between March and April than in five out of the preceding eight years.

The drop in employment continues to be concentrated in durable goods manufacturing, which accounts for 57.8% of the fall in non-agricultural wage and salary employment between August, 1957, and April, 1958. The number of employed professional, technical, and kindred workers has continued to increase in spite of the recession, and in April, 1958, was 8.2% more than a year ago. There has been a small year-to-year increase in service workers, and unemployment in the cities has apparently had the usual effect of stimulating a small movement back to the farms. At any rate, the number of farm laborers in April, 1958, was slightly greater than a year ago. Surprisingly enough, unpaid family workers on the farms, who are included among farm laborers and who might have been expected to increase because of the recession, were 952,000 in April, 1958, in comparison with 1,049,000 in April, 1957.

In recent weeks, new claims for unemployment compensation have dropped from 501,800 in the week ended April 5 to 403,300 in the week ended May 3.

IV. Personal Income

Personal income figures for March have been revised upward, showing an increase over February, and April personal income is $600 million a year above March and $1.6 billion above April, 1957. The principal increases in personal income since February have been in transfer payments and in agricultural income.

The drop in personal income since the all-time peak of last August has been only $4.5 billion a year or less than 1.3%, but in the commodity producing industries, where the recession has been concentrated, wage and salary disbursements have dropped $8.1 billion a year, or 7.9%. The economy may be divided into three parts—those in which there have been fairly substantial decreases in personal incomes since last August (decreases of 3.0% or more), those in which there have been small decreases, and those in which there have been increases. Table II presents these results. The figures are in billions of dollars at seasonally adjusted annual rates.

It will be observed that the three sectors of the economy were roughly of equal size last gugust, but that the parts in which personal income have dropped by more than 3% are less than one-

TABLE I

	3rd Quarter 1957	4th Quarter 1957	5th Quarter 1958
I. Expenditures or total final sales	$437.0	$434.1	$431.0
1. Government purchases of goods and services	86.7	87.0	87.5
Federal	50.6	49.7	49.5
State and local	36.1	37.3	38.0
2. Gross private investment	66.5	60.1	51.8
Residential construction	14.0	14.5	14.3
Other construction	19.0	19.5	19.0
Producers' durable equip.	30.5	28.8	27.5
Change in business inventories	3.0	—2.7	—9.0
3. Net foreign investment	3.2	2.0	1.5
4. Personal consumption expenditures	283.6	282.4	281.2
Durable goods	35.0	34.4	31.5
Non-durable goods	142.5	140.8	141.5
Services	106.1	107.2	108.2
II. Total production	440.0	431.4	422.0
III. Excess of expenditures or final sales over total production	—3.0	2.7	9.0
IV. Personal income	346.9	345.5	342.5
V. Disposable income	303.3	302.1	300.1
VI. Personal saving	19.7	19.8	18.9

(The sum of the sub-totals may not equal the totals because of rounding.)

third of the total economy, and that the expanding parts are well over one-third of the economy. The available monthly figures do not permit a separation of the income of agricultural proprietors from total proprietors' and rental income, but agricultural income as a whole (which includes some wage and dividend payments in the corporate part of farming) has risen from an annual rate of $16.2 billion last August to $17.0 billion in April, a rise of 6.3%. In past recessions agriculture has often suffered severely. Agriculture has been helped in this recession by the stability of total personal income and by a drought in the cattle country and freezes in the South which, as a matter of pure luck, came at just the right time to sustain farm income.

The pattern of the behavior of personal income is significant because it confirms the limited and concentrated nature of the recession, shown by the figures on expenditures and on employment. But perhaps the most important aspect of the personal income figures is that they show that the recession is not feeding on itself.

V. Retail Sales and Consumer Credit

An important economic gain in April was the rise of 2% in retail sales, adjusted for seasonal factors, over March. Retail sales as a whole were 0.4% below April, 1957, but sales of non-durables were 4.0% above April, 1957. Sales of durables were down 8.7% in the 12 months' period, largely because of smaller purchases of automobiles. Sales of automobiles in April were disappointing. One estimate puts them at 362,800, or 29.7% below April, 1957. In March, sales were 31.7% below March, 1957. Sales in the last 10 days of April showed little improvement over the earlier part of the month. Estimates of automobile inventories differ but they agree that there was a small drop in both March and April and that dealers' inventories on May 1 were about 800,000 cars, or slightly more than two months' sales.

The rather good showing of retail sales as a whole is significant in view of the fact that the reduction in short-term and intermediate-term consumer indebtedness, which began in February, continued in March. The seasonally adjusted reduction was $246 million. Repayments in March, 1958, were high—$3,426 million in comparison with $3,255 million a year ago. The seasonally adjusted drop in consumer installment credit in March was about the same as in February—$180 million in comparison with $166 million in Feruary. The drop in the new extensions of installment credit in March, 1958, compared with a year ago was pretty largely confined to new automobile paper. Installment credit for the purchase of other consumer goods and for personal loans increased slightly in the 12-month period.

In spite of the recession, new extensions of installment credit were about as large as in March of the boom year 1956 and were the same as in March of the boom year 1955 — indicating partly a high level of consumer confidence and partly use of consumer credit to meet needs. As compared with March, 1955, and March, 1956, extensions of installment credit for the purchase of automobiles has dropped, extensions for the purchase of other consumer goods and for personal loans have increased substantially, and extensions for repair and maintenance loans have changed little, as the following table shows. The figure in table III are in millions of dollars seasonally adjusted.

VI. Contract Awards, New Orders, And Inventories

Construction contract awards in March, 1958 were 11.6% below March, 1957. But contract awards in March, 1957, were unusually high. Hence, the drop of 11.6% put contract awards in March, 1958, higher, on a seasonally adjusted basis, than in any month since November, 1957. April construction contract awards are reported to have run well above the abnormally low figures for April, 1957.

Engineering construction awards have been erratic, but have been definitely higher in the last two months as a whole relative to last year than in January and February. In January engineering construction awards were 24.3% below the corresponding period of last year; in February, 18.2% below; in the five weeks ending March 31, 14.1% above; and in the five weeks ending May 5, 9.2% below.

The efforts of the government to speed up the placing of orders had not in March arrested the drop in new orders that has been going on with little break for over a year. But the drop in new orders between February and March was considerably less than in the two preceding months. The National Association of Purchasing Agents reports a small improvement in new orders in April over March.

TABLE II

Parts of the Economy Showing Decreases in Personal Income August-April of More than 3%

	August, 1957	April, 1958	Percentage Change
Commodity producing industries (wage and salary payments)	$102.8	$94.7	— 7.9
Other labor incomes	8.0	7.7	— 3.8
Total	$110.8	$102.4	— 7.6

Parts of the Economy Showing Decreases in Personal Income August-April of Less than 3%

	August, 1957	April, 1958	Percentage Change
Distributive industries (wage & salary payments	$64.7	$63.4	— 2.0
Proprietors' and rental income	51.7	51.3	— 0.8
Total	$116.4	$114.7	— 1.5

Parts of the Economy Showing Increases in Personal Income August-April

	August, 1957	April, 1958	Percentage Change
Service industries (wage & salary payments)	$33.7	$34.4	+ 2.1
Government (wage and salary payments)	40.5	40.8	+ 0.7
Personal interest and dividends	31.6	31.8	+ 0.6
Transfer payments	21.2	25.4	+19.8
Total	$127.0	$132.4	+ 4.3

TABLE III

	Total Extensions	Automobile Paper	Other Consumer Goods	Repair and Modernization Loans	Personal Loans
March, 1955	$3,192	$1,384	$873	$107	$828
March, 1956	3,286	1,326	901	128	931
March, 1957	3,426	1,374	931	123	998
March, 1958	3,193	1,077	981	115	1,020

Orders for machine tools, though small, increased in March to 28% over February—the third successive month of increase from the exceptionally low levels of December. But new orders for machine tools in March were higher than in any month since last August. The automobile companies will soon be ordering machine tools for the 1960 models.

The excess of deliveries by manufacturers over new orders produced another large drop ($1.2 billion) in the unfilled orders of manufacturers which, at the end of March, stood at $46.6 billion in comparison with the recent high of $64.2 billion in December, 1956.

Business made larger reductions in inventories in March than in any month of the recession. The book value of manufacturing and trade inventories dropped by $800 million. The drop was especially large in durable goods manufacturing and durable goods retailing, where the inventory problem (though not serious) has been concentrated. The book value of manufacturing and trade inventories is now less than it was a year ago. Past experience indicates that enterprises will continue to reduce inventories for some months after new orders begin to rise, but the present record-breaking rate of reduction will undoubtedly soon be cut—thus reducing the most powerful single deflationary influence in the economy.

The rapid reduction in inventories has virtually halted the rise in the ratio of inventories to deliveries which has been going on throughout the recession. Table IV shows this ratio for selected recent months.

More significant than the ratio of inventories to deliveries is the ratio of inventories to new orders —a figure which the Department of Commerce neglects to compute. The figure has significance only for manufacturing. In spite of the continued drop in new orders, this ratio has shown little change since January. A small rise in new orders, in conjunction with the continued drop in inventories, would sharply reduce the inventory-new order ratio. In a recession such as the present one in which consumer confidence is high and business confidence is low, it is a safe conclusion that the liquidation of inventories will be overdone. Table V shows the inventory-new order ratio for recent selected months.

VII. Prices, Wages, and Costs

As is well known, the indexes of wholesale prices have shown little movement during the present recession. The principal changes have been in the prices of farm products, which have increased due to the combination of temporary reductions in supply (mainly the result of weather) and well-sustained personal income. During the last month the index of the prices of commodities other than farm products has shown a slight drop, but too small to be significant, and during the first 12 days of May the index of 22 sensitive commodities has been rising. Table VI shows the behavior of the wholesale price index.

Between February and March the consumer price index rose 0.7% to 123.3 (1947-49=100), completing two years of almost unbroken rise. The increase since March, 1956, was 7.5%, and since March, 1957, 3.7%. The recession has retarded the rise, but not by much. In the seven months between August, 1957, and March the consumer price index increased 1.9%.

The widespread impression that recent rises in the consumer price index are due to increases in the price of food is erroneous. Food has increased rapidly since November, having decreased between August and November, but between August and March several categories in the index increased more rapidly than food prices, and between February and March there was a rise in all principal categories in the index except apparel. Table VII shows the percentage changes in the principal categories of the index for the last month, for the entire recession, and for the last three months.

There is no index of wage rates in the United States, but the rise of hourly earnings right through the recession indicates that wage rates are rising. Thus, hourly earnings in manufacturing, where the recession is concentrated, have increased from $2.07 in August, 1957, to $2.11 in April, 1958. Even in durable goods manufacturing, the very heart of the recession, where nearly three-fifths of the drop in employment is concentrated and where the unemployment in mid-March was 13.8% (1,200,000 unemployed in comparison with 8,690,000 at work), earnings increased from $2.21 in August to $2.24 in April. These increases occurred in spite of the

TABLE IV

	Dec. 1956	Mar. 1957	Aug. 1957	Dec. 1957	Jan. 1958	Feb. 1958	Mar. 1958
All manufacturing and trade	1.56	1.60	1.60	1.66	1.67	1.71	1.72
All manufacturing	1.82	1.88	1.90	2.00	2.00	2.05	2.07
Durable goods	2.12	2.20	2.22	2.37	2.43	2.53	2.56
Non-durable goods	1.51	1.56	1.57	1.65	1.63	1.64	1.66
All wholesale trade	1.10	1.13	1.12	1.17	1.18	1.19	1.20
Durable goods	1.50	1.48	1.60	1.74	1.74	1.81	1.78
Non-durable goods	.86	.89	.85	.86	.87	.87	.88
All retail trade	1.47	1.46	1.43	1.45	1.47	1.51	1.50
Durable goods	1.84	1.88	1.93	2.04	2.05	2.20	2.20
Non-durable goods	1.25	1.24	1.17	1.16	1.17	1.19	1.18

TABLE V

	Dec. 1956	Mar. 1957	June 1957	Aug. 1957	Dec. 1957	Jan. 1958	Feb. 1958	Mar. 1958
All manufacturing	1.80	1.90	1.99	1.99	2.13	2.17	2.18	2.18
Durable goods	2.12	2.24	2.38	2.40	2.73	2.86	2.86	2.85
Non-durable goods	1.49	1.56	1.61	1.58	1.64	1.63	1.64	1.66

TABLE VI

	Week Ending			Month of			
	May 13 1958	Apr. 29 1958	Apr. 8 1958	March 1958	Feb. 1958	Aug. 1957	Feb. 1957
All commodities	119.5	119.3	119.6	119.7	118.9	118.4	117.0
Farm products	99.8	97.2	99.4	100.5	95.5	93.0	88.8
Processed foods	112.9	115.5	110.5	110.7	109.0	196.8	103.9
Commodities other than farm products and foods	125.4	125.6	125.8	125.7	125.8	126.0	125.5

TABLE VII

	Feb.-March	Aug.-March	Dec.-March
All items	+0.7	+1.9	+1.4
Apparel	0	+0.2	—0.8
Food	+1.8	+2.5	+4.0
Housing	+0.2	+1.4	+0.4
Medical care	+0.3	+2.7	+1.1
Personal care	+0.2	+2.7	+1.0
Reading and recreation	+0.3	+3.9	+2.1
Transportation	+0.1	+2.1	—0.2
Other goods and services	+0.2	+0.4	+0.3

reduction in weekly hours which has meant fewer opportunities to earn at overtime rates. In building construction hourly earnings rose from $2.96 in August to $3.08 in February. Even in retailing where the unions are small and weak, there has been a slight rise in hourly earnings.

The slow rise in the consumer price index and in hourly earnings during the recession is significant for the development of the theory of inflation. It suggests, among other things, the following:

(1) A limited recession, such as the present one, is ineffective in reducing prices because it cuts production more than it cuts income. In March, 1958, personal income was higher, relative to production, than in August when the recession began. Personal income dropped only 1.3% between August and April, but industrial production dropped by 11.7% between August and March, and the total Gross National Product (in current dollars) dropped 4.1% between the third quarter of 1957 and the first quarter of 1958.

(2) Where unions are as strong as they are in manufacturing and construction, even very high unemployment rates do not halt the rise in hourly earnings. The experience of the recession is a strong refutation of the false claims urged last year by some economists and government officials that restricting the demand for goods is a feasible way of preventing wages from outrunning productivity.

The ability of unions to exert a strong upward push on wages even in recessions is illustrated by the fact that General Motors has offered to extend its present contract with the Union. This contract, with its provision for an automatic wage increase of nearly 2.5% a year, is all that the union would be entitled to in any year—since an overall gain of 2.5% a year in productivity is what the economy has been able to accomplish. And yet, because the union is strong and because there are advantages in contracts of two years or more, the company, in spite of the recession and in spite of severe unemployment in the automobile industry, offers a substantial wage increase.

VIII. The Money Market

During the month of April the Federal Reserve increased somewhat its pressure for easy money. In only one week did free reserves of the member banks (excess reserves minus borrowings from the Reserve) fall below $500 million. In the week ending May 7 free reserves were $572 million. Except for the week starting May 5, the bill rate has been regularly below 1.25% since the middle of March. Shortly after the middle of April the prime rate was reduced by the large banks from 4% to 3.5%.

Reduction of commercial and industrial loans in the weekly reporting member banks continued rapidly, falling from $30.4 billion in the week ending April 2 to $29.7 billion in the week ending April 30. In the corresponding period last year these loans rose by a small amount—$76 million. The long-term market continues to show somewhat different movements from the short-term with borrowings remaining at high levels. Prices of seasoned bonds, which showed little movement from the end of January until the middle of April, have moved up slowly in the last several weeks. The Dow-Jones index of 40 bonds has risen from 88.79 on April 14 to 90.15 on May 12. There has been a fall in the new issues of corporate bonds and preferred stock awaiting marketing from the high levels of over $2 billion late in March and early in April to $1.6

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The American Economy—Trends, Problems and Prospects

billion on May 9 and the same on May 16.

IX. The Changes in Investment Plans of Corporations

Between the Spring of 1957 and the Spring of 1958 the investment plans of business for both the years 1959 and 1960 underwent important downward revisions. The McGraw-Hill survey of investment plans provides estimates of the sizes of these revisions. Table VIII provides a summary of the McGraw-Hill Survey.

The cutback in planned expenditures on plant and equipment is a national calamity. The cutbacks cannot be justified on the ground that industry possesses excessive productive capacity because the cutbacks are general. General over-capacity is simply another name for a general deficiency of demand, and a general deficiency of demand should not be tolerated. As a matter of fact, there was a deficiency of demand in large parts of the economy last year beginning about January—in spite of the erroneous diagnosis by the government and much of business that the central problem of the economy in 1957 was inflation. There has not yet been an adequate opportunity to explore the possible causes of this deficiency of demand, but there is no problem confronting the economy that is in greater need of study. Upon the understanding of this problem depends our ability in the future to prevent the economy's being thrown into a recession by a deficiency of demand and a general drop in the rate of investment. Among the possible causes of the deficiency in demand in need of exploration are: (1) the failure of the makers of durable consumer goods and of much industrial equipment to stimulate demand by improving their products; (2) the effect of the overdoing of credit restraint; (3) the effect of government cutbacks in defense orders; and (4) the effect of the drop in net foreign investment. The accidental conjunction of all of these influences may have had much to do with creating the deficiency of demand that led to cutbacks in investment plans and reductions in inventories which, in turn, brought on the recession.

X. The Recession and the Automobile Industry

Since the automobile industry, through its technology and its policies, has been an important aggravating cause of the recession, as well as a victim of the recession, it is desirable to examine the maladjustments between the technology of the industry and its marketing policies.

The technology of the industry is of such a nature that the industry is from two to three years away from its market — that is, important changes in models need to be frozen anywhere from two to three years in advance of the models being put on sale. In spite of this fact, the industry has attempted to develop the automobile as a style good. It has placed great emphasis upon year-to-year model changes. Automobile engines are poor engines by engineering standards, and it is a long time since significant engine changes have been made. But engines do not sell cars.

The technology of the industry is such that the companies are able to offer little more than superficial variety in cars. Large minority groups of consumers who would like cars of different dimensions or different characteristics are unable to obtain them because the technology of the industry requires that the companies concentrate on meeting the desires of the majority. But recent experience shows that the tastes of the majority are unpredictable. In 1955, everyone was surprised by the rage for the new two-color models. In 1958, everyone was surprised by the revolt of the public against fins, wings, headlights, and the inconvenient lowness and longness of the cars. One needs to be pretty much of an acrobat to get out of a 1958 car. No one has the slightest idea whether the 1959 cars, which will emphasize many features that the public has found distasteful in the 1958 cars, will meet a favorable reception. If they do not, there is little or nothing that the automobile companies can do about it. These models were pretty much frozen by what the automobile companies thought was public taste back about the end of 1956.

Drastic steps are needed to reduce the instability brought into the economy by the automobile industry. Some of these steps need to be taken by the industry; others need to be taken by the government. The industry needs to put its engineers hard at work to change its technology in ways that will permit the industry to make prompt changes in its models to meet shifts in preferences of consumers and to offer a wider variety of models to meet the preferences of large minority groups among consumers. One major step in this direction would be a shift from metal dies to plastic dies. The industry has been working on this problem for years. The need for developing plastic dies that are satisfactory for long runs has become far more urgent than ever before.

Strong steps are needed by the government to promote stability in the industry. The most useful step would be a differential excise tax. On cars costing $3,500 or more the excise tax should be raised from 10% to 25%. This would require people who wish to be style leaders and business enterprises and public bodies that wish to buy expensive cars for prestige reasons to pay a little more for that privilege. The extra payment for the privilege should go in large part to the government, not to the automobile manufacturers. A 25% excise tax on expensive models would provide this result.

On cars in the intermediate price range from $2,000 to $3,500 the present excise tax of 10% might well be continued.

The industry should be given strong encouragement to produce a good stable product at minimum cost—a product that would not be changed in style and design every year. Such encouragement would be given by completely removing the excise tax on all cars costing less than $2,000. Long production runs with infrequent design changes would be needed to enable the industry to achieve the advantages of selling cars at prices to which the excise tax would not apply. And the advantages of keeping the costs of some cars low enough to escape the excise tax would stiffen the resistance of the manufacturers to excessive wage demands.

TABLE VIII

	1959 Investment Plans: As of March April, 1957	1959 Investment Plans: As of April 1958	Percentage Change	1960 Investment Plans: As of March-April, 1957	1960 Investment Plans: As of April 1958	Percentage Change
ALL MANUFACTURING	$11,057	$9,138	—17.4	$10,601	$9,178	—13.4
Iron and steel	1,102	733	—33.5	992	748	—24.6
Nonferrous Metals	353	339	— 4.0	293	305	+ 4.0
Machinery	940	887	— 5.6	938	916	— 2.4
Electrical machinery	712	604	—15.2	762	652	—14.4
Autos, trucks, and parts	803	638	—20.6	803	651	—18.9
Transportation equipment (aircraft, ships, RR. equipment)	415	333	—19.8	369	300	—18.7
Other metalworking	834	631	—24.4	854	656	—23.2
Chemicals	1,720	1,349	—21.6	1,651	1,349	—18.3
TOTAL NON-MANUFACTURING	$24,854	$22,184	—10.8	$24,166	$21,430	—11.3
Petroleum	6,276	5,604	—10.8	6,081	5,407	—11.1
Mining	353	244	—30.9	299	224	—25.1
Coal	168	98	—41.7	153	78	—49.0
Iron ore	52	49	— 5.8	48	52	+ 8.3
Non-ferrous	69	65	— 5.8	50	65	+30.0
Nonmetallic	64	32	—50.0	48	29	—39.6
Railroads	1,129	796	—29.5	1,152	868	—24.7
Other transportation and communications	5,590	4,053	—27.5	5,950	4,372	—26.5
Electric and gas utilities	5,238	5,733	+ 9.5	5,113	5,339	+ 4.4
Commercial	7,178	6,491	— 9.6	6,317	5,972	— 5.5
All INDUSTRY	$35,911	$31,322	—12.8	$34,767	$30,608	—12.0

National Financial Analysts Elect

L. Hartley Smity, Dean Witter & Co., Los Angeles, was elected President of the National Federation of Financial Analysts Societies, succeeding Gilbert H. Palmer of Cleveland. A. Hamilton Bolton, Bolton, Tremblay & Co., Montreal, was elected Executive Vice-President. Mr. Bolton, the first Canadian to hold an executive position in the organization, will be chairman of the 1959 convention which is to be held in Montreal.

Max Graff Continues

Max Graff is continuing the investment business of Townsend, Graff & Co., from offices at 25 Broad Street, New York City.

Firm Name Changed to S. Weinberg, Grossman

The firm name of S. Weinberg & Co., 40 Exchange Place, New York City, has been changed to S. Weinberg, Grossman & Co., Inc.

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Commercial Finance Companies' Role in Present Day Lending Field

tion to borrowing from banks, finance companies such as ours, work very closely with banks in the following ways:

(a) By nurturing and helping the growth of small companies until they become worthy of bank credit. Remember that the large public companies I mentioned before, such as Dow, Monsanto Chemical, etc. were comparatively small companies when they worked with the finance industry. As they grew, they became eligible for direct bank accommodations.

Frequently, such as in our situation with Vitamin Corp. of America, we started with them when they were small. After several years they had grown to a size where we were able to turn them over to a bank. Some while later, when their advertising campaign on Rybutol took fire, their sales grew so rapidly that they came back to us again for a period of time until they sold out to Rexall Drug for $5,000,000 and again became eligible for bank loans.

(2) By taking over from banks certain accounts that present special problems. Where a bank customer, for temporary reasons, incurs losses or where the account cannot normally clean up, it is frequently turned over to a finance company, which, through close supervision and guidance, is able to help the account in eliminating the losses. The account continues doing business with the finance company until it is again worthy of bank credit, when it is turned back to the bank. A typical case which comes to my mind is that of a large ladies fashion store which showed losses on its year-end statement because of a move to new quarters, which disrupted its normal business. The bank, which had been making an unsecured loan, felt uneasy about the account. We were called into the situation, and arranged for a revolving line of credit, secured by the store's budget and charge accounts receivable. In less than two years the company began to show substantial profits and had recouped its losses. The bank then stepped back into the picture on an unsecured basis.

Another typical situation is the following: A wholesaler, doing an annual volume of about $10 million on a net worth of $1½ million, was borrowing in a substantial six figure amount on an unsecured basis from its local bank. Dissension set in among the stockholders. A group of the managing stockholders, owning less than ½ of the outstanding stock, obtained an option to purchase the remaining stock for cash. They could raise only part of the purchase price and required an additional loan to close the deal. The bank felt uneasy and wanted to be repaid. We were called into the situation. We quickly formulated a plan under which we temporarily advanced the funds to purchase the stock of the retiring stockholders. We then arranged to convert the loan into one to the corporation, secured by its accounts receivable. The bank's unsecured loan was repaid. The bank retained the deposit relationship and stayed very close to the account. The management, free from dissension, applied itself to increasing sales and profits. Within one year they showed such a credible performance, that the bank again stepped in and is now doing business directly with the client.

(3) Similarly, finance companies very frequently participate with banks in various situations, such as:

(a) Where the account is too large for the local bank to handle alone. One such situation is as follows: A manufacturer wanted to buy out another business with a net worth almost the size of its own. A substantial portion of the purchase price had to be borrowed. Even though the business being acquired was a profitable one, the local bank did not feel that it could lend all of the funds. Furthermore, while the local bank had confidence in the management, it preferred to see how they integrated the new operation before inviting participations from its correspondent banks. In conjunction with the local bank, we worked out a loan sufficient to acquire the stock of the new corporation. Our loan was secured by the stock of the company being acquired, the accounts receivable and equipment of the borrower and some of its inventory. The bank participated with us in this combined loan.

(b) Most frequently finance companies are called in to participate with banks where the specialized lending techniques and procedures of a finance company are required to properly supervise and control the collateral and the bank is not in a position to render such service.

Where banks participate with finance companies, the bank generally retains the deposit relationship, and the finance company handles the accounts receivable, as trustee for the joint account of both the bank and the finance company. The bank thus receives the benefit of the finance company's specialized services in supervision of the collateral, participates in a secured piece of business, and yet receives a charge which is usually higher than it would normally earn.

Nature of the Specialized Techniques of Commercial Finance Companies

With regard to some of the specialized techniques of the commercial receivable finance company, I should like to emphasize the difference between a bank's attitude toward an account and ours. The bank looks primarily to the financial statement, the net worth, the working capital, the ratio of liabilities to assets and whether or not the company has been operating profitably. Quite properly, the lending officer who is accountable to a board of directors and the bank examiner, must rely largely upon these criteria.

The commercial finance company, on the other hand, while taking these matters into consideration in making the loan, relies primarily upon the underlying collateral. The commercial finance executive must always ask himself, "while I expect that this company will stay in business and operate profitably, if it should become insolvent, can I be fully repaid out of the security I hold?" This requires, therefore, a detailed investigation of the moral character of the management of the prospect, the acceptance of its product and a complete analysis of the underlying accounts receivable being assigned. Before going into an account, the commercial finance company makes an extensive investigation through mercantile agencies, competitors, suppliers and others regarding the company, its management and its product, and it checks through our Association Interchange Bureau to be sure that there is no double hypothecation of the receivables. An auditor, who is generally a full time, especially trained employee of the finance company, then makes a complete audit and investigation at the premises of the prospect. A check is made not only of the statements, the reports and general financial conditions of the company, but a detailed analysis is made of the types, credit worthiness, and paying habits of the receivables, the percentage of returns, allowances, claims, defects, etc. The experience of the particular applicant with its bank or any other lender is carefully investigated. The question as to whether the funds to be supplied by the finance company can be put to constructive and profitable use is carefully gone into. This frequently requires consultation between the management of the applicant and the various officers of the finance company.

Bear in mind that many of our clients are small- and medium-sized companies who do not have the services of specialists in the various fields of doing business which a large corporation can afford. The smaller client may be a good production man or an able salesman, but very seldom does he also possess the ability to plan ahead, to think in terms of proper marketing, merchandising, advertising and balance sheet ratios.

Continuous Supervision and Control

The finance company today must not only lend money but, in addition, must stay extremely close to the client to render such advice and assistance as it deems necessary. Moreover, the finance company must continuously supervise and control the underlying collateral.

Since the finance company's advances generally are less than 80% of the amount of the accounts assigned, there is a reserve of about 20% to cover credit losses, returns, allowances — and fraud—if the latter can be discovered soon enough.

The finance industry has therefore, over the years, developed specialized techniques intended to spot frauds and nip them early in the bud. Basically, of course, these involve constant, continuous supervision — and eternal vigilance.

What are some of these techniques? In our own experience we have found one of the most important to be verifications—verifications, and more verifications. We verify all of the accounts assigned to us on a regular schedule, some monthly, but most often weekly, and frequently daily. Verifications are made by mail, by phone, and sometimes in person. Receipts accompanying the invoices are carefully scrutinized and occasionally checked with the delivery company or railroad. Very often we ask to see the underlying orders. Checks received from debtors are carefully examined. Any skipped bills, overdue items, discrepancies, etc. are carefully noted and investigated.

The credit worthiness of the customers of our client is carefully studied to determine whether they are deserving of the amount of credit being extended. The amount of concentration of shipments to any one customer or customers is watched and analyzed. At least once a month all of the accounts are aged to determine the current status of the accounts, and those more than a certain number of days past due, are charged back to the client. In addition, delinquent accounts are investigated to determine why they were not paid. At periodic intervals our auditors visit the premises and make an investigation of the books and records, particularly those pertaining to sales, cash received and disbursed, the accounts receivables, and any other underlying security. The trends of the business as to sales, gross profits, expenses, turnover of receivables, ratio of sales to inventory, etc. are plotted and observed.

Over the years a large body of ever-changing laws and decisions have developed in the various states which have to be closely watched and adhered to. Our own company, in addition to independent general counsel, employs two competent house attorneys who devote their full time and attention to supervision of all legal phases of our operations and assuring that we comply fully with the ever changing requirements of each state. Our National Association of Commercial Finance Companies and its attorneys carefully watch local decisions and changes in the laws and call them to the attention of the members.

All of this detailed and extensive supervision requires trained specialists and is extremely costly. Unless the bank is prepared to do the entire job as extensively as it is done by the specialized finance company, the bank's officers might well ask themselves whether they are not being lulled into a false sense of security when they take an assignment of accounts receivable as an inducement to extend a larger line of credit than the balance sheet and general background of the company would justify. In those cases where banks and even finance companies have failed to fully execute the detailed procedures and supervision required, losses have ensued.

Finance Company Charges Are Commensurate With the Cost of the Services Rendered

We, in the industry, frequently wonder whether those banks who have receivable departments are doing as extensive a job as we do, — and if they do — whether they have properly and completely analyzed their costs of handling this type of business.

In its Survey of Commercial Finance Companies, previously referred to, the Federal Reserve Board concluded that: "Finance charges of the commercial finance companies and factors must cover the substantial handling costs of providing their specialized services as well as the cost of the money advanced.

"The fact that charges for commercial financing reflect relatively high costs rather than exorbitant profits is indicated by earnings data.

"Financial statements for a small but significant sample of commercial finance companies show earnings, after taxes in 1956 of 12.2% on capital fund and 1.7% on total resources, compared with 12.0% and 7.7% for all manufacturing corporations."

Financing Foreign Trade

Financing imports and exports, too, is a specialized type of finance business and requires experts who are fully conversant with not only the intricacies of documentation, but of shipping, bank procedures and international money exchange. They must have a knowledge of the products being handled, and be conversant with foreign credits, imports and export regulations, and many other elements peculiar to foreign trade. In our company we have a completely separate department handling this phase of the business, staffed by specialists who have had previous training in the field and make frequent trips abroad. The type of financial accommodation we grant is very similar to that extended by the Foreign Department of your banks except with regard to the extent of the loans granted. When a bank's Foreign Department finances a firm in foreign trade, it grants the accommodation in reliance primarily upon the financial net worth of the client. We too take this into consideration—but once again, rely mainly upon the underlying security.

If the transaction and underlying security are sound and the availability of dollars for repayment is assured, we will finance the client even if its net worth is comparatively limited.

Because of this we must necessarily confine ourselves to financing the import and export only of basic commodities and such merchandise as will not spoil, deteriorate or change in style — and which are readily saleable in the open market rather than suitable or intended for only a particular buyer. For example, we have financed the movement of coffee, sugar, wheat, wools, basic chemicals, steel, scrap, new automobiles, tractors and farming equipment. Incidentally, we will only finance the import or export of merchandise obtained from reputable firms of sufficient standing and integrity to assure quality of the merchandise and we make payment directly to the supplier to be certain that our client has title to the merchandise. Except in rare cases—we will only handle transactions where our client has already resold the merchandise.

I regret that this paper's length does not permit me to outline the methods we employ in handling imports and exports, nor the procedures evolved to avoid undue loss, even though we finance sizable transactions for firms of comparatively limited net worth. In brief, it would be fair to say that our office supervises and controls every phase of the transaction from the time of purchase of the merchandise to collection of the proceeds due upon its delivery to the ultimate purchaser.

Conclusion

In conclusion, I hope that I have been able to convey some idea of the role played by the commercial finance and factoring company in the lending field, and that these companies have the personnel, experience and techniques necessary to take care of most of the applicants who come to bankers for loans, but whom they cannot accommodate, for one reason or another.

Chase International Names Four Directors

Four new Directors have been elected to the Board of Chase International Investment Corporation, the wholly-owned foreign financing subsidiary of the Chase Manhattan Bank, it has been announced. They are:

Edgar R. Baker, Vice-President, Time-Life, Inc.; Charles R. Cox, President; Kennecott Copper Corp.; Andre Meyer, senior partner, Lazard Freres & Co., and George D. Woods, Chairman of the Board, The First Boston Corp.

Chase International Investment Corporation replaced The Chase Bank as a subsidiary in September 1957. At that time it was announced that the business of C.I.I.C. would be confined to the field of international investments rather than commercial banking.

In commenting on the election of the new Directors yesterday, Robert H. Craft, C.I.I.C. President, said this action reflects the intention of the corporation to expand its activity in the international investment field.

Joins Hildebrand

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Harold A. Pearson has joined Hildebrand & Co., 450 North Camden Drive. Mr. Pearson was formerly with Counselors Management Company and prior thereto with Daniel Reeves & Co.

First Boston Group Offers Appalachian Power 1st Mtge. Bonds

The First Boston Corp. and associates offered publicly yesterday (May 28) an issue of $25,000,000 Appalachian Power Co. first mortgage bonds, 4% series due 1988, at a price of 100.874% to yield 3.95%. The group was awarded the issue at competitive sale on May 27 on a bid of 100.1499%.

The net proceeds from the sale of the new bonds and from a capital cash contribution of $10,000,000 from the company's parent organization, American Electric Power Co., Inc. (formerly American Gas & Electric Co.), will be applied, to the extent necessary, to the prepayment without premium of outstanding bank notes, and the balance will be used to pay for the cost of extensions, additions and improvements to the company's properties. The company's construction program is expected to total $46,140,000 in 1958.

The bonds are redeemable at the option of the company at regular redemption prices ranging from 104.88% for those redeemed prior to May 1, 1959 to 100% for those redeemed on or after May 1, 1987; and at special redemption prices ranging from 100.88% for those redeemed prior to May 1, 1959 to 100% for those redeemed on or after May 1, 1987.

Appalachian Power Company (formerly Appalachian Electric Power Co.) is a subsidiary of American Electric Power Co., Inc. (formerly American Gas & Electric Co.) and is a part of the American Electric Power integrated electric utility system. The company is engaged in the generation, purchase, transmission and distribution of electric energy and its sale to the public in extensive territory in Virginia and West Virginia, and in the supplying of electric energy to other electric utilities and municipalities in those states and in Tennessee.

For the 12 months ended Feb. 28, 1958, the company reported electric operating revenues of $102,479,049 and net income of $18,227,654. This compares with electric operating revenues of $101,632,334 and net income of $17,916,186 for the calendar year 1957.

Customers Brokers to Hold Quarterly Meeting

The Association of Customers Brokers will hold its regular quarterly meeting June 10 at Whyte's Restaurant. Business of the day will include the election of a nominating committee.

On June 2 an educational meeting will be held at Churchill's Restaurant and the use of options for improving operating techniques of clients will be discussed by four of the leading option dealers of the Put and Call Brokers and Dealers Association.

Rockford Sec. Dealers Elect Officers

ROCKFORD, Ill.—The Rockford Security Dealers Association have elected the following officers for the 1958-1959 season.

President: Paul Conrads, Conrads & Company; Vice-President: Al Surprise King, Olson, Surprise & Co.; Secretary and Treasurer: James E. Pence, Stone & Webster Securities Corporation.

The Association also voted to again sponsor the Annual Fling-Ding for the Security Dealers of the State of Illinois sometime this fall, date and particulars to be announced later.

Named Director

Royal Little, Chairman of the Board of Textron Inc., announced that at the annual meeting held in Providence, R. I., Emile A. Legros was elected a director.

Mr. Legros has for many years been prominently identified with the investment and securities business in the Midwest. He is presently President and Director of the First Cleveland Corporation, Cleveland, Ohio, which became a division of Textron Inc. on Jan. 13, 1958.

C. M. Plowman Opens

TUSCALOOSA, Ala.—Claude M. Plowman is conducting a securities business from offices at 10 Druid Court.

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As We See It

lion in the third quarter of 1955. To a large extent this increase resulted from an exceptional new car market in 1955 and, as new car demand returned to more normal proportions, durable goods buying dipped to $33 billion annual rate in mid-1956 and then rose to a secondary peak of $36 billion in the opening quarter of last year."

Here we have a careful summary of certain facts familiar to most students of current business trend. What is missing, and what is usually missing in discussions of the behavior of consumers is a recognition of the fact that current expenditures for such durable goods as are here in question are not identical with actual consumption of such goods, a fact which has far more significance than one would at first glance suppose. When a man buys a new automobile he does not consume it before he gets the key in the ignition switch—as would seem to be implied in the way the official national income accounts are prepared and presented. Furniture lasts for years, sometimes longer than the house into which it is taken when bought. And so it is in one degree or another with all the goods labeled "durable." When a consumer lays out funds for "durables" he is in substantial degree providing for future needs—i.e. squirreling away a part of his income or other funds at his disposal. Such outlays are not wholly different than those going into a new home, or improvements in an old one.

Recent Record

Now turning to the record of those recent years to which Mr. Winston refers we find that in 1955, consumers spent more than $35 billion for durable goods and another $15 billion or better for new homes. The two together took more than $50 billion out of the consumers pockets, including the funds borrowed for the purpose. Their income after taxes was $270 billion. They apparently used amounts running to not far from 20% of their income to provide for their future. There does not seem to be anything in the record to match it. The record of that year appears, moreover, to be but a continuation of a trend that had been in evidence for a number of years. During the six years ended in 1955, consumers put some $177 billion into consumer durables and more than $70 billion in new homes. The two together come to around 17% of consumer income after taxes. The farther one goes back into history the more uncertain the record becomes, but so far as can be determined even in the half decade of boom just prior to the collapse of 1929 consumers were buying durables and homes at a rate not greater than about 16% of their income after taxes.

The year, 1955, proved to be a sort of peak, but the rate of that year was nearly matched in 1956 and in the first three quarters of 1957, so far as the purchase of durable goods were concerned. The figure for 1956 was a billion and three-quarters under 1955 but an annual rate very nearly equal to that of 1955 was maintained during the first three quarters of 1957. Consumers did not build as many homes in 1956 or 1957 as in 1955, but the difference was not drastic. The practice of consumers to provide for their future—often largely with borrowed funds—continued without very much abatement at least through the first three quarters of 1957 — and, of course, is far from negligible even at present.

An Important Factor

Whatever may be the wisdom or the wholesomeness of all this, it obviously presents a situation which the student of business fluctuations (or business cycles, if one prefers) must not overlook. Evidently consumer inventories have become highly important in assessing the business outlook, and this is a field about which very little in the way of precise information, statistical or otherwise, is available. It is probably also a field in which the obtaining of satisfactory information is or would be extremely difficult, which is unfortunate since consumers when they are well stocked with usable automobiles, washing machines, houses, and all the rest can without undue hardship simply postpone further purchases or a large part of them. It is such items as these that fluctuate widely from time to time, and raise questions as to what the consumer will do in the early future. Purchases of food and many of the services must continue relatively undiminished even though income is down somewhat and the outlook regarded as uncertain. Not so with "hard" items which can be made to do for very considerable periods of time after they normally would be replaced.

We hear a great deal about business inventories. Reduction in them has been a cause of much of the slackening in the rate of production during the past year. They, in many instances, have been reduced because consumers had reduced the rate at which they were increasing their inventories or possibly even ceased to increase them at all. When the question is asked as to why consumers began to behave in this way, one finds various opinions. One thing is certain. Any feeling of serious doubt about the future is definitely likely to induce caution in consumers precisely as it does ordinarily in the management of a business. Here is a fact that the economic managers who hope to stimulate recovery by use of dubious expedients need to bear in mind at all times. And it is a fact which appears to be lost to sight by most of them.

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Canada's Growing Steel Industry

increased in rank of importance in Canada, as measured by value of its output, from fifteenth 20 years ago, to tenth 10 years ago, to sixth last year.

So much for this brief picture of the Canadian industry. Canada is growing and, although there is a pause at the present time, the prospects for long-term growth continue to be excellent and steel ingot capacity is predicted to double in the next 20 years. This means that the industry will have to add some six million tons of annual ingot capacity at a present day cost of over $2 billion.

This is a very large sum of money, even by United States standards. To the Canadian industry, it appears colossal and makes the whole issue of continuing and expanding capital investment a very important long-range problem. I believe it is of ranking importance to you.

In attracting a continuing supply of additional capital, however, the steel industry must assure the investing public:

First, that its present investment is and will be given greatest possible protection against shrinkage from inflation, and

Second, that its fixed assets are replaced regularly enough to keep the industry's efficiency high, its products competitive and its investment profitable.

Protection of Investment

In the United States much emphasis has been placed in recent years on the profound effect of inflation on the steel industry because of its exceptionally heavy investment in long life plant, and the inadequacy of normal depreciation tax allowances to compensate for inflation.

In spite of the difference in size of our two industries, the effect of inflation on plant investment has been a common one. To use Mr. Fairless' analogy of two years ago, we have both been running just as hard as we can in trying to stay in the same place. The fact that we in Canada have had to start further back in the race and have gained a little bit in the running, gives us some small license to make a few observations on the common problem.

Inflation seems to be with us as a built-in characteristic of our economy. Most heavy equipment in steelworks has a life of at least 25 years and there has been no time in the history of your country or ours when money has been as valuable as it was 25 years earlier.

In the steel industry, money in the form of not only plant but also working capital and investments (unless they are equity investments) is deteriorating in real value each year. As the dollar has steadily eroded at a recent rate of approximately 5% a year, many words have been written, tabulations prepared and graphs drawn to measure the effect of this erosion on investment and reinvestment. To me the simplest and most painful conclusion is that the only real profits are represented by earnings on invested capital in excess of the first 5% required to "stay even" with previous years' investment values. As the steel industry in the last ten years has earned only a little more than 10% annually on its investment, the size of the problem is self-evident.

In protecting investment, we in Canada enjoy one distinct advantage over you and that is the Canadian Government's treatment of depreciation allowances for tax purposes.

Up to 1949 we had straight line depreciation tax allowances closely corresponding to those in the United States. But, effective Jan. 1, 1949, the Canadian Government abandoned the concept of straight line depreciation and adopted a deliberate policy whereby the basic rates of depreciation for Canadian income tax purposes are not intended to reflect the estimated lifetime of particular properties involved as is the case in the United States. Instead, the Canadian Government adopted a reducing balance system of depreciation with varying percentages of write-off. Heavy machinery and equipment such as coke ovens, iron and steelmaking furnaces and rolling mills, qualify for a 20% write-off of the reducing balance. This has the effect of making possible the recovery, for tax purposes, of more than two-thirds of the cost of such facilities in five years.

A second important regulation is that, in Canada, a full year's depreciation allowance is granted on acquisitions made at any time during the year. This enables us, for instance, to get back 20 cents out of every dollar paid during the year on progress payments for heavy equipment in the course of manufacture. This is particularly helpful to the smaller company with limited financial resources in planning its capital budgets.

This is no "free ride." There are good reasons behind such a depreciation philosophy. The writing off of the major portion of the value of a facility in its early life is consistent with its increasing obsolescence and higher cost of repairs in its later life. The allowance of a full year's depreciation on a project, even if not completed, is also sound. Once a project is committed, the die is cast, the money required is no longer available for other purposes and obsolescence sets in immediately. In support of both of these aspects of depreciation, it must also be recognized that the salvage or resale value of steelmaking equipment is almost nil: there is nothing so useless as a battery of coke ovens or a blast furnace ready for retirement. Steel plant investment must be recovered by operation alone.

There is the often repeated criticism that liberalizing depreciation allowances robs the Government of taxes. Such criticism does not properly evaluate the constantly expanding tax base afforded by an efficient and growing steel industry nor the unmeasured but substantial additional taxes collected by the Government through growing secondary steel-using industries well served at fair prices.

We in Canada have heard labor complain that higher depreciation allowances have in some manner enabled the steel companies to grossly understate their earnings. And yet the recent modernization and expansion of the industry has made possible for the steelworkers the highest standard of living of any Canadian labor group.

While the favorable declining balance method of depreciation and rates effective in Canada is not the same approach as the "re-investment depreciation" method currently being studied by the United States steel industry, its net effect is similar since 80% of the investment in plant in Canada has been made in the last ten years—60% in the last six years—in dollars already much "inflated" by usual steel industry standards.

Replacement of Assets and the Industry's Efficiency

One effect of a favorable depreciation allowance policy, of course, is that it permits reasonable planning of replacements. The most impressive feature of the Canadian industry's progress has not been its expansion but its replacement and modernization. Today only 6% of coke oven capacity in Canada is over 15 years old; only 35% of blast furnace capacity is over 15 years old; only 28% of steelmaking capacity is over 20 years old and the oldest blooming mill is 19 years old. The oldest hot strip mill was built in 1945, and old or obsolete auxiliary equipment is the exception.

This thorough modernization has largely been made possible by a cash flow from profits and from depreciation, depletion and amortization allowances estimated at almost 16% of sales in the last 10 years. This is more than one-third higher than in the United States.

In the last 10 years, the Canadian industry has averaged an annual depreciation and amortization charge for tax purposes of $9.93 per ton of ingot capacity while, in the same period, in the United States, this has been less than half, with an average charge of $4.83 per ton.

The point has been repeatedly made by authorities in the United States that the special "amortization" granted by the United States Government has distorted your depreciation picture, since it is rapidly running out, and normal depreciation alone is woefully inadequate to meet your needs.

In both our countries special amortization granted as a result of the Korean War has distorted property write-offs but in Canada the high early write-off characteristic of our regulations and continuing reinvestment in modernization, has resulted in a rapidly growing normal depreciation account. In 1957 our normal depreciation taken for tax purposes amounted to $10.00 per ton of ingot capacity and this will probably rise with increasing investment in the next several years. In the United States the total of write-offs claimed has been falling in the last several years and without the special "amortization" grants, normal depreciation appears to have been only about $3.50 per ton in 1957.

This is a serious matter for the United States industry; 10 years ago you were writing off $3.40 per ton of capacity in regular depreciation and today, $3.50. On a 25-year life, at the present rate, you are getting back less than $90 per ton of annual ingot capacity and yet we all figure today that capacity under $300 per annual ton is a real bargain. As plant wears out it will be exceedingly difficult to dip continually deeper into earnings to make up the difference and still keep shareholders happy. It will be even harder to convince moneylenders that the steel industry is competitive with others.

The phenomenon of the Canadian industry "pulling itself up by its own bootstraps" may be heresy to accounting purists, but the modernization which has resulted has been a prime reason for improved efficiency and better profit margins for the Canadian steel producers, since steel prices in Canada in the last 10 years have risen more slowly than in North America as a whole.

To say that realistic depreciation allowances and improved efficiency through modernization are necessary to keep our industry's products competitive in common markets may seem obvious, but Canada is in a particularly sensitive position with respect to overseas competition. Our market can be smothered easily by the much larger producer nations' steel surpluses, and both we as steelmakers and our customers as steel users have had a surfeit of foreign steel, available on our coasts at $175 a ton one month and $125 a ton a few months later. We can't control overseas competition and from a labor cost standpoint, can't hope to meet it. Modernization seems to be one factor we must emphasize, and steel industry shareholders have a right to expect it.

I have said that we have some small license to comment on depreciation practices because of our experience.

We have had 10 years of experience with depreciation tax regulations more favorable than your own. The experience has been enlightening and has been the means of a very real improvement in Canadian steel affairs. We look back with no regret to abandonment of the old regulations and in consequence look forward with far greater confidence to the constructive years ahead.

ASE 5 & 20 Club Annual Golf Tourney

The American Stock Exchange members' Five and Twenty Club will hold its Twelfth Annual Golf Tournament and dinner on Thursday, June 5, 1958, at the Sunningdale Country Club, Scarsdale, N. Y., according to an announcement by club President Leonard C. Greene.

Harold T. Brown, club champion, will defend the golf title he captured one year ago. Several hundred exchange members and guests will participate in the day-long affair.

Joins Cruttenden, Podesta

(Special to The Financial Chronicle)

DENVER, Colo.—James E. Roth has joined the staff of Cruttenden, Podesta & Co., 524 17th Street.

Garrett-Bromfield Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Carl W. Ohlin has been added to the staff of Garrett-Bromfield & Co., 650 17th Street, members of the Midwest Stock Exchange.

With Ideal Securities

(Special to The Financial Chronicle)

DENVER, Colo. — Abraham L. Berenbeim has become affiliated with Ideal Securities Co., U. S. National Bank Building.

Mt. States Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Charles H. Hunley has been added to the staff of Mountain States Securities Corp., Denver Club Building.

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Meeting and Conquering Challenges of Our Time

good indications that we may be on our way at the present time. But the question remains as to how long and how sound the journey will be.

Many short-range government measures have been proposed, including varied kinds of tax cuts, easing of credit, and public works. Some few of these are being applied, in the hope that they will be of early help toward stabilizing the economy and giving it new momentum.

But even more vital is the question: What are we putting behind these measures in terms of **long-range** stability and strength?

Businessmen, we know, don't borrow money just because it is available. They borrow it if they think they can use it to improve their business and to make a profit. Money for capital outlays will be borrowed, in large part, when the **long-term** conditions for investment are sound.

Long-Range Tax Probelm

It is healthy to be having a real public discussion of Federal tax policies, for a change. But why confine this simply to the problems of the moment? If taxation is such an elemental force in our economy—as it certainly is—why should there not be **equal** concern with the **whole long-range problem** of where our tax philosophy is heading and what the consequences may be?

Quick projects to pour Federal money into the economy may be important in giving us a lift. But if these projects are **not** self-liquidating, what of the ultimate effect? The lift will be of no value if, in its wake, we are drained of strength by a cheaper and cheaper dollar.

Our job is to whip the recession and get back on our economic feet. It is a job not for government alone, or business alone—but for business, government **and** every American. We may do it with short-range actions, but they had better have long-range goals. And in such case, the main task of the government is to **help** private enterprise do the job that **only** private enterprise can do—that is, create capital, private jobs, and goods and services. It is not, as some politicians urge without end, to ride off in all directions to build a bigger welfare state.

Government may prime the pump, but it's private enterprise that keeps the well full.

This being true, business has a responsibility to speak out, to express its views and stand firmly behind them. Business has an obligation to help devise and support the best possible programs to revitalize the economy, and beyond that, to insure its healthy progress.

Business, to a far greater degree than before, has been meeting this obligation. Many in our own industry, have expressed views and recommendations with candor and vigor. In fact, you were doing so long before the present alarm was sounded.

Obviously, we can't limit our thoughts to the problems of our own industry. The outlook for steel is inseparable from the outlook for the nation. This industry, like every other, depends upon the basic strength of the American economy and our people. And while **we** are certainly aware of this, it appears that too often the public is not.

For that reason, in our meeting last year, I ventured to point out that this nation was tending to regard the growth of its industry as **automatic**—and that this was a dangerous assumption. Among labor leaders, and among many in Washington, it was a handy assumption to hold. Regardless of the burdens of reckless taxation, regardless of wage-push factors all out of step with realism, regardless of the rising tides of inflation, business was supposed to go along unperturbed, creating a bigger and better prosperity.

Surely, the real fact can be seen more clearly today than ever. Prosperity is **not** assured by fate. It can only be assured by the wisdom with which we in America meet our problems and **seek** the opportunities of the future.

Presents Fivefold Blueprint

Plainly, our program for recovery and progress will have to be comprehensive. These are complex times, to say the least. But whatever the total program may be, I suggest that certain basic steps will be vital to it. They would include:

The adoption of realistic tax policies, to encourage capital expansion;

Increased productivity, to help stop inflation;

The encouragement of long-term private foreign investment;

The correction of abuses by the corrupt segment of labor leadership, and sound laws to insure union democracy and financial responsibility; and,

Better public understanding of the facts which affect industrial expansion, employment and standards of living.

Stresses Sales-Dollar

With respect to the long-range tax program, let me begin with a short-range observation. On every side, we are hearing that all our economy needs is a pick-up in sales. If everybody will buy more, the sales volumes will go up, and our problems will be solved. Well, of course, sales volumes **are** fundamentally important. If sales go up, production goes up, and unemployment goes down, at least for a time. But the fact is that sales are **not** the whole answer, by any manner of means. And it is time for all of us who know better to quit fostering that illusion.

Our population is expanding rapidly. In years ahead, we shall need millions of new jobs to keep pace with this expansion. And the corporations of America will be expected to create most of these jobs. Corporations, today, provide nearly three-quarters of all the non-government wages and salaries paid.

Of course, new jobs can come into being only when dollars—billions of dollars—are invested in new tools and new capacity for production. Where will that money come from?

Well, we know it must come from profits, or borrowing, or from individuals willing to risk their money by buying stock. However, we also know that the tax codes today are making it increasingly difficult to finance new tools and capacities soundly in **any** of these ways.

Federal taxes alone can take away more than half of a company's net income. Combined with rising costs, such taxation can only continue to shrink profit margins that are already inadequate to finance capital needs on a sound basis.

We hear it said that individual taxpayers oppose a cut in their taxes because they would save "only a few dollars." Of the arguments that might be raised against such a cut, this, I think, is the poorest and most unwise. If reducing taxes by a few dollars means nothing to the taxpayer, then it might be assumed that raising taxes by a few dollars would be of no consequence either. And it is out of such passive acceptance that towering tax rates are gradually built.

In any event, if individual income is going to be largely siphoned off by steep progressive taxation, it can no longer be counted upon as a major source of capital. Nor can we expect individual investment to be greatly encouraged as long as the double taxing of corporate income is kept in force.

So the final resort is to borrowing, but we know that excessive recourse to borrowing can be of serious danger, both to the borrower and to the economy as a whole.

In short, the answers to the future lie not only in what happens to sales, but in what happens to the sales dollar. If that part of the dollar that is left for investment in growth is to be adequate, our tax laws will have to be overhauled.

They will have to be more realistic than the present unplanned patchwork of measures, most of which were hastily adopted to finance wars, and seldom, if ever, revoked. They will need to recognize that a reasonable profit, after all, is an honorable thing, especially when it's applied to the long-term task of creating more and better jobs. They will need to encourage, not stifle, the nation's productive initiative.

The call here is not for tax reductions resulting in government deficits and inflation. It is for a tax system based on the greatest possible government efficiency—a system which holds so closely to the level of genuine need that it provides no inspiration for extravagance.

Dynamic Tax Program Required

What is required is a dynamic tax program that keeps Federal revenues **up**, not by taxing away the incentive and means of new enterprise, but by steadily increasing the tax base through business expansion.

If our economy is to be sound, this is a fact the great majority of Americans must come to understand. The public is hearing a lot about the need to stimulate consumption. More vital is the need for public support of a tax system that will stimulate **investment** as well as consumption.

We are building America by seeking greater prosperity for every citizen. In the years ahead, the way to that goal will lie in the full release of our productive genius, and not in the static reshuffling of the people's income.

A second long-range need is to stop inflation. The recession notwithstanding, it is inflation that remains our number one problem. Its potential for ultimate harm overshadows any other economic problem with which we are concerned.

Increasing Productivity

As an industry, we are helping to fight inflation by doing all we can to increase our productivity. The steel industry has invested heavily in better productivity and has shown remarkable results. Research in new machines and new methods has gone forward on a huge scale—as has their installation in the mills and plants.

American industry in general has made tremendous strides in recent years. More will be required to keep pace with the needs of our expanding society. Industry must continue improving its productivity at least at the going rate of 3% per year. It is desirable, of course, and fully possible that industry will do even better.

Unfortunately, however, productivity is only one side of the coin. Its value can be reduced, **if not canceled, by increases in wage levels that outrun the productivity advance. In the last 10 years, a 26% gain in industrial productivity has been more than absorbed by a 61% rise in wage rates. The difference between those figures represents inflation. And a continuing disparity will mean continuing — and more severe—inflation.**

If all Americans, whatever their occupation, are to realize the promise of the future, there must be honest, voluntary recognition of these facts by all concerned. We must work to achieve a balanced overall movement forward—with wages, profits, and productivity going up together in step. We shall never be safe from recession or worse until this is done.

Foreign Investment

As the third long-range need, we look to the key place of America in this new world. It is a world in which international commerce and cooperation will become increasingly essential. In this new climate, the foreign investment of private American capital will become more and more important.

Such private capital can help to relieve the burden on the American taxpayer without impairing our program of foreign assistance and mutual cooperation.

Investment of private capital overseas can invigorate our own economic development while it helps the economy of our friends abroad by providing the initiative and skill they want to acquire.

Isolation by American business in this shrinking world is no more sensible or possible than political or cultural isolation. Many of the countries that appeared to be badly shaken at the end of the war are showing great vigor, and are moving forward actively in the development of their own economies. In many of these countries, the percentage of production gain of the past decade has been greater than that in the United States. Now that fact has to be viewed in the light of the point from which those countries started. But it is significant, and it bodes well for the economic strength of the free world if we will but develop our own efforts in that light.

There are obviously many hard problems involved in business investment abroad. The solutions can't be generalized. Some industries, the specific companies, may find them next to impossible. But we **do** know that international business, nevertheless, has excellent reason to improve and grow. And to that end, American business and government need to look for ways to enable private American capital to join more easily with private capital in other countries. The results can be of untold value to our economy and to the winning of the cold war through the strength of the free world.

Labor Abuses

My fourth point was that corruption in labor leadership, where it exists, must be rooted out. This is no side issue in the long-range outlook for America. It strikes at the heart of our national well-being. What will it avail the American people to invest their toil and savings in the future if this future is to be hamstrung by a clique of labor czars so powerful they cannot be touched?

Let me make it clear that I am not talking here about legal union policies and actions. Emphatically, the problem of racketeering leadership does not exist in the steelworkers' union. But this is no reason for us or the steelworkers' union to overlook it.

For the clear fact is that all union labor is affected by the

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Meeting and Conquering Challenges of Our Time

stigma of this abuse and the ends to which it will lead if it is allowed to flourish in labor's ranks.

What it can do—and is doing—to our moral strength is obvious. Public pride can hardly be raised by the spectacle of a government unable or unwilling to cope with corruption in key places of national power.

But it can also handicap our economic progress in serious ways. Obviously, men without principle can hobble major industries and kill new ones with impossible demands. They have, in their control of manpower, the means of crippling the entire economy at any time they choose. They foster fear, cynicism and huge financial loss among union members themselves. And, not the least, they give strong fuel to the communist claims of decadence in American life.

Many years ago, when there were revelations of abuses in the field of corporate organization and finance, the Congress quite properly adopted corrective legislation. One of many examples was the setting up of the SEC. This was **not** face-saving legislation of the kind some of the gentlemen on Capitol Hill are scampering to revise for their labor patrons now. It was thorough—it was effective—and it was done in a crusading, moral spirit that seems to be suddenly missing when the wrongdoing is found in the field of labor.

A proper start appeared to be made with the hearings of the McClellan Committee. The Committee, in the light of its findings, recommended legislation to do these things:

To regulate and control pension, health and welfare funds;

To regulate and control union funds;

To insure union democracy;

To curb activities of middlemen in labor-management disputes;

To clarify the "no man's land" in labor-management relations.

Now, in view of the gravity of what the Committee has learned, these seem to be reasonable and necessary recommendations, with which no one except the guilty parties themselves should find any quarrel. But let anyone say so, and we immediately hear the stock old cry of "anti-labor." It comes, of course, from the labor czars of whom we would expect it—and in Congress, the political heat is turned on.

Many members of Congress, along with the public, profess to be greatly shocked by the conditions the Committee has brought to light. There is some evidence that legislation covering health and welfare funds may be passed. This, if done, will be a step in the right direction. But it will be **only** a part of what is necessary if the problem is to be met honestly and effectively.

The question now is whether that large bloc in the Congress opposed to **any** labor reform will be able to persuade a majority to drag their legislative feet, under one pretext or another, until the public pressure for the necessary steps presumably will have died down.

But I believe this may be another case where the public interest will refuse to be hoodwinked by political evasion. In the past, the American people, when finally aroused to a danger, have been unwilling to allow any group to accumulate excessive power. They have acted, in time, to curb such power when abuses of it have become widespread.

Our economy, to meet the test of the future, **must** have responsible and ethical leadership **throughout** labor, just as we must have it in business management. Where it is lacking in **either** field, let correction be applied. The laws regulating corporate finance already are comprehensive. But scarce indeed are the laws aimed directly at insuring full responsibility in union financial affairs. Such laws will come to pass when the American people make the demand for them so insistent they cannot be denied.

Public Education on Economics

My fifth point was that we need better public understanding of the facts that affect industrial expansion, employment and standards of living. This point actually applies to **all** the others, as I think I have indicated in touching on them.

The general well-being of our country is everybody's business. It is not planned or dictated by anyone. It is reached by various methods, not by any one or two or three. It is, in short, brought about by the combined opinions and efforts of millions of people. As someone has said: "All free governments are managed by the combined wisdom and folly of the people."

In the past, we have enjoyed more wisdom than folly, and we may hope that this good balance will prevail. If it is to do so, we need to look to a better understanding of our economic problems by the great majority of the American people. Better understanding is the medium through which all other objectives must be gained in a democracy where public opinion is the final arbiter.

Much will be accomplished, for example, when the majority of taxpayers recognize that excessive taxation destroys incentive, which is the root of the progress on which all wage earners depend.

Every voter needs to understand that every additional Federal expenditure means an increase in the tax he himself has to pay.

The same holds true of the economic facts that affect productivity, prices, employment, and all the factors that are basic to the standards of living of the American people.

Here, over the long pull ahead, is a primary task for the steel industry, as well as others who support our enterprise system. It is to present the facts as clearly as possible to employees, home communities and the public, so that better understanding **can** be fostered to the benefit of all.

One thing is certain: As of now, we have no reason whatsoever to doubt the **basic** strength and vitality of the economy itself. By and large, business has proved its mettle in this current period by moving soundly to adjust to its problems and to keep in position for renewed progress ahead. American business has continued to reduce costs, improve processes, encourage research, and develop new markets. There is no question of the determination throughout the ranks of business to enlarge upon these efforts.

This, I believe, is more than an **expression** of confidence—it is a **demonstration.**

We hear a great deal these days about the need to **talk** confidence. Now, I agree with that—but let's have it a confidence based on the truth. Let's not go around telling ourselves fairy tales. Let's not try to draw out confidence out of a wishing well.

The truth is that we do have hard problems to overcome—that the renewed progress we seek will not occur automatically—and that we must set our eyes on long-range goals and begin taking the steps to reach those goals.

Of all of them, the greatest one—the one that enfolds all others—is the vast objective of defending and expanding the free world against the onslaught of communism. This effort is the end objective and the safeguard of all others. It is, in itself, an overpowering reason why we must keep our economy strong, permit of no foolishness that may weaken it, and do all we can to build it soundly in a way that proved the greatness of democracy.

America's continuing growth has been the traditional concern of the steel industry. It is more important than ever that today we pledge ourselves to this anew: For the ability of our nation's industry, government, and people to meet and conquer the challenges on our time will be the vital force of the world of free men.

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The Impact of Exports-Imports

foreign trade than you are, let's get on with the subject.

Foreign Trade History

First of all, let's quickly trace the development of our foreign trade policy through the years. I think this will give us a better perspective on our present problem, and may also encourage a more generous understanding of the trade barriers which exist today in some of the relatively new industrial areas of the world.

In the early, agricultural stage of our economy, we were heavily dependent on imports to supply most of our material needs. Tariffs were imposed largely as a means of raising revenue.

Later, as our own industrial capacity began to grow, our foreign trade policy took on a strongly protective aspect. It was in the national interest to give these struggling new industries substantial tariff protection against powerful competition from the old, established industries of Europe.

This high tariff movement gained strength through the 1920's, but the enactment of the Trade Agreements Act in 1934 swung the pendulum the other way, and our import duties have declined steadily since then. Today we are not a high tariff nation. A report several years ago showed that, of 43 countries reporting to various international agencies, 35 had a higher ratio of customs duties to total import value than the United States, and only seven countries had lower ratios.

This evolution in our attitude toward foreign trade has brought with it many benefits and also some problems. But, until now, the problems have been largely covered up by the tremendous surge of domestic business activity following World War II. Unfortunately, this is no longer true. As you well know, the import situation is growing more painful every day, and we are again faced with the choice of continuing on the path toward free trade or reverting to our former protectionist policies.

Our decision is a vital one. Its effects will be felt far beyond the limits of the steel industry. Today, the direction of our foreign trade policy involves not only our own economic and military security, but that of our allies as well. In making our decision, we must remember that we are no longer an infant nation but the leader of the free world and our actions must be governed accordingly.

Therefore, it is imperative that we consider carefully the consequences of the opposing choices we face. To stimulate our thinking, let's take a look at some of them.

Consequences of Restrictive Trade Policy

What are the consequences if we return to the path of protectionism and trade restrictions?

First, from the purely commercial standpoint, we risk the possible loss of a big steel market. Last year exports represented our fifth largest market and we sold more steel to foreign customers than we did to the appliance, agricultural, shipbuilding, and military markets combined. It is also important to note that our exports of steel mill products exceeded imports by about four million tons.

Second, we risk complicating our raw material problems. It is common knowledge that we depend upon sources outside our national boundaries for chrome, nickel, and tin. And we are becoming increasingly dependent on our world neighbors for zinc, manganese, and iron ore. At some time in the future, we will not be able to exist or grow without ready access to the natural resources of other countries.

To insure this access, we must retain the full respect and cooperation of our free world partners, and I don't think we can do this by erecting unreasonable trade barriers. Justifiably or not, most of our allies look to our import policies as the symbol of our real interest in the growth and development of the non-Communist world. Therefore, any move toward protectionism is likely to have an adverse effect on pro-American sentiment throughout the world and make our future quest for raw materials more difficult.

This raw material problem is not one-sided. As we draw supplies from abroad, other countries are simultaneously dependent upon us for certain materials. For example, Western Europe, England, and Japan are depending on us for large amounts of coal, scrap, and some iron ore. Thus, in this area of raw materials, we are deeply involved with the steel industry of the free world.

And *third,* a restrictive trade policy would weaken our fight against Communist encroachment. Russia's KKK—that is, Khrushchev and his Kremlin Kronies—are ready, willing and able to sever the free world ties of interdependence by attacking on a third front—the commercial front.

In fact, the challenge has already been hurled by Khrushchev himself. To an American newspaper man he recently stated, "We declare war on you in the *peaceful* field of trade. The threat to the United States is not the ICBM but in the field of peaceful production. We declare a war we will win over the United States."

This is no idle threat! We all know of the rapid increase in Russia's military capacity, but her expanded industrial potential to back up this commercial challenge is perhaps less well known. Over the last five years, Russia's steel output increased $1\frac{1}{2}$ times more rapidly than ours, while her rate of increase in total industrial production was about 5 times our own. In fact, during the first quarter of this year, Russia produced nearly 15 million tons of ingots, compared to our 19 million tons, and she did this with less than half the capacity of the United States!

She is aggressively attempting to woo many of our friends through strong trade inducements—especially in the Far East. If we are to retain these needed friends, we must be ready to meet Russia's challenge. We must be sure that our foreign trade policy takes full account of this new kind of salesman—a man who not only can sell every product his country makes, but who can cut the price without considering his cost.

These are some of the major problems we will have to face if we choose the path of restrictive trade.

Consequences of Free Trade Policy

Now, what about the other route? What are the consequences if we decide to continue along the path of trade liberalization?

One of the advantages claimed by the advocates of free trade is that it protects our exhaustible natural resources by permitting imports to be used in their place. But this argument can also be turned the other way. In the case of certain materials, free trade policies can lead to a dangerous depletion of our vital resources.

Ferrous scrap is an excellent example. I am sure you are familiar with the details of this recurring problem, so I will not dwell on it here. Suffice it to say that the Commerce Department's latest investigations in this critical area showed that there were ample grounds to justify our fears—particularly in regard to heavy melting scrap.

I think the most serious consequence of unrestricted trade is in the damage done to certain of our domestic industries by exposing them to severe import competition. Generally speaking, foreign wage rates are much lower than our own and, where this is not offset by our superior productivity, the domestic industry concerned cannot hope to compete on equal terms with the overseas producer.

Unless some sort of protection is given these industries, severe dislocations will result in key areas of our economy. This is a particularly critical consideration when the industry involved is essential to our national defense.

The import problem is causing me sleepless nights right now. As you know, some of the companies represented here today—including the Sheffield Division of my own company—are locked in a fierce battle with cut-price imports in the Gulf Coast area. This same situation exists in other parts of the country.

During a period of full operations, it is easy to concentrate on products that are not affected by lower priced import items. But today, when our operations are at such a low level, it is difficult—in fact, impossible—for our people not to be concerned when they see the price of foreign steel swing from \$25 to \$35 a ton above our price less than a year ago, to \$25 to \$35 under our price today.

These are some of the more painful effects of a liberal trade policy and they are hitting home right now. The easy way out, of course, would be to demand Government protection—to cry, "Keep the foreigners out! Buy American!" That would be the easy way—but would it be the right way?

Putting self interest aside for the moment and looking at both sides of the issue fairly and squarely, I can't honestly say that this attitude would be in the best interests of our country or our industry. Neither can I recommend following blindly down the path of free trade. The dangers in that direction are equally grave. So you can understand what I mean when I say that I am astraddle the fence!

But is this situation any worse than many of the business problems we face almost daily? There are usually serious disadvantages to either extreme of any problem that confronts us, so we usually settle on a compromise solution. I think that a middle-ground approach is the right answer to our foreign trade problem too.

A Middle-Ground Approach

I am not going to attempt to spell out what I think this approach should be. That is a matter for very careful consideration by all of us — perhaps through the Foreign Relations Committee of this Institute. However, I would like to offer a few personal opinions that may be helpful in developing a middle-ground approach.

First, I believe we should strive toward trade liberalization as our long-range goal, but we must be cautious about it. The cold, hard fact is that we will not be able to compete on a free trade basis unless we narrow the wide gap between our own labor costs and those of our foreign competitors.

Until now, this has been largely offset by our superior productivity and by the fact that demand here and abroad has exceeded productive capacity. However, we are rapidly losing these advantages. Foreign capacity has grown tremendously, and they are catching up with us in productivity. On top of this, we are losing some of our advantage in raw material costs as we go beyond our own shores for these materials.

Let's face it, our inflated labor costs are rapidly pushing us to the point where we will be priced out of the market — not only abroad, but here at home too—if we should have to compete on a free trade basis.

So far, I have been talking pretty much in generalities but, in case any of you are from Missouri—like I am, let's get down to some specific facts about comparative production costs here and abroad.

It is generally agreed that about 80% of the cost of producing any manufactured product is labor—even the taxes we pay are mostly for labor in the final analysis. Therefore, a comparison of labor costs will give us a good yardstick to measure the difference between total conversion costs here and abroad. We can determine these labor charges by taking the total man-hours required to make a ton of steel and multiplying by the labor cost per hour, including the fringe charges.

On this basis, industry figures for 1954 through 1956 indicate that the average labor cost per ton of product in our steel plants is about twice that of the European Coal and Steel Community companies.

Granted that the basic raw material cost in the Community countries might be somewhat higher than in the United States, our calculations still indicate that the Coal and Steel Community's total costs are lower than in this country.

This cost advantage enjoyed by some of the European Coal and Steel Community companies permits them to sell certain products—notably reinforcing bars and barbed wire—in the United States at $25 to $35 below our domestic prices. Ocean transportation and our low tariffs are no barrier at all.

My *second* observation on a middle-ground approach is that we should do everything possible to encourage a rising standard of living in foreign countries. In this way we will help to equalize our wage scales and to stimulate consumer demand in those countries so they will have less excess steel to sell over here.

One of the most powerful contributions we can make in this direction is to find an effective way to export our philosophy of mass markets. We must get our free world neighbors to understand such concepts as the real dynamics of competition, the planned stimulation of consumer wants, and the necessity to make this resulting demand effective by a wider spread of income.

Our technical aid programs provide a powerful tool in this educational process. Many of you are participating in a history-making event that is taking place in this country today. Under the auspices of the Ford Foundation, and at the request of the State Department, 200 engineers from India are already being given a year's training in the steel plants of this country. These men will carry back with them not only the steelmaking knowledge they have gained, but also first hand experience with the American Way of Life—our habits, our customs and, most importantly, the benefits of our free enterprise system.

My *third* observation on a middle-ground approach is that we must have adequate tariff protection until we gain a more reasonable balance between our unit costs and those abroad. Otherwise, we may find ourselves in the same critical situation that is now facing our friends in the machine tool industry. Because of the growing threat from foreign competition in both domestic and overseas markets, many of these companies are being forced to transfer capacity abroad, and the day may come when they will have to ship part of their foreign production back here.

Achieving a better balance between our own and foreign production costs will be a drawn-out process. To facilitate trade during the transition period, it might be possible to work out a flexible tariff structure that would, in effect, recognize and reward those countries which improve the living standard of their workers through a broader distribution of income. This might mean a sliding tariff, subject to periodic adjustment to bring the cost of goods to a comparative level in the free world market.

One thing must be made quite clear—we are not asking for any favors in the field of international trade, but only a fair break. I think Bernard Baruch expressed our case very well when he said, "Let the United States say to all the world that hereafter we will conduct absolutely free trade with any country in the world that meets our wage and social standards." Actually, I think we would be willing to settle for something less than that, but not for the wide discrepancy that exists today.

Fourth, our domestic industries are certainly entitled to protection against unfair foreign competition. By this I mean the dumping of foreign merchandise in this country at prices substantially below those charged in the exporting country. The Anti-Dumping Act of 1921 offers such protection. We must have greater enforcement of this act.

And next, it seems to me that a lot might be gained from the establishment of a world trade association in the field of steel. Such an organization could contribute much to the advancement of world steel production—just as our own Institute has done for us, and the British Iron and Steel Federation has done for the steel industry of the United Kingdom.

The Cost Problem

Now, I would like to discuss another point that concerns me very deeply, and that is the ever-rising cost of putting our goods on the market. We must stop the spread of wasteful and inefficient practices which are rapidly pushing our costs to the point of destroying our markets both here and abroad.

Perhaps this is the unfortunate but natural result of our rapid rise from an infant nation to the leading industrial and commercial power in the world. Like the successful prizefighter, we are losing that hungry drive that brought us to the top. And if we don't do something about it, we are going to be knocked off one day by someone a little hungrier than we are.

We talk about pay for hours not worked, but our greatest curse is *pay for work not done at all!* We have this featherbedding in Government, we have it in management, and we have it in our working forces. It is one of the most glaring faults in our American Way of Life, and we are going to have to eliminate it if we are going to stay ahead of, or even keep up with, really progressive competition from abroad.

This means that labor, which also has a big stake in the successful outcome, must take a more realistic attitude in its wage demands, and must do everything it can to increase our human productivity. Management must use all the resources at its disposal to cut administrative costs and to step up output per man-hour through technological improvements. And Government must take positive action to increase its efficiency.

In case you think I am talking about Utopia, let me give you a couple of examples of cooperation between labor and management in approaching the problems of cost and efficiency.

One relatively small manufacturer I know of has already made tremendous strides in this direction. Although he pays much higher wages than others in his field, he still manages to compete very successfully with much larger companies, both here and abroad. He has done this through a joint employee-management attack on waste and inefficiency at all levels of his organization. As a result, this company's productivity has increased by 15% a year, against a national average of about 3%. While this manufacturer's approach might not work for all of us, it certainly is indicative of the progress that can be made in stepping up productivity.

Another milestone in the history of labor relations occurred recently when a national union adopted a ten-point program to eliminate certain wasteful and costly practices in the construction industry. The program is designed to eliminate slowdowns, forcing of overtime, and other featherbedding practices such as limitations on work output and the use of efficient tools and equipment. Think what a tremendous boost it would give the economy if other branches of labor would adopt and follow the far-sighted suggestion of this particular union.

These are outstanding examples of the good that can be accomplished when management and the working forces break down the barriers of misunderstanding between them and get together to attack their common problems in a spirit of mutual cooperation.

Conclusion

In closing, may I say that, while there are many points of controversy on the foreign trade issue, I don't think anyone can deny the following facts, which should be given full consideration in deciding our future course of action:

(1) Foreign trade is essential to the continued growth and security of the United States and her free world partners—and to their steel industries — but there are grave dangers in going too far either way in our foreign trade policy.

(2) Russia stands ready to step into any breach we leave on the international trade front, and production costs are no obstacle to her.

(3) The United States has already come a long way toward trade liberalization. We are no longer a high tariff nation.

(4) The warning signal is flashing. The increasingly painful effects of foreign competition in our domestic markets point clearly to the need for extreme caution in moving any further in the direction of free trade.

(5) Until the wide gap between our own and foreign production costs is narrowed, a reasonable degree of tariff protection is absolutely essential. But let's recognize that tariffs are partly a cover-up for our inflated labor costs.

As I think back over the points I have discussed here—particularly the basic weakness in our cost of production, and the dangers of going too far either way in our foreign trade policy—I now believe it has a very significant meaning. What we do together to correct this weakness, and to put ourselves back on a sound competitive basis with all other countries, will undoubtedly be a vital factor not only in our own survival, but in the survival of democracy throughout the free world.

Marketing Study on Canada Now Available

J. Walter Thompson Company issues fact-packed study of Canadian market in a fourth of a series on major world markets. Study shows Canada leads the world in growth rate, particularly in consumption level and domestic investment.

Canada has the fastest growing economy among all major nations and is leading the world in its rate of growth in many fields.

These findings are reported in "The Canadian Markets," the first full-scale marketing study of the Canadian economy. The 178-page book was developed by the J. Walter Thompson Company, and published by McGraw-Hill.

"Canada provides an extremely rich and well-developed market based on a high level of purchasing power," the Thompson Company says. "Due to such factors as climate, topography, location and natural resources, the economies of different provinces vary widely, but in spite of these differences, a number of economic traits are common to all." Included among the volume's many highlights all pointing to new, growing and untapped markets, are these:

Canada's higher income group is expanding. Only one out of 10 taxpayers was making $5,000 in 1955, but in 1980 it is predicted that four out of 10 will be making that amount.

Domestic investments (gross domestic capital formation) jumped 90% from 1947 to the present.

Young and older age groups are growing the fastest. For example, from 1956-1980 there is an expected increase of nearly 70% of those under 30; a 51.8% increase of people between 30 and 59, and a 92.2% increase of those 60 and over.

Canada's population increased 15% in 1951-1956 and by 1980 is expected to show a 90% gain, or a population of more than 26 million people, with the labor force increasing at even a faster rate.

Most Favorable Factor

Probably the most important aspect of the Canadian economy, the volume indicates, is Canada's ability to sustain a high level of consumption and at the same time increase her investments for future production and consumption—at higher rates than other leading countries. Compared to her prewar situation, Canada's investments more than tripled, whereas those of the U. S. reached twice as high a level. The United Kingdom's hardly increased at all.

Purchases of household appliances in Canada alone are expected to double over the 1952-55 average by 1965. From the annual average of $366 million in 1952-55 it will move up to $718 million a year in 1965.

Mining, forestry and manufacturing are treated in detail with a special section dealing with private and public expenditures. And of great significance of retaining people is the fact that Canadian chain stores handle almost the entire sales volume of a variety of goods, including a major part of food sales.

Metropolitan Montreal, the volume points out, is the foremost trade area in Quebec Province. With over 5,000 plants and 240,000 workers, it accounts for almost 60% of the manufacturing and production in Quebec. It is a leading center for the manufacture of aircraft and aircraft parts, railway locomotives, chemicals and pharmaceutical products.

A workable concept of a marketing area, aimed at focusing attention on the relatively small number of important places that account for the bulk of Canada's economic activity, is presented on a large colored map pin-pointing different market classes and their locations.

To enable the reader to make comparisons on a national or provincial scale quickly and simply, there is a systematical arrangement of data under 12 market indicators, each significant as to the nature, size, stage of development, rate of growth or accessibility of the market.

These include such diverse subjects as standard of living, energy and power, climate and capital expenditures, mineral and vegetable resources and manufacturing, population and characteristics, livestock and fisheries to mention but a few.

"The Canadian Markets" is subdivided into political units, or markets, from east to west: Atlantic Provinces, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, British Columbia, The Yukon and Northwest Territories. The future growth of Canada is also indicated in some detail.

Another outstanding feature of the work which again illustrates the extent of research, is a list of locations in all incorporated and unincorporated areas over 1,000 inhabitants. (It is generally conceded that this is the only such list ever compiled.)

"A real understanding of marketing on a world-wide basis is in itself a fundamental means of reducing trade barriers, discrimination, waste, poverty, and international tensions," the volume declares, adding that "obviously, the removal of restrictions in trade encourages expansion."

"The Canadian Markets" is the fourth of a series of volumes on major world markets compiled by J. Walter Thompson Company.

Arthur P. Ambrose Joins W. E. Burnet & Co.

Arthur P. Ambrose has become associated with W. E. Burnet & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, as a registered representative. He was formerly with E. W. Lucas & Company and Hayden, Stone & Co.

Vercoe Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Burt S. Bush has been added to the staff of Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange.

Joins Walston Co.

(Special to THE FINANCIAL CHRONICLE)

EUGENE, Oreg. — Joseph W. Wick has joined Walston & Co., Inc., 101 East Broadway.

With Fabian Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Ira A. Hagenbuch is now with Fabian & Company, 9500 Santa Monica Boulevard.

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The Stockholder: The Neglected Man

that were dripping with color and printed on 90-pound machine-coated stock often contained the least information most valuable to the stockholder.

He got particularly hipped on *divisional* sales figures. They are figures that no security analyst likes to be without and figures that no investor can be really well informed without. So here's what our boy did.

He carefully chose six annual reports, all of them slick productions that so meticulous an operation as "Life" magazine could envy; all of them emanating from companies that like to pride themselves on the "expertise" of their stockholder relations—and all of them without divisional breakdowns.

What our boy did was write each of these companies—not as a "Herald Tribune" reporter but as a private citizen. It was a very polite letter, almost as polite as some of us might be to a bore at a cocktail party. The letter praised the annual report, but noted that it lacked divisional sales figures. These, it went on, were vital for any intelligent assessment of how the company was faring against the competition — and since the competition had undoubtedly made it its business to learn these details, shouldn't they also be given to the people who own the company—the stockholders?

The replies were very interesting. They were very polite—almost as polite as the attention you might give to a bore at a cocktail party. I'm not going to give you the names of these companies, though at least one of them is represented here. We are all big boys now and able to cast the motes out of our own eyes—but let me read you part of one of the replies. It was characteristic of the lot and apparently written by one of those vice-presidents in charge of semantics and circumlocution whom no corporation should be without.

This company has a number of divisions and our vice-president friend started out by noting that no one of them is "completely independent" of the other. Then, taking a deep breath, the vice-president went on to say—quote—"We have always felt, therefore, that any figures which might be supplied for any branch of our business would be misleading without a complete description of the account methods used in apportioning overhead and without an analysis of the type of business done and this would be undesirable if done in such detail as to give confidential information to our competitors and also at times to our customers." Furthermore the reply went on: "I don't believe our competitors have any such details regarding our business as you suggest."

Arrant Nonsense

This letter, I assure you, for all its torrential, run-on power, is not by James Gould Cozzens out of William Faulkner and Thomas Wolfe. It is a letter written by a well-paid executive ostensibly to one of the people paying him. It is a good measure of the lack of conviction—or dedication—behind an alleged stockholder relations program on which this company is spending enough money yearly to keep us all in Beefeater martinis for a long time to come. And furthermore — it was all arrant nonsense.

It was all arrant nonsense because the Machiavellian type in our shop had picked his targets very carefully. All but two of the companies argued that releasing division sales figures would give aid and comfort to competitors. Yet every one of the six—every one of them—within the last year or two had come to market with security offerings. All of the six, consequently — all of them — had filed registration statements with the Securities and Exchange Commission. Every one of the six consequently, had put out a prospectus. And in the prospectus was spelled out in detail the information all but two of the companies had declined to give our boy. This is stockholder relations? This is nonsense.

It is, I submit, a strong indication that some managements, though putting the best possible face on things, still generally regard the stockholders as intruders who can damn well mind their own business. Either that, or these managements have embarked on a program—a stockholder relations program—that they are just not capable of carrying out to its fullest expression. And in either case, they are just not worthy of their hire.

Our *reporter was*—he *earned* his hire. The replies he got were polite enough — but politeness is never enough to cover absurdity. Disclosure, even if frostily delivered, was what the situation demanded—and except for a minority, it was not forthcoming.

Secrecy a Disservice

Granted, there *are* times when disclosure can put you at a competitive disadvantage. Premature disclosure of a move into new markets, of an upcoming bit of financing or a new product—under some circumstances—can hurt. Obviously there is a line beyond which the frank disclosure that is the stockholder's right cannot—and should not—transgress. But to try and bury like an idiot cousin, information that any reasonably energetic 10-year-old can ferret out, is to do both yourselves—and your stockholders—a disservice.

And this disservice, I must say again, is lip service; lip service to the ideal that the stockholder is in fact a friend—and not a foe. The case we have just cited is not the only example that springs to mind. Lots of other companies have all the trappings of good stockholder relations and apparently none of the conviction at top management levels that makes for *really* good stockholder relations.

One company I know very well, for instance, retains a stockholder relations counsel and, I suppose, pays him something more than a pittance. It has all the expertese we talked about earlier, including an eye-popping four-color annual report with lots of product pictures, but about as much financial information as could be got out of a Russian Commissar.

"Yackety-Yak"

Oh, the report offers plenty of lip service, all right. Its front page asks stockholders to be sure and come to the annual meeting where they will, quote, "have an opportunity to express their views." There follows much yackety-yak—lip service—about how the "real balance of power" in the corporation is held by the small stockholder.

As a matter of fact, the real balance of power in this particular little sanctum — it has been lagging behind its competitors for years—is held by the management, which is shot through with nepotism, horrendously overpaid in relation to dividends and which collectively owns about 20% of the outstanding stock.

And the annual meeting at which other stockholders are so obligingly asked—quote—"to express their views" — quote — is a joke. The meeting, of course, is no longer held at a grimy little mill, 250 miles away from the company's main office. The "New Look" in stockholder relations has seen to that. Now the meeting is held in what in some circles is called a "clean, well-lighted place." But the meeting is still haunted by the shades of the past. It is loaded with "shills" — employee-stockholders who toss up the nice easy questions that the chairman unfailingly knocks out of the lot.

This is stockholder relations? It is nonsense—and perhaps an extreme case. But it is not too uncommon and I think again indicative that some managements are injecting into their alleged stockholder relations the cynical conviction that you can catch more flies with honey than vinegar. And if that is really *not* the case, then they are making senseless mistakes that tend to invalidate all the good will that they started out with in the first place.

This is perhaps less true of middle management than the very top brass itself. You can hardly indict an executive because he lacks a sense of humor or because he has never learned to think quickly on his feet. These are grace-notes, but some of the boorish displays of bad temper I have seen at annual meetings really show how closely the ape sometimes lurks behind the stockholder-relations mask.

Happenings at Stockholder Meetings

You don't have to go far to look for examples of this — or need much imagination to realize what *it* can *do* to a really fruitful stockholders' relations program. Not too long ago, for instance, a stockholder at one meeting popped to his feet when the chairman started to move on the nomination and election of directors. He wanted to ask about the qualifications of one of the directors.

The chairman turned purple. By God, he wasn't going to have the qualifications of any of his directors challenged! They were all good men and wise; they had his approval—and that was all any stockholder needed to know. Besides, management *already* had *votes* enough in its pocket to *elect* the directors. Protest couldn't change anything. Voting was the next order of business. Would the stockholder sit down and stop holding up the meeting—he could talk about the directors during the question and answer period.

Sure he could talk about the directors — after they were elected and the point he had to make would no longer be germane. This is stupidity—if for no other reason than precisely because the stockholder's inquiry couldn't change the election results. If his protest made no difference—why not let him talk? And far more important—didn't elementary decency demand that he be given the right to speak to the point at issue? Certainly parliamentary procedure did — but apparently there are some executives who prefer to give lip service rather than service as such to the ideal of stockholder relations; executives who are still living in the dark ages when stockholders were regarded as foemen rather than friends.

The Post-Meeting Report

You can see the same kind of schizophrenia exhibited in post annual meeting reports. The post-meeting report, at least theoretically, is supposed to be the epitome of quote—"professional"—unquote—stockholder relations. Yet how many post-meeting reports do you know of in which stockholder questions showing even a tincture of disagreement with management are ruthlessly edited out of the text? Or of post-meeting reports that detour feverishly around criticism of any kind by simply indicating — quote — "A question and answer period followed the chairman's address." Unquote.

We have even heard of one company that finessed this problem by allowing any stockholder interested in a report on the annual meeting to examine a transcript of it at its home office in the Massachusetts hinterland.

This is stockholder relations? It is like hell—and in its own way reminds me of the Irishman who claimed to have an open mind and shouted, "I'd like to see the S.O.B. who can make me change it."

Well, there are lots of reasons why managements who have not changed their minds about stockholder relations, or who have changed only to the point where they grudgingly go through the motions, ought to smarten up. Not the least of these is the fact that the stockholder is not only an investor, but a consumer as well—an important one.

You hear lots of talk that Wall Street has come to Main Street. I don't think that is yet quite the case; though perhaps one day it will be. In the meantime, however, New York Stock Exchange survey figures indicate more than 60% of all the nation's stockholders make more than $7,500 a year—an income that is enjoyed by about 10% of the total population. This means that your stockholder lists represent quite a chunk of purchasing power.

If you sell consumer goods, this is too important a market to cut yourself off from. Stockholder relations — really good stockholder relations—can in some degree give you a pre-sold market. General Motors, for instance, thinks that its 500,000 shareholders help it to sell hundreds of thousands of cars. American Tobacco is forever urging its shareholders to "Buy American." Borden Corp. first began spotting consumer reaction to instant coffee by passing it around among stockholders and at least one other food company has a special order department through which stockholders — at cost—can buy special gift packages for friends.

All of this activity, I think, documents the growing awareness of the stockholder as consumer. And even if your ultimate consumer is industry rather than the individual—if you turn out intermediate chemicals, concrete reinforcing bars or a commodity as anonymous as sulphur, you still can't go wrong by taking up the gospel of stockholder relations. Quite apart from the moral aspect of giving the stockholder what is his by *right*, you are also generating for yourself a large chunk of collateral values — especially if you couple the program with financial advertising.

Thus, a survey of 150 investment bankers recently unearthed the surprisingly widespread conviction that a company can in this way favorably affect the sale or stability of its stock. Say what you want about the pragmatism of this, it is a hard fact of life that the best known companies are the ones that command a premium in the market place. They are also the companies which make a point of stockholder relations.

The Secondary Companies

Secondary companies often have better earnings ratios; sometimes even faster growth rates. But it is a truism that secondary stocks, except in the last stages of a bull market, lag behind the market as a whole—and it is the secondary companies that are usually most bashful about presenting stockholders with a really well-defined "corporate image."

Salable stock is certainly an advantage to a company that plans to do any equity financing. Surprisingly, it is even a help in getting institutional financing. Tide magazine in a survey a while back quotes an Equitable Life Assurance Co. executive, for instance, as saying, — quote — "It's much easier to sell our directors on a loan to a company which keeps the public aware of its name than to one never heard from before."

Similarly, the financial vice-president of so fast-growing an operation as Federal Pacific Electric Co. said, "It is easier to sell small blocks of stock to the informed investor."

Effect on Financing

"Informed Investor" is the key phrase here. When the plug was pulled on the bull market last summer, *plenty* of new equity financing was called off. We know of one company that had to call a halt to an offering because it just couldn't get the price it needed to make the move a success. It had never taken any pains to romance investors—either real or potential. Its earnings are up, in contrast to those of the industry in which it operates, but that doesn't do it any good. It just never made the effort to keep shareholders — and through them the financial community — informed. Now it's paying the penalty. The plain fact of the matter is having your stock sell at as high—or higher—price/earnings ratio than the competition is not the worst thing in the world. It can help you finance more easily; it can help the big brass thresh out the terms of a merger on much more favorable terms — and it gives that minority of insensitive investors unimpressed with your brand of stockholder relations, a much more liquid market in which to unload. Stockholder relations, you see, can be a form of self-preservation.

Keeping the stockholder a friend, in fact, can make for self-preservation in more than one sense. It may even save your job by preserving your management from the onslaught of raiders and proxy fighters.

Next to owning a majority of the stock, there is only one way to win a proxy fight—and that's to have a bunch of friends who do own a majority of the stock. In rare instances, this may extend to having friends with cash enough to help you *buy* a majority of the stock—as the late Bob Young did in winning his fight for the New York Central. You'll recall that he had some help from a couple of Texas wheeler-dealers named Guy Murchison and Sid Richardson and the story goes that when Richardson found he had bought $10 million worth of Central stock and not only $5 million worth, as he had supposed, he called up Murchison and asked "What the hell did you say was the name of that railroad?"

By any definition, *that* is friendship. It comes only rarely in the concentration represented by the Murchison - Richardson combination, but cumulatively it can be implanted in any group of stockholders—if you make the effort. If you don't make the effort, you are vulnerable—either to dissatisfaction among the stockholders themselves; or to the blitz tactics of an outsider who senses that this dissatisfaction can be turned to his own advantage. This advantage is easy to pinpoint if your stock is selling for less than the value of the company itself—as in the case of Montgomery Ward, for instance, and countless other companies where management had no use for stockholder relations at all.

There are lots of reasons a raider can advance for his version of "throw the rascals out." Some of them are simply a reflection of bad management; others lie in that twilight zone where bad management is synonymous with *bad* stockholder relations.

A shaky earnings record, of course, *may* indicate bad management. It may *also* indicate, however, a run of bad luck that will ultimately be reversed by a sharp-penciled management. *And* this is where good stockholder relations comes into play. Shouldn't stockholders be told what's going on? Failure to do so *may make you* fair game for a raider.

Other failings may make you fair game too—and this is where bad management and bad stockholder relations become one and the same thing. Really inadequate dividends, exorbitant executive salaries and expense accounts, over-ripe stock options and bonuses, either singly or in combination, are all a slap at the stockholder—and as such can be condemned as bad relations indeed.

No *raider* will *ever* condemn them, though. They are all grist to his propaganda mill. With a little help from a rising market, a speculative following and a management that doesn't own much stock itself, he may really get you by the neck. And what price stockholder relations then?

Plenty. Because what you've got to do then is make friends in a hurry. *Any* ex-service man who has ever had to wrestle with the rigors of an eight-hour pass in a crowded G. I. town knows that making friends in a hurry isn't always the easiest thing to do.

Nor is it easy—if you haven't taken the pains to make friends a long time ago—to sit on the ragged edge of the pit and watch the pre-proxy fight build up. It develops ominously—there will be an increased volume of trading, as the raiders begin fattening their holdings, and often as not a boost in price disproportionate to the averages and unjustified by future earnings prospects or dividends. Then comes more bad news—a big jump in the amount of stock held in street names, and a time lag between sales and transfers, designed to keep you in the dark as to who is buying the stock.

An Affirmative Program

This is where you've really got to start stockholder relations. The basis of any real stockholder relations program, it seems to me, is knowing who your stockholders are, what they want—and giving it to them. A real stockholder relations program starts with analysis of the stockholder list.

Do you have particularly high concentration of street names on it? A particularly high concentration of margin accounts? Both can be read as signs of an impending fight for control. It could happen to you—it could that is if you think stockholder relations, real stockholder relations, is for schnooks. A raider will cast a speculative eye on your company only if he is sure he can get something for nothing—if your stock is selling for less than the company is worth; and only if there are some legitimate issues he can ring the changes on to mask his real intentions.

This is a situation in which an ounce of prevention is worth a pound of cure; a pinch of stockholder relations savvy is worth all the high-priced legal talent you may have to buy later on.

But this takes work. Capitalizing on the full potential of friendship that can be tapped in any body of stockholders requires more than just an annual report in technicolor or the soggy sandwiches and papier-mache apple pie that pass for lunch at the annual meeting.

Tell Your Story!

Tell your company's story to the press. We're willing to listen—assuming you've really got a story worth the telling. Tell your story to investment bankers, brokers and security analysts — the specialists who are in daily touch with your stockholders either present or potential. Do some financial advertising; make sure your annual and interim reports are not only easy to read, but that they are *worth reading*—that they convey information and not just pap. Conduct an annual meeting that is meaningful—and graceful—and as unlike a drum head court martial as possible. Pay a fair dividend, make sure you've got a board of directors that is more than just a claque—a group of yes men owing everything they've got to management; and last but far from least, put your money where your mouth is.

If management isn't willing to risk its pocketbook in the business, why should an investor? There is only one quick way to win a proxy fight—and that's before it starts. The best kind of win is win by default. Nobody can challenge success—not a raider, not Wall Street, not even so vociferous a "professional minority stockholder" like Lewis Dusenberg Gilbert.

The Activities of Mr. Gilbert

I've heard a lot of things said about Mr. Gilbert — and maybe some of them are true. I've heard him called the "voice with the built-in sneer." I know a couple of reporters — and quite a few more executives—who can never mention his name without coupling it with a curse. I've heard Mr. Gilbert called a publicity hound—and his own annual report indicates that this indictment may not be entirely without merit.

I'm sure all of you have seen this report—or at least heard of it. All in all it's quite a document. In it, with magisterial impartiality, Mr. Gilbert pats his friends on the back and dispenses justice—though not necessarily what they deserve—to his enemies. As a passing demonstration of sheer ego, I've never seen anything quite like it. The latest edition, for instance, includes towards its close a round dozen pictures of stockholders and s t o c k h o l d e r meetings in action. Three of the pictures are group shots. That leaves nine that have recognizable individuals in the foreground. Of these nine, guess who is featured in four? You're wrong—it is not Brigitte Bardot, Jane Mansfield or La Monroe. It is Lewis Dusenberg Gilbert.

I must confess that I find this kind of modesty rather touching. After all, as sole owner and proprietor of this report (along with brother John) Mr. Gilbert *could* have stuck himself in all nine shots—and no one would have complained at all.

The same whiff of self-effacement is apparent throughout the entire report. Thus on page 18 we find Thomas S. Nichols, Chairman of Olin Mathieson, admitting to Mr. Gilbert that no stockholders attended the annual meeting — which was held in Saltville, Va. On page 19 we find Mr. Gilbert not liking an option on 150,000 shares of common granted to A. M. Sonnabend, President of Botany.

On page 21 we find Mr. Gilbert's name mentioned only twice. On other pages we find it mentioned as much as six times and we are not surprised to see that Mr. Gilbert, shrinking violet that he is, forebore to list his name in the index at the rear of the report. That way we could have come up with a total—and a much more interesting story, perhaps.

But I think this makes the point. Mr. Gilbert is a modest man, who makes only modest proposals. His proposals, in fact, are nothing more than that. They are not novel; they are not earth-shattering, they are not revolutionary. They have been kicking around since long before even the Transamerica case put flesh on the bare bones of the Securities and Exchange Acts of '33 and '34, thus making even more explicit the concept that the stockholder is entitled to "full disclosure."

You may quarrel with the way Mr. Gilbert sometimes makes his case—and Lord knows his *rasping orotundities* have sent members of my staff and me scrambling for the escape hatch on countless occasions—but by and large he is in there sawing away for some things that *do* make for better stockholder relations. Do you have any objection to more explicit annual reports? That's one of the things Mr. Gilbert would like to see. Do you think post meeting reports are a work of the devil? Neither does Mr. Gilbert. Are you against annual meetings that are fully attended and present you with a sounding board against which stockholder temper can really be measured? Neither is Mr. Gilbert. Do you think the regional annual meeting is a bad idea? Neither does Mr. Gilbert.

In fact, save for cumulative voting, there is nothing controversial about anything Mr. Gilbert advocates. In fact, you might say that he is a man with a very limited vision indeed, precisely because in some 25 years of filibustering he has been able to come up with no new issues at all. Theoretically, at least, there is a much wider area of agreement than disagreement between him and the few executives he can still succeed in unsettling and giving a bad time.

Yet for all this agreement, there are many executive nerve endings on which the play of Mr. Gilbert's personality is as abrasive as a Boatswains Mate's whistle to a Boot Seaman—and I suspect this parallel is not entirely inaccurate. Lots of the brass have not been spoken to harshly since they won their vice-president's stripes way back there in '08. It's a clear case of *Lese Majeste*—I'll show this guy he can't talk to me this way.

This is childish. It is not a clear case of *Lese Majeste*—it is a clear case of mediocre stockholder relations blowing up at the first sign of stress. Doesn't anybody go out and scout the other annual meetings? Doesn't anybody take the elementary precaution of finding out—in advance—what Mr. Gilbert and other stockholders have on their minds this year so the *big boss* can be briefed on the pitfalls ahead? You wouldn't write a speech for the American Federation of Labor and expect it to wow the National Association of Manufacturers, would you? Well, neither should you permit the big man—The Boss—to operate in an intellectual or emotional vacuum when it comes annual meeting time. Mr. Gilbert *can* be handled. *So* can any other stockholder. But it takes preparation, finesse—and dignity. If there are better attributes to take to any other phase of stockholder relations, I have yet to hear of them.

Is Mr. Gilbert — or any other stockholder—worth all this effort? I think so, and you do too, or else you wouldn't be here. As a matter of fact, for the stockholder, the best you can do is not good enough. I think we all understand why, at least we do if we have seen anything of the survey of consumer expenditures the Federal Reserve Board made a while back.

It turned up the harrowing fact that all but 5% of the people included in the sample would not buy common stocks because they are — quote — "Too risky" — unquote. This, of course, is a hangover from the free wheeling days of 1929. It is a psychological hangover from the pinwheeling excess of speculative fever. B l a t a n t manipulation and just downright stealing. We have been a long time recovering from this and will be a long time yet, despite the fact that ethics in the stock market have long since changed—for the better.

The "Full Disclosure" Concept

One of the primary forces behind this change was the new concept of "Full disclosure"; the conviction that mystery is indeed the mother of manipulation and that manipulation, if continued, could fracture beyond all recognition the only kind of economic system any of us wants.

Yet, it is fashionable in some management circles to think of stockholders as sheep — and I would be the last one to deny that they sometimes show all the attributes of that unhappy, unsophisticated animal. Yet the communists like to think of stockholders—capitalists, if you will—as sheep, too. And the stink of this argument is no sweeter coming from an oh-so-knowing graduate of the Harvard business school than the seediest editorial writer on Pravda. They are both hitting at the core of our system as we know it and they each, in their own way, carry within themselves the seeds of their own destruction.

Stockholders want more than dividends. What they want is reciprocity. Any investor, any small investor who has his money in your company is making an act of faith—an act of faith that your skill and your judgment will at the very least measure up to the competition. Does not *this* demand an act of faith in return, an expression of willingness to give the investor value received—and then some?

This, by definition, is the touchstone of good stockholder relations. It is one that any management, unless it is totally inept, can easily put into practice. If it does not put this concept into practice through conviction, it can do so through sheer pragmatism and enlightened self interest.

But put it into practice management *must*—or perhaps one day pay the penalty for not having done so. For these days, there are plenty of people around who are in on the big secret. It is not only the economist who knows that capitalism has changed its traditional form. It is not only the economist who knows, that the *stockholder no longer* runs and controls his investment. It is not only the economist who knows that management now *controls* this investment—*capital* no longer hires *management; management* hires *capital*.

Legislative Threat

This is an arresting switch. It is known not only to economists, but to legislators as well. And some legislators are showing increasing restiveness at the fact that the gulf between management and capital has begun to yawn increasingly wide. This restiveness could flare up into law that could be infinitely more demanding than the mild yoke of good stockholder relations. And so the answer to the question of the stockholder—friend or foe is an ambivalent one. The stockholder is both; he can be either. Whichever he turns out to be, gentlemen, in the last analysis, depends on you.

Join First Southern

(Special to The Financial Chronicle)

ATLANTA, Ga.—John W. Sheffield and Irvin P. Wolfe have become connected with The First Southern Corporation, 652 Peachtree Street, Northeast.

New Sudler Branches

DENVER, Colo.—Amos C. Sudler & Co. has opened four new branch offices in Wyoming: in the Emery Hotel, Thermopolis, under Claude R. Hillier; in the First National Bank Building, Cody, under Ralph E. Cook; at 113 North Kenwood, Casper, under William H. Weston, Sr.; and in the Hotel Washakie B u i l d i n g, Worland, under Edward H. Schultz.

With S. B. Franklin

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Frederick Tillinghast, III, has become associated with Samuel B. Franklin & Company, 215 West Seventh Street. Mr. Tillinghast was formerly with J. Logan & Co.

2 With Watling, Lerchen

(Special to The Financial Chronicle)

DETROIT, Mich. — Thomas A. Mackay and Bernard K. Walsh are now associated with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

Kidder, Peabody Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Walter G. Hamilton has been added to the staff of Kidder, Peabody & Co., 210 West Seventh Street.

Two With Dean Witter

(Special to The Financial Chronicle)

MODESTO, Calif. — Joseph W. Alexander has become associated with Dean Witter & Co., 1021 J Street. He was formerly with First California Company.

David Morris on Trip

Mr. & Mrs. David Morris (David Morris & Co., New York City), will leave May 30 via Pan

David Morris

American Airlines for a month's trip to London, Amsterdam, Luxembourg and France.

Canadian Stock Exch. Elects New Officers

MONTREAL, Canada — S. J. Langill, Hugh Mackay & Co., has been elected Chairman of the Board of the Canadian Stock Exchange, succeeding Ernest McAteer, Graham & Co. A. S. Beaubien, L. G. Beaubien Co., was named Vice-Chairman, and W. L. Downes, W. D. Latimer Inc., Secretary-Treasurer.

Daniels, Guiney With Freehling, Meyerhoff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harry C. Daniels and Karl B. Guiney have become associated with Freehling, Meyerhoff & Co., 120 South La Salle Street, members of the New York and Midwest Stock Exchanges. Both were formerly partners in Apgar, Daniels & Co.

D. H. Blair Co. Forming

D. H. Blair & Co., members of the New York Stock Exchange, will be formed as of June 5 with offices at 42 Broadway, New York City. Partners will be Hyman L. Federman, Philip R. Egner, Herbert M. Iselin, Charles J. Miller, Robert W. Miller, Kenneth B. Ortman, Harold S. Stonehill, members of the Exchange, general partners, and Robert I. Cummin, Harry Janin, Sidney B. Lifschultz, Michael A. Miller and Louis P. Schrag, limited partners.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Government securities have been moving back and forth in a narrow range, because no pronounced changes were to be expected with the Treasury refunding so close at hand. The market has been thin, except for the shortest maturities, with the result that price movements have been largely of the professional variety. Meetings between Treasury officials and the several outside expert financial groups have been going on this week about the way the refunding operation of the Government could be handled.

There has been considerable discussion and much talk about this operation of the Treasury, the terms of which are expected to be announced today (May 29). The guesses run all the way from just a June 15th refunding to one which will include offers to not only the August but also the September maturities. The issues to be used in this venture also bring guesses all the way from a certificate, a short note to a long-intermediate obligation as well as a long-term bond. The money market is, however, well prepared for whatever comes along.

Huge Demand for Treasury Bills

The short-term money market continues to show great strength with the result that Treasury bills are at the lowest yields in more than four years. Accordingly, it was not surprising when the banker acceptance rate was reduced by ¼ of 1%, for the eleventh time, and the commercial paper rate by ⅛ of 1% for the fourteenth time this year. The cut in the banker's acceptance and commercial paper rates was made so that they could compete more successfully with Treasury bills which had gone well below the 1% level.

It is evident that the demand for Treasury bills is coming from many sources, with indications that the banks have been sellers of the Government issues that have been called for redemption on Sept. 15 and the proceeds are being put into the shortest Treasury obligation. Also, it is reported that corporations have also been sizable buyers of Treasury bills partly from funds which have been obtained from the disposal of longer Governments and other investments. In addition, the purchases of the most liquid Government issue by the Federal Reserve banks has also been very important in pushing down the yield on Treasury bills. This "bills only" policy of the powers that be, for open market operations has always tended to press down the return on the shortest Government security.

Pressure of Money Continues

The pressure of funds seeking an outlet in the short-term money market will eventually spill over into other sectors of the Government market, and the intermediate-term issues are beginning to show signs of this already happening even in face of the coming refunding operation. According to advices, not a few holders of the Government obligation that will be retired through the 15th of September have already disposed of these securities and some of this money has been reinvested in middle-term Treasury obligations as well as tax free issues and even, in some instances, in corporates. There has been no important buying of the longer-term Government bonds from these sources, based on the advices being received from most quarters of the money market.

Market Prepared for Refunding Operation

The refunding operation of the Treasury has been the most important near-term force in the money market for several weeks now. It has brought with it more than a considerable amount of "open mouth operations," as well as some real master minding as to how it should be taken care of. Not only are the June 15 maturities involved in these guesses, but also those for August and September as well, since it seems as though these opinions are not without support that much can be accomplished in a big corporation all at one time. The money market has been well prepared for this operation, and it appears as though almost any of the issues which are selected to take care of those coming due will be well received. The main appeal will most likely be made to the deposit banks in this refunding, because these institutions have a need for investments to offset the decline in loans which to a large extent represents continued liquidation of inventories. In this way, the money supply, purchasing power and deposits would be kept from declining too sharply.

On the other hand, it is evident that Treasury officials have definite ideas about the pushing out of the debt maturity and even a token extension would seem to give them a certain amount of satisfaction irrespective of whether or not it fits into what is considered to be a debt management policy that is consistent with current economic conditions.

The recent reduction in the British bank rate from 6% to 5½% was expected and is another sign of the world trend towards lower interest rates. Its effect on our money markets, as in the past, was nil.

Goodkind, Neufeld & Co. To Be Formed June 6

Goodkind, Neufeld & Co., members of the New York Stock Exchange, will be formed as of June 6, with offices at 400 Park Avenue, New York City. Partners will be Robert H. Goodkind, member of the Exchange, and Philip M. Neufeld.

Bingham, Walter Branch

PANORAMA CITY, Calif. — Bingham, Walter & Hurry, Inc. has opened a branch office in the Union Bank Building under the direction of William L. Marlin.

Counselors Research

ST. LOUIS, Mo.—Counselors Research Sales Corporation is engaging in a securities business from offices at 411 North Seventh St. Officers are James J. O'Brien, President; and William G. Weir, Secretary-Treasurer. Mr. Weir was formerly with William Witherspoon. Mr. O'Brien was with Yates, Heitner & Woods.

New Alex. Brown Office

FAIRFAX, Va.—Alex. Brown & Sons have opened a branch office at 104 North Payne Street under the management of Norman Farquhar.

Continued from page 5

The State of Trade and Industry

December that the number of new claimants fell below 400,000. A worker filing a first claim for payments does not actually get them until a week later, so the new claims figures run a week ahead of the reports on those actually drawing the benefits.

In the automotive industry the past week United States passenger car production held steady at an estimated 86,032 units, "Ward's Automotive Reports" disclosed on Friday last. However, Memorial Day shutdowns will cut deeply into programming this week. Last year, the Memorial holiday slashed output by 35%.

"Ward's" noted that last week's schedule paralleled the preceding week's total of 87,407 automobiles, which was the highest count since the final week in March. The statistical publication predicted that the industry will likely reach its May goal of 345,000 cars, which would top April's 316,503 figure by 9%.

Seven car assembly lines across the country were idle all during the week, "Ward's" added, with each of the Big Three members, General Motors, Ford and Chrysler, sharing in the shutdowns. Down the past week were four car-making plants of General Motors, two Ford units and a Chrysler plant. Continuing six-day scheduling were American Motors and Ford's Wixom, Mich., site, where Lincolns and Thunderbirds are produced.

"Ward's" reported that car output for the calendar year to date totaled an estimated 1,837,681 units. This is 951,871 units or 34% below the corresponding period of 1957 when output stood at 2,789,552 units.

Truck volume last week was expected to reach 18,143 units compared with 16,755 in the week preceding.

"Ward's" reported Canadian programming last week at 6,971 cars and 1,065 trucks contrasted to totals of 8,469 and 1,367, respectively, the week before. The decline resulted from the nation's Victoria Day celebration which closed all assembly plants on Monday, May 19.

Steel Output This Week Set to Yield 56.5% of Ingot Capacity

Industrial recovery is gaining momentum, "Steel" magazine reported on Monday last. For the first time in 41 weeks with the exception of the post-Christmas period, every segment of "Steel's" industrial production index increased from the previous week's reading.

The combined effect of improvement in steel output, electric power output, freight carloadings and auto assemblies raised the index three points to a preliminary 125 (1947-49=100) for the week ended May 17. This is its third consecutive rise, marketing the highest level in seven weeks. A year ago, the index stood at 152.

Steel output rose for the fourth consecutive week with the operating rate up last week three points to 54.5% of capacity or the highest level of production since March 2. Output was about 1,470,000 net tons of steel for ingots and castings.

All but three districts reported better production over the previous week with the biggest gains at Cincinnati at 62%, up 9.5 points; Detroit at 44.5, up 7 points and Buffalo at 44, up 5 points. Other districts: Cleveland at 30.5, up 4.5 points; Chicago at 60, up 4.5 points; Wheeling at 73.5, up 2.5 points; St. Louis at 78.5, up 1.5 points; Mid-Atlantic at 49, up 0.5 point and Birmingham at 67, up 0.5 point. Pittsburgh at 52% was down 1.5 points. Youngstown remained at 45, New England at 40 and the Far West at 67%.

Industry observers attribute higher production to gains in demand, although less than seasonal for construction products and scattered improvements in miscellaneous buying. They also point out that inventories have been trimmed from 19,000,000 tons on Jan. 1 to 13,000,000 tons, a level at which some replacement buying can be expected. They say, too, that some consumers are hedging against a possible price increase on July 1.

If operations continue at the current rate, May production will reach 6,000,000 tons. June output will top May figures by 2 or 3%, some market analysts believe. They are less optimistic about July because automakers will begin shutdowns for model changeovers. Vacations also will slow consumption in other industries. Further, customers who bought heavily in June as a hedge against higher prices will be out of the market during July.

Several top steelmen think steel prices will go up as a result of wage increases in July. Charles M. White, Republic Steel Corp. Chairman, feels the price increase should be $11 a ton "because that's what the cost increase will be." R. L. Gray, Armco Steel Corp. President, thinks a price increase is "inevitable." Avery C. Adams, Jones & Laughlin Steel Corp. President, believes an increase is justified and Arthur B. Homer, Bethlehem Steel Corp. President, states: "We'd have to raise prices if wages increase."

The metalworking weekly said it's believed that Detroit's Big Three will close their plants from one to three months earlier than usual to switch to 1959 models. General Motors will probably start closing its assembly plants in July; Chrysler will go down in late July or early August and Ford will follow in September.

It still looks as if the United Auto Workers union will sign contracts when the deadline is reached, "Steel" magazine predicts.

The scrap market boosted by the steel rate advance gained strength for the third consecutive week. "Steel's" composite on No. 1 heavy melting was at $33.50 a gross ton, up 67 cents.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *95.0% of steel capacity for the week beginning May 26, 1958, equivalent to 1,526,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *94.8% of capacity, and 1,523,000 tons a week ago.

Output for the week beginning May 26, 1958 is equal to about 56.5% of the utilization of the Jan. 1, 1958 annual capacity of

140,742,570 net tons compared with actual production of 56.4% the week before.

For the like week a month ago the rate was *80.2% and production 1,289,000 tons. A year ago, the actual weekly production was placed at 2,252,000 tons, or 140.2%.

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

Electric Output Showed Improvement for the Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 24, 1958, was estimated at 11,316,000,000 kwh., according to the Edison Electric Institute. Output reversed its downward trend of the preceding week.

For the week ended May 24, 1958, output increased by 59,000,000 kwh. above that of the previous week, but was 258,000,000 kwh. under that of the comparable 1957 week, and increased by 389,000,000 kwh. above that of the week ended May 26, 1956.

Car Loadings Rose 4.8% Above Previous Week But Were 22.3% Below Like 1957 Period

Loadings of revenue freight for the week ended May 17, 1958, were 25,561 cars or 4.8% above the preceding week.

Loadings for the week ended May 17, 1958, totaled 560,765 cars, a decrease of 161,379 cars or 22.3% below the corresponding 1957 week, and a decrease of 218,232 cars, or 28% below the corresponding week in 1956.

Automotive Output Held Steady the Past Week

Passenger car production for the week ended May 23, 1958, according to "Ward's Automotive Reports," remained fairly steady with truck output somewhat higher.

Last week's car output totaled 86,032 units and compared with 87,407 (revised) in the previous week. The past week's production total of cars and trucks amounted to 104,175 units, or an increase of 13 units above that of the previous week's output, states "Ward's."

Last week's car output decreased below that of the previous week by 1,375 units while truck output advanced by 1,388 vehicles during the week. In the corresponding week last year 127,428 cars and 23,407 trucks were assembled.

Last week the agency reported there were 18,143 trucks made in the United States. This compared with 16,755 in the previous week and 23,407 a year ago.

Canadian output last week totaled 6,971 cars and 1,065 trucks. In the previous week Dominion plants built 8,469 cars and 1,367 trucks and for the comparable 1957 week 6,217 cars and 1,601 trucks.

Lumber Shipments Increased 2.4% Above Output in Week Ended May 17, 1958

Lumber shipments of 477 reporting mills in the week ended May 17, 1958, were 2.4% above production, according to the National Lumber Trade Barometer. In the same period new orders were 5.7% above production. Unfilled orders amounted to 35% of stocks. Production was 3.7% above; shipments 3.3% below and new orders were 0.3% below the previous week and 4.7% below the like week in 1957.

Business Failures Pointed Higher in Latest Week

Commercial and industrial failures edged up to 337 in the week ended May 22 from 327 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were moderately higher than a year ago when 309 occurred and exceeded considerably the 273 in 1956. Continuing above the prewar level, failures were 11% more numerous than the toll of 303 in 1939.

Casualties with liabilities of $5,000 or more rose to 299 from 290 last week and 263 a year ago. While a slight increase also occurred among small failures, those under $5,000, edged to 38 from 37, but they did not equal the 46 of this size reported in 1957. Twenty-five of the failing businesses had liabilities in excess of $100,000 as against 34 in the preceding week.

Wholesale Food Price Index Registered Fractional Gains The Past Week

The Dun & Bradstreet wholesale food price index rose 0.5% to $6.65 on May 20 from $6.62 a week ago. The present figure is 9.2% above the $6.09 registered a year ago.

Up in price last week were rye, corn, wheat, flour, cottonseed oil, cocoa, beef and steers. Lower in price were barley, potatoes, oats, lard and coffee.

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 Edged Upward The Past Week

Price increases in lard, some grains, livestock, steel scrap, and cocoa resulted in a slight rise in the general commodity price level last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., edged up to 280.58 from 280.05 a week earlier. It remained below the 287.33 of the similar date a year ago.

Following reports of government estimates of large crops this year, grain trading and futures prices fell at the beginning of the week, but regained the lost ground and moved ahead at the end of the period. Corn prices advanced as a result of the new subsidy program shifting exports from government surplus to commercial channels.

Although transactions lagged, wheat prices were steady during the week. There was a slight rise in rye futures prices as buying improved. Soybeans inspected for overseas exports in the week ended May 9 amounted to 541,868 bushels compared with 606,718 a week earlier and 1,122,651 in the comparable week last year. Chicago wholesalers reported a fractional dip in soybean futures prices.

Increased buying of Spring wheat bakery flour helped boost flour prices the past week. Commercial sales of flour for export totaled 53,900,000 bushels in grain equivalent so far this season compared with 41,400,000 in the same period last season.

While the buying of rice slackened during the week, prices held unchanged. The expectation that new crop prices will be lower will probably hold prices at current levels for the next few weeks according to many wholesalers.

Coffee buying was sluggish and prices slipped below those of the preceding week. International news reports noticeably boosted interest in cocoa and futures prices rose appreciably. Warehouse stocks of cocoa fell sharply in New York from 151,136 bags a week ago Friday to 146,701 at the end of the past week. A slight rise in orders for raw sugar helped boost futures prices somewhat.

Although increased receipts in Chicago resulted in a substantial decline in hog prices at the beginning of the week, increased trading at the end of the week raised prices over those of the prior week. The salable supply of cattle rose slightly from a week earlier, but was sharply below that of a year ago. Although purchases of steers were close to those of the prior week, prices climbed somewhat. Sheep receipts rose during the week, but lamb futures prices were unchanged. Following the rising trend in hog prices, lard futures prices advanced noticeably.

Reports of improved weather conditions in many growing areas somewhat discouraged cotton buying last week, but prices were sustained close to those of a week earlier. Exports of United States cotton for the period ended on May 20, were estimated by the New York Cotton Exchange Service Bureau at 133,000 bales compared with 115,000 bales in the prior week and 176,000 bales in the similar 1957 week. Exports for the season through May 13, were estimated at 4,621,000 bales compared with 6,286,000 bales during the comparable period last season.

Trade Volume Registered Slight Declines in Past Week

Despite warmer weather and some sales promotions, retail trade slipped slightly last week and was fractionally below that of the similar period last year. Declines from the prior week in purchases of appliances, housewares and men's apparel offset increases in women's apparel and outdoor furniture. Automobile dealers reported a moderate rise in sales of new passenger cars, but volume was again noticeably below last year, scattered reports reveal.

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, spot estimates collected by Dun & Bradstreet, Inc., show. Regional estimates varied from the comparable 1957 levels by the following percentages: Pacific Coast states —1 to +3%; West North Central, East South Central, and Mountain —2 to +2; New England —3 to +1; East North Central, South Atlantic and West South Central —4 to 0; and Middle Atlantic states —5 to —1%.

Over-all sales of women's apparel were close to those of a year ago, with interest centering primarily in coats, suits and sportswear. While purchases of women's Summer suits and children's clothing showed some strength, the call for fashion accessories was sluggish.

Furniture stores reported further gains in sales of outdoor tables and chairs, but volume in upholstered lines and dinette sets slackened. Increased buying of air conditioners and refrigerators held overall appliance volume close to that of the prior week. Interest in floor coverings was sustained at a high level, but purchases of draperies and linens slipped, despite extensive "White Sales" promotions.

There was a slight dip in food sales last week. While housewives stepped up their buying of canned goods and frozen vegetables, sales of frozen juice concentrates, butter, cheese and poultry decreased.

Retailers in Chicago and Kansas City reported the most considerable gains from last year in women's apparel, while volume fell most in New York and Philadelphia.

Apparel wholesalers reported a noticeable decline in orders for women's summer dresses, sportswear and beachwear the past week and volume lagged behind a year ago. Some early openings stimulated interest in women's fall clothing, but scattered reports indicate that many retailers are reducing their budgets for fall merchandise below last year. Bookings in men's tropical suits and sportswear were sustained close to those of the prior week.

Overall trading in major textile markets equalled that of a week earlier. The buying of carpet wool improved in Boston and Philadelphia and sales of woolens and worsteds were steady. At the beginning of the week transactions in cotton gray goods advanced considerably, but slackened at the end of the period. A substantial gain in purchases of wide industrial fabrics occurred during the week. New England dyers and finishers reported no change in incoming orders.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended May 17, 1958, decreased 2% below the like period last year. In the preceding week, May 10, 1958, a decrease of 4% was reported. For the four weeks ended May 17, 1958, a decrease of 2% was reported. For the period Jan. 1, 1958 to May 17, 1958 a decrease of 3% was recorded below that of 1957.

Retail trade sales volume in New York City the past week showed improvement over that of the previous week and closed about even to 4% higher than a year ago, trade observers report.

Special promotions, lower prices as a result of the lifting of "fair trade" protection, and cool weather, all played their part in the week's good showing.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 17, 1958 declined 4% below that of the like period last year. In the preceding week, May 10, 1958, a decrease of 3% was reported. For the four weeks ended May 17, 1958 a decline of 1% was reported. For the period Jan. 1, 1958 to May 17, 1958 no change was registered from that of the corresponding period in 1957.

E. M. Sinclair V.-P. Of Leo Burnett

Leo Burnett Company, Inc., has announced that E. M. Sinclair has been elected Vice-President and Director and member of the Operating Committee of Leo Burnett Company of Canada, Ltd., Toronto.

The other members of the Operating Committee of Leo Burnett Company of Canada, Ltd., who are also Vice-Presidents of the Canada company, are E. W. Hudson and Howard E. Whiting.

Mr. Sinclair came to the Burnett organization as an account executive in Toronto in 1954. In 1956, he was transferred to the Chicago office and he has worked on a variety of accounts while living in the States.

Before first joining the Burnett agency, Mr. Sinclair was a member of the Unilever International Executive Training Program and was a brand manager with Lever Brothers in Canada and England. He worked on various products—tea, soup, and Frostee—and for Good Luck Margarine.

Emil J. Pikich Joins Pacific Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Emil J. Pikich has become associated with Pacific Coast Securities Company, 240 Montgomery Street. He was formerly an officer of Carl W. Stern & Co., Inc., and in the past was local trading manager for William R. Staats & Co.

Cowen & Co. to Admit J. H. Billings to Firm

Cowen & Co., 54 Pine Street, New York City, members of the New York Stock Exchange, on June 5 will admit Joseph H. Billings to partnership in the firm. Mr. Billings is manager of the over the counter stock trading department.

Three With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

MODESTO, Cal.—John D. Garrett, Clay D. Hatch and Graham W. Lightner have become associated with Dean Witter & Co., 1021 J Street. All were previously with Hooker & Fay.

Ernest Kahn Appointed By Bache & Co.

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, announce the appointment of Ernest Kahn to become Assistant Manager of the firm's Foreign Department.

A native of Germany, Mr. Kahn has been with the firm over 25 years, during which time he has served exclusively in the Foreign Department operations.

With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Albert T. Fischer, Floyd R. Pettigrew and A. Keith Reed have been added to the staff of Investment Service Co., First National Bank Building.

With Liberty Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John D. Ellsworth, Charles P. Goldsmith and Ernest A. Ragland, Jr., have become affiliated with Liberty Investment Corporation, Denham Building.

Sills Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Malcolm J. Boraks, Hugh P. Brink, Louis Brown, Ray Gregory, Winston F. Nees and Richard R. Stimer have been added to the staff of Sills & Co., Ingraham Building.

Securities Now in Registration

★ **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**
● **ITEMS REVISED**

★ Ace Telephone Association, Houston, Minn.
May 19 (letter of notification) 1,200 shares of common stock to be offered to telephone subscribers of the company. **Price**—At par ($2 per share). **Proceeds**—For capital investment purposes. **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.

★ Arizona Public Service Co. (6/18)
May 28 filed 240,000 shares of cumulative preferred stock, series A (par $50). **Price** — To be supplied by amendment. **Proceeds**—For construction purposes and for payment of loans incurred for construction. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., both of New York.

Arkansas Western Gas Co.
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.

★ Asotin Telephone Co., Asotin, Wash.
May 20 (letter of notification) 500 shares of 5½% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds**—For construction of lines and increase of plant necessary to extend the service. **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. (6/13)
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bankers Southern, Inc.
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.

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.

★ Canada Southern Petroleum Ltd., Calgary, Canada (6/11)
May 21 filed voting trust certificates for 400,000 shares of capital stock (par $1—Canadian). **Price**—To be related to the current market prices or quotations on the American Stock Exchange immediately prior to such offering. **Proceeds**—For general corporate purposes. **Underwriter**—Paine, Webber, Jackson & Curtis, New York.

★ Central Illinois Light Co. (6/24)
May 28 filed $12,000,000 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.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Merrill Lynch, Pierce, Fenner & Smith and Stone & Webster Securities Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 24 at 300 Park Ave., New York, N. Y.

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.

★ Chesapeake Utilities Corp., Dover, Del.
May 26 filed $700,000 of 6% debentures due 1983 and 114,030 shares of common stock (par $2.50), the debentures and 42,000 shares of stock to be offered in units consisting of a $100 debenture and six shares of stock; the remaining 72,030 shares to be offered separately. **Price**—$130 per unit; and $6 per share. **Proceeds**—To purchase from Eastern Shore Natural Gas Co., a subsidiary, its $350,000 of 25-year 6% convertible subordinated notes, $245,000 of its 25-year subordinated notes, and additional shares (unspecified) of its common stock, at an aggregate price of $1,215,000 plus interest, if any, on the notes. **Underwriter**—Harrison & 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 at Room 1628, 4 Irving Place, New York, N. Y.

★ Continental Air Lines, Inc. (6/16-17)
May 26 filed $12,000,000 of convertible subordinated debentures due June 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To finance expanded operations resulting from additional routes and services, and up to $1,750,000 will be used to repay short-term indebtedness due on or before Aug. 15, 1958 to Vickers-Armstrongs (Aircraft) Ltd. **Underwriter** — Lehman Brothers, New York.

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.

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.

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 Fower & 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** — To be received up to 11:30 a.m. (EDT) on June 17 at 600 Market St., Wilmington 99, Del.

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.

★ Dieringer's Properties, Inc.
May 19 (letter of notification) 2,500 shares of 7% cumulative preferred non-voting stock. **Price**—At par ($100 per share). **Proceeds**—To invest in new property. **Office**—4515 S. E. Woodstock, Portland, Ore. **Underwriter**—None.

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. Statement effective May 19.

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.

★ **Federal Commercial Corp.**
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To make loans, etc. **Office** — 80 Wall St., New York, N. Y. **Underwriter**—Dumont Securities Corp., New York, N. Y.

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.

★ **Florida Public Utilities Co. (6/5)**
May 16 (letter of notification) 23,500 shares of common stock (par $3). **Price** — To be supplied by amendment. **Proceeds**—To pay bank loans and for construction. **Office**—338 Datura St., West Palm Beach, Fla. **Underwriters**—Starkweather & Co. and White, Weld & Co., both of New York, N. Y. and Clement A. Evans & Co., Atlanta, Ga.

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.

★ **Fort Pierce Port & Terminal Co.**
May 23 filed 2,138,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay some $174,000 of outstanding indebtedness and to complete phase one of the port development plan, at a cost of $1,425,248, and the balance will be added to working capital. **Office**—Fort Pierce, Fla. **Underwriter**—Atwill & Co., Inc., of Miami Beach, Fla., on a best effort basis.

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 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 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., Wilmington, 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.

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.

★ **Hawaiian Telephone Co., Honolulu, Hawaii**
May 16 filed 333,672 shares of common stock (par $10) to be offered for subscription by common stockholders of record May 23, 1958, on the basis of one additional share for each five shares then held. **Price**—To be supplied by amendment. **Proceeds** — For construction of facilities for the extension and improvement of services, or to repay bank loans incurred for such purposes. **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.

★ **Idaho Mining & Milling, Inc.**
May 19 (letter of notification) 15,000,000 shares of non-assessable common stock. **Price**—At par (two cents per share). **Proceeds** — For mining and milling expenses. **Office**—504 16th Ave., Lewiston, Idaho. **Underwriter**—None.

Illinois Bell Telephone Co.
May 9 filed 870,792 shares of common capital stock to be offered for subscription by stockholders of record

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NEW ISSUE CALENDAR

June 2 (Monday)

Household Gas Service, Inc. — Debentures
(Mohawk Valley Investing Co., Inc.) $60,000

Ingersoll-Rand Co. — Common
(Smith, Barney & Co.) 247,824 shares

Technology Instrument Co. — Common
(S. D. Fuller & Co.) $2,600,000

Tel-A-Sign Inc. — Common
(Charles Plohn & Co. and Clayton Securities Corp.) 200,000 shares

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, Son & Co., Ltd.) $3,330,000

North American Merchandising Co. — Common
(McDonald, Holman & Co., Inc.) $300,000

Pennsylvania Power Co. — Preferred
(Bids to be invited) 60,000 shares

Willer Color Television System, Inc.
(Edwin Jefferson) $206,105

June 4 (Wednesday)

Tamarac Gas & Oil Co., Inc. — Common
(Ross Securities, Inc.) $299,970

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)

Cosmos Industries, Inc. — Common
(Netherland Securities Co., Inc.) $700,000

Glassheat Corp. — Common
(James Anthony Securities Corp.) $300,000

New England Power Co. — Bonds
(Bids noon EDT) $10,000,000

Southern Union Gas Co. — Preferred
(Snow, Sweeney & Co., Inc., and A. C. Allyn & Co., Inc.) $3,000,000

June 10 (Tuesday)

Life Insurance Securities Corp. — Common
(First Maine Corp.) $5,000,000

Rhodesia and Nyasaland (Federation of) — Bonds
(Dillon, Read & Co. Inc.) $10,000,000

Virginia Electric & Power Co. — Bonds
(Bids 11 a.m. EDT) $25,000,000

June 11 (Wednesday)

Canada Southern Petroleum Ltd. — Common
(Paine, Webber, Jackson & Curtis) 400,000 shares

Niagara Mohawk Power Corp. — Bonds
(Bids 11 a.m. EDT) $50,000,000

Searle (G. D.) & Co. — Common
(Smith, Barney & Co.) 250,000 shares

Talcott (James), Inc. — Common
(F. Eberstadt & Co. and White, Weld & Co.) 100,000 shares

June 13 (Friday)

Bankers Management Corp. — Common
(McDonald, Holman & Co., Inc.) $400,000

June 16 (Monday)

Continental Air Lines, Inc. — Debentures
(Lehman Brothers) $12,000,000

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)

Arizona Public Service Co. — Preferred
(The First Boston Corp. and Blyth & Co., Inc.) $12,000,000

Fall River Electric Light Co. — Bonds
(Bids 11 a.m. EDT) $3,000,000

Mountain Fuel Supply Co. — Debentures
(The First Boston Corp.) $16,000,000

June 23 (Monday)

Pacific Gas & Electric Co. — Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.) 853,781 shares

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)

Laclede Gas Co. — Bonds
(Bids to be invited) $10,000,000

New York Telephone Corp. — Bonds
(Bids to be invited) $60,000,000

July 10 (Thursday)

Boston Edison Co. — Preferred
(The First Boston Corp.) $25,000,000

Southern Natural Gas Co. — Debentures
(Bids to be invited) $30,000,000

July 16 (Wednesday)

Norfolk & Western Ry. — Equip. Trust Ctfs.
(Bids to be invited) $2,340,000

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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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.

Janaf, 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. (6/3-4)**
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 U. S.; and Gairdner, Son & Co., Ltd. in Canada.

★ **Jetronic Industries, Inc., Philadelphia, Pa.**
May 27 filed 130,000 shares of common stock (par 10 cents). **Price**—$3.75 per share. **Proceeds**—For research and development and for working capital. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York, on a best efforts basis.

★ **Lesnor Maehr Marine Co., Inc.**
May 20 (letter of notification) $24,500 6% debentures and 49 shares of capital stock (no par). **Price**—For debentures, at par (in units of $500 each); of stock, $500 per share. **Proceeds** — For general corporate purposes. **Office**—118 Cherry Lane, Floral Park, N. Y. **Underwriter**—None.

● **Life Insurance Securities Corp. (6/10)**
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.

★ **Longines-Whittnauer Watch Co.**
May 23 filed voting trust certificates for 185,000 shares of common stock (par $1). **Trustees**—M. Fred Cartoun (Board Chairman), John P. V. Heinmuller (President) and two other officials.

★ **Magna Investment & Development Corp.**
May 26 filed 56,000 shares of common stock and $500,000 of 6% convertible debentures. **Price**—For debentures, at par (in $1,000 units); and for common stock, $4.50 per share. **Proceeds**—For contractual obligations, for working capital, and other general corporate purposes. **Business** — To engage primarily in the development and operation of various properties, including shopping centers. **Office**—Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

Mammoth Mountain Inn Corp.
May 20 filed $350,000 of 6% subordinated sinking fund debentures due 1968 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. **Office**—Beverly Hills, Calif. **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.

★ **McGraw-Edison Co., Elgin, Ill.**
May 26 filed 10,000 participations in the company's Profit Sharing Plan, together with 450,000 common shares which may be acquired pursuant thereto.

★ **Merck & Co., Inc., Rahway, N. J.**
May 21 filed 200,000 shares of common stock (par 16⅔ cents) to be offered to officers and key employees of the company, its subsidiaries and affiliates, pursuant to the company's Stock Option Plan.

★ **Metropolitan Hotel Corp., Portland, Ore.**
May 27 filed $3,000,000 of 4% 25-year sinking fund debentures due July 1, 1983. **Price**—At par. **Proceeds**—For construction program and working capital. **Subscription Agent** — The Hockenbury System, Inc., Portland, Ore.

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.

★ **Modern Community Developers, Inc., Princeton, N. J.**
May 27 filed 15,000 shares of common stock. **Price**—$100 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

★ **Mohawk Rubber Co.**
May 14 (letter of notification) 12,244 shares of common stock (par $1). **Price**—$24.50 per share. **Proceeds**—For general corporate purposes. **Office** — 1234 Second Ave., Akron, Ohio. **Underwriter**—Kidder, Peabody & Co. Inc., New York. **Offering**—Made yesterday (May 28).

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.

★ **Mountain Fuel Supply Co. (6/18)**
May 27 filed $16,000,000 of debentures due 1983. **Price**—To be supplied by amendment. **Proceeds**—$14,000,000 to redeem a like amount of bank loans; and the balance for construction program in 1958. **Underwriter**—The First Boston 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.

★ **Mutual Securities Fund of Boston**
May 27 filed 200,000 shares of beneficial interest in the Fund. **Price** — At market. **Proceeds** — For investment. **Underwriter**—Keller Brothers Securities Co., Inc., Boston, Mass.

★ **National Beryl & Mining Corp., Estes Park, Colo.**
May 16 (letter of notification) 2,916,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Birkenmayer & Co., Denver, Colo.

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 Britain Machine Co.**
May 19 (letter of notification) 3,000 shares of common stock (par $10) to be offered to employees. **Price**—At market price at date of offering. **Proceeds**—For working capital. **Office**—c/o Ralph S. Howe, President, 674 Lincoln Road, New Britain, Conn. **Underwriter**—None.

● **New England Power Co. (6/9)**
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 noon (EDT) on June 9 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; rights to expire on July 11. 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 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. (6/3)**
May 16 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For general purposes. **Office**—Dallas, Tex. **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.

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 Gas & Electric Co. (6/23)**
May 27 filed 853,781 shares of common stock (par $25) to be offered for subscription by common stockholders of record June 17, 1958 at the rate of one new share for each 20 shares then held; rights to expire on July 8, 1958. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

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. **Pro-**

ceeds—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.

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.

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.

★ **Rand Drilling Co., Inc.**
May 12 (letter of notification) 100,000 shares of class A common stock (par 50 cents) and 50,000 shares of class B common stock (par 50 cents) to be offered in units of two shares of class A and one share of class B stock. **Price**—$4.50 per unit. **Proceeds**—For expenses incidental to drilling for oil. **Office**—111½ E. St. Peter St., New Iberia, La. **Underwriter** — T. J. Feibleman & Co., New Orleans, La.

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. Statement effective May 16.

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.

★ **Searle (G. D.) & Co., Chicago, Ill. (6/11)**
May 22 filed 250,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Smith, Barney & Co., New York.

★ **Southeastern Mines, Inc.**
May 19 (letter of notification) 3,000,000 shares of non-assessable common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Address**—P. O. Box 3024, North Johnson City, Tenn. **Underwriter**—None.

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 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.

● **Standard Oil Co. (New Jersey)**
May 5 filed 2,246,091 shares of capital stock (par $7) being 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 10 shares of International stock. Offer will expire on July 1, 1958. Statement effective May 23.

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.

★ **Talcott (James), Inc., New York (6/11)**
May 22 filed 100,000 shares of common stock (par $9). **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—F. Eberstadt & Co. and White, Weld & Co., both of New York.

★ **Tamarao Gas & Oil Co., Inc. (6/4)**
May 20 (letter of notification) 266,640 shares of common stock (par five cents). **Price**—$1.12½ per share. **Proceeds**—For expenses incidental to oil and gas operations. **Office**—c/o Franklin Craig, Jr., Route No. 3, Zanesville, Ohio. **Underwriter** — Ross Securities, Inc., New York, N. Y.

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. (6/2-6)**
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.

★ **Thomas Paint Products Co.**
May 26 (letter of notification) 1,250 shares of common stock (par $10) and $37,500 of 6% serial subordinated debentures series 1958, to be offered in units of one share of stock and $50 principal amount of debentures to be offered to stockholders on the basis of one unit for each two shares of stock owned (500 of the shares are being offered to the President of the company). **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—543 Whitehall St., S. W., Atlanta, Ga. **Underwriter**—None.

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.

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 Funds, Inc., Kansas City, Mo.**
May 26 filed (by amendment) $70,000,000 face amount of Periodic Investment Plans (without insurance) and $10,000,000 face amount of Periodic Investment Plans With Insurance (plus in each case an indeterminate number of the underlying shares of United Accumulative Fund par $1).

★ **United Gas Corp. (6/25)**
May 22 filed $40,000,000 of sinking fund debentures due 1978. **Proceeds**—To prepay a like principal amount of 4% notes due Sept. 22, 1959 held by eight commercial banks. **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.

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

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& 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, 1988. **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.**
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 $7 per share. **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. **Offering**—Now being made.

★ **Walnut Grove Products Co., Inc., Atlantic, Iowa**
May 26 filed $500,000 of 6% sinking fund debentures, series A, due 1968. **Price** — 100% of principal amount. **Proceeds**—For expansion program and working capital. **Business**—The formulation, manufacture and sale of a complete line of livestock feed supplements minerals and pre-mixes. **Underwriter** — The First Trust Co. of Lincoln, Neb.

★ **Wellington Fund, Inc., Claymont, Del.**
May 26 filed (by amendment) an additional 10,000,000 shares of common stock (par $1) in the Fund. **Price**—At market. **Proceeds**—For investment.

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.

★ **Western Pacific Mining Co., Inc.**
May 26 filed 564,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For capital expenditures and exploration costs. **Office**—Santa Paula, Calif. **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. (6/3)**
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

★ **Winter Park Telephone Co.**
May 19 (letter of notification) a maximum of 6,619 shares of common stock (par $10) to be offered to employees under the company's Employees' Stock Plan. **Proceeds**—For extensions, additions and improvements of telephone plant and for working capital. **Office**—132 East New England Ave., Winter Park, Fla. **Underwriter**—None.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

Alco Products Inc.
March 6 it was announced that the company is considering plans for long-term refinancing. **Proceeds**—For payment of all notes payable and provide the company with additional working capital. **Underwriter**—Eastman Dillon, Union Securities & Co. may handle any common stock financing.

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. (7/10)**
May 27 it was announced company may issue and sell 250,000 shares of cumulative preferred stock (par $100). **Proceeds** — To repay bank loans and for construction program. **Underwriter** — The First Boston Corp., New York. **Registration**—Scheduled for June 20.

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 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.

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.

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.

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.

★ **Ingersoll-Rand Co. (6/2-3)**
May 27 it was announced a secondary offering of 247,824 shares of common stock (no par) is planned. **Proceeds**—To selling stockholders. **Underwriter**—Smith, Barney & Co., New York.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp.

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 announced 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); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on July 9.

★ Lazard Fund, Inc.
May 28 this new open-end mutual fund filed with the SEC notification of registration of shares of the Fund. **Managers**—Lazard Freres & Co., New York. **Registration**—Expected shortly.

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.

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.

★ Norfolk & Western Ry. (7/16)
Bids are expected to be received by the company for the purchase from it of $2,340,000 of series D equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler.

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 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.

★ Toronto (Province of), Canada.
May 26 it was reported that the Province plans early registration bonds in the United States. **Underwriter**—Harriman Ripley & Co., Inc., and Dominion Securities Corp., both of New York.

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.

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.

Merrill Lynch Adds
(Special to THE FINANCIAL CHRONICLE)
PENSACOLA, Fla. — William L. Barrineau, Jr. has been added to the staff of Merrill Lynch, Pierce, Fenner & Smith, 37 West Garden Street.

Joins Straus, Blosser
(Special to THE FINANCIAL CHRONICLE)
CHICAGO, Ill.—John C. Waxler is with Straus, Blosser & McDowell, 39 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With du Pont, Homsey
(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass. — Robert P. Bagg, Jr. is now affiliated with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges.

Tucker, Anthony Adds
(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass. — Morgan Palmer has been added to the staff of Tucker, Anthony & R. L. Day, 74 State Street.

Morfeld, Moss Adds
(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, Mo.—Clemence H. O'Connell has been added to the staff of Morfeld, Moss & Hartnett, 721 Olive Street, members of the Midwest Stock Exchange.

Joins Goodbody Staff
(Special to THE FINANCIAL CHRONICLE)
DETROIT, Mich. — Frank M. Jones has joined the staff of Goodbody & Co., Penobscot Building.

Revel Miller Adds
(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Robert Raport is now with Revel Miller & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange. He was previously with Hill Richards & Co.

With Luce, Thompson
(Special to THE FINANCIAL CHRONICLE)
KANSAS CITY, Mo.—Lawrence F. Smith is now affiliated with Luce, Thompson & Crowe, Inc., 105 West 11th Street.

With Paine, Webber
(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif. — W. Fred Revely has joined the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was previously with Daniel D. Weston & Co., Inc.

Joins Sutro Staff
(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—John J. Hiney has joined the staff of Sutro & Co., Van Nuys Building.

Federal Court Rules Against SEC on Variable Annuities

A decision of potential far-reaching importance to both the securities and insurance industry was handed down this week by the U. S. Court of Appeals when it ruled against the Securities and Exchange Commission and others in favor of the Variable Annuity Life Insurance Co. of America. The court held that the sale by the company of variable annuity contracts, backed by common stock, were not subject to regulation by the commission. The ruling came at a time when the Prudential Insurance Co., primary exponent of the variable annuity principle, is once again seeking to secure passage of permissive legislation by the New Jersey legislature. And, as in the past, the Metropolitan Life Insurance Co. is among those vigorously opposing the proposal. It is expected that the decision of the Court of Appeals will be appealed to the United States Supreme Court.

Sovereign Investors reporting as of April 30, 1958 shows total net assets of $2,076,125.77 compared with $1,803,683.80 on Jan. 1, 1958. This represents an increase of 15% for the period. Outstanding shares of the Fund rose 4% from 175,377 shares to 182,589 shares during the same period.

The net asset value per share increased from $10.28 on Jan. 1, 1958 to $11.37 on April 30, 1958 a 10.6% advance in the four months.

Two With Walston

DENVER, Colo. — Ernest D. Sommers and Robert E. Watkins are now affiliated with Walston & Co., Inc., Mile High Center.

Mutual Funds

By ROBERT R. RICH

A New Fund Is Now on Launching Pad

With the highly successful launching of One William Street Fund, and the scheduled public offering in mid-June of Ira Haupt & Co.'s Missiles-Jets & Automation Fund, Inc., at least three other Wall Street houses of prominence are readying their rocket engines for the hurling of new funds into orbit.

The first of these three, Lazard Freres & Co., venerable underwriting and internationally known banking firm, yesterday filed the first notification statement with the SEC. The new managed fund will be called The Lazard Fund, Inc. and is expected to have the '33 Act filing within a week or ten days. The Lazard Fund will be considered in the open-end growth category. It is thought that the portfolio will be managed to have less than usual emphasis on diversification and more concentration on a smaller number of individual issues.

The intent of Lazard Freres & Co. is to keep a small organization so there will be no continuous public offering of shares. The thought originally was that the fund would be created for just their customers and accounts but later a change took place so the offering will also be open to the public albeit on a limited scale.

The number of shares and the price have not been disclosed at this early date but should be public information by the beginning of June since the offering will take place the end of June.

It has been announced by Lazard Freres that three partners in their organization will be directors of the new fund. They are Albert J. Hettinger, Jr., Richard H. Mansfield and Edwin H. Herzog. Mr. Hettinger will also be Chairman and Mr. Mansfield will be President of the fund.

Putnam Fund Assets Rise to $142 Million

The George Putnam Fund of Boston reports for the quarter ended March 31, 1958 increases in total net assets from $133,219,000 to $142,345,000 and in net asset value per share from $10.85 to $11.42. Also during the quarter the number of shareholders and shares outstanding reached new highs of 43,900 and 12,464,836 respectively.

The total market value of all the Fund's investments on March 31 exceeded cost by $22,643,000, an increase of $6,312,000 since year end. Common stocks represented 61% of the Fund's total investment, compared with 60% on Dec. 31.

Commenting on the present period as "a time for constructive action rather than for sitting tight," George Putnam, Chairman of the Trustees, stated that currently the management is "aggressively seeking the companies and industries that will be in the forefront of the next general recovery in business.

"Many good quality companies started their readjustment long before it was general in our overall economy. These are now in a position to move ahead again. Other well-managed concerns are coming through the recession in fine fashion. These include many drug companies, food chains and electric utilities. We look on the present period as one of opportunity and as a time to establish the base for future profits."

New common stock additions to the Fund during the quarter included shares of Avon Products, Inc., Denver & Rio Grande Western RR. Co., Fibreboard Paper Products Corp., General Foods Corp., Houston Lighting & Power Co., Peoples Water & Gas Co., Rich's, Inc., and State Loan & Finance Corp., Class "A" (acquired through conversion of debentures).

Share eliminations included: 14,500 Aluminium, Ltd., 17,500 Chase Manhattan Bank, 18,000 Chemical Corn Exchange Bank, 20,000 Continental Oil Co. (Del.), 7,000 First National City Bank, N. Y., and 9,000 General Dynamics Corp.

With First Southeastern

COLUMBUS, Ga. — Ruth A. Connelly has joined the staff of First Southeastern Corporation, Fourth National Bank Building.

Drug Stocks Seen Reasonably Priced

Drug stocks as a group do not seem especially vulnerable to market action at this time and in fact appear to be reasonably priced relative to the market despite the gains of recent months, according to the May issue of "Perspective," a publication of Calvin Bullock, Lt., managers of mutual funds with assets in excess of $400,000,000.

The publication said, however, that this conclusion in part reflects the underlying premise that a new bull market is not in the making, for drug stocks are not likely to keep pace with the rest of the market in a period of sustained economic growth such as that witnessed from 1954 to 1956.

The feeling on the part of investors that drugs are not subject to cyclical fluctuations to the same degree as many other groups has been one of the factors making drugs relatively attractive during the past six months. Current earnings reports certainly afford corroboration of this view, the publication said. An appraisal of relative market performances in past recessions, however, is inconclusive, but nevertheless the feeling does persist that drug earnings will be more stable, and there is no reason to contest this opinion.

First quarter earnings are considered to be "too optimistic" to be used as a guide for the year as a whole, particularly in view of the difficulty of matching the fourth quarter of 1957, "Perspective" estimated. Therefore, the study said, an increase of 5-10% in earnings for 1958 would seem to be a reasonable estimate for the year.

"The current market values 1958 earnings of that magnitude at from 14.5 to 15.2 times, which although higher than the average of the past 10 years, does not seem out of order. The present relationship of drug stocks to the balance of the market, while much more favorable to the drugs than in the period from 1954 to 1956, appears in line with the record from 1948 to 1953."

Joins Sudler Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Mrs. Alma P. Gorden has joined the staff of Amos C. Sudler & Co., First National Bank Building. Mrs. Gorden was formerly with Columbia Securities Co. of Wyoming.

Boston Fund Assets Now at $152 Million

Boston Fund reports increases in net asset value per share and total net assets at the end of the first quarter of the present fiscal year on April 30.

The asset value of the fund's shares rose to $15.12 as compared with $14.51 for the quarter ending the previous fiscal year on Jan. 31. Total net assets increased to $152,760,645 from $142,125,781 three months earlier.

During the quarter, the number of shareholders climbed to 30,057 from 29,238, and the number of shares outstanding increased to 10,105,275 from 9,793,886.

Mr. Vance noted that the business news, except for certain consumer goods and service industries, has continued to reflect reduced sales volume and a profit-margin squeeze. The stock market, he said, while down from its high levels, has been extremely selective, and although many security prices have declined in price, the general market level has held relatively stable during the past three months.

He said the fund has made only minor changes in its investment account during this period. "We continue to feel that it is prudent policy," he explained, "to maintain our over-all investment balance at approximately its present ratio."

The fund, he added, is in a favorable position —to take portfolio action as it seems advisable when the business picture can be seen in clearer outline.

The quarterly report shows that the fund's investments on April 30 were diversified as follows: bonds and preferred stocks 41.7% and common stocks 58.3%. Three months earlier the ratio was 42.8% to 57.2%.

The fund added Stop & Shop, Inc., Transcontinental Gas Pipe Line, U. S. Steel and U. S. Rubber to its common stock holdings. It also made a 10,000-share preferred stock purchase of Northwest Bancorporation, and bought $500,000 of Sylvania Electric Products 4.5% bonds.

Bullock Fund, Ltd. Shares Gain 3.4%

Hugh Bullock, President of Bullock Fund, Ltd. reports that net asset value per share rose 3.4% from $11.16 at Jan. 31, 1958 to $11.54 at April 30, 1958.

During the quarter ended April 30, 1958, total net assets of the company rose to $32,854,419 as against $32,553,824 on Jan. 31, 1958. As now constituted, Mr. Bullock said, the fund's portfolio appears to possess reasonable defensive characteristics as well as continued long-term growth potential, and existing dividend income appears protected for the year.

After careful consideration, he said, it was determined that there was neither necessity nor opportunity at this time to effect fundamental changes in the fund's portfolio. It continues to stress corporations appearing to have unusual growth potential, which include some of the largest corporations in the country as well as smaller companies in carefully considered fields such as electronics and guided missiles. The largest investments were in the drug and medical supplies group (11.53%), followed by petroleum (10.23%) and the chemical group (10.14%).

Harry W. Peters Adds

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo.— Sidney M. Edmondson has been added to the staff of Harry W. Peters, 411 Main Street.

Ira Haupt & Co. to Offer Shares of Its New Fund June 17

Ira Haupt & Co., New York City, as head of a nationwide underwriting group, will make public offering on June 17 of 500,000 shares of capital stock of Missiles-Jets & Automation Fund, Inc., at a price of $10 per share.* The new fund will become open-end for redemption of its shares approximately 30 days after the public offering. Subsequently, shares will be offered on a continuous basis through Ira Haupt & Co.

The Fund's fundamental investment policy is based on the anticipated long-term growth trend of the missiles-jets automation fields. Its investments will principally be concentrated in the common stocks of the companies engaged in one or both of these fields. The fund will have the right to make investments in debt obligations and preferred stocks of investment grade of such companies and in government securities as defined in the Investment Company Act of 1940. Investments will be selected by the fund on the recommendation of Templeton, Dobbrow & Vance, Inc., investment adviser to the fund.

The dividend policy of the fund will be to distribute substantially all its net income semi-annually, and its net realized capital gains annually. It is expected that capital gains distributions, unless the shareholder at his option previously requests payment in cash, will normally be paid in shares of capital stock of the fund.

Dr. Theodore von Karman, Chairman of the Board of Directors of the fund, is also Chairman of the Advisory Group for Aeronautical Research & Development, NATO (North Atlantic Treaty Organization) and Chairman of the Scientific Advisory Committee of the Allison Division of General Motors Corp.

Andrew G. Haley, President and a director, is a partner in the Washington, D. C. law firm of Haley, Wollenberg & Kenehan; President of the International Astronautical Federation; General Counsel, American Rocket Society; President and a director, Missiles-Jets & Automation Management Co., which will supervise the business affairs of the fund; and co-founder and former President of Aerojet Engineering Corp.

Other directors of the fund are Bertram M. Goldsmith, partner in Ira Haupt & Co.; Francis H. Crissman, Vice-President-finance and a director of Columbia Gas System, Inc.; Roy S. Heavner, Vice-President and a director of Templeton, Dobbrow & Vance, Inc.; James M. Landis, attorney and formerly Dean of Harvard Law School, Chairman of Securities & Exchange Commission, and Chair-

*In single transactions involving less than $10,000.

man of Civil Aeronautics Board; William S. Palmer, Vice-President and a director of Templeton, Dobrow & Vance, Inc.; Arch C. Scurlock, President of Atlantic Research Corp., Malcolm A. Sedgwick, Vice-President and Secretary of Home Insurance Co.; Sir Robert A. Watson-Watt, Chairman of Sir Robert Watson, Watt and Partners, Ltd., London, England and Chairman, President and a director of Adalia, Ltd., Montreal, Canada.

Fundamental Shrs. To Be Available on Contractual Basis

Rowland A. Robbins, Chairman of First Investors Corporation, (FIC) announces a new FIC contractual plan for the accumulation of shares of Fundamental Investors, Inc., a common stock mutual fund.

Necessary registration papers to cover issuance of FIC Plan Certificates calling for agreed payments of $50 million will be filed with the Securities and Exchange Commission before the end of this month. Contractual plans for the accumulation of shares of Fundamental Investors will be offered to the public as soon as registration becomes effective.

Fundamental Investors, Inc., organized in 1933, now has more than 90,000 shareholders and assets of over $350 million. It is one of the largest and oldest common stock funds in the country.

First Investors Corporation, organized in 1930, specializes in mutual funds and investment plans.

Payments already made and payments to be made amount to slightly less than one half billion dollars under First Investors' contractual plans for the accumulation of shares of two other mutual funds, namely, The Wellington Fund, and Mutual Investment Fund, Inc.

Mr. Robbins stated that for the first time investors adopting a FIC contractual plan, providing for monthly payments for ten years, will have a choice of having their investments made in either a balanced fund (Wellington); a fully administered fund (Mutual Investment); or a common stock fund (Fundamental Investors).

Manhattan Bond's Asset Value Higher

Manhattan Bond Fund, Inc., a mutual fund investing exclusively in bonds, reports a net asset value of $6.47 per share on April 30, end of the first half of the 1958 fiscal year. This represents an increase of 3.5% over the Oct. 31, 1957 year-end figure of $6.25.

During the period covered by the fund's semi-annual report, total net assets rose from $18,855,312 to $19,397,668. Dividend payments in past 12 months amounted to 34.5 cents a share.

Chairman Wm. Gage Brady, Jr. and President Hugh W. Long, make the point that, "During the period under review, the fund's management has continued its long-term program of augmenting the number and proportion of utility and industrial bond investments as suitable issues become available at prices considered attractive. The percentage of assets invested in utility and industrial bonds has been doubled in the past several years; such bonds now comprise approximately 50% of the fund's total assets."

A. G. Becker Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John E. Dwyer, Jr. has been added to the staff of A. G. Becker & Co. Incorporated, 120 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Dreyfus Funds Assets, Share Value At New Highs

Jack J. Dreyfus, Jr., President, reported for the quarter ended March 31 that the assets of Dreyfus Fund are now 90% invested in common stocks. In his view, the technical conditions which contributed to the 1957 decline seem to have been corrected even though present economic conditions still leave much to be desired.

Net assets of the fund reached an all-time high at the end of March 31 of $18,398,901 as compared to $15,231,324 for Dec. 31, 1957. Shares outstanding was also a record and reached 1,999,681 at the end of the quarter as compared to $1,792,986 for Dec. 31. Net asset value rose to $9.201 for the quarter as against $8.494 at the beginning of the year.

For the first quarter, Dreyfus Fund made portfolio purchases in Allegheny, Ludlum, Alpha Portland Cement, American Airlines, Atchison, Topeka & Santa Fe, Bendix Aviation, Bethlehem Steel, Brunswick-Balke, Dow Chemical, Eastern Airlines, Fansteel, Lehigh Portland Cement, Liggett & Myers, National Cash Register, National Gypsum, Penn - Dixie Cement, Quaker Oats, St. Regis Paper, Southern Pacific, Southern Railway, Tri-Continental (Warrants), U. S. Steel, Vanadium Corp., and Youngstown Sheet & Tube.

Eliminated from the portfolio were Minnesota Mining, Superior Oil (Calif.), Pepsi-Cola, P. Lorillard and U. S. Treasury Bills.

Investors Stock Fund Assets At New Peak

Total net assets of Investors Stock Fund, Inc., mutual fund affiliate managed by Investors Diversified Services, Inc., stated at market value of securities investments, rose from $232,757,246 as of Oct. 31, 1957 to a record high of $280,032,807 as of April 30, 1958, up $47,275,561 for the first half of the current fiscal year, Joseph M. Fitzsimmons, Chairman of the Board, announced in the Fund's semi-annual report.

Net asset value per share of the Fund was $12.71 on April 30, 1958, compared with $11.69 on Oct. 31, 1957. Dividends declared during the period amounted to 21 cents per share, the same amount as was declared for the corresponding period a year ago, and were derived entirely from investment income.

New highs were reached in number of shares outstanding and shareholder accounts. Shares outstanding increased from 19,908,528 on Oct. 31, 1957 to 22,032,798 on April 30, 1958. Number of shareholder accounts grew from 94,656 to 102,802 in the same six months.

Common stocks and equivalent equities at the end of the six months under review comprised all but 2.34% of the Fund's investments. Industry groups in which the Fund held its larger investments as of April 30, 1958 were as follows: Petroleum, power and light, chemicals, fire and casualty insurance, and electric and electronic equipment.

Joins Nolting, Nichol

(Special to THE FINANCIAL CHRONICLE)

PENSACOLA, Fla.—Bert H. Creighton has joined the staff of Nolting, Nichol & Company, West Garden Building.

With Jobin & James

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—William J. Shaar is with Jobin & James Investments Inc., 242 Beach Drive, North.

Institutional Funds Report 35% Rise In Share Sales

Sales of the five institutional Funds totalled $7,518,396 for the first quarter of 1958, up 35% over the same period in 1957, H. L. Jamieson, President of Hare's Ltd., the national distributor, reported.

Repurchases of Institutional Fund shares of the period totalled $474,179 or 6.3% of sales, compared to 27% of sales reported by the industry, Mr. Jamieson said.

Institutional Growth Fund was the sales leader for the first quarter, accounting for $4,081,630 or 54% of the total. Institutional Income Fund, Foundation Fund, Insurance Fund and Bank Fund made up the balance in that order.

On Directorate of Income Fund of Boston

William B. Carolan, President of the Union Savings Bank of Boston, and George A. McLaughlin, formerly a Director of the Investment Adviser, have been elected to the Board of Directors of the Income Fund of Boston, Inc., at the annual meeting of shareholders.

Karl E. Weiss, President of the Arlington National Bank, also was elected a Director of the Investment Adviser to the Fund, Boston Administrative & Research Co., Inc.

Mr. McLaughlin is also Senior Partner of McLaughlin Bros., Chairman of the Board of Directors, C. J. Maney Co., Inc.; and President, Treasurer and Director, National Dock and Storage Warehouse Company.

H. C. Hudgins With Woolrych & Currier

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Herbert C. Hudgins has become associated with Woolrych & Currier 3911 Fifth Avenue. Mr. Hudgins was formerly with Francis I. du Pont & Co. and in the past was an officer of R. E. Evans & Co.

Kenneth Stucker Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI SHORES, Fla.—William Greene has been added to the staff of Kenneth B. Stucker Investment Securities, 9822 Northeast Second Avenue.

Railroad Securities

Railroad Legislation

At long last it appears that some railroad aid might be granted by the Congress. Perhaps one of the most important proposals is the recommendation by the Senate Commerce Committee for Federally guaranteed loans of as much as $700,000,000 to aid the industry.

In many cases, because of lower earnings and continued high expenses, working capital and cash have dropped sharply. This is particularly true of the carriers serving the Mid-East and North Eastern sections of the country. Most of the roads do not have the credit to obtain funds from ordinary sources. In addition they do not have the collateral to pledge for loans in most cases. With payrolls at high levels, some of the rails might run into difficulty in having enough cash for day-to-day operations. Some of the larger carriers have sought to establish revolving bank credits, but so far have not been successful, according to most reports.

The Senate Commerce Committee also recommended that the Senate Finance Committee, which has jurisdiction over taxation, vote to repeal the 3% tax on freight charges and the 10% tax on passenger fares. Also, it urged a 20-year depreciation period for railroad equipment.

Another item was the suggestion the Post Office Department modernize regulations for mail hauling which have been attacked by the railroads as imposing severe financial burdens upon them.

In its bill, the Committee made the following recommendations:

Authorize up to $700,000,000 in Government guarantees for loans to finance new equipment, operating expenses, working capital and interest on outstanding debts. A limit of $150,000,000 would be placed on loans for operating expenses and interest on existing obligations.

Also, give the Interstate Commerce Commission authority to authorize discontinuance, curtailment or consolidation of unprofitable services and facilities.

For other forms of transportation, it urged that rail, air, barge and truck carriers be permitted to establish construction reserve funds for the purchase or reconditioning of equipment and other facilities. The effect would be to defer taxes on money paid into the fund.

Add to the Interstate Commerce Act a section providing that in areas where different types of transportation are in competition, the rates of a carrier shall not be held up to a particular level to protect the traffic of any other mode of transportation.

Of great importance to the transportation industry is the proposal to limit the exemption given motor carriers hauling agricultural products. This has been a highly controversial issue for some time.

It also is proposed to clarify sections of the present law designed to prevent discrimination against interstate or foreign shipments arising from rates charged within the borders of a state.

Another item would revise the so-called "private carriage" section of the law to prevent commercial shipments under its terms. The change would prohibit anyone not directly engaged in transportation from transporting property by motor vehicles unless the transportation was furnished in furtherance of a business project other than transportation.

The bill also proposes the creation of a three-man study group to conduct an 18-month survey of transportation policies.

Most rail officials, as well as members of the Interstate Commerce Commission, have expressed themselves as pleased with the proposals. Naturally, some of the rail men do not feel the Bill goes far enough, but is a start in the right direction. The Government loan section is looked upon as a stop-gap which could be important to many of the railroads at the present time, particularly in view of the current low volume of railroad traffic.

Our Reporter's Report

The complexion of things in the corporate new issue market experienced little noticeable change during the past week. As one observer put it, the market has continued to fiddle and faddle while waiting on the Treasury's outline of its current refinancing program.

The Government's financial arm is due today (Thursday), to give the details of its plans for taking care of some $9 billion in maturities at mid-June. It also has announced plans for taking up an additional $4 billion, but this is expected to go over until late in the summer.

The Treasury market has been wallowing along and the seasoned corporate market, though generally firm, has shown little or no disposition to break out of a narrow range. Moreover, things have been kept more or less in check by the approach of the Memorial Day holiday which will give the rank and file a long week-end in which to digest the forthcoming Treasury proposition.

Meanwhile, new corporate offerings have been grinding along, moving out gradually but with institutional buyers still of a mind to stand aloof and see which way the cat jumps after the Treasury news is out.

Evidently there is enough uncertainty still in the air as regards Treasury plans to explain the let-down in interest generally. The guessing was going on right up to the last minute.

And some of those who, a week ago, were talking in terms of $9 billion of 1-year and maybe 5-to-7 year obligations, now feel that there is an outside chance that Secretary of the Treasury, Robert B. Anderson may be tempted to try at least $1 billion of long-term bonds.

Would-Be Buyers Balky

The temperament of large-scale investors currently became evident when prices were set for Transcontinental Gas Pipe Line Corp.'s new bonds and preferred stock this week.

Both these issues reportedly had been well spoken for in advance of public offering. And there was a general disposition to look for a fast operation since this was a negotiated undertaking.

But fixing of a 4.68% yield for the bonds and 5.70% on the senior stock made the prices a little richer than some buyers had been led to anticipate, according to conjecture in the market place.

Two Big Issues

With the holiday out of the way underwriters and their dealer organizations will be focusing their attention early next week on two big issues, one of which will be handled by competitive bidding and the other by negotiation.

Unless there is a last minute change in plans Consolidated Edison Co. of New York Inc., will open bids on Tuesday for $50 million of new first and refunding bonds. Sale of this issue will put the big utility in funds for paying off short-term bank loans and financing its construction program.

On Thursday bankers are slated to bring to market for Owens-Illinois Glass Co., an issue of $50 million of new debentures having a 30-year maturity. Out of the proceeds the company will retire $15,266,000 of National Container debentures, plus $20 million of short-term loans, and also bolster its working capital.

Three equity offerings finish off the week's calendar. Pennsylvania Power Co. on Tuesday is seeking bids for 60,000 shares of preferred. On Wednesday Texas Eastern Transmission Corp. will market $25 million of preferred stock and on Thursday Florida Public Utilities Co., is offering 23,500 shares of common.

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)	June 1	§56.5	*56.4	47.8	88.0
Equivalent to—					
Steel ingots and castings (net tons)	June 1	§1,526,000	*1,523,000	1,289,000	2,252,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 16	6,261,885	*6,249,685	6,250,535	7,511,115
Crude runs to stills—daily average (bbls.)	May 16	¶7,479,000	7,255,000	7,051,000	8,131,000
Gasoline output (bbls.)	May 16	25,200,000	25,416,000	24,531,000	27,057,000
Kerosene output (bbls.)	May 16	1,881,000	1,568,000	1,918,000	1,875,000
Distillate fuel oil output (bbls.)	May 16	11,650,000	11,130,000	10,901,000	13,003,000
Residual fuel oil output (bbls.)	May 16	6,558,000	6,651,000	6,495,000	7,798,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 16	198,307,000	201,235,000	211,030,000	196,383,000
Kerosene (bbls.) at	May 16	20,306,000	19,114,000	17,537,000	22,854,000
Distillate fuel oil (bbls.) at	May 16	80,771,000	78,287,000	73,060,000	86,830,000
Residual fuel oil (bbls.) at	May 16	59,503,000	59,120,000	56,794,000	39,426,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 17	560,765	535,204	534,475	722,144
Revenue freight received from connections (no. of cars)	May 17	498,017	495,748	493,515	614,070
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 22	$588,107,000	$435,399,000	$325,733,000	$338,914,000
Private construction	May 22	241,161,000	200,517,000	113,512,000	193,873,000
Public construction	May 22	346,946,000	234,882,000	212,221,000	145,041,000
State and municipal	May 22	206,906,000	181,550,000	165,987,000	96,003,000
Federal	May 22	140,040,000	53,332,000	46,234,000	49,038,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 17	7,170,000	*6,250,000	7,080,000	9,519,000
Pennsylvania anthracite (tons)	May 17	385,000	396,000	390,000	509,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 17	127	138	125	129
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 24	11,316,000	11,257,000	11,206,000	11,574,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 22	337	327	329	309
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 20	5.967c	5.967c	5.967c	5.670c
Pig iron (per gross ton)	May 20	$66.49	$66.49	$66.49	$64.56
Scrap steel (per gross ton)	May 20	$34.00	$32.67	$31.83	$47.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 21	24.425c	24.550c	23.675c	31.300c
Export refinery at	May 21	21.725c	22.075c	21.775c	29.050c
Lead (New York) at	May 21	11.500c	11.500c	12.000c	15.000c
Lead (St. Louis) at	May 21	11.300c	11.300c	11.800c	14.800c
‡Zinc (delivered) at	May 21	10.500c	10.500c	10.500c	12.000c
Zinc (East St. Louis) at	May 21	10.000c	10.000c	10.000c	11.500c
Aluminum (primary pig. 99%) at	May 21	24.000c	24.000c	24.000c	25.000c
Straits tin (New York) at	May 21	94.375c	94.625c	93.000c	98.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 27	96.19	96.24	96.56	88.69
Average corporate	May 27	96.23	96.07	96.23	95.16
Aaa	May 27	103.13	102.80	102.96	99.36
Aa	May 27	99.36	99.52	100.00	98.41
A	May 27	95.77	95.62	96.23	95.77
Baa	May 27	87.45	87.18	86.65	87.99
Railroad Group	May 27	91.62	91.34	91.62	93.97
Public Utilities Group	May 27	97.78	97.78	97.94	96.07
Industrials Group	May 27	99.36	99.20	99.04	95.77
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 27	2.82	2.82	2.80	3.46
Average corporate	May 27	3.99	4.00	3.99	4.06
Aaa	May 27	3.56	3.58	3.57	3.79
Aa	May 27	3.79	3.78	3.75	3.85
A	May 27	4.02	4.03	3.99	4.02
Baa	May 27	4.60	4.62	4.66	4.56
Railroad Group	May 27	4.30	4.32	4.30	4.14
Public Utilities Group	May 27	3.89	3.89	3.88	4.00
Industrials Group	May 27	3.79	3.80	3.81	4.02
MOODY'S COMMODITY INDEX	May 27	403.0	400.7	389.4	411.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 17	240,015	285,090	230,130	255,800
Production (tons)	May 17	269,356	264,699	263,614	286,720
Percentage of activity	May 17	86	86	87	95
Unfilled orders (tons) at end of period	May 17	348,231	383,220	336,737	423,348
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 23	109.87	109.91	109.99	110.35
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 3	1,540,280	1,623,210	1,009,950	1,600,480
Short sales	May 3	355,920	359,290	210,960	287,560
Other sales	May 3	1,274,380	1,333,040	886,960	1,301,700
Total sales	May 3	1,630,300	1,692,330	1,097,920	1,589,260
Other transactions initiated on the floor—					
Total purchases	May 3	320,090	474,940	241,250	339,970
Short sales	May 3	23,130	49,700	22,850	19,550
Other sales	May 3	304,670	402,890	298,250	305,850
Total sales	May 3	327,800	452,590	321,100	325,400
Other transactions initiated off the floor—					
Total purchases	May 3	579,159	578,840	348,350	582,304
Short sales	May 3	158,240	151,680	56,600	118,840
Other sales	May 3	729,040	648,942	325,255	635,268
Total sales	May 3	887,280	800,622	381,855	754,108
Total round-lot transactions for account of members—					
Total purchases	May 3	2,439,529	2,676,990	1,599,550	2,522,754
Short sales	May 3	537,290	560,670	290,410	425,950
Other sales	May 3	2,308,090	2,384,872	1,510,465	2,242,818
Total sales	May 3	2,845,380	2,945,542	1,800,875	2,668,768
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	May 3	1,268,858	1,307,769	1,055,385	1,356,428
Dollar value	May 3	$55,162,385	$54,737,326	$45,075,900	$69,649,842
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 3	1,111,269	1,101,334	811,646	1,174,170
Customers' short sales	May 3	18,467	18,847	17,893	7,406
Customers' other sales	May 3	1,092,802	1,082,487	793,753	1,166,764
Dollar value	May 3	$46,921,729	$46,137,901	$35,334,040	$59,467,289
Round-lot sales by dealers—					
Number of shares—Total sales	May 3	323,620	290,380	207,870	307,750
Short sales	May 3				
Other sales	May 3	323,620	290,380	207,870	307,750
Round-lot purchases by dealers—					
Number of shares	May 3	490,220	510,660	424,410	454,620
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	May 3	843,230	1,000,750	552,490	524,130
Other sales	May 3	12,029,740	13,325,820	8,488,750	11,890,590
Total sales	May 3	12,872,970	14,326,570	9,041,240	12,414,720
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 20	119.3	119.5	119.4	117.2
Farm products	May 20	97.3	*98.6	97.5	89.7
Processed foods	May 20	113.0	*112.8	111.4	105.3
Meats	May 20	115.4	114.4	110.7	91.7
All commodities other than farm and foods	May 20	125.2	125.4	125.7	125.1

*Revised figure. ¶Includes 926,000 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
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of April (000's omitted):			
Total U. S. construction	$1,583,305	$1,397,691	$1,460,119
Private construction	813,337	617,595	731,781
Public construction	769,968	780,096	728,338
State and municipal	588,502	619,384	543,762
Federal	181,466	160,712	184,576
CONSUMER PRICE INDEX — 1947-49 = 100— Month of March:			
All items	123.3	122.5	118.9
Food	120.8	118.7	113.2
Food at home	119.6	117.2	111.4
Cereals and bakery products	132.7	132.6	129.8
Meats, poultry and fish	114.4	112.0	100.6
Dairy products	114.1	114.5	110.7
Fruits and vegetables	130.7	124.4	116.1
Other foods at home	113.8	111.3	111.6
Housing	127.5	127.3	124.9
Rent	137.1	137.0	134.4
Gas and electricity	115.9	115.9	112.4
Solid fuels and fuel oil	136.7	137.2	139.2
Housefurnishings	103.9	104.9	104.9
Household operation	130.7	129.9	126.2
Apparel	106.8	106.6	106.8
Men's and boys'	108.9	109.0	108.8
Women's and girls'	98.8	98.6	99.3
Footwear	129.5	129.5	127.6
Other apparel	91.9	92.0	92.2
Transportation	138.7	138.5	135.1
Public	185.9	185.4	175.8
Private	128.0	127.9	125.2
Medical care	142.3	141.9	136.4
Personal care	128.3	128.0	122.9
Reading and recreation	117.0	116.6	110.5
Other goods and services	127.2	127.0	124.2
COTTON GINNING (DEPT. OF COMMERCE):			
Final report (running bales)	10,880,378	-----	13,151,208
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of March:			
All manufacturing (production workers)	$11,607,000	*$11,784,000	$13,085,000
Durable goods	6,508,000	*6,634,000	7,693,000
Nondurable goods	5,099,000	*5,150,000	5,392,000
Employment indexes (1947-49 Avg. = 100)—			
All manufacturing	93.8	*95.3	105.3
Payroll indexes (1947-49 Average = 100)—			
All manufacturing	143.3	*145.1	164.3
Estimated number of employees in manufacturing industries—			
All manufacturing	15,407,000	*15,598,000	16,933,000
Durable goods	8,731,000	*8,870,000	9,976,000
Nondurable goods	6,676,000	6,728,000	6,957,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of March:			
Weekly earnings—			
All manufacturing	$80.85	*$80.64	$82.21
Durable goods	86.91	*86.46	88.94
Nondurable goods	73.53	*73.15	75.12
Hours—			
All manufacturing	38.5	*38.4	40.1
Durable goods	38.8	*38.6	40.8
Nondurable goods	38.1	*38.1	39.1
Hourly earnings—			
All manufacturing	$2.10	$2.10	$2.05
Durable goods	2.24	*2.24	2.18
Nondurable goods	1.95	1.92	1.87
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES— Month of February (millions of dollars):			
Inventories—			
Durables	$30,249	*$30,625	$30,961
Nondurables	22,212	*22,286	21,957
Total	$52,461	*$52,911	$52,918
Sales	25,593	*26,350	29,534
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of April:			
Industrials (125)	4.19	4.35	3.96
Railroads (25)	6.38	6.92	6.31
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.46	4.54	4.82
Banks (15)	4.76	4.71	4.61
Insurance (10)	3.08	3.08	2.92
Average (200)	4.35	4.50	4.16
NEW YORK STOCK EXCHANGE— As of March 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,776,150	$2,681,734	$2,741,225
Credit extended to customers	110,741	101,741	28,064
Cash on hand and in banks in U. S.	312,395	311,811	313,450
Total of customers' free credit balances	954,350	936,685	820,829
Market value of listed shares	207,795,213	201,174,403	212,328,639
Market value of listed bonds	114,816,119	111,805,160	101,604,819
Member borrowings on U. S. Govt. issues	275,253	261,069	59,802
Member borrowings on other collateral	1,941,152	1,795,646	2,109,411
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of March (in billions):			
Total personal income	$341.4	*$341.7	$340.2
Wage and salary receipts, total	233.3	*234.4	237.2
Commodity producing industries	94.8	*95.3	102.3
Distributing industries	63.7	*64.3	63.0
Service industries	34.3	*34.3	32.6
Government	40.5	40.5	39.3
Other labor income	7.7	7.8	7.8
Proprietors and rental income	51.3	*51.0	51.1
Personal interest income and dividends	31.8	31.8	30.9
Total transfer payments	24.1	23.5	20.0
Less employees' contribution for special insurance	6.8	6.8	6.8
Total nonagricultural income	324.6	*325.2	324.5
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914 = 100—As of March 15:			
All farm products	263	252	238
Crops	244	229	237
Commercial vegetables, fresh	396	376	252
Cotton	220	211	252
Feed, grains and hay	152	148	181
Food grains	224	219	235
Fruit	228	200	237
Oil-bearing crops	234	229	265
Potatoes	272	204	148
Tobacco	475	475	459
Livestock	280	273	238
Dairy products	261	266	260
Meat animals	336	324	263
Poultry and eggs	187	169	150
Wool	229	249	274
WINTER WHEAT PRODUCTION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of May 1 (bushels)	1,009,754,000	963,636,000	707,201,000

DIVIDEND NOTICES

ANACONDA

DIVIDEND NO. 200

May 22, 1958

The Board of Directors of THE ANACONDA COMPANY has today declared a dividend of Fifty Cents ($.50) per share on its capital stock of the par value of $50 per share, payable June 26, 1958, to stockholders of record at the close of business on June 2, 1958.

R. E. SCHNEIDER
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

DIVIDEND NOTICES

CALIFORNIA-PACIFIC UTILITIES COMPANY

Quarterly dividends payable June 16, to shareholders of record June 2, 1958, have been declared at the following rates per share:

5% Preferred	25¢
5% Convertible Preferred	25¢
5.40% Convertible Preferred	27¢
Common	40¢

D. J. Ley, VICE-PRES. & TREAS.
May 19, 1958

145TH DIVIDEND

CIT FINANCIAL CORPORATION

A quarterly dividend of $0.60 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable July 1, 1958, to stockholders of record at the close of business June 10, 1958. The transfer books will not close. Checks will be mailed.

C. JOHN KUHN,
Treasurer

May 22, 1958.

CONTINENTAL BAKING COMPANY

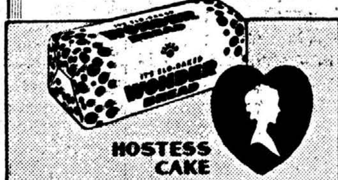
Preferred Dividend No. 78

The Board of Directors has declared this day a quarterly dividend of $1.37½ per share on the outstanding $5.50 dividend Preferred Stock, payable July 1, 1958, to stockholders of record at the close of business June 6, 1958.

Common Dividend No. 53

The Board of Directors has declared this day a regular quarterly dividend, for the second quarter of the year 1958, of 50¢ per share on the outstanding Common Stock, payable July 1, 1958, to holders of record of such stock at the close of business June 6, 1958.

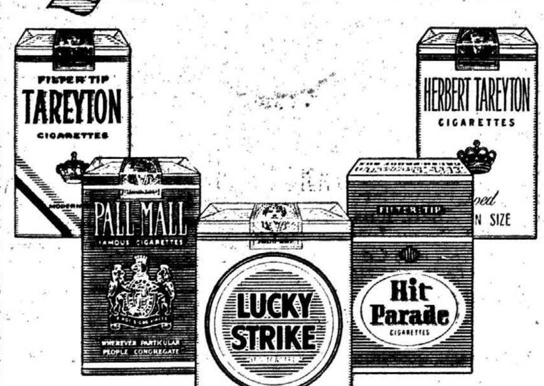
The stock transfer books will not be closed.



WILLIAM FISHER
TREASURER

May 26, 1958

QUALITY



The American Tobacco Company

215TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on July 1, 1958, to stockholders of record at the close of business June 10, 1958. Checks will be mailed.

May 27, 1958

HARRY L. HILYARD
Vice President and Treasurer

DIVIDEND NOTICES

GEORGE W. HELME COMPANY

9 Rockefeller Plaza, New York 20, N. Y.

On May 28, 1958, a quarterly dividend of 43¾ cents per share on the Preferred Stock and a dividend of 40 cents per share on the Common Stock were declared, payable July 1, 1958, to stockholders of record at the close of business June 12, 1958.

P. J. NEUMANN, Secretary

AMERICAN MACHINE AND METALS, INC.

58th Dividend

A QUARTERLY DIVIDEND of SEVENTY CENTS per share has been declared for the second quarter of 1958, payable on June 30, 1958, to shareholders of record on June 16, 1958.

Robert G. Burns, *Treasurer*

CSC COMMERCIAL SOLVENTS *Corporation*

DIVIDEND No. 94

A dividend of five cents (5c) per share has today been declared on the outstanding common stock of this Corporation, payable on June 30, 1958, to stockholders of record at the close of business on June 6, 1958.

A. R. BERGEN
Secretary.

May 26, 1958.

ELECTRIC BOND AND SHARE COMPANY

NEW YORK, N. Y.

Notice of Dividend

The Board of Directors has declared a quarterly dividend of thirty-five cents (35¢) per share on the Common Stock, payable June 30, 1958, to shareholders of record at the close of business on June 9, 1958.

B. M. BETSCH,
Secretary and Treasurer

May 22, 1958.

SERVING HOME AND INDUSTRY WITH ESSENTIAL BASIC PRODUCTS

EASTERN GAS AND FUEL ASSOCIATES

DIVIDENDS

COMMON STOCK — A regular quarterly dividend of 40 cents a share, payable June 28, 1958 to shareholders of record June 6, 1958.

4½% CUMULATIVE PREFERRED STOCK — A regular quarterly dividend of $1.12½ a share, payable July 1, 1958 to shareholders of record June 6, 1958.

E. H. BIRD, *President*
250 Stuart St., Boston 16, Mass.
May 22, 1958

Our stock is listed on the New York Stock Exchange. Symbol is EFU.

DIVIDEND NOTICES

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 176

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable July 1, 1958, to stockholders of record at the close of business on June 13, 1958. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

New England Gas and Electric Association

PREFERRED AND COMMON DIVIDENDS NOS. 45

The Trustees have declared a quarterly dividend of $1.12½ per share on the 4½ CUMULATIVE CONVERTIBLE PREFERRED SHARES of the Association payable July 1, 1958, and a regular quarterly dividend of twenty-five cents (25c) per share on the COMMON SHARES of the Association payable July 15, 1958. Both dividends are payable to shareholders of record at the close of business June 24, 1958.

H. C. MOORE, JR., *Treasurer*

May 22, 1958

Pacific Gas and Electric Company

DIVIDEND NOTICE
COMMON STOCK
DIVIDEND NO. 170

The Board of Directors on May 21, 1958, declared a cash dividend for the second quarter of the year of 60 cents per share upon the Company's common capital stock. This dividend will be paid by check on July 15, 1958, to common stockholders of record at the close of business on June 17, 1958.

K. C. CHRISTENSEN,
Treasurer
San Francisco, Calif.

P·G·and E·

Pullman Incorporated

— 387th Dividend —
92nd Consecutive Year of Quarterly Cash Dividends

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on June 14, 1958, to stockholders of record June 2, 1958.

CHAMP CARRY
President

PULLMAN STANDARD — KELLOGG — TRAILMOBILE

DIVIDEND NOTICES

UNITED UTILITIES, INCORPORATED

53rd Consecutive Dividend

The Board of Directors declared a quarterly dividend of 30 cents per share on the outstanding common capital stock of the company, payable on or before June 30, 1958, to stockholders of record at the close of business June 6, 1958.

Abilene, Kans. May 19, 1958

ALDEN L. HART,
President

UNITED FRUIT COMPANY

236th Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable July 15, 1958, to shareholders of record June 13, 1958.

EMERY N. LEONARD
Secretary and Treasurer
Boston, Mass., May 19, 1958

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of the Corporation, payable July 1, 1958, to stockholders of record at the close of business on June 10, 1958.

B. M. BYRD
Secretary

May 28, 1958

UNITED GAS SERVING THE *Gulf South*

SUNDSTRAND MACHINE TOOL CO.

DIVIDEND NOTICE

The Board of Directors declared a regular quarterly dividend of 25¢ per share on the common stock, payable June 20, 1958, to shareholders of record June 10, 1958.

G. J. LANDSTROM
Vice President-Secretary

Rockford, Illinois
May 20, 1958

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The fact that Vice-President Richard M. Nixon will officiate on June 10 at the dedication of a new national headquarters building of the Associated General Contractors of America, four blocks west of the White House, is neither big nor significant news within itself.

Nonetheless, the dedication ceremonies of this $700,000 three-story structure, situated among multi-million dollar monumental Federal buildings, fits into an overall construction program that is both significant and favorable.

The new headquarters of the AGC is part of a trend of the major trade associations of the United States to erect a building in the Nation's Capital. Various labor unions have spent millions of dollars in Washington since World War II constructing handsome buildings.

The big important construction news as May drew toward a close was the step up in building of various kinds across the country. Factory construction is down and probably will be about a sixth down from last year, but public nonresidential building is moving ahead almost as good as last year. Billions and billions of dollars are being spent in new office buildings.

Home Construction Up

New home construction is picking up. Starts in April totaled about 95,000, slightly above the corresponding month of 1957. FHA officials said some 80,000 applicants for government home mortgage financing were received. This was the second highest total in a single month in history.

Perhaps many of the applicants would have filed earlier had it not been for the severe winter and late spring, resulting in sharp curtailment of construction work. Because of the pick-up in work, President Eisenhower asked Congress for an additional $4 billion for the FHA mortgage insurance program to keep pace.

New construction (all types) in April involved an outlay of some $3.7 billion. Public construction rose 5%, primarily because of the highway construction program. Individual, commercial and private housing was comparable with the same month last year.

The Bureau of Public Roads says that by July 1 there will be a $9.8 billion roads program in progress. The bureau describes the total figure as representing the costs of all projects programmed, but not finished.

Congress appears likely to approve an Administration recommendation (either a substantial part if not all) of $1.6 billion in new military public works construction, some of which would be abroad. Hearings have been started before the Senate Armed Service Committee on the measure which would include 58,600 new military housing units. Military construction spending for the fiscal year starting July 1 will approach $2 billion.

No School Bill

On the other side of Capitol Hill, the House Education and Labor Committee a few days ago killed what chances there were —if there were any—of a short term Federal school construction bill on a 50-50 matching basis with the various states. As a matter of fact most of the states are in better shape financially to build schools than Uncle Sam.

A total of 918 new postoffice buildings, costing nearly $50,000,000, have either been started or will be under contract this fall. Obviously most of these buildings are in smaller communities across the land. The construction will have a favorable effect on the local economy.

It all adds up to the fact that a tremendous amount of steel, concrete, lumber and other building materials will be used in the months ahead.

Kefauver and Steel Prices

Steel came into the news on Capitol Hill a few days ago with the issuance of a report by Senator Estes Kefauver by his Anti-Trust Subcommittee. The majority report, based on hearings conducted last autumn, said the bid steel companies should be reducing their prices rather than raising them.

At the same time Senator Kefauver declared that if the companies further raise their prices they are going to be called on to do some explaining why they are doing it. Unconfirmed reports have cropped up that the steel companies might raise their prices again this summer. Sen. Kefauver said the hearings resulted in him believing that the companies should not have raised their prices more than $3 a ton, rather than $7 a ton, when they last put a price increase in effect.

Opposed by ABA

The American Bankers Association is strongly opposed to a proposal to create a new home loan guaranty corporation on the ground that it would result in unnecessary and undesirable duplication of existing government programs supporting privately financed residential mortgages. The United States Savings and Loan League is backing the plan.

John A. Reilly, Chairman of the American Banker Association's Housing and Mortgage Financing Subcommittee, told the Senate Housing Subcommittee that the proposed guaranty corporation would discriminate against the banks because he maintained that the facilities would be available primarily to savings and loan associations. The U. S. Savings and Loan League, in sponsoring the loan guaranty corporation, declares that the corporation would stimulate home building, but it would not cost the Federal Government a penny.

Such a corporation, under the pending proposal, would be an arm of the Federal Home Loan Bank Board. The $20,000,000 capital would be subcribed by savings and loan associations.

Banks in Sound Condition

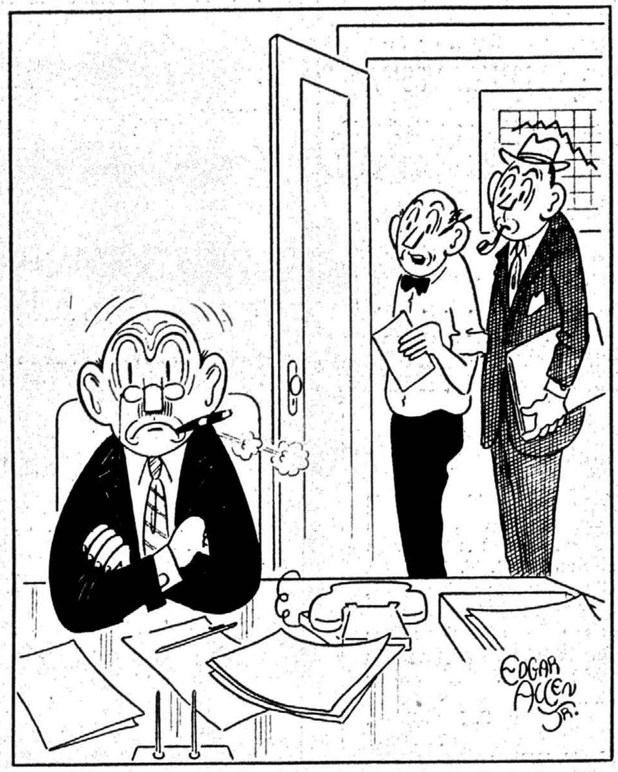
The banks of the country are in a healthy condition. Chairman Jesse P. Wolcott of the Federal Deposit Insurance Corporation reports net current operating earnings of the nation's 13,165 insured commercial banks advanced 6% during 1957. Net charge off were a fourth smaller than in 1956, permitting net profits after taxes to rise to a record of $1,374 billion. Almost half of net profits was distributed to stockholders, a slightly smaller proportion than in 1956.

Applied to larger profits, however, it nevertheless meant a moderate increase in the rate of dividends on invested capital, to 4.1%. Retained profits of $696 million were 16% greater than in 1956, and as has been the case for a number of years the profits were the principal source of additions to bank capital.

Salaries and wages continued to be the major operating expense of the 13,165 banks. They totaled about $2.2 billion, an increase of 8%. The increase was due to an increase in bank employment and higher pay for employees.

[*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



"He's disturbed by current economic trends, the international monetary situation, and the fact that his mother-in-law is coming in for a visit!"

Business Man's Bookshelf

Corporate Bond Quality and Investor Experience—W. Braddock Hickman—Princeton University Press, Princeton, N. J. (cloth) $10.

Economic Growth in the United States: Its Past and Future — Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y. (paper).

Gap Between Spendable Earnings and Labor Costs: A Growing Challenge to Personnel Administration — Michael T. Wermel and Geraldine M. Beideman — Benefits and Insurance Research Center, Industrial Relations Section, California Institute of Technology, Pasadena, Calif.—paper—30c.

Guide to American Directories for Compiling Mailing Lists — B. Klein & Company, 23 East 22nd Street, New York 10, N. Y.—$15.

Hospitals — Feeding the Growing Giant—Thomas G. Murdough—reprints of an address before meetings of investment executives—Public Relations Department, American Hospital Supply Corporation, 2020 Ridge Avenue, Evanston, Illinois.

Improving Profit Through Better Coordination of Sales and Production—Ford, Bacon & Davis, Inc., 39 Broadway, New York 6, N. Y. (paper).

Italian Affairs—March-April 1958 containing articles on First Results of Parliamentary Enquiry into Labor Conditions in Italy; Italian Red Cross; International Center of Arts and Costume, etc. —Italian Affairs, 56 Via Veneto, Rome, Italy (paper)—15c per copy; $1 per year.

Junior Boards of Executives: A Management Training Procedure—John R. Craf—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth)—$3.50.

Management in the Soviet Union —A bibliography—Selected References — Industrial Relations Section, Princeton University, Princeton, N. J.—paper—30c.

Marketing in Transition — Edited by Alfred L. Seelye—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth)—$6.

Moral and Ethical Standards in Labor and Management — Abstract from the Code of Ethics, Credo and official policies of the National Association of Manufacturers and the Ethical Practices Codes of the American Federation of Labor and Congress of Industrial Organizations — National Association of Manufacturers, 2 East 48th St., New York 17, N. Y., (paper.).

National Aid to Higher Education —Dr. George C. S. Benson and John M. Payne — American Enterprise Association, 1012 Fourteenth Street, N. W., Washington 5, D. C. (paper), $1.00 (quantity prices on request).

Ninety-Ninth Preliminary Report of the Superintendent of Insurance to the 1958 Legislature for the Calendar Year 1957—State of New York Insurance Department, Albany, N. Y. (paper).

One Language for the World — Mario Pei—Devin-Adair Company, New York, N. Y.—$5.

Our Depressions Are Getting Smaller—Pamphlet in series on "How to Be Your Own Economist" — Bureau of Economic Studies, Macalester College, St. Paul, Minn. (paper).

Problems of International Economics—Papers and abstracts of papers presented at a Conference on International Economics called by the Universities-National Bureau Committee for Economic Research — National Bureau of Economic Research, 261 Madison Avenue, New York 16, N. Y.—paper—$1.50.

Problems of the Railroads, Part 2 (Testimony of Motor Carriers, Airlines and Water Carriers)— Hearings before the Subcommittee on Surface Transportation of the Committee on Interstate and Foreign Commerce of the United States Senate — U. S. Government Printing Office, Washington, D. C. (paper).

Productivity and Wages—Bulletin No. 5 in series on "How to Be Your Own Economist"—Bureau of Economic Studies, Macalester College, St. Paul, Minn. (paper).

Property Insurance Fact Book 1958 —National Board of Fire Underwriters, 85 John Street, New York 38, N. Y. (paper).

Relationship of Prices to Economic Stability and Growth: Compendium of Papers Submitted by Panelists Appearing Before the Joint Economic Committee—Superintendent of Documents, U.S. Government Printing Office, Washington 25, D. C. —paper—$2.