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EDITORIAL

As We See It

Another "National Monetary Commission," this time sponsored by the Committee for Economic Development and financed by one of the large foundations, is about to get to work to find out whether our financial system is what it ought to be, and if not what ought to be done about it. Some members of this body may be familiar with the long list of studies, investigations, and reports that have come into being in this general field during the past century and a half, both in this country and in England. Many of them doubtless have at least a bowing acquaintance with the Congressional hearings that have given rise in recent years to voluminous reports embodying the ideas of almost everybody in the country entitled to an opinion and some who are not. It is not entirely clear at this point to what areas this new body will give its special attention, although it is apparent that they intend to study our financial system, its organization, its functioning and its effectiveness. Recommendations for major changes in organization and possibly in function may develop in the course of its studies.

One dares not hope for any serious attempt to evolve a careful theory of central banking suitable for a planned and managed economy operating under the full employment law. If we are to continue to hold government responsible for unending prosperity and growth without change of pace, and if we are to include the Federal Reserve System as a part of government — as practically everyone does these days — a theory of the role of central banking in such a system, much more specific and much better buttressed theory than we have so far had is a real need. New Deal managers and their suc-

Continued on page 24

Gold: A Power for Good

By REID TAYLOR
Chicago, Illinois

Mr. Taylor urges return to gold convertibility "with a free and open market and a higher price for gold" to thwart Gresham's Law, continuing inflation and threatening outflow of gold. He rebuts arguments against a higher gold-price, as well as other arguments, other than his, usually advanced in favor of an increased price; claims world market price exceeds our domestic price; and warns we should act now "before it is necessary to admit a fantastic price for gold in terms of an old dollar." Noting that in bankruptcy we write down our debts and start over, the author sees in his proposal the virtue of admitting our insolvency—stemming from war debt, excessive government spending and price inflation—and allowing ourselves to make a new start on a sound basis.

There is much parrot-like chatter going around these days on the subject of inflation, what causes it and what should be done about it. With monotonous repetition we hear it said on every hand that "to raise the price of gold would be inflationary and unthinkable, that it will not happen in the foreseeable future." It is repeated by economists, government officials, bankers, investment services, in magazines, and in the daily press. Never is any mention made of the real causes of, or the real cure for this malady, which is eating away at the very foundations of our country.

Reid Taylor

Let it be said right here, the above is a malicious misstatement of fact, unless perchance it is being repeated because of a complete lack of understanding of the issue at stake. It further crystallizes in the mind of the public the erroneous belief that the paper dollar is the standard of value instead of gold. The dollar had been firmly linked to gold and the two were

Continued on page 32

Monetary Rock of Gibraltar

By DR. MELCHIOR PALYI
Chicago, Illinois

Dr. Palyi discusses five reasons advanced in "Statist" militating against dollar devaluation, as a point of departure to flay principal arguments advanced by those advocating raising the U. S. A. unit price for gold. Chicago economist describes credit dilution, destroyed savings-incentive, encouragement to price inflation—particularly in this Welfare Age, profit to our adversaries' economy and ruin to ours, and fallacious semantics said to be incorporated in gold devaluationists prescriptions designed to rectify monetary-currency disorder, cure recessions, finance foreign aid without loans or taxes, and wipe out government debt. Denies gold-shortage claims and suggests that, even if true, prices and wages be allowed to fluctuate to new level in preference to higher price for gold.

The stability of the dollar price of gold—$35 per ounce of gold of standard fineness—is one of the few solid rocks to which our own economy as well as the trade of the entire Western World has been anchored for the last 24 years. The American authorities do not display the slightest inclination for a devaluation, notwithstanding the pressure exerted on them time and again by our Allies in favor of a higher gold price.

Dr. Melchior Palyi

How much longer will the anchor hold? For the time being, there is no influential group in or out of Congress that would as much as speak up in favor of lifting it. In fact, American resistance against a new dollar devaluation has been so consistent that the foreign governments themselves were becoming weary of trying to break it down. Even South Africa, for obvious motives, the most energetic advocate of a boost in the gold price, has turned "reticent." The

Continued on page 28

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This Week's Forum Participants and Their Selections

American Hardware Corp.—Morton Globus, of Sutro Bros. & Co., New York City. (Page 2)

L-O-F Glass Fibers Co.—B. Winthrop Pizzini, President, B. W. Pizzini & Co., Inc., New York City. (Page 2)

MORTON GLOBUS

Sutro Bros. & Co., New York City
Members New York Stock Exchange

American Hardware Corp.

It is not often these days to find a company with an earnings environment of a highly favorable nature and at the same time operating in an industry that is generally regarded as being rather cyclical. American Hardware Corporation, the largest manufacturer of locks and builders' hardware items fits this description remarkably well. In fact, at the annual meeting held earlier this month, the President of the company stated that shipments for the first quarter of the current year were 31% higher than in the like period of 1957 and that the unfilled order backlog as of March 31 showed an increase of 11% over a year ago. It is indeed refreshing to find a corporate entity which is countering the general trend so well and even seems capable of appreciable betterment in terms of earnings over the period ahead.

Morton Globus

This enviable status, it should be pointed out, has not been brought about by any general improvement in business conditions. To the contrary, the building industry, which is the main outlet for American Hardware products has suffered sharply by the current recession and is only starting now to show some recuperative tendencies. In fact, only a short while ago one of American's competitors announced a drastic curtailment in production. The basis for this outstanding success can and should be attributed directly to the far-sighted policies of the aggresive and alert management dominating the picture.

Since the persent group, guided by Mr. Evan J. Parker, assumed control in 1953, earnings have been on the ascendency at a steady and sustained rate. A loss of 26c per share was reported in 1953 as compared to a profit of 50c in 1954, which in turn was followed by a showing of $2.02 in 1955, $2.53 in 1956, and $2.98 in 1957, which results were based on the number of common shares outstanding in the respective periods. Dividends were increased from 10c in 1954 to $1 plus 20% stock in 1955, $1.125 in 1956, and $1.50 in 1957. Sales at the same time have shown an equally promising trend, increasing from $24.8 million in 1953 to $25.6 million in 1954, $29.1 million in 1955, $30.5 million in 1956, and a record-breaking $35.7 million in 1957.

Great emphasis has been placed on streamlining the organization and disposing of excess facilities, and at the same time providing room for expansion at the most efficient and practical locations. In 1955, as part of a plan for diversification, two hardware manufacturing companies were acquired in Canada which gave American Hardware a stronghold in that country. Subsequently, these plants were sold for more than the purchase price and all manufacturing facilities in Canada were consolidated into the company's Belleville, Ontario plant.

Through other acquisitions the company was able to attain an enviable position in the low-cost residential market as far as lock sets were concerned. As a case in point as to how effective the managerial policies of the company are, I should like to cite the purchase of 99% of the outstanding common share of Kwikset Locks during 1957. At the time of purchase, this company was operating at a substantial loss. Today, only a year later, it is one of American's most profitable acquisitions.

It is interesting that American Hardware has spent approximately $5 million on new plant and equipment in the past five years. As of last year-end, these facilities were carried on the books at $10.5 million after a depreciation provision of $13.8 million. Of greater interest is the fact that the company carries a $64.5 million insurance to cover fair repair and replacement value on these important assets. The company's financial position can be regarded as being very strong, with current assets well over three times current liabilities at $24 million and $7.1 million respectively. After deducting long-term debt of $2,965,000 and including a 45% interest in Savage Arms, acquired over the past two years, a net current asset value of $21.75 million is calculated. Book value as of the year-end stood at approximately $37 per share.

In conclusion I might say that the purchase on the New York Stock Exchange of American Hardware Corporation common stock around current levels of 23, affords the purchaser a participation in a company that to my way of thinking is decidedly undervalued, not only in respect to the assets it represents, but also in relation to the accruing earning power that can be expected to materialize. Its 6.7% yield is backed by a 56-year consecutive dividend record going back to 1902. Moreover, the company's activities are well geared to take advantage of the large expenditures for schools, post offices, and other public buildings which are now being contemplated. Also, residential building starts should presume a very decided growth trend in a year or two, due to the favorable trend in new family formation. All in all, it seems to me that American Hardware serves a market which looks as if it could merge as one of the real strong spots in our economy.

I might add that B. S. F. Company (a holding company) owns over 190,000 common shares of American Hardware. B. S. F. is listed on the American Stock Exchange and sells around 10. In addition to owning approximately 6/10 of a share of American Hardware for each share of B. S. F. it also owns a 100% interest in New York Factors, a small factoring company.

B. WINTHROP PIZZINI

President, B. W. Pizzini & Co., Inc.
New York City
Members: New York Stock Exchange and American Stock Exchange

L-O-F Glass Fibers Co.

It is hard to find a line of business that offers more future potentialities than the fiber glass industry. In fact this field looks like the aluminum industry in its infancy multiplied by ten. Hardly a day goes by that a new application is not found for glass fiber. The product is used in everything from cloth to boats, airplanes and building materials.

B. W. Pizzini

Two of the large glass companies have already established subsidiaries in this field. Others have announced plans or are expected to enter into this business. Millions of dollars are being expended to construct plants and establish businesses.

The company that I like particularly is the L-O-F Glass Fibers Co. The price of its stock is still rather low. Although a youngster, it is already the second largest and it is gradually expanding its scope. Earnings have grown to around 50 cents a share on its stock even though development and promotional expenses naturally have run rather high.

This company is a subsidiary of the Libby-Owens-Ford Glass Co. which holds about one-half of its common stock. The company, therefor, has the backing of a strong parent and would seem destined to establish itself as a leader in production of fiber glass. The management is most capable. It already has five plants located in four states and one or two more plants under construction. Although its first full year of operation under the present name was in 1956, the company now is a $26,000,000 enterprise.

Products at present include a variety of yarns used in the textile industry, reinforcements for the plastic industry, insulation for all kinds of products including buildings, panels of roofs and walls, pipe insulation, fibers for insulation at high temperatures, packaging materials and safety cushions. The line of products and applications is expected to grow immensely.

A company of this nature, in my opinion, is worthy of speculative consideration. The stock is still priced fairly low in respect to future potentialities and would be expected to advance over a period of years in line with the future developments of the fiber glass industry. That is why I like this stock, which is traded in the Over-the-Counter market, at this time.

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The Business Outlook

By RAYMOND RODGERS*

Professor of Banking
Graduate School of Business Administration
New York University

Banking and finance expert concludes business downtrend will cease in early summer and that business activity will remain at a low level until late in the fall. Prof. Rodgers does not doubt the business cycle has been tamed—not eliminated nor in danger of degenerating into an old fashioned depression —but does seriously doubt we will return to abnormal postwar high levels of business activity. Instead, he believes we are entering a period in which the level of business will "depend on current demand, plus modernization and replacement." Explains what government can do and economic consequences of easier money.

Measured by the business levels of 1955-56, we are suffering a recession; but, after our greatest boom, such a recession was inevitable. Moreover, measured by the levels of most past years, we are not doing too badly, even now, in most lines. Unfortunately, the high wartime and postwar levels of business activity have caused too many people to lose perspective.


Raymond Rodgers

As a result, they expect champagne every day! If the indexes aren't 25 to 50% higher than the past year—whatever the base year may be—they become very gloomy and expect the worst. In fact, they think business activity ought to be like the Kentucky Bishop who was introduced by his local preacher as a "great orator who never falls below his average, and usually goes above it"!

This boom-forever philosophy underlies most of the inflationary cures proposed for the slowing up in business activity. Some of these proposals would no doubt be highly effective; but it should be kept in mind that the more effective such a cure, the more dangerous from the longer-pull standpoint, as the extent to which it postpones the correction of unsound conditions is the measure of its effectiveness.

Economic maladjustments cannot be postponed forever. There is no limbo of forgotten things in economic affairs. Correction of maladjustments is a necessary feature of an economy as fearfully complex as ours. They can be made by readjustments, as in 1949-49 and 1953-54, or, by recessions, as at present.

Happily, the traditional "boom and bust" pattern of American business has not been in evidence since the end of World War II. Since then, there have been three distinct periods of boom, but no depressions. Instead of depressions, there have been two distinct periods of "rolling readjustment" —1948-49 and 1953-54—in which some industries declined while others continued to boom. Moreover, in each case, the overall readjustment and decline was so mild, that it did not qualify as a recession, much less a depression.

But now, the more serious decline in business activity which started after Christmas 1956, is causing some people to fear that this is the traditional postwar depression, even though quite delayed in arriving. If, by chance, there are any who think that, perish the thought. This is a recession and, as of now, it is inconceivable that it could degenerate into an old-fashioned depression.

The Business Cycle Has Been Tamed

Make no mistake about it—the business cycle has been tamed. While it is impossible to eliminate it—as some people are demanding—its teeth have been pulled.

For example, unemployment, the sorest spot in the economy, is in excess of 5 million, and there are other millions on short workweeks. But this is a far cry from the 13 million unemployed of 1933, or the 10 million of 1938, with another 5 million of hidden unemployment (or, at least, unproductive employment) on the farms during the '30's. In fact, the unemployment total today is just about the number of people who left the farms since 1950! In addition, it includes many housewives from families where both husband and wife are in the labor force. And there are still many people with two jobs—"moonlighting" has not ended by any means, as most know first-hand.

Or, putting it on a statistical basis, unemployment today is only about 7.5% of a much larger working force, whereas it was close to 20% of the working force in 1938.

But, far more important from an economic standpoint, there are now some 40% more gainfully employed than in the late '30's, so that, relative to those employed, our present unemployment is of considerably less economic significance than the unemployment of the '30's. Moreover, the economic rigors of unemployment today are tempered by unemployment insurance payments, supplemental unemployment benefits and relief payments. In fact, this has reached the point in at least one industry where workers net more from tax-free unemployment payments than from taxable income for part-time work!

These statistics and observa-

Continued on page 22

*An address by Mr. Rodgers before Illinois Bankers Association, Chicago, Ill., May 15, 1958.

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Income From 57 Varieties

By DR. IRA U. COBLEIGH
Enterprise Economist

Containing some current comment on a remarkable company identified with the preparation and sale of elite food products for over 89 years—H. J. Heinz Company.

An increasingly observable phenomenon, on our economic scene, is the transition of closely held family-controlled companies into public companies, by means of flotation of a substantial amount of common stock for investor subscription. For example, until 1946, all the equity in H. J. Heinz Company was closely held. In that year, however, 200,000 shares of Heinz common were offered at $41 a share (equal to $35 today after 20% stock dividend in 1951) and $10 million in $3.65 preferred stock at 102¾ now redeemable at 104¾.

...ra U Cobleigh

So today this distinguished company, renowned for its "57 Varieties," has over 16,500 employees (over half of them in foreign countries), 600 preferred and 3,800 common shareholders. Both the common and preferred are listed on the New York Stock Exchange where the preferred sells at 88, and the common (under symbol HNZ), at around 54½.

Heinz is quite a company, best known in the U. S. as the largest single producer of tomato ketchup, brand name pickles and vinegar; second largest soup manufacturer; third largest in chopped and strained baby foods and no mean merchant of pork and beans. Actually the famous "57 Varities" is a misnomer since Heinz now produces and sells over 400 different products throughout the world. In Canada, Heinz is the largest producer of baby food; and in England the major producer and distributor of baked beans.

Corporate growth here has been virtually uninterrupted and most impressive. With the single exception of 1949 (when net sales retrogressed by $4.3 million), net sales have risen steadily from $57 million in 1937 to some $294 million for the fiscal year ended April 30, 1958. Net earnings per share have similarly risen from $2.28 in 1937, to about $6.15 for the fiscal year above mentioned; and provide handsome coverage for the present indicated dividend rate of $2.20 per share.

The standard products of Heinz are extremely well known both by virtue of years of advertising, and international customer acceptance and preference in millions of homes. Less well known, however, is the importance of Heinz in Baby Foods (introduced in 1920) and more recently Senior Foods, researched to meet the dietary requirements of persons 60 years of age and over. With 19,000,000 Americans in that age group, high protein, low calorie and no salt diets are in great demand. Heinz provided such, as well as lamb, chicken and beef stews in individual 8½ ounce service cans, which take the work and effort out of preparation of meals by older housewives. This Senior Food market is now regarded as more important than the Baby Food one, entered by Heinz 38 years ago.

Another new activity of Heinz is in the vending machine sale of hot meals. For plants too small to support catering or cafeteria service, for transportation line depots and terminals, hotels, beach and resort concessions, office buildings, fair grounds, etc., hot foods such as soups, baked beans, macaroni, and stews delivered at around 150 degrees temperature in plastic or tin cans, are an ideal solution to the feeding problem. There is no sanitation problem and labor costs are reduced to an absolute minimum; and of course, the prestige and reputation of the Heinz name are automatic builders of sales.

Other expanding sales areas include a whole (relatively) new line of strained foods, as "Savory" sauce for meat and poultry, and frozen foods including such seagoing items as cream of shrimp, clam chowder and oyster stew. And, of course, Heinz does a big business (around 25% of all of its domestic net sales) in packaged foods products for hotels, restaurants and public institutions.

Americans may find it surprising to note the huge volume of business Heinz does abroad. For the fiscal year ended April 30, 1957 over 70% of net income originated outside the U. S. The largest foreign subsidiary is in England, the next largest in Canada; and the third in Australia. There are, totally, 11 domestic plants, two in England and one each in Spain, Australia and Canada.

Heinz has, for the past five years, been spending roughly $10 million a year in plant replacement and additions, the most recent facilities including a new plant at Tracy, Calif. (replacing an old plant at Berkeley); a new $7 million Research Center at Pittsburgh; and a $15 million plant outside of Liverpool, England, to be finished this year, virtually doubling British output.

Heinz has been changing its distributing methods, moving away from traditional direct selling and delivery, and placing increasing reliance on jobbers, wholesalers, and the selling to retail store buying groups. Quite obviously the single store owned by an individual has, in the past, been at a buying disadvantage, not being able to secure the quantity discount available to the big chains. By banding together with other unit stores into a buying group, the individual proprietor can get the same wholesale discount as the large chain buyers, share in a delivery service to group members, and receive more intensive sales cooperation from manufacturers. Incidentally, this group-buyer delivery service reduces transportation costs for Heinz (and other food producers who sell to them).

Heinz is a great believer in advertising, especially TV. It has shared with other major advertisers in the (daytime) "Home Show" and has sponsored "Studio 57," an evening show, and "Captain Gallant of the Foreign Legion" on Sunday afternoons; and in Canada "I Love Lucy" and the "Guy Lombardo Show." These, together with magazine advertising, contests and counter-display, keep the Heinz name (and products) on millions of tongues and make "57" one of the bast known numbers anywhere.

Foreign sales account for a little over 40% of the total but they have been growing at a faster rate than domestic sales and assay much higher in profitability. This is true principally because competition abroad, both in price and quality of product, is much less intense.

The universality of Heinz' appeal is obvious when you note that its "varieties" include food for every age from babyhood to senility—practically from crib to slab you might say! The Heinz reputation for quality has been established for decades. Sustained growth of the enterprise has been assured not only by rising populations and standards of living in countries served but by excellence in research which has constantly brought forward many attractive new products; and by an efficient combination of production, advertising, selling and packaging.

Management, in recent years particularly, has been cost conscious, stressing budget control and driving for increased profit margins. For example, for fiscal 1954, the profit margin was 5.7%; and for the year ended April 30, 1957 it had risen to 7.8%.

In a year characterized by dipping gross and fading net in many industries, the progress at Heinz is especially noteworthy. A new high in sales will be reached, probably some slight gain recorded in net profit above the $6.12 reported for fiscal 1957; coupled with a vista of sustained growth in profitability in coming years. HNZ common (1,668,897 shares outstanding), which now sells at 54½ to yield a little over 4%, appeals to those who like a steady income, and one which should increase over time. Dividends have been faithfully paid since 1911. The current dividend rate is 47% higher than a decade ago, and represents a payout of but 36% of net earnings.

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The State of Trade and Industry

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

The long Memorial Day week-end the past week had the effect of curtailing production, which was reflected in the latest available figures on output. In the case of steel production, however, the industry scored its fifth consecutive advance, with the prospects this week of continuing its higher trend. Carloadings in the period ended May 24, registered a mild increase but electric kilowatt production and automotive output were both lower the past week. In the case of the latter industry, plant closings in observance of Memorial Day and for inventory adjustments cut car and truck assembly by 21.7%. It is also worthy of note to mention commercial and industrial failures, which registered a substantial decline in the week ended May 29, dropping to 278 from 337 in the previous period.

Two other factors that had a depressing effect on business during the week were the very disturbed international situation and labor negotiation problems here at home.

Latest reports on the employment situation show, according to the United States Department of Labor, that another sharp drop in the number of workers drawing unemployment compensation suggest that total idleness for May, to be announced Friday, might have fallen 5,000,000 for the first time since January.

That would mean a better than seasonal improvement and a resulting decline in the seasonally adjusted rate of unemployment, the first month-to-month improvement since July, 1957.

For the week ended May 17, the Labor Department said, 3,019,500 were getting the jobless payments. That was the same week the census enumerators counted in their survey of unemployment for the month of May. Enumerators canvass 35,000 households, carefully selected to represent a cross section of the country.

The Labor Department's report, issued last Friday, represented the fifth straight week the total drawing jobless pay has fallen. In that period last year, there was an 8% decline. The current five-week decrease amounts to 10%.

The latest drop was by 82,000 from the week before, the department pointed out and 44 states shared in the decline. Michigan, the state hardest hit by the recession, led them with a drop of 12,800.

Michigan also led in the drop in the number of new claims for compensation in the week ended May 24, the agency added.

In the May 24 week, new claimants numbered 324,500, down 34,700 from the week before, with 39 states reporting reductions. This was the lowest level of initial claims since the week ended Nov. 16, 1957.

There is little or no chance of anything happening to head off an expected steel price increase, "The Iron Age" stated yesterday in its weekly report on the steel industry. President Eisenhower has indicated the Administration will not consider wage or price controls at this time and under their contracts with the United Steelworkers of America, the mills' employment costs are due to rise an estimated 20 cents an hour on July 1. Indications are that a price increase of between $5 and $6 per ton will follow, this trade weekly asserts.

At the same time, the metalworking magazine reports an upsurge in demand, but it adds, the pickup is probably just a flash in the pan.

Much of the new ordering, it notes, represents hedging against the probable July price hike. Steel users figure they have nothing to lose and a lot to gain, since their inventories are already scraping bottom.

Meanwhile, steel buyers are beginning to pay closer attention to the market. They have had things pretty much their own way for months, but they know the picture can change overnight. The expected July dip could be just a prelude to a steady upturn that could catch the unwary off guard, continues this trade authority.

One purchasing agent told "The Iron Age" that "I have plates ordered for June 15 delivery. It's possible that I might not get them until July 15. This thing could change that fast."

While there is no thought of a serious bind in most steel products, buyers must be alert to temporary pinches in the market. The mills have plenty of overall capacity, but they are not in-

Continued on page 30

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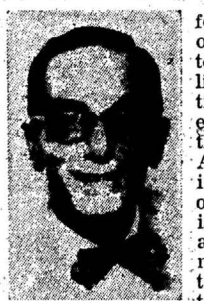
Observations . . .

By A. WILFRED MAY

INVESTORS' PRESENT BEHAVIOR: INTELLIGENT AND UNINTELLIGENT

Several new arrivals have come to join our "The Investor's Getting Smart" department. To the forefront there now, in the near-term area, is the professional element, manifested in their short-selling activities (the sale of stocks not owned in the expectation of their later repurchase at lower prices). Whereas it would, of course, be logical for such bearish action to increase as prices rise and vice versa, in actual performance the professionals concerned have in the past usually followed the opposite assumption. In other words, their premise has implied that the higher the price, the cheaper the stock—and vice versa. During the market's rise from the depths at the end of 1931 and up to 1936, the short interest, in lieu of rising, fell by 60%. During the market's decline from 1946 to 1949, the bears illogically increased their commitments by 160%. During the 1951-52 market advance of 25%, the shorts disappeared to the extent of 40%. Again, during last summer's market drop, the short interest increased. This year, however, has marked a turn to sense in this area. As the market has gradually advanced, the short interest has steadily and markedly grown too, from 2.8 million shares on Jan. 15 to 4.8 million on Apr. 15 to an all-time high of 5.5 million shares in mid-May.


A. Wilfred May

Of course, the present is an unusual situation in that the market's action has run counter to the current "news" and business sentiment, with the latter dreary environmental factors eliminating the usual discomfort that besets the individual who is in the position of having contracted to deliver what he doesn't own.

Intelligence re the Long Pull

The over-all shift of emphasis in investing policy to accord with the long-term elements, as reflected in the market's persistent strength, also marks a departure to more intelligent behavior by both individual and institutional buyers. But the "short-term contingent," among both professionals and amateurs, remains articulate. This is manifested in Street commentary attempting in various ways to correlate the timing of the recession's end or "bottoming" to the market's over-all action, on the blandly assumed but wholly invalid assumption of such interaction.

Betting on the Short-Term

Within the market too, as manifested by the divergent behavior of different categories, is the short-term psychology evident. See the literature which attempts to justify or criticize current price-earnings ratios on the basis of the profits on the Dow Jones Average or individual issues during the first quarter, the first half, or perhaps this full year. This is the equivalent of using stocks as media for betting on the business cycle—a complete prostitution of "investment." Such short-term betting is also demonstrated in the over-emphasis on "defensive" issues, in the widespread advice to stick to companies whose earnings are being maintained midst the recession. But the element of *price* is overlooked, with the result that many such issues, as in the utilities, are selling at their historical highs both in dollars and price-earnings ratios. More logical would it be, resting on the major premise of ultimate recovery from recession, to select those issues whose earnings—and market prices—are still hard hit in this stage of the business cycle, and hence may reasonably be expected to register substantial advances in both profits and market price.

With the Funds

In the presently boilingly active investment company area, intelligence is being shown by the buyers of the closed-end funds available at a discount from asset value. Partly because the recent and pending offerings of several major open-end units, highly publicized and popular, have directed increased public interest to the whole field; and partly because this open-end activity has increased the prospects of converting present closed- to open-end companies (to the great material advantage of the holders of the former); substantial new accumulation of the closed-ends has been developing. This is evidenced by the quite remarkable closing-up of the discounts of their market prices from asset value. The following discounts constitute the narrowest in the applicable Funds' lives: Carrier & General—13%, Niagara Share—15%, U. S. & Foreign—6%, and Tri-Continental at 15% below its undiluted asset value. Selling at its highest market price of all time, "Tri's" 15% discount compares with 24% at the end of 1957, and 40% in 1956.

A Blue-Blooded Closed-Open End

The Lazard Fund, Inc. now in process of formation, will highlight the entire premium-discount situation. For this new unit, to be managed by the veteran New York investment banking firm of Lazard Freres & Co., will be in the scarce category of funds that are open-end in that their shares will always be redeemable at asset value, but with no continuous offering of new units contemplated after the initial offering which is pending.

Exerting conflicting pressures on the future pricing are the redeemability as a floor, and, on the other hand, the potential offering process with its "load," as a ceiling. However, counteracting the latter restraining factor will be a paucity of future offerings arising both from discretionary policy as well as technical limitations connected with SEC regulations. In the same category, State Street has had no offering since August 1944; Scudder of Canada had its latest offering in August 1955; and De Vegh Mutual Fund in July, 1956. Over the counter, currently these funds are enjoying a two-way market, representing premiums above asset value of 5% on State Street, 2½% on Scudder, and 18% on De Vegh. (The President-designate of Lazard, A. J. Hettinger, Jr., has been closely affiliated with the De Vegh management.) This means that the holders can cash in at well above the asset value paid by these and the other open-end funds.

It may be concluded that the new Lazard Fund will, after the initial underwritten offering, sell at a substantial premium; perhaps in excess of the usual 7-8% "load," and even higher with the passage of time. This expectation stems from the highly esteemed quality of the management to be furnished by the venerated Lazard firm; the shape of the coming portfolio, to consist of a relatively small number of issues in the "special situation" category, or at least away from the run-of-the-mill across-the-board selection technique; and the above-depicted scarcity value, with the initial offering of $15 units most probably amounting to substantially less than One William Street or the size of other existing major open-end funds.

In view of the relative smallness and "wieldiness" of this Fund, of prospective portfolio policy based on the philosophy that diversification represents a fetish entailing "dilution" of management attention, and of freedom from continuing dealer scrutiny of portfolio operation, this Fund's future comparative performance record will be highly interesting.

Likewise interesting will be the future comparative operations of the new One William Street Fund, the open-end company which began open-end selling after its initial subscription receipts of $183 million from 15,833,119 shares, and the closed-end Lehman Corporation, both being managed by Lehman Brothers. William Street will be subjected to sharp and constant scrutiny by dealers, salesmen, shareholders, and public, although they will have to delay their pouncing upon the portfolio make-up until Sept. 30, when it will begin publishing its quarterly reports.

Prospects for Growth in The Housing Industry

By ELMER C. BRATT*
Professor of Economics, Lehigh University

Prospects for 1958 housing are considered to be about the same for 1957 and a secular trend of 1.2 million dwelling units is estimated for 1961-62 by Prof. Bratt. In developing household projections, the author differs with certain Census assumptions and use of Census data by others with regard to rapidity of future household formation rate. After estimating a secular demand of an average of 1.2 million homes, which he computes as amounting to about $19 billion in 1957 prices, the Economist adds 30% to this for additions, alterations and non-housekeeping facilities. Doubts changes in housing costs will significantly shrink potential demand.

It is most reasonable to recognize at the outset the housing prospects in 1958. The dollar volume for the first quarter was almost the same as last year. Last year rise in the second quarter was not quite up to seasonal expectations and a bit above seasonal expectations in the third and fourth quarters, with no very great change throughout the year. The potentialities for the full year 1958 are about equal to last year or a bit larger. It is possible that we may see something of a duplication of last year's pattern: less than seasonal expansion in the second quarter and rises greater than seasonal expectations in the third and fourth.


Dr. Elmer C. Bratt

The recession is producing contradictory influences: a cost advantage for new housing in comparison with rents, and reduced financing cost. Reduced financing cost will become more effective from now on, inasmuch as the effect of monetary ease has so far been largely spent on absorption of undigested securities. Furthermore, the recession is tending to support fixup expenditures, for idled workers have found time to carry out deferred plans. On the negative side, disemployment produces some doubling up. I expect this effect to be relatively small because a minor recession develops a limited impact. The recession might be expected to curtail the formation of households by unrelated individuals, but the most important influence responsible for such households—aging of the population and more widespread pension payments—is depressionproof. Marriage may be slowed up by the recession but past history does not indicate that this is likely to be as important as some current discussions would lead us believe. In any case, husband-wife household formation accounts for less than half of total new housing construction. The building of motels and vacation cottages may be about as considerable as last year.

1958 Surveys Found Optimistic

Surveys indicate that builders are optimistic on building prospects in 1958. This attitude no doubt is accounted for by easier availability of funds and legislation which has been passed to encourage housing, increased demand for rental housing, and the favorable trend in housing expenditures at the end of 1957. A check up on past surveys indicates that builders are unduly influenced by the trend and current level of housing activity. I think the editors of "Fortune" are correct when they assess builders' plans as overoptimistic. Nevertheless, I think a rising trend at the end of 1957, more available and cheaper credit and a rise in rental housing will induce builders to maintain and possibly increase housing starts. Liberalized loan provisions for rental housing together with indicated increasing demand for it are particularly to the point. In view of the relatively low level of vacancies, aggressive action by builders to increase the supply of rental housing would appear warranted.

Turning to the longer-run prospects, it is a generally recognized fact that demand will average relatively high in the late sixties and early seventies as a result of the rapid increase in birth after World War II. Recently the growth potentialities between now and the mid-sixties have been questioned. I submit that the potentialities actually are substantial.

The supply of housing, while not as deficient as it was ten years ago, gives no indication of borrowing on a foreleg of demand. Census figures indicate that the

Continued on page 24

*An address by Prof. Bratt at 42nd Annual Meeting of National Industrial Conference Board, before a session on "The Consumer After A Decade of Boom", New York City, May 16, 1958.

Haims & Levitt With Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Martin J. Haims & Harold E. Levitt have become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Both were formerly officers of Holton, Hull & Co.

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Employment Act Objectives and The Stabilization of Prices

By EDWIN G. NOURSE*
Former Chairman, Council of Economic Advisers
Economic Consultant, Washington, D. C.

Former Economic Council head, in analyzing the Employment Act and its "low" and "high" pressure interpreters, observes our chronic inability to face head on "inflation as a way of life"; calls upon Congress to clarify meaning of free competitive enterprise in this day of corporate and labor giants; and asks that we reestablish "price" instead of "power" competition to replace rigidities and economic escalators with price-income flexibility. Dr. Nourse finds that the "Act" at three different points does imply a mandate for price-income adjustment line of attack on employment problem and refers to specific concern about price behavior contained in all Presidents' Economic Reports. Asserts it is not fatuous to oppose drift to government controls in appealing to business and labor for economic statesmanship within the context of our deeply rooted free enterprise traditions.

I believe the Joint Economic Committee of Congress is marking a new milestone in the interpretation and application of the Employment Act by conducting this series of hearings on "the relationship of prices to economic stability and growth." Such an inquiry is of utmost timeliness just now as the policy set forth in the Employment Act is facing its first severe test. And great promise for the outcome of the investigation may be found in the terms in which Chairman Patman's announcement of the hearing stated its purpose—it was to be "an exploration of general economic processes which involve prices, price relationships, costs, and price policies . . . public and private [that] can contribute to . . . maximum employment production, and purchasing power." The depth and breadth of this definition are in refreshing contrast to some of the over-simplified and over-mechanistic concepts of the employment problem that are still current.

Edwin G. Nourse

The Act's Stated Objectives

The opening panel raises the question whether or how the stabilization of prices was included in or related to the objectives stated in the Employment Act. Superficial evidence of such a relationship or inclusion is lacking. Nowhere in the fact can the expression price stabilization or price level or even the word price be found. This is probably to be explained by the fact that Public Law 304 of the 79th Congress was simply a revised version of the Murray Full Employment bill of 1945. Its specific objective was still stated in terms of jobs—"useful employment opportunities for those able, willing, and seeking to work." There were, however, three other parts of the declaration of policy (Section 2) that demand attention.

(a) The original full employment objective was expanded to set "maximum purchasing power" alongside "maximum employment and production." Obviously, purchasing power is a price-oriented concept. (b) The declaration of policy also stated that the employment and purchasing power objective was to be pursued "in a manner calculated to foster and promote free competitive enterprise." Free-enterprise competition takes place in the market, and its outcome is price. Here again price objectives are clearly embraced in the mandate of the act even though the words price or price level are not used. (c) Section 2 of the act further declares that the Federal Government's objective of "maximum employment, production, and purchasing power" is to be pursued "with the assistance and cooperation of indu try, agricu'ture, labor and state and local governments." I would suggest that this stipulation of assistance from and cooperation with industrial management, labor leadership, and agricultural organizations has little meaning if it does not relate in the most positive and comprehensive manner to prices, wages, and the market process generally.

Attempts to Amend Employment Act

A trend toward greater emphasis on stability as an objective of the Employment Act, due to fear of inflationary boom leading to deflationary recession, led to an attempt near the close of the last session of the Congress to write a specific price stabilization objective into the act. The Bush amendment declared that the previously stated objectives of maximum employment, production, and purchasing power "must be attained, if they are to be meaningful, in an economy in which the cost of living is relatively stable. To this end, the agencies and instrumentalities of the Federal Government must utilize all practicable and available means to combat inflationary pressures as they develop within the economy." In the following section the President was instructed to include in his Economic Report "current and foreseeable trends in the price level prevailing in the economy and the steps, if any, which have been taken to stabilize the cost of living and to combat inflationary pressures existing within the economy." Finally, the amendment expanded the description of qualifications for membership on the Council of Economic Advisers. They were to be persons competent "to formulate and recommend national economic policy to promote employment, production, and purchasing power under free competitive enterprise and [the new language] in an economy of relatively stable prices."

This proposed amendment died in committee, so the question still stands how the objectives as stated in the original act are being or should be interpreted.

Interpretation of the Stated Objectives

To understand the part that prices play in the interpretation and application of the Employment Act, it is necessary to note a broad analytical difference among those who try to interpret usefully the objectives of the Employment Act or, more basically the economic philosphies and experimentation of which it is a particular legislative expression. This divergence is one between rival but not mutually exclusive values held by economists and laymen. One group vigorously proclaims itself the exponent of "high pressure economics" and ever-full (or over-full) employment (more jobs than applicants), with "pressure" to keep it so exerted through positive governmental policy and action, fiscal and monetary. Over against this interpretation of the objectives of the Employment Act are the sober but by no means complacent economists like myself who would not care to have the disparaging label low-pressure economists pinned on them but might call themselves exponents of safe-presure stabilization with vigorous growth. We place primary emphasis on such fullness of employment as can stand on its own bottom and thus reflect internal stability in the market (where government has now become a major supply-and-demand factor) and believe there is such a thing as inflationary over-employment, a condition in which production is at a destabilizing maximum of inventory surplus, excess plant building, and wage-price "leapfrogging."

To take this position is not to espouse the heresy of "general over-production" but to stress the fact that misallocation of resources derives from faulty price, wage, and profit adjustments. As such it is to be attacked through specific market institutions, practices, and policies, not through the blanket devises of interest rates and tax levels and only in emergencies through the processes of Federal spending. The "high-pressure" group stresses growth—though they are not unmindful that market instability might retard growth. Safe-pressure economists stress for functional balance of prices and incomes as the surest means to sustained growth in jobs, in production, and in real consumer purchasing power. Advance would be at as fast a rate as can be sustained within a competently administered market and fiscal process.

Now this divergence in interpretations of the policy and responsibility of the Federal Government very evidently hinges on price issues. I have suggested above that a mandate for the price-income-adjustment line of attack on the employment problem is clearly evident at three points in the Employment Act's declaration of policy. Nor have these phases of the objectives statement been ignored in the 13 Economic Reports of the President which have thus far been submitted, nor in the studies of this committee. In President Truman's first report (January 1947), we read:

Truman's Concern About Prices

"The Congress, by setting maximum purchasing power as an objective of national policy in the Employment Act, pointed to the importance of purchasing power in keeping our economy fully employed and fully productive. . . . The rise in prices that occurred in the latter half of 1946 greatly reduced the purchasing power of the current incomes received by the large majority of people. . . . How to effect a *mutual adjustment of income and prices which will provide purchasing power adequate to sustain maximum production* in the years ahead thus becomes a central problem for provide enterprise and Government." (pp. 1, 2) (Italics added.)

In this report I do not anywhere find the word inflation, though the first of several propositions in the closing summary began "Chief among the unfavorable factors is the marked decline in real purchasing power of consumers, resulting from the large price increases in the escond half of last year." (p. 19) Six months later, the midyear report stated: "Price and income adjustments stand foremost in need of attention. . . . There is need to hold the price line in the face of recent developments which revive some fear of another upswing of inflation." (p. 2)

In January 1948 we read: "A year ago I warned against the danger of advancing prices, which would undermine our structure of national prosperity. I strongly urged businessmen to bring prices into line with the requirements of a stabilized economy. I called upon workers to limit their demands for wage increases to those situations where wages were substandard or where wage increases would not necessitate higher prices. . . . The first objective for 1948 must be to halt the inflationary trend." (pp. 3, 5)

The midyear Economic Report (July 1948) clearly linked price objectives to the mandate of the Employment Act, saying: "The policy proclaimed in the Employment Act requires us to devise and adopt positive measures to stop this inflation and secure relative stabilization. . . . I realize that the anti-inflation program I have offered will impede some business plans, will curb some profit opportunities, and may limit some wage advances. It is of the very essence of a plan to counteract inflation that this be done. All groups will ultimately benefit when it is done." (p. 2)

In January 1949 it was noted that the general rise in prices had reached a crest in August 1948, but the Economic Report stressed the point that a "rising spiral [had] created more and more maladjustments among prices, wages, and other incomes . . . brought higher but uneasy profits to business firms, squeezed the family budget of workers, who in turn sought to press wages upward as the cost of living advanced." (pp. i, ii, 4)

Recession of 1949

With a slight recession in 1949, the Economic Report of 1950 keynoted disinflationary price adjustments in recent months, and, with premature complacency, suggested that this created "the relative stability on which firm business and consumer plans can be based."

". . . The relatively safe passage from inflation to greater stability was no accident. Businessmen, workers, and farmers demonstrated much greater judgment and restraint than in earlier similar periods. . . . The effective team work between free enterprise and Government confounded the enemies of freedom who waited eagerly, during 1949, for the collapse of the American economy. . . . If we are to continue our economic growth, the major economic groups must all pull together—businessmen, wage earners, and farmers must work toward the same ends. Government, in turn, must carry out the aspirations of the whole people. . . . To promote an environment in which businessmen, labor, and farmers can act most effectively to achieve steady economic growth is a major task of the Government. . . . It must keep open the channels of competition, promote free collective bargaining, and encourage expanded opportunities for private initiative." (pp. 6-7)

"The Council at midyear 1949 did not recommend increases in public spending for the purpose of stimulating the economy, and our confidence in its internal recuperative forces has thus far proved justified." (p. 103)

Korean Inflation

As the Korean War renewed inflationary pressure, the President stressed the need for "increased production of the right kind of goods" and "some sacrifice of domestic consumption." His midyear Economic Report urged prompt imposition of war taxes, but stressed large dependence "upon business policies . . . fostering production along those lines which are most needed under changing circumstances. It depends upon price and income practices which maintain a balance between full output and buying power, so as to avoid either inflation or deflation. . . . Labor should continue and enlarge its contribution toward increasing productivity. Wage demands of a character which might lead to another inflationary spiral should be avoided." (pp. 12, 13)

Stress on price and income aspects of the employment and production problem and of the importance of private business policies and market processes continued throughout the Truman administration. In the midyear 1952 Economic Report the President observed: "Although the long-time rise in prices since before the start of World War II has not prevented the great economic progress which has been made since then, we would now be even better off if the price level had been even better held. . . . A further inflation of the price level or diminution in the value of the dollar can and should be avoided." (p. 11). He cited the recent steel strike to highlight the heavy impact of wage-price relations in a basic industry on national stability and growth. He urged that the Congress enact "new legislation which would permit the Government to maintain essential production, to be fair to both sides in the dispute and to maintain the maximum degree of free colective bargaining" (p. 14). This, however, was to be emergency, not permanent, legislation. As to the controls of materials, prices, wages, and credits invoked to meet the Korean War pressure, the Administration tended to rely on the continuance of such procedures rather than to explore institutional changes that might curtail rather than contribute to the built-in inflationary bias of a full employment economy.

Truman's Last Stimulating Analysis

The final Economic Report of the Truman Administration (Jan. 14, 1953) has deservedly been much praised for its stimulating analysis of the economics of full

*A statement by Dr. Nourse before Joint Economic Committee on The Relationship of Prices to Economic Stability and Growth, Washington, D. C., May 12, 1958.

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employment. In this analysis it gave extended attention to prices processes and price policies. In an outstanding paragraph it said:

"Private enterprise, under our free system, bears the major responsibility for full employment. This report has already set forth the basic features of that responsibility, and how its exercise is contributing to the well-being of the American people. The role of responsible Government, while vital, is in a sense supplemental" (p. 18).

In amplification of this theme, the report reasoned:

"Expansion cannot continue smoothly unless it is based on a sound and fair distribution of the increasing product. Our economy is built upon mass markets. Unless each important sector receives a workable share of the expanding output, the expansion will come to an end because the market demand will be lacking. Growing capacity to produce requires growing ability to buy . . . If business and labor plan their price and wage policies to encourage the balanced expansion of production and consumption, of jobs and markets, then our economic growth can be steady . . . We must learn more about the value of individual and group self-restraints, about the general economy and its interrelationships, and about the private price and wage policies which may contribute most to a stable and growing economy." (Pp. 16, 17, 20.)

Turning now to the present Administration, the Five Economic Reports which it has submitted have consistently sounded the theme of "reasonably full employment with a reasonably stable price level." "Our economic goal," said President Eisenhower in his letter of transmittal of his first Economic Report, "is an increasing national income, shared equitably among those who contribute to its growth, and achieved in dollars of stable buying power. . . . Government must use its vast power to help maintain employment and purchasing power as well as to maintain reasonably stable prices." (pp. III, IV). More specific attention was paid to the objective of free competitive enterprise. "The role of competitive markets is as basic to the proper functioning of our economic order as the secret ballot is to our political democracy. Government has vital responsibility in this area, immensely complicated by large aggregations of capital under single management and large organizations of labor. . . . Government must nevertheless remain alert to the danger of monopoly, and it must continue to challenge through the antitrust laws any outcropping of monopoly power. It must practice vigilance constantly to preserve and strengthen competition." (p. 5) Competition, however, was stressed primarily as a means of promoting enterprise, improving the allocation of resources, and accelerating growth rather than as a means of regulating prices or preventing inflation.

Question of Monopolistic Pricing

The 1955 Economic Report repeated the belief that "Government should persist in its efforts to maintain easy entry into trade and industry, to check monopoly, and to preserve a competitive environment." (p. v) but there was no spotting of places where monopolistic tendencies were apparent in the economy. There was a recommendation to "strengthen the deterrent to violation of the Sherman Antitrust Act by raising substantially the maximum fine that may be imposed under the Act." (p. 50)

The 1956 Economic Report again paid its respects to the general principle of competitive enterprise, which the Government should strengthen "through monetary, fiscal, and housekeeping policies to promote high and rising levels of economic activity; by helping small- and medium-sized businesses overcome impediments to their expansion; and by vigorous measures for preventing monopolistic practices and combinations." (p. v) In elaborating this last point the report cited the work of the National Committee to Study the Antitrust Laws and the "vigorous enforcing of those laws" by the Department of Justice and the Federal Trade Commission. The President made six recommendations for strengthening the antitrust laws governing industrial, commercial, and banking corporations but made no reference to price policies within the law or to the possible impairment of free competitive enterprise through present institutions or practices of wage-making.

1957 Steel Settlement

The 1957 Economic Report was about equally reticent. Its review of economic developments during the preceding year referred briefly to "the advance in industrial prices . . . especially after steel prices were raised following the strike settlement . . . the combination of heavy demands from the investment goods sector of the economy, rising labor costs, and renewed advances in prices of many raw materials resulted in price increases for a broad range of semimanufactured materials, components, and supplies. And these price increases became cost increases to producers of finished goods, many of whom were also experiencing rising labor costs. . . . Wage and salary rates advanced during the year . . . average hourly earnings of production workers in manufacturing and building construction rose 6% and in retail trade 4%. While the increase in wage and salary rates were only slightly greater than those in 1955, the improvement in productivity appears to have been susbtantially less. . . . Total corporate profits before taxes fell from an annual rate of $45 billion the second half of 1955 to . . . $4.1 billion in the third quarter of 1956 (partly because of the steel strike)." (pp. 32-34).

In his letter of transmittal, the President said: "Government must strive to strengthen competitive markets and to facilitate the adjustments necessary in a dynamic economy. Even more exacting are the responsibilities of individuals and economic groups. Business managements should formulate and carry out their plans so as to contribute to steady economic growth. They must also recognize the broad public interest in the prices set on their products and services. Both management and labor should remove restrictions on the operation of competitive markets . . . and reach agreements on wages and other labor benefits that are consistent with labor productivity prospects and with the maintenance of a stable dollar." (pp. iii-iv) There was a repetition of recommendations for further legislation to strengthen the antitrust laws but no specific comment on wage-making institutions or practices.

Latest Economic Report

Finally, the Economic Report submitted just a few weeks ago

Continued on page 26

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Dealer-Broker Investment Recommendations & Literature

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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.

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

Cuban Sugar—Bulletin—Lamborn & Company, Inc., 99 Wall Street, New York 5, N. Y.

Fire & Casualty Companies—Tabulation of comparative figures—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Indian Stock Market — Report — Harkisondass Lukhmidaas, 5, Hamam Street, Bombay, India.

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

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.

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

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

Progress Report on Certain Major Revenue Bond Projects—Brochure—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Public Utility Common Stocks—Comparative figures—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y.

Real Estate Price Averages—Bond and stock averages for May—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Rubber Companies—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Investment Companies at a Discount, Texas Natural Gasoline Corporation, Texas Gulf Sulphur Co.,** and **Horn & Hardart Company.**

Stock Options—Booklet on how to use them—Filer, Schmidt & Co., 120 Broadway, New York 5, N. Y.

Tax Free Yields—Bulletin—Scharff & Jones, Inc., 219 Carondelet Street, New Orleans 12, La.

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Air Products Inc.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Allied Mills Incorporated — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

American Bakeries Co.—Discussion in "Current Comments for Investors"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a discussion of **Schenley Industries** and a list of selected common stocks yielding above 5½%.

American Cement Corporation—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available are analyses of **California Bank of Los Angeles, First America Corporation, Friden, Inc., Lucky Stores, Inc., Monterey Oil Company, Signal Oil and Gas Company, Statham Instruments, Inc.,** a discussion of the May Market, and a memorandum on **Abbott Laboratories.**

American Hardware Corp.—Memorandum—Sutro Bros. & Co., 625 Madison Avenue, New York 22, N. Y.

Braniff Airways, Inc.—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

British American Tobacco Co.—Memorandum—Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

Chance Vought Aircraft Incorporated—Circular—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Detroit Stamping Co.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich.

Douglas & Lomason Co. — Memorandum — General Investing Corp., 80 Wall Street, New York 5, N. Y.

Edison Brothers Stores—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are analyses of **Boeing Airplane** and **Hunt Foods & Industries.**

Federal National Mortgage Association—Memorandum—C. F. Childs & Co., 141 West Jackson Boulevard, Chicago 4, Ill.

Federation Bank & Trust Co. of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Ford Motor Company Ltd.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available is the "Monthly Investment Letter" containing a discussion of Investment Company policy, and brief analyses of **Sterling Drug, Deere & Co.** and **Alabama Gas.**

Garrett Freightways Inc. — Memorandum — Peters, Writer & Christensen, Inc., 724 Seventeenth Street, Denver 2, Colo.

General American Oil Company of Texas—Descriptive summary—Sanders & Company, Republic National Bank Building, Dallas 1, Tex.

General Public Utilities Corporation — Data — Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Hussman Refrigerator Company, Manufacturers Trust Co., North American Aviation, Inc., Pillsbury Mills, Inc.,** and **Stone & Webster, Inc.**

Husky Oil Company—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Imperial Oil—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Lake Superior District Power Company—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Maremont Automotive Products, Inc.—Report—Straus, Blosser & McDowell, 39 South La Salle Street, Chicago 3, Ill.

Marshall Field & Co.—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are brief surveys of **The Southern Company** and **Union Pacific.**

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

Montgomery Ward & Co. Inc.—Analytical brochure—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a study of **Eastern Stainless Steel Corporation.**

Reserve Oil and Gas Company—Analysis—Mitchum, Jones & Templeton, 650 South Spring Street, Los Angeles 14, Calif.

Robertshaw Fulton Controls Company—Analysis—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

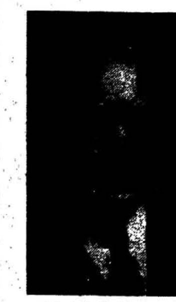
Safway Steel Products, Inc.—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Westinghouse Air Brake—Analysis—Boettcher and Company, P. O. Box 76, Colorado Springs, Colo.

Zale Jewelry Company—Circular—Muir Investment Corp., 101 North St. Marys, San Antonio 5, Tex. Also available is a circular on **Griggs Equipment Company.**

Ralph A. Rotnem Pres. Of New York Analysts

Ralph A. Rotnem, partner in charge of research for Harris, Upham & Co., was elected President of the New York Society of Security Analysts at that organization's annual meeting on May 28 according to an announcement by William R. White, of Hornblower & Weeks, chairman of the Nominating Committee. Mr. Rotnem succeeds Nicholas E. Crane of Dean Witter & Co.



Ralph A. Rotnem

The Society, comprised of over 2,300 members, also elected Lawrence R. Kahn of A. G. Becker & Co., Incorporated, Vice-President; Edward S. Wilson, of Hallgarten & Co., Secretary; and Donald B. Macurda, of F. S. Smithers & Co., Treasurer.

The newly elected members of the executive committee who will serve until June 1, 1960 are Todd G. Alexander, of Auchincloss, Parker & Redpath; Ralph W. H. Geer, of Laird & Company, Corporation; Edward R. Holt, of Newburger, Loeb & Co.; Gerson D. Lublin, of H. Hentz & Co.; and Richard P. Oakley of Lehman Brothers. The New York Society conducts daily luncheon meetings featuring addresses by corporation executives, economists and analysts.

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Irving L. Feltman, recently a partner of Mitchell & Co., has joined the New York Stock Exchange firm of Hay, Fales & Co., 71 Broadway, New York City. He will concentrate on "Special Situations."

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The Future of Atomic Energy

By WALKER L. CISLER*

President, The Detroit Edison Company, Detroit, Michigan

Detroit utility head, who has considerable direct background in atomic power plant construction, relies upon his own experience, Shippingport and other atomic power examples here and abroad, to support his belief that good progress toward full-scale atomic industry is being made. Mr. Cisler points out, however, while there is little doubt that atomic electric power plants will function well mechanically, that the immediate problem is to lower extremely high initial plant investment and also to lessen the expense of using and reprocessing nuclear fuels. In short, he advises priority still has to go to actual design and building rather than to the economic problems which are found, nevertheless, to be emerging clearly enough so that they can be studied in detail—with excellent prospects of solution.

In March 1953, a little more than five years ago, I had the pleasure of discussing the future of atomic energy at a meeting of the Public Utility Buyers' group of the National Purchasing Agents Association in New Orleans. The first industrial atomic energy study groups were approved in early 1951, so that in 1953 we had the benefit of only two years of active studies. My major theme at that time was that while atomic fuels offered a vast new source of heat energy which unquestionably could be utilized for power generation, a long and difficult period of scientific and technical development lay ahead. It was even then clear that atomic power would come into practical being slowly, over a period of years, and would not in any case make existing facilities obsolete overnight.

Walker L. Cisler

I further pointed out that many legal problems were involved and referred in particular to the Atomic Energy Act of 1946, which made atomic energy development a governmental monopoly.

In the intervening five years we have made good progress in all aspects of atomic power development, probably somewhat better than most of us anticipated. A new atomic energy law was enacted in 1954 which permitted industry participation in atomic matters on an ownership basis. Although the new law continues to stipulate ownership of special nuclear material only by the government, and calls for government-established prices for such materials, it does provide conditions which are reasonably favorable to industry for the immediate future at least.

At the present time we have gone quite far in the development of power reactors. Five installations designed and built specifically for the development of atomic-electric power generation are now in operation in the United States. Several others are under construction, or approved for construction in the near future, and many are in the advanced planning stage. Overseas, the British and French have noteworthy reactor projects in operation and others under construction. Sweden has two important projects well under way. Several other programs, including a very large one by Euratom (European Atomic Energy Community) are moving forward.

With this background of changing conditions, experience and accomplishment, it is possible to foresee the future much more clearly now than was the case five years ago. Still, much the same problems remain. A vast amount of development work lies ahead before atomic power can become a firm factor in the electric power industry. The competitive aspects are yet to be fully understood and established; the safety and safeguards considerations are under intensive study; and many governmental problems remain. Fortunately, we are able to identify these problems quite clearly, and to direct our efforts toward resolving them more effectively.

*An address by Mr. Cisler before the National Association of Purchasing Agents Convention, Chicago, May 12, 1958.

Required Operating Characteristics for Atomic Plants

In nuclear power development activities the major effort up to the present time has been to devise and build—without too much attention to operating characteristics — power reactors that will operate safely. This approach has been reasonable because of the urgent need for reactor experience of any kind. Unfortunately, many who have not had power system operating experience apparently have felt that any reactor capable of producing usable heat is essentially a complete answer to the atomic power development problem.

Practically, as you know, a power reactor which is fully acceptable for power system use must be capable of giving approximately the same service we now obtain from our conventional fuel-burning units. It must be able to follow system load changes; it must be capable of being operated at partial load; its continuity of service must be of high order and, most importantly, it must be capable of producing power at competitive costs under varying conditions rather than only continuous operation at the maximum attainable load factor.

Initially, of course, all of these conditions will not be met. In fact, all the projects now under construction in the United States—as well as most of those in the planning stage—fall short in many respects. The fact that they are development projects must be kept clearly in mind.

Different Types of Atomic Power Reactors

Atomic power development has been confused from its beginning by the large number of different reactor types and concepts. It has been difficult, in fact impossible, to analyze these and determine that any single type or concept has an outstanding superiority over all, or even some, of the others. In the United States, water-cooled reactors have been favored. The British, on the other hand, are very strong in their support of gas-cooled reactors. Others, regarding the problem from a longer-range viewpoint, look with strong favor on breeder reactors, and homogeneous reactors.

Water-Cooled Reactors

The greatest physical progress in the United States has been with water-cooled reactors. The Shippingport plant of the Atomic Energy Commission and the Duquesne Light Company went into operation last December after a little over three years in construction. It has been reported that four days after the reactor first went critical, it produced power at the initially planned maximum capacity of 60,000 kilowatts. It has been reported, too, that the reactor is fully responsive to its control system, and that there is little doubt that its capacity may ultimately increase to 90,000 kilowatts.

Somewhat spectacular results have been shown by the two boiling water reactor plants that have been operating: Experimental Boiling Water Reactor (EBWR) at Argonne National Laboratory, and the Vallecitos Atomic Power Plant of General Electric Company and Pacific Gas and Electric Company. EBWR was designed to produce 20,000 kilowatts heat. Most recent reports advise that it has been operated with an output of 62,000 kilowatts, and that with certain modifications to auxiliary equipment, an output of at least 100,000 kilowatts heat is likely to be obtained. It is understood that somewhat similar results have been attained at the Vallecitos installation. A further item of interest with respect to EBWR is the low radioactivity of the steam at the turbine throttle. It was stated by a guide during a recent visit that a person could sit all day on the steam pipe at that point without injury.

These are extremely important developments because they confirm one already anticipated means of reducing nuclear power costs, that is by obtaining greater heat output from small sized reactors. The savings for an EBWR type reactor would not be in direct proportion to the increased output, but they will be comparatively large.

Sodium-Cooled Reactors

The sodium-cooled reactor projects, including the Sodium Reactor Experiment at Santa Susana, California; Experimental Breeder Reactor Number 2 (EBR-2), and the Enrico Fermi Fast Breeder Reactor Project, have generally been considered as long-range, indicating that a somewhat longer period of time might be required to develop their designs and demonstrate their merits. Sodium-cooled reactors present a special problem because in addition to the radiation problems, sodium is highly active chemically and extreme integrity of the coolant handling system is required.

Actually, the Sodium Reactor Experiment has been in operation since April 25, 1957 and is giving a good account of itself. Although a few difficulties have been encountered, it is expected that these will be eliminated soon and that the reactor will take its place among the growing number of developmental units providing vital information for further advancements.

EBR-2 and the Enrico Fermi Atomic Power Plant are both in the construction phase. Both have been subjected to long, intensive, technical study and there is every reason to believe they will perform essentially as anticipated and provide much additional information and experience to broaden our knowledge of power reactors.

I would like to insert here a few words about the Enrico Fermi Atomic Power Plant with which my Company—Detroit Edison—is associated. It will utilize a sodium-cooled fast breeder reactor, designed to produce 100,000 kilowatts initially with the possibility that the capacity may be increased to 150,000 kilowatts.

Construction of that plant is proceeding according to schedule, and the 91-ton stainless steel reactor vessel is now being installed in its permanent location.

Since there is so little experience in sodium handling and fast breeder type reactors, the Fermi project is a pioneering effort in every respect. The schedule now calls for nuclear operations to begin late in 1960.

Calder Hall Gas-Cooled Reactors

The gas-cooled reactor program of the British, more commonly known as the Calder Hall type of reactor, is worthy of special mention. The British, in developing their nuclear weapons program in the late 1940's, built graphite-moderated air-cooled reactors at Windscale to produce plutonium from natural uranium. The principle involved was much the same as that of the Brookhaven experimental reactor. From this experience the British devised the Calder Hall type of graphite-moderated reactor, using natural uranium as the fuel and utilizing a closed carbon dioxide coolant circuit operating at about 120 pounds per square inch gas pressure. This reactor type, the British believe, has many technical advantages in addition to the fact that it produces both plutonium and heat which can be used for power generation.

The Calder Hall reactors, according to all reports, have worked exceptionally well. Even before the first reactor was completed, its design had been modified and expanded to provide much larger units for power system use. It was originally intended to build a considerable number of atomic power plants, each

Continued on page 25

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The Thoughtful Recession

By R. B. JOHNSON*
Security Analyst, Schwabacher & Co.
San Francisco, Calif.

San Francisco security analyst assesses recession's principal facets and, after appraising weak and strong factors at work, ventures the thoughtful guess that: (1) G. N. P. will rise from present $422 billion to $435 billion in third quarter accompanied by slightly declining unemployment to about five million; (2) despite recession's apparent bottoming-out, there may be some lapse of time before upturn occurs which, when it does, will be a sharp one; and (3) a tax cut would stimulate personal consumption spending but might not change the spending pattern other than increase purchases of what already is being purchased. Mr. Johnson favors temporary tax cuts that would act directly on unemployment, such as auto excise tax, and trusts consumer spending, which still remains strong but has not increased, will not become affected by economic fears and turn downward.

It is my thought to try and avoid merely adding to the general confusion, but rather to outline a few basic points for consideration in attempting to arrive at certain conclusions concerning the recession.

Dr. R. B. Johnson

First, let's look at some of the more obvious points. A recently conducted economic survey in which businessmen were interrogated with respect to their own thoughts concerning the recession, offers some rather interesting observations. The following is their concensus:

(A) The economy should turn around at the end of the third quarter or, if not then, in the fourth quarter.

(B) The thing that many businessmen expect to "turn the trick" (as it were) will be the depletion of inventories . . . which, of course, should cause an upturn in new orders.

(C) (And upon this point there would appear to be considerable agreement) . . . the recovery will be gradual—not sharp.

Now, for those economists who suggest that an upturn in business may be expected in the third quarter, there are several points which might be included in their brief:

(1) Manufacturers are using up inventories at a rather spectacular rate.

(2) A considerable part of this inventory depletion has been by steel consumers . . . recently at a rate as high as 1 million tons a month. Thus, an increasing number of steel manufacturers expect an early—though modest—gain in production.

(3) New construction has also been rising. For example, in February the rate rose to more than $3 billion which, according to the Commerce Department, was a new record for that month.

(4) While it is true that the housing industry is far from booming, there appears to be a definite, although slight, improvement.

(5) According to the National Association of Purchasing Agents, new orders have taken "a definite turn for the better."

(6) Stock prices have continued an upward trend—not, of course, without interruption.

(7) The Federal Reserve again reduced the rediscount rate from 2¼% to 1¾%.

Turns to Less Optimistic Views

Now—on the other side of the coin—there appears to be no dearth of statistical information upon which a brief might be prepared by those economists who are less optimistic. For example:

(1) Unemployment continues at a relatively high rate—something over 5 million.

(2) Spending on plant and equipment continues in a relatively steady decline.

(3) Manufacturers' sales are down.

(4) Freight car loadings are down more than 20% from the same period of last year.

(5) Automobile production is down and, in fact, there are something in excess of 900,000 new cars as-yet-unsold in the hands of dealers.

(6) The Federal Reserve Board's Index of Industrial Production stands at about 127—down some 20 points from last year's high.

(7) Steel production continues at something under 50% of total capacity.

Therefore, it is to this "the thoughtful recession" that we must accord the dubious distinction of being the deepest since the 1930's.

Now after having reviewed—very briefly—the situation as it stands today, let's examine at least two of the points which should be considered in attempting to anticipate a possible upturn. As we all know, recoveries from economic recessions are usually achieved as a result of a combination of influences. And, of course, these influences tend to change as the recovery progresses.

Two Recovery Factors

In the early stages, I think there is a minimum of two such influences which may tend to start our recovery: First: an increase in government spending; and second, a decline in the rate of liquidation of inventories.

As to the first point, the increase in government spending is progressing very slowly at the moment. As far as the Federal Government is concerned, any increase in spending appears to be progressing very slowly and, as far as State and Local Governments are concerned, at a rate of about $3 billion a year.

As to the second point, i.e. a decline in the rate of liquidation of inventories, I do not mean to imply that business will start to replenish inventories immediately. Rather the prospect exists, in my opinion, that business will soon begin—or in many cases has already begun—to reduce inventories at a somewhat lower **rate**. At the present time, business is cutting inventories at an annual rate of approximately $6 billion. Now this change in inventory practices **should** be a boost to the economy. For example, if we are living off inventories at a rate of $3 billion a year instead of at a rate of $6 billion a year, it is obvious that we shall need to increase our production by $3 billion. Therefore, any drop in the rate of inventory liquidation is, economically speaking, just as stimulating as an increase in investment in plant and equipment.

I think it is reasonable to suggest that we shall probably witness a continuation of inventory liquidation at least through the second quarter this year, but—and this is the significant point—I do not believe that such inventory liquidation will be at the present extraordinarily rapid **rate**. If I were to hazard a guess—and admittedly, that is all I can hope to do—I should estimate that the rate of inventory liquidation might decline from $6 billion a year in the first quarter of 1958 to around $3 billion a year in the second quarter.

Two Non-Helpful Factors

Now, at this point I should like to mention two things from which, in my opinion, we should **not** expect much help in achieving a recovery:

(1) Capital expenditures by business on plant and equipment, and

(2) A prospective decline in the rate of personal savings.

As to the first point business traditionally waits until after a recovery has at least started before allocating any susbtantial increases in amounts for plant and equipment expenditures. For example, in the recovery from the recession of 1953-54 such expenditures declined steadily and finally reached a low point in the first quarter of 1955. Thus, the present decline in the rate of capital expenditures by business would not appear to be abnormal.

As to the second point, I do not believe that we should count on an economic recovery being stimulated to any great extent **this** time by a decline in the **rate** of personal savings — as was the case in the 1953-54 recession. I think the key word to stress in this observation is **rate**, i.e. I should not expect to see an appreciable drop in the rate of personal saving. If, for example, there is an increase in personal incomes due to increases in production, it would be accompanied, in my opinion, by an increase in personal consumption expenditures. In contrast, in 1954 the economy was stimulated by a fairly appreciable drop in the rate of personal saving.

Housing Expenditures

In addition to the two positive economic factors, to which I referred earlier, which should influence a recovery from **this** recession—i.e. an increase in government spending and a decline in the liquidation of inventories—there is a third point to which, in my opinion, we should give **some** consideration. **This** is a possible increase in housing expenditures. The reason I mention this influence last is simply because I do not believe we should count too heavily upon possible assistance from this factor. At the moment it looks as though housing might hold its own or might even increase a little—in a few months, conceivably, the rate of new housing starts might increase appreciably. While construction contract awards for residential building in January were quite favorable, February brought a set-back which continued through March, but which may possibly have been alleviated somewhat in April.

As you know, housing is fairly sensitive to easier credit and this would appear to be the direction in which the governors of the Federal Reserve Board are presently moving. In addition, the housing bill just passed by Congress will, undoubtedly, offer further stimulus to the housing industry.

Nevertheless, I think we should actually **count on** only the first two factors mentioned: increasing government spending and a decline in inventory liquidation. In fact, in the opinion of one prominent economist, Professor Slichter of Harvard, these two factors should be sufficient to make the first quarter of 1958 the low quarter, as far as business is concerned, and the second quarter should reflect a slight upturn in business.

Third Quarter GNP Rise

One important criterion by means of which economists analyze the nation's economy is the Gross National Product. In September of 1957 the GNP stood at a rate of $440 billion. In December of last year it had declined to $432.6 billion. At the present time, estimates are placing the GNP at about $422 billion. But by the third quarter of this year, I think it is not inconceivable that we might be back up to $435 billion.

Using the figure of $435 billion and assuming an average increase in efficiency of 2½% a year (which I think is reasonable) and if, as many economists predict, we have an increase of around 750,000 in the labor force, it would then seem reasonable to expect that **un**employment in the third quarter should be about 5 million. While that figure will be a little bit smaller than the current figure on unemployment, I feel, nevertheless, that it will be higher than most people anticipate.

Professor Wolman, head of the Economics Department at Columbia University, suggests that the bottom of this recession may have been reached in the first quarter of this year. Dr. Wolman further suggests that there may be an increase of between $6 and $7 billion (annual rate) in the GNP in the second quarter, as compared with the rate in the first quarter. This expected increase is predicated upon: a small increase in government spending; a decline in the rate of inventory liquidation of about $3 billion a year; relatively little change in new housing starts; a decline in capital expenditures by business; a continued slow decline in net foreign investment; and a smaller recovery in personal consumption expenditures — to approximately the level of the fourth quarter of last year.

Effect of Tax Reduction

Now let's consider for a moment the question of taxes and the significance of any possible tax reduction. Let's examine very briefly the effect of, for example, a rather substantial (although hypothetical) tax cut in the next quarter—say a $100 increase in exemptions on the personal income tax followed by a 5% across-the-board cut. This, in my opinion, would tend to stimulate personal consumption spending. There is a serious question as to whether it would change the **pattern** of spending very much, but I think it reasonable to suppose that people would continue to buy **what** they are presently buying—**but** in larger quantities.

Today, I think, most people tend to spend what they have. Thus, if a tax saving of $2 billion was to result from a tax reduction, it would mean, it seems to me, that $2 billion would be spent on consumption, on repayment of debts, and on other things—but principally such funds would go for personal consumption expenditures.

Professor Arthur Burns—former Chairman of the President's Council of Economic Advisors—suggests that one tax cut which would make the most sense in his judgment would be an immediate cut in the present 10% excise tax on automobiles to 5%. . . **and such a cut to expire on the first of October, 1958.** Dr. Burns feels that this would be the most sensible tax reduction at the moment in view of the fact that we are probably going to run around $5 billion in the red on our cash budget next year, and even more on the conventional budget.

The effect of such a reduction would be to place many as-yet-unsold 1958 automobiles on the bargain counter. Spending would, thus, tend to be encouraged where it would put unemployed people back to work. Such a reduction would help the automobile companies liquidate their inventory of between 900,000 and 1 million new cars as-yet-unsold. As Dr. Burns points out, the most significant aspect of such a tax reduction would be the fact that there would be a direct correlation between **the kind of spending generated** and **the pattern of unemployment.** Furthermore, it would be important that such a tax reduction be **temporary** because a small tax cut that is not temporary will have less effect upon buying.

Economic Impact of Government Spending

Now let's look for just a moment at the economic significance of government spending. One of the things which has been impressed upon us by this recession is the time lag involved in the spending process, whether it is spending by government or spending by business. Of course, many technical questions must be decided before a contract can be awarded. Many different types of engineers must approve each separate stage. For example, when Detroit decides to bring out a new model car, generally speaking, it will be at least three years before that car is offered for sale to the public. The money to be spent to bring out such a new car will be spent very gradually over a minimum of a three-year period.

In the case of government spending, again all manner of technical details must be approved before contracts can be awarded. Thus, if more and more technical experts become necessary to the spending process, the possibility of accelerating such spending becomes more and more limited.

Therefore, as becomes more and more apparent, the impact of an increase in government spending upon our economy should certainly not be expected to be dramatic. It is time consuming and in many instances—as far as economic recovery is concerned—it is a long drawn out process.

Is There a Two Recession Spread?

Now, if we examine briefly the history of past economic recessions, I think we may be able to draw certain hypothetical conclusions as to **when** a recovery from this recession might be expected. In the opinion of many economists, the re-attainment of **full** capacity operation, within **two** years of the bottom of a recession, is regarded as rapid recovery. It is difficult to analyze at just what point full capacity operation of our economy was achieved after the recession of 1953-54, the various economic indicators show different times. If one uses the quarterly changes of the Gross National Product as a criterion, the economy reached close to full capacity operation about the third or fourth quarter of 1955, about two years after the bottom of the recession. If we may extend this experience, we shall be doing extremely well, in my opinion, if we are able to regain **full capacity** operation by the middle of next year.

Therefore, in summary, I think it is safe to say that one of the reasons for the total absence of any feeling of panic is that this recession has been confined to only a part of our economy, principally the capital goods industry and such consumer durables as autos and appliances. It has not been extended, for example, to most of the service industries which have been among the fast-

*An address by Mr. Johnson before the Trade Advisors Association of San Francisco, San Francisco, Calif., May 7, 1958.

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est growing areas in our economy since the war. In fact, as Professor Slichter has observed, two-thirds of the increase in unemployment since last August has been concentrated in durable goods manufacturing," . . . which accounts for less than one-fifth of all wage and salaried employment—outside of agriculture."

Consumer Spending Rate

From the President on down, everyone today is watching the consumer. And the consumer would appear to have lost only a little of his zest for spending. While it is true that consumers are perhaps not quite as confident today as they were a year or more ago, economic statistics concerning retail spending indicate that consumers are still spending vast amounts . . . retail sales are at present running at an annual rate of something in excess of $17 billion vs. approximately $16 billion at this time last year.

Nevertheless, the consumer is not increasing his **rate** of spending with enough rapidity to afford any extra stimulus to the economy. The big concern of private, as well as government, economists right now is that the consumer, hearing constant reference to the recession, may grow more cautious and more conservative with respect to his spending for other items, such as food and clothing, vacations, hair cuts, etc.

Therefore, many businessmen, as well as politicians, are urging a tax cut—**now**—in order to bolster confidence and subsequent spending power.

There is also an increasing demand for an acceleration of public works programs, everything from school buildings and highways to port facilities and dams.

One of the best ways by means of which consumers may be stimulated to spend, is to reduce prices. This concept was dramatically demonstrated recently when General Electric Company discontinued its policy of "fair trade" on prices of its small appliances. The sales which resulted in stores all across the country was little short of phenomenal. In both Macy's and Gimbel's in New York, for instance, consumers lined up four and five deep to purchase everything from steam irons to electric mixers and rotisseries.

Thus, while this might appear as one very good way in which to stimulate business generally, industry replies that it is not entirely possible. For while it is true that cost of materials have in many instances declined, labor costs have increased, and so have transportation costs.

Nevertheless, in conclusion, I think it is reasonable to suggest that we may—**right now**—be witnessing the bottom area of the recession. However, let me caution you against drawing undue inferences from this opinion. . . . I do **not** mean to imply that you should expect an **immediate** upturn in the economy. Too many people graphically visualize an economic curve of the business cycle as being similar to the letter "V"—either regular or inverted . . . and this is simply not the case. Cyclical patterns are usually modified—at both extremes—so that business curves, generally, might more correctly be likened to the letter "U."

However, in this case, I should like to suggest the analogy of a graphic curve similar to the two banks of a river—separated by a rather wide expanse of water constituting the river itself. Figuratively speaking, if one were to stand at the mouth of a river, one might observe a rather steep bank on the left. In our analogy, this would constitute the curve of business decline through which we have passed thus far in the current recessionary period.

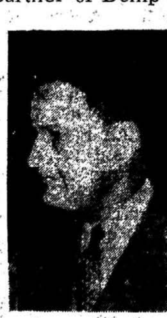
As I visualize our position at the moment — we have about reached the edge of the water and, in my opinion, we should expect to cross the river successfully, but not necessarily rapidly. In other words, I believe we have virtually completed the economic curve of descent and may now expect to witness a rather wide "horizontal curve" before reaching the "far bank" of the river and a subsequent upturn in the curve of economic activity.

Therefore, while I believe we may expect the business curve to go no lower, I also believe it may be some time before we should expect a sharp upturn in business.

One final point and, in my opinion, a significant point . . . although we may witness a somewhat extended horizontal curve, I believe that when the curve **does** turn up—it will do so rather sharply. The "far bank" (if you will) of the river **may** prove to be even more steep than the left bank.

Dempsey-Tegeler Co. Opens Branch Office In Houston

HOUSTON, Texas — The opening of an office in Houston, Texas, has been announced by Jerome F. Tegeler, senior partner of Dempsey-Tegeler & Company, members of the New York Stock Exchange.



A. Gordon Crockett

Located in the Houston Club Building, it will be under the management of A. Gordon Crockett, formerly a partner of Crockett & Company, of Houston.

Mr. Crockett has been active in the investment field for more than 23 years, with the exception of military service during World War II. He and his brother formed Crockett and Company in 1951.

In addition to being past President of the Investment Dealers Association of Houston he is now serving as District Committeeman of the National Association of Security Dealers.

Dempsey-Tegeler & Company, which this year celebrates its 25th year in the investment field now operates 22 offices in 20 cities, located in the middle west and west.

Edmund Wardell With Distributors Group

John L. Ahbe, Vice-President and Director of Sales for Distributors Group, Inc., has announced the appointment of Edmund J. Wardell of Houston, Texas, as Regional Manager for the southwestern states, with headquarters at 239 Emerson. Distributors Group is the national underwriter and advisor for Group Securities, Inc.

Mr. Wardell, whose territory will encompass Arkansas, Kansas, Missouri, New Mexico, Oklahoma, and Texas, was formerly Vice-President of Texas Fund and Texas Fund Management Company. Prior to that he was with National Shares Corp., closed-end investment trust.

Joins Brush, Slocumb

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Carson R. McKissick has been added to the staff of Brush, Slocumb & Co., Inc., 465 California Street, members of the Pacific Coast Stock Exchange.

Railroad Securities

Atlantic Coast Line

Earnings of Atlantic Coast Line in the first few months of this year have been off sharply from those of a year ago. However, the road has been showing some control over expenses and it is anticipated income in coming months will compare more favorably with a year ago.

Of notable interest is the better control of operating costs. In recent months there has been a down trend in maintenance expenses. Since the beginning of 1957, with the exception of last October, total monthly outlays for operating expenses have been running under a year earlier. For the first quarter of 1958, roadway maintenance was down 14% from 1957 and 31.5% from 1956. Equipment repairs were down 17.2% from a year ago and 20.5% from 1956.

In recent years Coast Line has spent large sums on both roadway and equipment. This is helping the road to cut down on expenditures in a period of low traffic. It is anticipated that the road will continue to keep costs under control until traffic begins to show some degree of increasing. The equipment bad order ratio was 2.6% on April 1 as compared with the national average of 6.1%. This indicates the road is in condition to handle a good increase in carloadings with its present equipment.

Of course, the Coast Line, like most of the carriers is faced with an increasing passenger deficit. It is estimated that in 1957 the direct loss from passenger service amounted to $2,686,000, or more than double the previous year's $1,105,000. There is a possibility that some improvement will be registered in this service. In the past few months the carrier has been permitted to discontinue a total of 524,000 annual passenger train-miles. Applications covering abandonment of some additional 500,000 train-miles have been filed and, if approved would further reduce expenses by about $1,000,000 annually.

The road has been particularly active in locating new industries in its territory. This has brought about a large increase in the location of new industries on the West Coast of Florida. During 1957, 155 new plants were established, while 48 existing companies expanded substantially. Coast Line officials expect to realize some 50,000 additional carloads from these new installations. This could mean about $6,000,000 of new revenues annually based on the 1957 gross per car.

On March 31, 1958, cash and temporary cash investments aggregated $14,458,000, while current liabilities were $16,724,000. Working capital was $28,423,000, down from $30,290,000 in the like 1957 period. Annual depreciation charges amount to around $9,925,000, or about $407,000 in excess of 1958 equipment maturities.

Other income, mainly from ownership of 823,427 shares of Louisville & Nashville common stock and 50% interest in Clinchfield, probably will equal last year's total of $8,582,000, if the L. & N. can maintain its present dividend rate.

The Coast Line is regarded as a new railroad with its modern management. It no longer is spending large sums on maintenance which many in the industry considered as excessive. It is in good financial and physical shape and should be able to report rising profits with any upturn in railroad freight traffic.

Blunt Ellis Simmons To Admit DuGene

CHICAGO, Ill. — Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchange, will admit Robert L. DuGene to partnership on June 12th.

S. G. Waugh V.-P. of Stetson Securities

Samuel G. Waugh has been elected a Vice-President of Stetson Securities Corporation, 65 Broadway, New York City, it is announced.

Mr. Waugh, who was formerly with Pendleton Woolen Mills, will be in charge of the firm's institutional business.

Beneficial Security

(Special to The Financial Chronicle)

PASADENA, Calif. — Beneficial Security Exchange has been formed with offices at 465 Converse Place, to engage in the securities business. Officers are Edward W. Anspach, President; Glen B. Newland, Vice-President; and Mary A. Anspach, Treasurer.

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

New Issues June 4, 1958

Texas Eastern Transmission Corporation

150,000 Shares Preferred Stock, 5.80% Series

100,000 Shares Preferred Stock, 5.35% Subordinate Convertible Series

(Par Values $100 Per Share)

The 5.35% Subordinate Convertible Series is convertible into Common Stock at $31 per share on or before May 31, 1963 and at $33 per share thereafter and on or before May 31, 1968, subject to earlier redemption.

Prices

$100 per share for the 5.80% Series

$100 per share for the 5.35% Subordinate Convertible Series

plus accrued dividends, respectively, from June 1, 1958.

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

Dillon, Read & Co. Inc.

The First Boston Corporation Kuhn, Loeb & Co.

Blyth & Co., Inc. Eastman Dillon, Union Securities & Co. Glore, Forgan & Co.

Goldman, Sachs & Co. Harriman Ripley & Co. Incorporated Kidder, Peabody & Co. Incorporated Lazard Frères & Co.

Lehman Brothers Merrill Lynch, Pierce, Fenner & Smith Smith, Barney & Co.

Stone & Webster Securities Corporation White, Weld & Co. Dean Witter & Co.

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Coming Age of Innovation Unequalled in Mankind's History

By MELVIN H. BAKER*

Chairman of the Board, National Gypsum Company

Present recession is viewed as setting the stage to provide a solid foundation for a decade of great prosperity by Mr. Baker in foreseeing an ensuing industrial revolution resulting from recent record American and Canadian research expenditures. National Gypsum head visualizes research drastically changing consumer products, manufacturing techniques and general economy of North America, so that by 1970 today's products and operations will seem as outdated as the "sweat-shop" era now appears to us. Refers to tomorrow's competitively planned obsolescence and need for improved management, and warns industry to prepare now as 1960 is only twenty months away.

I wish to discuss the coming industrial revolution in North America. Like the plants and flowers now starting to grow, a revolution is beginning to sprout within industry. In some areas, buds of achievement can be seen, and there are many indications of great things to come in the not-too-distant future.

Melvin H. Baker

The seeds for this revolution are already in the ground. They were planted by thousands of scientists working on new products and new processes in industrial research laboratories. The harvest will come shortly, drastically changing the products we manufacture and many currently accepted methods of production, marketing and management techniques.

In the past 25 years, research by private industry has increased 20 times over. But this figure is very misleading since full scale research is fairly recent for most companies. More money has been invested in industrial research during the past five years than the previous 25. Research expenditures in 1958 are expected to reach a record total of more than $7 billion.

A considerable amount of time usually transpires before a major research project comes up with the desired product of process improvement. Research lag on industrial projects runs to an average of about four to five years.

Because of this time lag, the tremendous research effort begun a few years ago, has so far had very little impact on industry.

But just as seeds planted in the fall mean a harvest for the following summer, research expenditures of recent years indicate a multitude of industrial innovations for the future.

Age of Innovation

A recent McGraw-Hill industrial report predicts that more than $50 billion worth of products not now on the market will be sold in 1960. These are expected to account for about 13% of all manufacturing that year. More important, the crop of new products and processes will increase each year during the 1960's. There is every reason to believe it will be an age of innovation unequalled in the history of mankind. By the end of the decade, our businesses will have changed drastically. Yes, by 1970 today's products and methods of operation will seem as outdated as those of the "Sweat-Shop" era now appear to us.

We might gain a better impression of the coming age of innovation by considering a few of the technological advances which now appear certain.

Automation is one aspect of the revolution which has already put its head above ground. At the Ford plant in Cleveland, electronically controlled machines perform 530 separate operations on engine blocks. In another new factory, more than 2,500 self-regulating machines and tools are coupled with 27 miles of conveyors to produce two refrigerators a minute.

Canadian-American Top Research

Private, industrial and commercial use of atomic power is assured in the near future. Westinghouse now has an atomic powered plant generating electricity in the Pittsburgh area. And the Province of Ontario is one of the first to use atomic energy for peaceful purposes. Scientists throughout this continent know what has been accomplished at Chalk River and know of the steps taken by the Ontario Hydro Electric Commission to develop power through atomic energy.

There have been many other important Canadian contributions to the advance of science.

In the world of medicine, for example, the great Dr. Osler who is known throughout the world as the father of modern medicine. And, of course, Dr. Banting and Dr. Best, who gave the world insulin. And in Montreal, at the Neurological Institute, the great Dr. Penfield who has led the way in brain surgery.

We should not overlook the fact that many of the top scientists in the United States and Great Britain received their education and training in this country. Some of these men are engaged in missile and satellite work which is in the headlines so much these days. This program is bound to have industrial impact. The engines and fuels which put man on the moon may also change the power concept of industry and transportation in particular.

Speaking of transportation, I am reminded that the jet airliners scheduled to begin operations next year will make it possible to beat the change in time across the continent.

British and American scientists recently reported a significant break-through in their attempts to convert H-Bomb energy into a source of controllable power. Success of this project will make water—the earth's most plentiful substance—a source of unlimited power.

Consumer and Building Products

Of much more immediate effect on North America's economy and our businesses will be the hundreds of commercial products now under research:

Television screens, thin enough to hang on the wall;

Fully automatic kitchen equipment;

Homes heated in the winter and cooled in the summer by solar energy.

I am not at liberty to detail the long-range aspects of National Gypsum's research program, but can say we believe the 1960's will see a revolution in the technology of construction.

Man-made materials will find many new construction applications. Plastics, for example, will replace metal in many cases.

Natural construction materials—such as gypsum—will have been greatly refined and improved to give low cost fireproof, erosion-resisting materials in great abundance.

By 1970, the long-sought "Ideal" construction material might be in production. This wonder product would be structurally sound, light-weight, designed to insulate against heat, cold and sound, and at low cost.

Tomorrow's product potential is almost endless. General Motors' President, Harlow H. Curtice, summed it up very well when he said recently: "The frontiers of science are rapidly being pushed forward, and no one man can keep abreast of all the breath-taking advances that are taking place."

Given time, these "Breathtaking Advances" are sure to come. Equally certain are the effects this harvest of new products and processes will have on marketing, production and management techniques.

Research successes will extend product lines for many companies. By 1968 there might be twice as many products competing for consumer dollars as there are today.

Competition Through Obsolescence

More products will mean more competition. Nor will this increase of competition be confined within industries. In the future, companies must be prepared to fight for consumer dollars not only against traditional competitors, but against newcomers from outside their own industries.

To protect their markets, companies may be forced to obsolete their own products. Planned obsolescence of this sort will most surely reduce the amount of time a product remains in the market. Shortened product life, in turn, will develop the need for more production flexibility, and speed in change-over will be necessary for marketing success.

I have mentioned only a few of the marketing and production problems which the coming harvest of new products and processes will bring. Briefly, I think we are approaching an age in which all companies will require ability to develop, manufacture and market with greater flexibility.

The mechanical improvements necessary to achieve such flexibility are being worked out in research laboratories today. But new machines and processes are only part of the answer. Improved management techniques are more essential.

Future levels of prosperity for individual companies will be determined as much by their advances in management as by their technological achievements.

In varying degrees, many corporations today are cumbersome bureaucracies immobilized by red-tape. Some are directed by executives who refuse to delegate authority, and where changes come slowly, they are frequently too late.

Such companies will fall behind when change becomes the order of the day.

To survive in such an atmosphere, top management must be willing to take the chains out of the chain of command. They must recognize each box on the organizational chart as representing an individual of talent and ability.

New Managerial Chain of Direction

Tomorrow's successful chief executive will lead rather than direct. He will recognize the importance of new ideas and seek to stimulate a constant flow of fresh thinking from the bottom up through his entire organization. He will promote constructive criticism of the company in the hopes of constantly improving its operations. He will think of every employee—from laborers to Vice-Presidents—as men with minds as well as muscles, and he will seek to stimulate their intellects in order to tap every source of human energy at his disposal.

Democratic leadership to promote the flow of new ideas will be a first step for tomorrow's chief executive.

To achieve success, the manager will require capacity for vision—the ability to appreciate sound ideas. For this, his specialized knowledge of company operations will be of less importance than his open-mindedness, imagination and sound judgment.

In addition, he will require a large measure of courage. There will be no room in his makeup for cautious conservatism regarding change. The fear of mistakes from being first, which impedes many executives, will be a fatal flaw. The future I envision calls for bold planning, ability to sell the plan and constructive leadership to make the plan work.

Tomorrow's successful chief executives must be men of great administrative talent. Once a potent new idea comes to their attention, they must be able to translate that idea into reality.

The problems which confront tomorrow's executive will be much more complex than those we encounter today. Many will be beyond the grasp of one individual. The successful executive, then, must be a man of trust who has complete faith in the recommendations of his subordinates. Beyond this, the successful manager of tomorrow will find it necessary to delegate authority to accommodate speed in operations, to upgrade efficiency and to retain employees capable of thinking for themselves.

Meeting these issues will require strong-hearted men capable of inspiring confidence down through the organization. Such are men of convictions who tackle the job, confident of results. They get their reward from the satisfaction that comes from completing a tough job. To them, salary may be secondary, but they will command and get a wage comparable to the results.

Designing a product and producing it is not enough. Marketing and selling calls for imagination, skill and organization. The coming era of competition will bring into focus not only product quality but styling, packaging and cost reducing methods in distribution. In such a competitive period, success or failure will ultimately depend on ability to sell at a profit.

Other Changes

Make no mistake about it, the approaching harvest of products will bring with it many management problems. We have considered a few of them. It would be wrong to concentrate only on the difficulties, for the future promises bountiful rewards for those who are prepared.

During the 1960's, innovations will add stability to our economy and industry here in North America.

The scope of the middle income groups will be further enlarged. Automation, which will demand greater job skill, will upgrade requirements and provide more pay for the worker.

Constant change in product lines will result in rapid capital turnover as consumers seek to buy the newest. Consumer wants and income will rise and production will increase to meet the demand.

To the economic impact of product innovation, we should also add the influences of rapid population growth, rising income and increased production. Considering all three aspects together, we can forecast a great deal more than added stability. The next decade will be an age of much growth.

Presently we are going through a recession to provide time for adjustment necessary after a long postwar boom. If we keep our perspective, this slow down will provide a solid foundation for a decade of great prosperity.

The potentials are big. Population in the United States has been increasing at the rate of more than three million each year. Millions of young men and women will shortly reach maturity, start getting married, build their own homes and come into the market for all the things to which we are accustomed.

Canada is having a similar growth in population. It has vast areas for growth in agriculture and timbering. More important will be the development of vast mineral resources. Manufacturers in the United States in another decade must look to Canada for their raw materials.

These are potentials that excite our imagination. Developing them, however, calls for large capital, courageous men and bold planning.

And now, in closing, may I add a word of warning.

The stakes are high, and the problems are complex — but no more complex, however, than many of the difficulties our countries have met in the past. The rewards will be great for those who are ready. The time for preparation is now—1960 is only 20 months away.

*An address by Mr. Baker before Personnel Association of Toronto, Canada.

Hill to Be Partner in Eastman Dillon Co.

Eastman Dillon, Union Securities & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announces that Kenneth E. Hill has been proposed for membership in the firm as a general partner, effective July 1.

Kenneth E. Hill

Mr. Hill will resign his present post as a Vice-President of The Chase Manhattan Bank to join the investment firm. He became associated with the Chase Bank in the petroleum division in 1946, was appointed a Second Vice-President in 1950 and Vice-President in 1952.

A native of Oakland, Calif., Mr. Hill graduated from the University of California in 1938, majoring in petroleum engineering. He studied mechanical engineering at the same university, receiving an M. S. degree in 1941.

Steichen Opens Branches

MINNEAPOLIS, Minn. — R. J. Steichen & Company has opened a branch office in Montgomery, Minn., under the direction of Milton M. Malone and in Paynesville, Minn., under the management of John M. Bolstad, Jr.

With Gude, Winmill

Malcolm I. Oakford has become affiliated with Gude, Winmill & Co., New York City, in their 41 East 42nd Street office.

Join Lee Higginson

Winslow G. Tuttle and Richard H. W. Chadwell, Jr. have become associated with Lee Higginson Corporation, 20 Broad Street, New York City, members of the New York Stock Exchange, as registered representatives.

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Where Are We Now?

By C. M. WHITE*

Chairman, Republic Steel Corporation, Cleveland, Ohio

In pointedly making clear that steel industry had little enthusiasm for present labor contract's terms but, in accepting it, liked its three-year length, Mr. White claims the industry was pressured into collective bargaining agreement and that the coming wage rise is a travesty of economics and sound business practice. The steel industrial leader hopes employers and labor will be prudently aware of economic facts of life; contends auto workers and steel workers will be many, many times better off with conservative wage attitude than one based on riding the inflation merry-go-round; and details reasons for current recession, in addition to economic factors, ranging from Suez crisis and Little Rock to government's fiscal crisis. Believes worst of recession is behind us and hopes we have learned to reject inflation and accept free enterprise.

In historical perspective, this past decade saw us reaping the gains of a remarkable half century of technological progress. In our brief history as an independent nation, we have built a large share of the world's productive capacity, and amassed a large share of the world's wealth. But the climb has not been steady. We have had our reverses as well as our successes. After a period of more or less sustained growth we have a setback, and whether we call it a "panic" or a "depression" or a "recession" it hurts. It hurts us in practical ways — men out of work, profits off, plans delayed; it hurts our self-esteem — "What did we do wrong?" and it frustrates us, for what we all want to do is get on with the job of building a better world and building it faster.

Charles M. White

But a look backward is informative. Studying charts of steel performance, or the fall and rise of the Gross National Product during business declines tells us very little about **basic** causes—these are still concealed in the details of undigested data. But it does tell us where we are and allows us to compare the duration and intensity of the decline we are in with those of the past.

No Cycles Are Alike

At first glance the most striking fact is that no two cycles are alike. They go down, and they eventually go up, but their behavior along the way varies widely. And the reason for this becomes apparent when you look a little closer and start picking out the measurable forces that are at work in the economy during the decline.

Sometimes a drop off in business is primarily an inventory adjustment, as in the years 1923, 1927, 1949 and 1954. Sometimes the drop is complicated by other factors, combining inventory adjustment with an unfavorable financial situation such as we had in the years 1920 and 1921, or with a decline in capital and durable goods activity such as we experienced in 1937.

If only one factor is at work the decline is likely to be shallow and recovery rapid. If it is reinforced by other depressive factors it is likely to go deeper and remain longer in the trough. The "bottoming out" is always definite, but the duration of the pause before the beginning of a new rise is quite variable.

When the upturn begins it is likely to be a sharp rise if the depressing factor is one like inventory; but if there are several factors involved the rise is likely to be erratic, going up part way then pausing for a breathing spell before continuing to climb.

The present recession appears to me to be a very complex one. On the positive side of the ledger savings are high, and most of the paper from 1955 has been paid off. Short interest on the stock exchange has been and is comparatively moderate; there has been no over-speculation, no paper empires; banks are insured, and a great percentage of our people have financial protection from illness and lay-offs. Furthermore, our industrial machine is at a peak of efficiency and as a result personal income is still high even after nearly a year of declining business.

But the forces on the other side of the ledger are very powerful. The market for both consumer durables and for capital goods has been temporarily saturated; inventory adjustment, as a result, has taken on massive proportions, and the infection of wage inflation has weakened the entire economy. Between rising costs, rising prices, and tight money—all three being direct or indirect effects of inflation—the economy has sickened a little and lost much of its vigor.

Non-Economic Recession Causes

But I doubt that any or all of these purely economic factors would have precipitated a recession of this depth if it had not been for a change in our psychological attitude. As a nation, we received a series of jolts that left us off balance and disturbed.

The Suez incident, for example, brought us face to face with the fact that another war **could** start, and also made us question our relations with England and France. The action of the Federal troops in Little Rock, Arkansas, in the desegregation conflict shocked all of us, and cast a shadow over our national unity. Sputnik gave us a hard jolt. It knocked the stuffing out of the idea that Russia was big but clumsy, and convinced us once and for all that we were up against the toughest competition in our history. Worse than that, it made many people question the quality of our own scientific and engineering establishment — an area in which we have felt a great pride and confidence.

Running through all of this period, too, was the fiscal crisis of the Federal Government. In some ways it was a paper crisis brought on by the determination of the administration to keep spending below the debt limit. It was a determination backed by a firm conviction that inflation had to be stopped, and that the government should do its part.

Looking back we can see that some of the corners the government cut in its effort to stay under the limit were unrealistic. Not only were new expenditures curtailed; payments on existing contracts were also held up. Coming on top of the other jolts we had received, I think this had a very serious effect, both from the standpoint of the dollars involved and of the impact on the people. To put it bluntly, it made a lot of people think the government was in such a mess it couldn't pay its bills. It was particularly shocking, I imagine, to those to whom the money was owed.

In other words, for a lot of reasons the country was spooky, and spooky people—to say the least—buy conservatively.

Balancing positive factors against negative, it seems to me that although this decline is likely to be a stubborn one, a serious depression is out of the question. The basic strength of the economy is just too great.

Worst Is Over

I think the worst of the recession is behind us. Most of the categories in the Gross National Product have either reached bottom, or seem to be near, and the economy is coasting along the floor of the valley. There may be a few bumps and false rises before we reach the other side, but from where I sit the '60's look like a higher climb than the drop we've just experienced.

Everybody has his own recipe for getting there quicker, but since most of them involve either tax cuts or increased government spending I take a conservative view. The important correctives have been taken, and if they have been taken slowly I think this is all to the good. I agree with the people who believe that inflation is more to be feared than sweating out the period of instability, uneasiness and worry we are in today. It is hard on the people who are unemployed or working short hours. It is hard on the stockholder who sees his dividends falling away. It is hard on the manager who has to cut and cut to the bone to keep costs down, yet maintain a strong and growth-oriented organization, and keep his plant modern enough to cope with tomorrow's markets. But a temporary discomfort is better than the wasting sickness of inflation.

The wage negotiations now underway are a very important factor to watch. An inflationary auto settlement would be bad news, for it would have an inevitable effect on prices.

July 1 is not far away, either On that day, under the terms of our three-year contract, steel wages go up, and in my belief prices will be forced to follow. No amount of double talk can conceal the fact that we **cannot** absorb an increase in labor cost.

Contract Made Under Pressure

In this connection, I would like to repeat a fact that has often been forgotten during this past year. Our present contract, with its built-in wage increases, was made under great pressure at the end of a 34-day strike. The steel industry had little enthusiasm for the terms of the contract, but the three-year provision was attractive, and the size of the annual package was a step in the direction of bringing wage increases into line with productivity gains.

Along with the rest of the country, however, we had not expected a recession of such swiftness and depth. Because of that swiftness and depth the coming wage rise is a travesty of economics and sound business practice. I would like to hope that both employers and union leaders will take such factors into account in future negotiations.

Advice to Labor Leaders

It would be good statemanship, for example, for the leaders of the United Automobile Workers to be honestly realistic in their demands upon the automobile industry. These are not boom times, and a reasonable settlement, **free from hidden attempts** to take over the management function of settling prices, would go far to restore confidence on the part of business and the public alike. Such a settlement might well be the push that would start us rolling again on the climb to more jobs, more money, more education, more recreation, and a higher standard of living than we had had before.

Recent surveys indicate that the rank and file of labor are getting wise to the fact that wage rises in excess of productivity gains are meaningless—wiped out by rising costs and unemployment. Also they are learning that strikes, year after year, may well cost more than they gain, and that they can price their products out of reach of other segments of the economy.

Walter Reuther's United Automobile Workers — and Dave McDonald's Steelworkers — will be many, many times better off with a conservative attitude toward wages than they will if they keep riding the inflation merry-go-round. The choice is theirs. The one-sided Wagner Act and later the Taft-Hartley Law gave unions tremendous strength at the bargaining table, in the legislative halls, and in the courts of the land. And this is a crucial year of decision. We will see the choice they make: conservative demands recognizing the long-range **good** of the country, or unrealistic demands for selfish, short-range goals.

Sober Thought

It is a choice worth sober and careful thought, for the potential of this country is almost immeasurably great. By 1965 we will have a population of over 190 million and a work force of 76 million. Gross National Product may well be in excess of **$560 billion**, and the annual outlay for capital goods probably will have passed the $50 billion mark.

Population growth today is concentrated in the teen-age group, but by 1965 these youngsters will be getting married and establishing households of their own. Living standards will continue to rise, too, and a flood of new products will hit the market, expanding and in some ways changing our way of life.

As a practical man I know that these potentials may not be realized, but as a businessman I am not going to bet that they will not be. On the contrary, our engineers are working on plans for the 60's that may call for the expenditure of $1 billion or more for capital items **just to insure our share of the market.** We are prepared to dig still deeper if research or changing markets open up other profitable areas for our company.

This recession will have served a good purpose, if it teaches us a little more of the dangers of inflation, and if it convinces us anew of the inherent strength of an economy in which technology is given free rein under the system of free enterprise.

*An address by Mr. White before Association of Stock Exchange Firms, Cleveland, Ohio, May 12, 1958.

Forms De Nurf Co.

LOS ANGELES, Calif. — Rock F. Houle is engaging in a securities business from offices at 905 North Orange Grove Drive under the firm name of De Nurf & Co. Mr. Houle was formerly with Bennett-Manning Company, and prior thereto with J. Logan & Co.

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Apply the Same Regulatory Rules To Each Form of Transportation

By H. E. SIMPSON*
President, Baltimore & Ohio R. R.
Baltimore, Maryland

B. & O. rail President directs attention to current and drastic situation in which the railroad industry finds itself; urges expressions of support of Smathers' legislation; and avers it would constitute national sabotage to allow our rail system to fall apart. Mr. Simpson asks that we apply exactly the same rules of regulation, taxation and self-support to each form of transportation—rail, highway, waterway or airway—which he says is a simple formula for better rail transportation service.

The formula for better rail transportation service, for regular employment, for a sound future is simple. All that is needed is just to apply exactly the same rules of regulation, the same rules of taxation, the same rules of self-support to each form of transportation whether rail, highway, waterway or airway. Then, under equal rules of competition, each transportation job will gravitate to the type of carrier that can do it best. Down will come America's transportation costs, up will go service standards, and employment will be "steady as she goes."


H. E. Simpson

This appeal for all participants to get out on the playing field is especially urgent these days when rail transportation companies, suffering continued decreases in traffic, are unable reasonably to compete due to unfair and obsolete regulations. This loss in traffic has been suffered not alone during the current downturn in business. The cause goes deeper than any temporary decline in business activity; it goes down to the long-existing sharp and destructive inequality between the regulations to which the railroads are required to march and those to which their competitors are free to step along.

Depicts Peril

It is unoriginal to say that "we live in perilous times in rail transportation history and a great challenge lies before us." We have heard that admonition so many times that peril has lost its meaning and challenge has lost its cutting edge. Yet, the awesome truth is that our peril, forced upon us by factors beyond our control, is great indeed. Of prime importance is that our means of earning a livelihood are affected while our hands are tied. Of prime importance to the country is the fact that no other single asset is more vital to the security and future growth of the United States than its more than 220,000 miles of railroads—the largest system in the world.

Were enemy paratroopers dropped to destroy it, the army would be called out to prevent it. An adequate railway system is absolutely indispensable to national defense, as we proved time and again, and as late as World War II. America cannot let its rail system fall apart. To do so is a form of national sabotage. This country is spending untold amounts trying to get from one planet to another, while its citizens are finding it difficult to use the best means of mass transportation from one city to another. We are in the untenable situation of facing the competition (much of which is unregulated) of trucks, buses, barges and airplanes, while we are overloaded with taxes and forbidden in many cases from making competitive rates. And the result is the country loses the superb, virtually frictionless efficiency of the steel wheel rolling on the steel rail as its most efficient carrier.

Twenty railroad presidents and others testified recently in Washington before the Senate Subcommittee on Surface Transportation—a committee of which Senator George A. Smathers is Chairman. The press and the public all over the country reacted very favorably. The railroad presidents were really "on the playing field" during those days: in fact, they gave it everything they had, realizing that they were playing in the railroads' "World Series." They took their turns in the batting order, but their hardest line drives, simmered down to one shot, were simply this: "The railroads, given relief from the unequal handicaps now sapping their strength, will not only save themselves but give the country better service simply because of the unrivaled efficiency of rail transportation."

We hoped they would remember our testimony in their deliberations, that some help might be given us in their recommendations. We hoped for better luck than the young man had who pestered his rich uncle to remember him in his will. And the uncle did, all right, for in his will was this line: "And to my nephew, Charlie Jones, whom I promised to remember—'Hi there, Charlie'!"

Reviews Smathers' Report

We are gratified that the Smathers' Committee, in its recent report to Congress, remembered us in a more concrete and helpful way than the uncle remembered Charlie. I would like to point out some of its important sections. No one could argue its findings that the railroads are losing business (forcing them to curtail employment), and that they are weakened financially because of unfair competitive practices. It concludes that this country's railroads are "in need of help" for the good of the Nation as a whole; and to provide that help, the report recommends specific legislation.

It suggested that Congress provide a plan of temporary financial aid to tide over needy roads and authorize deferment of taxes to make funds possible for equipment and improvements. Another important recommendation would permit us to make reasonable, competitive rates based on our own operating conditions, and without having to guard against adversely affecting our competition. Remedies were also suggested in several areas where there are now abuses—particularly on agricultural products moving in unregulated trucks, and as to much for-hire truck transportation now masquerading as private carriage to escape regulation. In addition, the Smathers' Committee recommends the repeal of the excise tax on the transportation of passengers and freight, burdensome to customers and railroads alike. This tax was established during a national emergency to keep people and goods other than military off our railroads; *and it continues to have that effect* thus creating a railroad emergency that can be resolved only through its repeal and the transportation of more people and more goods.

Those are the principal recommendations of the report. *I think it should be emphasized that the proposed legislation does not encompass all that the railroads need or asked for.* The legislation is, however, a step in the right direction.

These constructive recommendations—as good as they are—can be of no consequence to you and me, to the railroad industry, or to the citizens of the Nation unless enacted into legislation at this, the second session of the 85th Congress. All of us, I know, appreciate the lawmakers' expressed interest and the public reaction to our problems. But there is still a job to be done. If Washington reflects public opinion, then it is up to railroad people to come out of the grandstand, to get on the playing field—to express their opinions. I urge them to do this, for the recommendations are just as important to organized labor as to management. In the words of the Smathers' Subcommittee report itself "* * * the number and kind of jobs held by the membership of the railroad labor unions is inextricably intertwined with the economic welfare of the railroad industry. The problems of the two groups are mutual problems."

Parenthetically, in this connection, I should like to point out that, with the cooperation of our employees, we hope in due time to effect changes in agreements covering rules and working conditions that will be fair to all.

I am going to make a very sincere and, I suppose, a very unusual statement. It is this: I have not been elected president to preside over the liquidation of the Baltimore & Ohio RR. Therefore, for that reason, as well as one of simple humanity, I cannot look at the long list of our furloughed people and not feel the greatest concern for them personally and individually. As I have said, we have no magic wand to wave that will put traffic on our railroad if there is no traffic to be had; no wand to wave to put money in our cash register whenever we need it. To try to preserve jobs for 70% of our normal employment, the cloth had to be cut to fit the pattern.

* * *

I will remain an optimist because of one great truth. In this atomic age, the railroad engineer is still the symbol of our nation's strength. He has not been replaced by anything that radiates, flies, floats, buzzes, booms or bangs! Wherever he sits, with his hand on the throttle, he is visible evidence that a united America is on the move!

*From a talk by Mr. Simpson before Annual Convention, Veteran Employees Association, Baltimore & Ohio Railroad, Cumberland, Md., May 22, 1958.

Cleveland Bond Club Annual Spring Party

CLEVELAND, Ohio—The Cleveland Bond Club will hold their annual spring outing at the Kirtland Country Club, June 13th.

Boston Inv. Club Announces Outing

BOSTON, Mass.—The Boston Investment Club will hold their annual outing June 18th at the Essex Country Club.

Two With Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Bruno Kavaler and Frank C. Mitchell have become associated with Schwabacher & Co., 100 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

From Washington Ahead of the News

By CARLISLE BARGERON

Our front pages are filled these days with the confusion in France. I am wondering about the confusion in our own Washington Government. For one thing I am beginning to wonder if our articulate industrialists, those who have gone in for public controversy, are attempting to square their various undertakings.


Carlisle Bargeron

For example, there is Mr. Cordiner, President of General Electric, who has become one of our most public spirited men. He has been in and out of the Government, undertaking missions for President Eisenhower and in general trying to make himself useful.

He has just gone before a Congressional committee and said that inflation and some of our other troubles are due to the excessive demands of organized labor. They have got to be brought to taw, said Mr. Cordiner, because their wage demands are exceeding their production and pricing us out of markets. I have no doubt that he is right.

But just a few weeks ago Mr. Cordiner headed a group which made a report advocating incentive increases in pay for the military. According to his report, we were to make military careers for specialists and technicians more attractive in order to keep them away from industry and in the military service.

Well, the Cordiner report has, in substance, been enacted into law. But without any complaint from Mr. Cordiner so far as I know, it has little relation to its stated original purpose. As enacted it is just a plain boost in salaries for virtually all military personnel, beginning with five-star Generals. Their pay, in a great majority of classifications, certainly out-runs their productivity inasmuch as they produce nothing.

Just how you can tell Walter Reuther and the other labor leaders to hold the line in the face of such as this is difficult to understand. But this is not all. Congress has just passed and the President has approved a pay increase for the postal employees and coming up is legislation to increase the salaries of a million or more classified Federal employees. Apparently there has been stopped for the time being, a movement in Congress to liberalize the retirement benefits of its members.

As a young man I worked in a little town whose whole economy turned around a railroad. Periodically, the organized trainmen would get a general increase and then for about three weeks there would be a flush of money in the community. There was one motion picture theatre in town and it would celebrate by showing two reels instead of one.

However, there would gradually seep into the community what was described as a better grade of clothing, shoes and food. Shirts that had proven satisfactory were replaced by a so-called standard brand, supposed to be of better material and costing more. Somehow it was claimed the people began to eat a better grade of food. In short, in a few months all evidence of the general pay raise would be wiped out, although it was claimed the people were enjoying a higher standard of living. I could never see it and have come through life believing that when you get a raise in pay along with thousands of other people, you have not bettered your lot at all.

Be that as it may, the Administration and others will have a hard time persuading Mr. McDonald of the steel workers to forego pay increases this summer on the grounds of stabilizing the economy. They may be able to persuade Mr. Reuther because of the peculiar position he is in but you may rest assured neither of them is impressed by any pleas from Washington in the face of what it has done in raising salaries.

Along the same lines, it strikes me that the Administration's attitude on tax reduction, especially on dropping the excise taxes, is in strange contradiction with its efforts to persuade industry to lower prices. It contends that if industry does this it will sell more goods and this sounds logical. Why isn't it just as logical for the Administration to reduce the excise taxes, thereby helping to reduce prices and make it possible for industry to sell more and therefore produce more taxes.

We even have the amazing spectacle of the Government increasing postage rates. It is claimed this is for the purpose of reducing the Post Office deficit. In the first place, the reduction will not be a drop in the bucket in our national deficit and it means an increase in the price of goods and services. What is the essential difference between this increase and an increase in the price of steel?

Herbert Allen Receives Honorary Degree

Herbert Allen, partner of the New York investment firm of Allen & Company, and Chairman of the Board of Benguet Consolidated, Inc., has received an honorary degree of Doctor of Commercial Science from Ithaca College, Ithaca, N. Y.


Herbert Allen

The degree was bestowed on Mr. Allen in recognition of his notable achievements in the recent development of the economy of the Republic of the Philippines.

Syndicats Will Hold Annual Summer Outing

The Syndicats, an organization composed of the secretaries of Wall Street syndicate managers, will hold their annual summer outing at the Nassau Country Club, Glen Cove, Long Island, on June 27th.

Vreeland Elected by Blair & Co. Inc.

Blair & Co. Incorporated has elected Raymond B. Vreeland an Assistant-Treasurer and Assistant-Secretary of the firm.

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Reasons for West Germany's Remarkable Economic Growth

By JAMES C. ZEDER*
Vice-President, Chrysler Corporation
Detroit, Michigan

In comparing Western German growth with ours, Mr. Zeder concludes that increased incentive for industrial growth would result from quicker tax write-offs of machinery costs and use of replacement costs instead of original price. The Chrysler official also states a further stimulus to our economy would result from elimination or drastic reduction of Federal excise tax on automobiles, and recommends such an act should be made retroactive to at least March 1, 1958.

We hear a lot of talk these days about the way the engineer's universe is expanding. We're standing on the very edge of the Space Age — if indeed we're not already there. And our sons and grandsons are getting big ideas about the trips they're going to take to the moon or Mars or some more distant planet. This is fascinating talk. But actually, as we all know, the engineer's universe is expanding in many other ways—in electronics, in architecture, in automobiles, in machine tools—to name only a few of the more down-to-earth fields. We're moving ahead so fast in all these areas that we sometimes conclude our opportunities are increasing almost automatically. But there's nothing at all automatic — nothing at all inevitable — about the expansion of ideas and opportunities. Somebody—an engineer, a scientist, or an industrial manager has to conceive the idea and put it to use.


James C. Zeder

The advance of engineering depends upon a lot of things—for instance, the quality of technical education, the foresight of industry, the progress of science. But possibly the most potent force in widening the engineer's horizons is incentive—the kind of incentive that makes it interesting and worthwhile for an individual engineer to devote himself to his work, to apply his imagination and ingenuity, to persevere in the tasks he faces. It is about this incentive—and one very practical way it can be increased—that I'd like to discuss.

European Recovery

Let me start by describing a couple of business trips I made last year to Europe and about some of the things I saw. This may seem a roundabout way of developing my subject, but I think my plot will unfold shortly.

Europe today would be hardly recognizable to those of you who last saw it during or right after World War II. Out of the ashes and rubble of war the countries of Western Europe have risen to new positions of economic strength and prosperity. They're rebuilt their cities. They're put up new homes and buildings. Their factories are busy turning out new products by the hundreds of thousands.

Like the United States, Europe is now going through a period of economic adjustment. But during the past seevral years it has been enjoying a boom of a kind never before experienced on that continent. Industry has been hard-pressed to keep up with the growing demand for goods of all kinds. What's more, European businesses are out selling their products in markets all over the world. And they're giving our own industries some keen competition in many fields—in the production and sale of automobiles, to mention a familiar example.

Europe still has a long way to go to match the industrial accomplishments of this country. Its automobile registrations, for instance, are about equal to what ours were in 1923. But the economy of Europe has made tremendous strides since the end of the war, and even today it's advancing faster than our own economy. In the past five years, American industrial production has gone up 16%. Europe's has increased 37%.

In the use of automatic machinery and other advanced manufacturing techniques, many of Europe's m o d e r n factories equal—and exceed in some respects—our own industrial installations. In England, for instance, I saw a huge automotive factory that is almost self-contained. Ships bring raw materials to the company docks and take away completed automobiles. Almost every step from iron ore to finished car is performed at this vast plant.

At another factory, I saw the assembly of automobile being controlled automatically by means of a punch-card system. The electrical machines into which the punch cards are fed synchronize the speed of four assembly lines and 16 miles of conveyors which carry engines, transmissions, axles, suspension assemblies and bodies from other plants and put them into a "marshalling yard" to await final assembly. More than a hundred miles of electrical cable is used in this huge operation. I believe there is no automotive assembly operation in the United States that is quite so automated as this.

At plants in France and Germany I saw automatic equipment doing jobs which we in this country have not even attempted to automate. At the base of the Alps in Italy, I saw the startingly beautiful F i a t manufacturing plants which are built of glass and marble and stainless steel. Here I was shown a parts depot that is virtually automatic. The depot is seven stories high, has about a million and a half square feet and contains 10,000 tons of service parts. But it's operated by only 25 to 30 people. Coded parts requests from dealers and distributors are fed by teletype into electrical cars. These cars, which travel along overhead rails at great speed, automatically locate the requested parts in storage bays. A man in each of the cars loads the parts by means of a mechanical hand, and the parts are then taken automatically to a conveyor leading to the packing room. Here all but the biggest parts are automatically wrapped, packed and prepared for shipment. I'm sure this is easily the most automated parts depot in the world.

I could describe many other examples of the ways in which European manufacturers and engineers are making use of the very latest in machine and electronic techniques and coming up with quite a few techniques of their own. But more important to us as businessmen and engineers, I believe, are the things behind the swift advance of Europe's technology and industry. What were the incentives that made possible this fabulous rebirth of Europe?

Incentives at Work

All those marvelous factories I saw—all of the ferment and creation—would be impossible unless individual engineers and industrial managers had somehow been motivated effectively. I certainly don't know all of the things that make the Europeans tick. But it seems to me there is one force that has become quite evident—more so in some countries than in others—and that is the force of free enterprise based on tangible and intangible incentives.

Western Europe in the postwar years has served as an enormous testing laboratory in which different ways of doing business, different ways of regulating business, different ways of controlling inflation, and so on, have been given the bumps. Some methods have come through the tests better than others.

In comparing the postwar progress of the nations of Europe, I'm not going to state that countries with one kind of government philosophy are backward and stagnant while others with a totally different approach are forging ahead at top speed. This would be an over-simplification—and a rather silly one at that. Virtually every country in Western Europe has made a remarkable recovery since the end of the war—partially as a result of sizable financial assistance from the United States.

However, there is a real difference in the speed with which these countries have recovered. And it's this difference—reflecting a nation's overall feeling of purpose and drive—that leads us to look more closely and compare.

"German Miracle"

Everyone agrees that the highest rate of postwar recovery has been achieved by the Germans. West Germany has risen from defeat to a leading position in Europe—a rise that is frequently and aptly called the "German miracle." Despite the fact that she suffered the greatest war damage of any nation in Western Europe, she has moved well ahead of her less-damaged neighbors.

In 1949, when West Germany was granted substantial autonomy, she faced a fundamental choice in government policy. She could have followed the course that was prevalent on the continent and in Great Britain at that time—that is, she could have gone in for heavy control, rationing, state-directed investment and sharply progressive taxation. Instead, she took an entirely different route. She adopted an economic system that emphasized incentive rather than "equality" of income—modernization rather than routine—and a free market rather than government planning.

Which system has worked out best? Well, a comparison between Germany and Britain provides a pretty good answer. And Professor David McCord Wright of McGill University, who's made extensive studies of both countries, has reached this conclusion: "The contrast in systems is not a black and white one, but West Germany stands out as a courageous experiment in economic freedom."

Let me give you a few facts that show the difference between Germany, with its free market economy, and Britain, which by and large has had a more controlled economy.

From 1948 to 1957, West German industrial production increased 254%. In Britain, industrial output went up only 70%—measured from 1946, when its postwar expansion began. Germany's postwar production began almost from scratch, so its percentage increases are naturally larger. But Germany has continued to grow at the more rapid rate. Between 1954 and 1957, for instance, gross national product increased more than 25% in Germany — compared with only 4% in Great Britain.

In the past seven years West Germany has built more housing than Britain has built in 11. Starting at zero in 1948, Germany last year moved up to third place among the world's shipbuilders. In 1948 Britain produced more than 300,000 automobiles while Germany turned out only 30,000. Last year Germany built 950,000 cars—a hundred thousand more than Britain.

How did the Germans do it? How were they able to catch up with—and step out ahead of—their neighbors?

No one can give you all the answers. Some of the reasons rest, perhaps, in the character of the people, in a combination of circumstances, in the country's geographical location. One thing the Germans did was to hold down inflation and maintain the stability of the mark. They kept their Federal budget in balance and accumulated a surplus.

Germany's Tax System

It seems clear, however, that a lion's share of the credit for Germany's recovery must go to her tax system. Her income tax rates were low enough to encourage savings and the investment of capital in new enterprises. Rates at first ranged as high as 95%. But beginning in 1950 they were gradually reduced. Today the maximum rate is about 50%.

Another key part of the tax structure was a liberal policy on depreciation allowances—which, as you know, are the income tax allowances permitted by the government to enable a company to replace worn-out or obsolete equipment. The Germans did two basic things: They abolished the traditional principle of using the original price tag as a basis for writing off the costs of a piece of machinery. Instead they used current replacement costs. Secondly, they permitted accelerated write-off of new plants and equipment. This was very similar to the emergency write-off provisions for defense plants which were introduced in this country in 1950 and used extensively during the Korean emergency. In Germany, this policy permitted a company to recover in only a few years—sometimes in one year—the money it had spent on new machinery.

Let me cite a few figures that show the results of the German policy on depreciation. Between 1950 and 1955, 81% of all private investment was financed out of depreciation allowances and retained earnings. And nearly half of Germany's total private and public investment was for new machinery and equipment.

Germany's tax structure played a vital role in her rapid postwar growth. Her tax rates were low enough to encourage the taking of risks for profit—that is, to encourage the investment of risk capital. They were not so high that they siphoned off money to establish new businesses and de-

Continued on page 28

*An address by Mr. Zeder before Annual Conference of Engineers and Architects, Ohio State University, Columbus, Ohio, May 2, 1958.

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THE MARKET . . . AND YOU

By WALLACE STREETE

"Which will reverse itself first, the market or the recession?" Still puzzling the investment community is the market's persistent strength in the face of the continuing welter of unfavorable "news" from the business, financial, and international areas.

For during the past week the market broke through the old high highs and news of the dashing of tax cut prospects, reduced business activity, diminishing capital expenditure programs, stickiness in the Federal Highway Program, evidences of long-term oversupply and overcapacity in quite a few basic industries, overhanging labor difficulties, storms in the international area, reduced earnings, and reduced and re-reduced dividends. Of course, there have also been some available to the bulls for justification of the market advances including an additional rise in the steel operating rate, a step-up in construction contracts, increased activity in the aviation industry, a pick-up in the textile industry, and some favorable earnings reports as by the farm equipments.

The Technicians Happy

With the industrial, utility, and rail averages recording new highs for the year, the market turned in a performance sufficiently decisive for the technicians. While caution concerning the overall market has been urged pending a break-through of the 468-470 "rugged resistance zone," numerous individual stocks, including the rubbers and some airlines and metals, are deemed to have formed a solid base.

Bank Stocks Retain Attraction

The easing of the money market and the current and prospective pressure on interest rates have understandably been raising some doubts among investors in the bank stocks. But authoritative bank officials believe that, partly because of lower reserve requirements and the loan-timing factor, earnings for the year 1958 will be well-maintained.

Interesting in this area is Chemical Corn Exchange operating in New York City. One of the world's largest banks, it is also one of the oldest in this country; having been established as a chemical company in 1823 and chartered as a bank in 1844. Merged with the Corn Exchange in the fall of 1954, earnings have since risen to a level 70% above those ruling at that time. Nineteen fifty-seven earnings were $3.96 a share, with the current dividend, maintaining an unbroken payment string since 1848, of $2.30, throwing off a yield of 4.6% on the current price of 50. The correspondingly greater attractiveness of an adequate yield of course constitutes an offset to the threat to earnings from reduced money rates.

* * *

Possessing additional advantage of a quite unique growth attribute are the shares of Marine Midland Corporation, the bank holding company operating throughout New York State. Over the long pull, the easing of the present branch legislative restrictions should prove to be extra "gravy" for an already sound and prosperous situation.

* * *

In the crazy-quilt market area of the film stocks, Twentieth Century-Fox seems to be gradually resurging to popular favor. The company has been achieving the unusual distinction of maintaining profitable movie operations, while advantageously marketing pre-1948 films on TV, through its 50%-owned national distributing subsidiary National Telefilm Associates. Its earnings from abroad have continued well-maintained. An extra windfall of romance now blesses this enterprise by way of substantial oil reserves which have been proven under the company's 280-acre lot in the heart of Los Angeles. Four production levels have already been found, with royalty revenues already totaling over $300,000.

Dividends on Twentieth Century have been maintained at the rate of $1.60 since 1953, and earnings have ranged between $2.28 and $3.04. Net working capital per share, after all debt, is approximately $19; book value is $36—with the market price $31. Importantly, the common share capitalization is being constantly reduced, the company since late 1957 having bought in 390,000 shares at an average price of 25½. Schenley Industries (still "majoring" as a distiller) with an earnings increase, is returning to market attention. With a six-month income report of $1.86 against $1.65 in the equivalent 1957 period, earnings for this full fiscal year ended Aug. 31 are being projected at $2.75 a share. And the current shares' market price represents a 41% discount from the applicable working capital of almost $38.

Strength by the Rails

Aided by concrete evidence of worthwhile legislative relief, prospects for a major freight traffic pick-up to come from good crops and a substantially increasing volume of construction, rail shares have been putting on a quite consistent show of strength.

Among the issues currently favored is Missouri Pacific, following its recent annual meeting when this year's operations and the future prospects were reviewed. With the first four months' results showing that all charges, fixed and contingent, were earned, it appears that some net profit will be shown for the full year.

Another of the more speculative carrier issues now getting attention is Chicago, Rock Island & Pacific. Even after its recent rally, the issue, at 25, is still priced at only half its 1955 high. A beneficiary of imminently favorable crop conditions, the road, after a bad first quarter, is expected to earn about $2.50 against the $3.32 reported for 1957.

In the "higher echelon," Union Pacific in particular is retaining its investor goodwill. Nineteen fifty-seven earnings were only a hair's breath below 1956, $3.34 versus $3.36; and this year's first quarter produced $0.67 versus $0.74 in the corresponding period last year—a good showing when contrasted with the 81% decline showed by the industry as a whole. The financial condition remains very strong. Current assets total $205 million, including cash items of $121 million, against total current liabilities of $119 million. Additionally there are $34 million of Government bonds, and over $100 million in other marketable bonds and stocks.

* * *

Acquisition of a "diversified" rail can be accomplished via Allegheny Corp. 6% convertible preferred. For this issue in addition to offering an indirect participation in New York Central and Missouri Pacific "B," affords an interest in Investors Diversified Services, the giant mutual fund, and in the real estate field via holdings of notes (with a potential equity participation) of Mr. Zeckendorf's Webb & Knapp. The asset coverage is over $50 a share, with the market price $17; each share being convertible into 4.7 shares of common on payment of $3.75 for each common share.

Diversified Growth Issue

Well-acting in the glamorous electronics area of the market is Raytheon. During the week the stock of this important diversified manufacturer, producer of radar tubes, transistors and diodes, and TV and radio receiving tubes, broke through to a new high for 1957-1958. Selling just under 30, the stock showed first quarter earnings of 58 cents per share, up from 40 cents in the same period of 1957. Assumption of the continuation of this earnings growth would seem to be warranted by the rise in the military backlog of $350 million from $260 million in the beginning of the year.

[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.]

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Charles M. Brinckerhoff, President of The Anaconda Company, was appointed a director of **The First National City Bank of New York** at a meeting of the Board of Directors June 3. He fills the vacancy created by the death of Roy H. Glover, former Anaconda Chairman, who served as a director of First National City from June 24, 1952 to March 31, 1958. In assuming Presidency of The Anaconda Company in April of this year, Mr. Brinckerhoff was also elected a director of the company and President of three subsidiaries — Chile Copper Company, Chile Exploration Company and Andes Copper Mining Company. He is a director of The American Brass Company.

C. M. Brinckerhoff

* * *

Donald D. Couch has been appointed to the advisory committee at the 42nd Street branch of the **Chase Manhattan Bank, New York**, it was announced by George Champion, President.

* * *

Edgar R. Banker, Charles R. Cox, Andre Meyer, and George D. Woods were elected to the Board of Chase International Investment Corp., foreign financing subsidiary of the **Chase Manhattan Bank, N. Y.**

* * *

The Chase Manhattan Bank, New York, opened a new branch May 29 in Bayamon, Puerto Rico. With branches already operating in Santurce, San Juan and Rio Piedras, the new office gave Chase Manhattan four branches in the Commonwealth.

* * *

Truxton B. Pratt, with the Municipal Bond Division of **Banker's Trust Company, New York,** was named an Assistant Vice-President, it was announced May 28, by William H. Moore, Chairman of the Board.

Simultaneously, Mr. Moore made known the appointments of George G. Grim to Assistant Trust Officer in the Personnel Services Division of the Trust Department; Morgan J. Murray to Assistant Treasurer in the Machine & Methods Division of the Controller's Department and of Ronald G. Wickham to Assistant Secretary in the Pension Operations Division.

Mr. Pratt joined Bankers Trust Company in 1950. He was named an Assistant Treasurer of Bankers Trust Company in 1955.

Mr. Grim started with the company in 1946 and has been associated with Trust Department work since that date.

Mr. Murray began his career with Bankers Trust Company in 1935.

Mr. Wickham joined Bankers Trust Company in 1954. He has been with the Pension Operations Division of the Trust Department since beginning work with the bank.

* * *

The First National City Bank of New York opened a new branch in Valencia, Venezuela June 4. The new branch is the Bank's 72nd overseas, 50th in Latin America and 4th in Venezuela.

Richard P. Valelly will be in charge of the branch. He joined First National City in 1947 and following a tour of duty with branches in Puerto Rico and Columbia he was assigned to the Caracas branch in 1950.

Valencia is located 100 miles west of Caracas and has a population of 125,000. It has already attracted some of the best known United States companies in many fields.

* * *

Irving Trust Company, New York, announces the appointment of Eric P. Anderson as Representative for Asia with headquarters in Hong Kong. Mr. Anderson will open temporary offices on or about Sept. 1 at 8 Queen's Road Central, Hong Kong.

* * *

The Broadway office of the **Industrial Bank of Commerce, New York** will move in August to 100 Church Street, at the corner of Park Place.

* * *

Merger of the **Lynbrook National Bank and Trust Co., Lynbrook, N. Y.,** into the **Central Bank and Trust Company, Great Neck, N. Y.** approved on June 2 by stockholders of both institutions. Allan B. Wright, Chairman of the Lynbrook National, will become Chairman of the Board. William A. Kielmann will remain President.

Approval by the New York State Banking Department its final step in the consolidation is expected by the end of this week.

* * *

The First National Bank of Scotia, N. Y. increased its common capital stock from $300,000 to $330,000 by the sale of new stock, effective May 19, (Number of shares outstanding — 13,200 shares, par value $25).

* * *

Merger certificate was issued approving and making effective as of the close of business May 16, the merger of **The First National Bank of Owego, Owego, N. Y.,** with common stock of $150,000, into **First-City National Bank of Binghamton, N. Y.,** with common stock of $2,500,000. The merger was effected under the charter and title of "First-City National Bank of Binghamton, N. Y."

* * *

A proposal for merger of **Vermont Savings Bank** into the **Vermont Peoples National Bank of Brattleboro, Vt.,** has been approved by directors of both banks. Stockholders of the two banks will vote on the merger at a meeting on June 9. The merged institution would have total resources of over $42,000,000. The

Continued on page 32

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury's offering of an 11-month 1¼% certificate of indebtedness, and a six-year eight-month 2⅝% bond to take care of $9,556,000,000 of securities coming due on June 15 was in line with expectation since the money market had been looking for a certificate and a short bond. On the other hand, the $1 billion of new (deficit) money which the Treasury raised through the sale of the 3¼s of 1985 had a tinge of surprise to it. New money financing by the Treasury was being looked for by the financial district because of the Government's mounting deficit, but not just at this time.

The short certificate and the short bond or intermediate-term issue being offered by the Treasury in the June 15 refunding will definitely appeal to the commercial banks. Others that may need shorter maturities will most likely shift into Treasury bills. The size of attrition, in the refunding operation is not expected to be too large even though a fair amount of cash payments for the June 15 maturities are being looked for.

Long Bond Not Expected at This Time

The Treasury did some combination work and this time they again surprised the financial community, at least to some extent, by offering a 3¼% bond for new money in the amount of $1 billion in order to meet part of the June 30 deficit. There had been more than a small amount of talk around about what combinations were within the realm of possibility in the June operation. However, it had been fairly well agreed in most quarters of the money market that a long-term bond could be part of the "basket" deal (but not a sure bet by a long shot), which would be offered to holders of not only the June maturities, but also those of August and September.

A long-term bond for new money purposes only had not been given too much consideration by the financial district, even though it was never entirely out of the picture, because of the Government's need for cash to meet its operating expenses. It seems as though a long-term Government bond for the raising of new money had become more or less associated with the new fiscal year, which begins July 1.

New Bond Well Taken

This 3¼% bond runs for 26 years and 11 months, coming due on May 15, 1985, and was offered at 100½ to yield 3.22% to maturity. This is a real long-term issue, with a definite maturity date, and will compete with the 3¼s of 1978-1983, the 3½s due 1990 and the 3s of 1995. The amount of the offering was not large, and even though it has had a minor retarding influence on outstanding corporate and tax-free obligations, it went over very well and will fit nicely into the outstanding Treasury bond list.

The offering of a 3¼% obligation at a small premium of ½ of 1% was intended at least, according to advices, to keep the so-called "free riders" at a minimum and in this way give legitimate investors an opportunity to get all of the bonds they needed.

Other Issues Attractive to Banks

The 3¼% due 1985 will lengthen the average maturity of the Government debt, but since this was a new money raising issue it did not extend the maturity of the debt coming due in June. This will be accomplished only to the extent that owners of the June 15 maturities exchange their holdings for the six-year, eight-month 2⅝% bond. This issue, along with the 11-month certificate of indebtedness bearing 1¼%, make up the offer which was given to the owners of the June 15 obligations. The refunding issues should have considerable appeal to banks and those who are interested in short- and medium-term Government securities.

It is evident, even in spite of the strong position of the Government market, that there will be some attrition in the June refunding, and it may be that part of the new money obtained through the sale of the 3¼s of 1985 will have to be used to pay off June 15 maturities.

Mixed Attitude on Long Bond Now

The use of a long-term Government bond in only a limited amount to raise new funds brings with it pros and cons, and the feeling is strong in certain quarters of the financial district that the 3¼% obligation should have been left for some time in the future, when economic conditions are not so much on the defensive as they are now. It is the opinion of more than one money market specialist that the debt management policy of the Government should be more clearly drawn and defined and in that way its effectiveness would be much greater.

Huge Deficit Implies Continued Money Ease

The new fiscal year of the Government which starts soon is bringing with it predictions of a very large deficit, even as much as $11 billion. If these estimates should be high, and the deficit is quite a bit less, it will still mean large sums of new money will have to be raised by the Treasury. T is certainly indicates easy to easier money rates for the foreseeable future.

Christensen With Cass

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ansgar M. Christensen has become associated with Quincy Cass Associates, 727 West Seventh Street, members of the Pacific Coast Stock Exchange. Mr. Christensen previously conducted his own investment business in Glendale.

Eli Levine Opens

Eli Levine is conducting a securities business from offices at 225 West 34th Street, New York City.

Two With Marache Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—William N. Devona and Sam Kappe are now with Marache, Dofflemyre & Co., 210 West Seventh Street, members of the Pacific Coast S. E. Both were formerly with M. J. Ross & Co., Inc.

Mitchum, Jones Adds

SAN FRANCISCO, Calif.—William M. Spencer, Jr., is now affiliated with Mitchum, Jones & Templeton, Russ Building.

International Uncertainties And One's Investment Portfolio

By ROGER W. BABSON

Postulating a prolonged period of international uncertainty in foreseeable future, financial publisher Babson recommends a wide diversification in common stocks. He poses the possibility of "48-hour war" between USSR and USA; discusses alternatives to the present stalemate; and doubts "cold-war" can continue indefinitely.

I am convinced that international developments and the threat of World War III will have a great influence on our economy during the next few years. Events occurring abroad will be increasingly important factors in determining business, economic, and investment trends here in the United States.

Roger W. Babson

I do not expect a "World War III" in the near future. But the *threat* of a "48-hour War" between Russia and the United States is very real. A Korean-type war could also come at any time. So explosive are international conditions that a 48-hour War between Russia and the U. S., if it comes, would most likely start from accident or unauthorized shooting. Under such circumstances, it is folly not to be well prepared for any fighting that may occur and for the atomic "fallout" that would accompany it. I predict that a "48-hour War" with Russia would be fought from atomic submarines and airplanes. If we are to survive it, we must be *economically* as well as *militarily* strong.

The "cold war" cannot continue indefinitely. The possibilities in new nuclear weapons make a negotiated "peace" or "arms limitation" probably impracticable. Of course, we could make an agreement with Russia on existing weapons. But could we be sure the Soviets would respect such a pact? And how could we forestall new nuclear developments in and by other nations? I do not believe either Russia or the United States will abandon such research and development work.

What Are the Alternatives to a 48-Hour War?

Some observers contend that the present stalemate will resolve itself by Russia becoming more conservative and the U. S. and Great Britain becoming more socialistic. Logically, such a course would result in these three nations federating. It all sounds fantastic to me. If it ever comes, I forecast that such a "federation" is far in the future.

Another alternative to war would be the emergence in Russia of a less ruthless, though probably still leftist, form of government. In my opinion, there is no immediate hope of this happening. Still a further alternative to war would be the appearance of a strong coalition of nations other than Russia and the U. S. as a third formidable world force. Nasser's federation of Arab states is not nearly big enough for such a task, but it is possible Britain, France, and West Germany together might eventually exert a new commanding influence.

Period of Uncertainty Will Persist

None of the alternatives to World War III or a 48-hour Russia-U. S. War, or to a continued "cold war," are likely to happen soon. So we must be prepared to make the best of what will be a more or less prolonged period of uncertainty in international affairs. At home, I predict we shall endure more inflation, with the value of the dollar trending steadily, though not rapidly, downward toward 25 cents.

In the light of these conditions, I favor wide diversification in stock market investments at this time. Certain retail chain store securities look good to me due to geographical distribution; but I would hold only two or three of the big transcontinental railroads. Railroads generally are faring poorly and will probably do worse except, of course, if war comes. I expect doubling of electric power output in coming years. But I would not care to invest heavily in public utilities stocks because they could suffer from inflation and/or war.

Bond Outlook Less Favorable

Since the underlying trend is toward more inflation, I do not favor long-term investments in bonds generally. This does not necessarily apply to those U. S. bonds which the government will accept at par value for payment of estate taxes. Of course, I do not mean bonds would not pay off—but it would be in *depreciated* currency.

I repeat, the best investment policy today is a wide diversification in common stocks. Some land holdings in America's "Magic Circle" and a reasonable cash reserve are also desirable. The diversification in stocks could, of course, be obtained by purchasing some shares of mutual funds, but I do not advocate this. With mutual funds, your eggs are all in one basket. In a rapidly falling market, you might find it impossible to sell before it was too late. There could be a run on mutual funds as there was on bank deposits in 1933.

N. Y. Bond Club Golf And Tennis Tourney

Wall Street's golf and tennis championships will be at stake tomorrow (June 6) at the annual Field Day of the Bond Club of New York. Both tournaments will be played at the Sleepy Hollow Country Club, Scarborough, N. Y. Several hundred of the financial district's best golf players will compete for three Bond Club trophies—the Ex-Presidents' cup for low gross, the Candee cup for low net and the Christie cup for match play vs. par. H. Lawrence Parker of Morgan Stanley & Co., as chairman of the golf committee, will be in charge of the tournament.

A round-robin tennis tournament for the Bond Club doubles championship will be directed by Philip D. Baker of White, Weld & Co.

Other sports events at the outing include a golf clinic, hole-in-one contest, putting contest, fly casting contest and horseshoe pitching tournament.

Now With Taylor & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Edward O. Chandler has become associated with Taylor & Co., 439 North Bedford Drive. He was previously with Dempsey-Tegeler & Co.

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World Lead and Zinc Production And Consumption in 1957

By JEAN VUILLEQUEZ*
Vice-President, American Metal Climax, Inc.

In his review of world lead and zinc production and consumption, American Metal Climax executive calls for "discipline by governments and large corporations to prevent a recurrence of overproduction of lead and zinc." Mr. Vuillequez recommends development of statistical information and tools to provide advanced warning to allow proper measures regarding price, production, and stocks. Details changes in inventories, production, stockpiling, etc., in individual countries.

There are numerous sources of lead and zinc statistics. In the United States we have the Bureau of Mines and the industry associations such as Lead Industries Association, American Zinc Institute and American Bureau of Metal Statistics, and others. Abroad we have the British Bureau of Non-Ferrous Metals, Metallgesellschaft, O.E.E.C., Minerais et Metaux, U. N. and many others. There is also information which is obtained by companies with wide international connections such as mine. One good method is to use only one source of statistics on the principle that while it may be inaccurate in certain cases, it should present a reasonably accurate trend.

Jean Vuillequez

Another method, and this is the one I have selected, is to choose from the available sources, including our own, all those which in our judgment are more accurate. I am not at all sure that our way is more accurate than any other source, but I hope it is. Some of the comparisons I shall make may be different from other available statistics. If you have any questions on our figures you are welcome to communicate with us. We are very much interested in improving our statistics.

Production and Consumption Of Lead

During 1957 the Free World mine production of lead and secondary recovery combined was about the same as during 1956. Smelter production from primary and secondary material increased slightly by about seven-tenths of 1%.

The apparent consumption of the Free World declined by about 2½%. Consumption was supplemented by purchases by the United States Government and competed for by releases from the stockpile of the United Kingdom. Stockpile demand on balance was about the same as during 1956. Despite United States Government purchases for the stockpile and barter programs, inventories of pig lead increased by about 100,000 tons. There was a compensatory reduction of about 50,000 tons of the stocks of lead in ores and concentrates.

In the United States, mine production and secondary recovery declined by about 7%. Smelter production from primary and secondary materials declined by 2½%. Stocks of refined lead increased by about 50,000 tons.

The highlights, country by country, for mine production of lead were a decrease of 5.7% in the United States and of 4.8% for North America. All other countries in North America reduced production except for the small productions of Guatemala and Honduras. Greenland, a new producer, increased its production.

South America's production increased by about 7%. The largest increase, 8½%, came from Peru. This was about 11,000 tons.

Europe increased its production by about 3½% or 12,000 tons. The largest increase came from West Germany.

Production in Asia was about unchanged. African production increased by about 2¾%. The chief increases came from French Morocco and South West Africa aggregating about 8,000 tons.

Australia's production increased by nearly 12% or 37,000 tons.

Apparent consumption of the United States declined by about 7½%. Consumption in Canada and Mexico declined by about 15 and 33%, respectively.

United Kingdom and French consumption fell by about 2½%. Consumption in Australia also declined—about 11%.

Increases in consumption of about 9,000 tons were registered in Argentina, Brazil and other South American countries equivalent to about 25%. Belgium, Finland, Germany and Italy increased their consumption by an aggregate of about 30,000 tons. Asian consumption, particularly in Japan, increased by about 18,000 tons. For Japan the increase was about 22%. African consumption increased by about 5,000 tons.

Production and Consumption Of Zinc

After deducting requirements for chemicals, zinc mine production of the Free World showed an increase of less than 1%. Smelter production increased by about 2½%. Deliveries to the United States stockpile were higher than in 1956. Net stockpile increment was about the same after deducting a small tonnage released by the United Kingdom. Inventories of slab zinc increased by over 100,000 tons. About 90% of the increase of these stocks was in the United States. This was offset by about 70% by reductions in stocks of zinc in ores and concentrates in the United States and the United Kingdom. Our knowledge of stocks of ore in other countries is insufficient to permit us to cite authoritative figures.

Mine production in North America declined about 3%. Mine production in South America declined by about 1%. There were reductions of mine productions in Germany and the Belgian Congo.

Increases were registered in Finland, Italy, Sweden and Yugoslavia. These increases were individually large in percentage. In the aggregate they amounted to about 35,000 tons of recoverable zinc. Japan also increased its mine production by about 10%, Africa, chiefely French Morocco, increased by about 1%. The increase of production in Australia amounted to about 4½%, equivalent to about 13,000 tons.

Smelter production was about unchanged in United States and declined by about 3½% in Canada. The only other decreases in smelter production occurred in Germany and the United Kingdom. These decreases totaled about 10,000 tons.

Peru increased by about 23,000 tons. This increase represented chiefly the smelting in Peru of concentrates which would otherwise have been exported to other smelters. European smelter production increased by about 4½% combined in Yugoslavia, France and Belgium. Japan showed a slight increase. In Africa, the Belgian Congo increased by about 20%, equivalent to approximately 10,000 tons. Australia increased by about 5%. On the consumption side we estimate there was a decrease of about 6½% in the United States and 13½% in Canada.

Most other countries increased or maintained their consumption. The increase in France was about 15%, in Italy about 25%, Germany about 7%, and there was a slight increase in the United Kingdom. There were significant increases totaling about 35,000 tons in India and Japan. Australia also increased its apparent consumption by about 12%.

International Movements of Lead and Zinc

I have had prepared a few slides which I would now like to discuss briefly. In preparing these charts we set certain minimum limits on production, consumption and exports and disregarded quantities less than these limits.

The first chart shows mine production and consumption of lead during 1957. It illustrates that, except for the United States, lead is produced in countries which have relatively small or no consumption. In other words, the industrialized countries of the world, except for Canada and Australia, are importers of lead.

The consumption figures on the chare include consumption of lead from secondary recovery. Therefore, particularly for the United States, the difference between the two bars does not represent the exact need for lead from foreign sources. During 1957 the United States consumed about 300,000 tons more than its mine and secondary production.

The next slide shows the intercountry shipments of lead ores, concentrates and matte during 1957. This shows that the largest importer of this raw material, or to put it the other way around, the country which needs the greatest amount of foreign raw material for its smelters and refineries, is the United States. Germany, France, the United Kingdom and Japan are the other large importers of lead ores and concentrates.

In our charts we have accounted for international trade in lead ores and concentrates during 1957 of about 400,000 tons of lead content. The international movement of pig lead was substantially higher than that—about 700,000 tons. Intercountry shipments of pig lead are shown on the next slide.

The first point we might note from this chart is that Australia is the chief supplied to India, Japan and New Zealand. The only important competitor of the Australians in the Japanese market was Canada.

The arrows to Europe, the smaller from Peru and Mexico and the larger from Canada, totaled about 105,000 tons. The large arrow from Australia to the United States and the smaller from Yugoslavia and Morocco to the United States totaled about 145,000 tons, of which Australia accounted for nearly 100,000 tons.

Because we eliminated smaller shipments which in the aggregate are of some significance, our totals do not account for the entire international trade. Diversion of Mexican, Peruvian and Canadian lead to the United States, and of Australia lead to Europe, would have been profitable from the point of view of shipping costs. The reasons for these movements, which appear to favor ocean at the expense of railroad transportation, are complex and do not need explanation to this sophisticated audience.

The chart of mine production and consumption of zinc also shows that most industrialized countries produce less than they consume. This is not surprising if we remember that lead and zinc usually occur together in the ground.

The total on our chart of international shipments of zinc ores and concentrates was about one million tons zinc content whereas the intercountry shipments of slab zinc totaled about one-half million tons. Please note that this is different from lead. Pig lead is more important in international trade lead concentrates.

The Western Hemisphere is the most important supplier of zinc concentrates to United States smelters. Australia, Morocco, Algeria and the Belgian Congo are the important suppliers to European and Japanese smelters.

The next slide of intercountry shipments of slab zinc shows that the United States imports also come chiefly from Canada, Mexico and Peru. However, during 1957 the Belgian Congo, Australia, Yugoslavia, Belgium, Germany and Italy, combined, exported to the United States more than Canada did. Belgium and the Congo combined accounted for about two-thirds of these exports.

The shipments from Peru and Mexico to Europe were either insufficient to be visible on a chart of this size or the available statistics do not disclose their destinations.

Prices of Lead and Zinc

I have two more charts which compare the prices since 1954 through early April 1958 of the two price leaders of the world—the United States and the United Kingdom. In comparing these prices I have to use the word which has properly been taboo in meetings of Lead Industries Association and American Zinc Institute—tariffs. But I only use it to express the thought that the relationship of the prices during this period is not distorted by changes in United States import duties. Both charts show what happened when bartering started late in 1955 and when it stopped in April of 1957. They also indicate that the zinc price, except for the second half of 1957 to date, tends to fluctuate more widely than the lead price. The difference between Unitd States and London prices is usually greater for lead because the United States import duty on pig lead is about ⅜c per pound more than on slab zinc.

United States Imports

United States imports of lead in ore during 1957 were about the same as during 1956. Imports of pig lead showed a sharp increase of about 60,000 tons. Imports of zinc concentrates were about unchanged but those of slab zinc increased by about 25,000 tons. We estimate that the United States Government's share of the imports was about 60,000 tons of pig lead and about 65,000 tons of slab zinc.

Communist Bloc

While there have been numerous estimates of production in Iron Curtain countries, the only indication of their position is their actions in international trade. The Department of Commerce has data on trade between the Free World and the Communist Bloc. The last figures are for 1956. These indicate Iron Curtain imports of pig lead about 15,000 tons and about 11,000 tons of lead alloys and chemicals. They imported about 31,000 tons of zinc ores and concentrates or, say 15 to 16,000 tons recoverable zinc. They exported about 20,000 tons of slab zinc and about 9,000 tons of zinc alloys and chemicals.

The indications are that Russia exported lead during 1957 and increased its exports of zinc. The tonnages are still not large when compared to the Free World's consumption. However, the Russians practice destructive price policies which have a depressive effect on the Free World's price structure. For example, the highest grade of zinc has been sold in Europe by the Russians at below the price of the lowest grade. While Communist Bloc metals have not been sold to United States buyers, their sales in Europe have increased the competition for Free World markets.

The studies of East-West trade we have made indicate that although Iron Curtain countries sell at cheap prices and buy at high prices, the balance of trade is consistently in their favor.

Uses

We have some but unfortunately quite incomplete, information on the Free World pattern of consumption during 1957. In the United States the use of lead for cables, pipe, traps and bends, sheet and tetraethyl declined more than the average. The downward trend for cables continues. In view of the recession it is, I think, gratifying that the use for storage batteries declined by only 3%.

In Germany all uses increased about the same as the average except for sheet and pipe which showed a decrease. The United Kingdom showed a slight increase for batteries and cables and decreases for sheet and pipe, solder and other uses. All uses in Japan increased except for pigments.

The United States consumption of zinc was somewhat higher for die castings but substantially lower for galvanizing, rolled zinc and brass products. Zinc oxide showed a slight increase. In Europe die castings continued to show important increases mainly because of the busy automobile industries in the United Kingdom, Germany, France and Italy. Aluminum die castings did even better than zinc die castings except in the United Kingdom where aluminum was proportionately less. The galvanizing industry showed little change in Europe. Japanese consumption of slab zinc showed increases of all uses, the greatest being in die castings.

Outlook

The main reason for the decline in lead and zinc prices during 1957 was not Russian sales or reduced consumption but continued overproduction in the Free World. The chief stimulant to this overproduction in my opinion has been purchases by the United States Government. These purchases were sharply reduced and now appear to be ending completely. I hope they do. There have been many announcements here and abroad of production curtailments by mines, smelters and refineries of lead and zinc. Added up they show a very large reduction in slab zinc production and a moderate one for refined lead.

During 1957 the apparent Free World surplus of pig lead and slab zinc, exclusive of purchases by the United States Government, was about 200,000 and 340,000 tons, respectively. According to our estimates, which are admittedly open to question, the current rate of zinc smelter production on an annual basis is somewhat lower than the Free World's apparent consumption during 1957. However, it is higher than the current depressed rate of consumer demand. This is evident in the United States from the last statistics of American Zinc Institute which reported a further increase of stocks of about 14,500 tons after deliveries to the United States Government of about 8,800 tons.

Our estimates of lead production indicate that smelter production of primary and secondary is still running at a rate in excess of 1957 apparent consumption. However, the margin of error in estimates for lead may be much greater than for zinc. It is difficult with the available information to appraise with any degree of accuracy what secondary re-

*An address by Mr. Vuillequez before the Joint Session of the American Zinc Institute, Inc. and Lead Industries Association, St. Louis, Mo

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covery may amount to under present market conditions.

It appears therefore that the current rate of production can be maintained only if consumer demand improves. It is particularly in the United States that demand has declined. It is therefore to this country that we should look for better buying of automobiles, appliances, homes and thus of lead and zinc. The reduced demand chiefly from the United States Government and depressed prices resulted in requests for government relief in some form or another, in emotional and invidious comparisons, and in a deterioriation of the relations between the United States and needed foreign suppliers. Much new legislation has been presented calling for all sorts of remedies from huge additional purchases by the United States Government to measures which would severely restrict imports into the United States. All remedies so far presented, in my opinion, are bound to be self-defeating. They would either be so restrictive as to reduce consumption or manufacturing in the United States or would not protect those who really deserve help.

If I may quote from our annual report—"Adequate and appropriate measures should be adopted so that procurement of these needed materials from abroad will be possible on a basis that neither raises the cost of goods to all consumers nor prevents basic domestic industry from remaining viable and profitable."

It is not government protection or interference that will help us. What we need on a world-wide basis is discipline by governments and large corporations to prevent a recurrence of overproduction of lead and zinc. Recently the London "Economist" observed, with much wisdom in my opinion, that the present recession is a major depression to the raw material producing countries and industries.

The Business and Financial Editor of the New York "Herald Tribune" in his recent analysis of the recession said in part:

"Almost all students of the economy are agreed that the reason for the business slump was—and still is—overproduction. Secondly, it is agreed that that corporations overproduced because most of them have no way of measuring the amount of inventory in the pipe lines or surveying the sales potentials in their markets."

"Government control, no matter how it's handled, is a trend toward socialism. This is the fact, regardless of what it's called."

"Unless . . . voluntary methods for controlling production, inventories and plant capacity (are developed), the government may be induced by organized labor to institute mandatory limitations on the growth of the industrialized economy."

The Lead Industries Association and American Zinc Institute are working on a program of research for the expansion of the uses of the two metals. This will be a long term project which should eventually pay dividends.

There is another tool which in my opinion would be of substantial value in avoiding large overproduction, wide price fluctuations and as a guide to management in deciding production or expansion policies. This is the statistical tool which to my mind has evolved slowly in all countries, including ours.

We should strive first of all to define in the same common denominator the statistics we need to make more accurate decisions. We should know more of the output of lead and zinc in end use products such as automobiles, refrigerators, washing machines, etc. We should have more accurate knowledge of scrap generation and stocks. We should have figures currently which show how much lead and zinc is bought by the consumers of the end products. This would give us lead time and a better opportunity to discern the trend and to take proper measures to help us maintain better stability of price, production and stocks.

What I am suggesting in the statistical field would not be sufficiently meaningful for such international commodities as lead and zinc unless it included all of the large foreign producers and consumers of these two metals. The speed of our economy today, of technological advances and of communications, makes it imperative that we have a quicker, more complete and better knowledge of the uses and distribution of our metals.

Twenty-Three Banks Joined ABA During May

Twenty-three banks and branch offices in 18 states joined the American Bankers Association during May, according to the monthly report of Frank W. Thomas, Chairman of the Association's Organization Committee. Mr. Thomas is President, Washington Loan & Banking Company, Washington, Ga.

The new A.B.A. members are:

ARIZONA: First National Bank of Arizona, 29 Street Office, Yuma.

CALIFORNIA: Greenfield State Bank, Greenfield Office, Bakersfield; United States National Bank of San Diego, California Lake Office, Pasadena; United States National Bank of San Diego, Lake-Washington Office, Pasadena; United States National Bank of San Diego, Pasadena Main Office, Pasadena.

CONNECTICUT: Hartford National Bank & Trust Company, Farmington Village Office, Farmington.

FLORIDA: First National Bank of Melbourne, Melbourne.

ILLINOIS: Little Fort Bank & Trust Co., Waukegan.

IOWA: South Des Moines National Bank, Des Moines.

LOUISIANA: Calcasieu-Marine National Bank, South City Branch, Lake Charles.

MINNESOTA: Atwater State Bank, Atwater; Currie State Bank, Currie.

MISSOURI: Farmers Savings Bank, Clifton Hill.

NEBRASKA: Elm Creek State Bank, Elm Creek; Security State Bank, Oxford.

NEW HAMPSHIRE: New London Trust Co., New London.

NEW JERSEY: The Midland Bank, Bergen Mall, Paramus.

NEW YORK: Bank of North America, Kings Highway Office, Brooklyn.

OKLAHOMA: North Side State Bank, Tulsa.

OREGON: First National Bank of Portland, Rockwood Branch, Portland.

SOUTH CAROLINA: Williamsburg State Bank, Kingstree.

TEXAS: Diboll State Bank, Diboll.

WASHINGTON: National Bank of Commerce of Seattle, Capitol Hill Branch, Seattle.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Vincent J. Bonofiglio has become affiliated with Walston & Co., Inc., 9731 Wilshire Boulevard. He was previously with Daniel D. Weston & Co., Inc.

Joins Daniel D. Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Carlton Sand has become connected with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange.

With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Phyllis A. Lake has become connected with E. F. Hutton & Co., 219 East Broadway.

Joins James Fallon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Dennis G. Merenbach has become connected with James L. Fallon Co., 7805 Sunset Boulevard. He was previously with Bennett, Gladstone-Manning Company, and Boren & Co.

Texas Eastern Pfd. Stock Marketed

Dillon, Read & Co. Inc. heads an investment banking group which on June 4 offered 150,000 shares preferred stock, 5.80% series, $100 par value and 100,000 shares preferred stock, 5.35% subordinate convertible series, $100 par value, of Texas Eastern Transmission Corporation.

The 5.80% series preferred stock is priced at $100 per share and is entitled to a sinking fund which provides for retirement, either by redemption or by purchase, during each 12 months' period commencing with the 12 months' period ending May 31, 1964, of 2½% of this series outstanding on May 31, 1963, and after May 31, 1973, 5% of this series outstanding on May 31, 1973, 5% of this series outstanding on May 31, 1963. The sinking fund redemption price is $100 per share. The 5.80% series preferred stock is also redeemable at the option of the company at prices ranging downward from $110 per share through June 1, 1963, to $100 per share after June 1, 1975.

The 5.35% subordinate convertible preferred stock is priced at $100 per share and is convertible into common stock at $31 per common share on or before May 31, 1963, and at $33 per share thereafter and on or before May 31, 1968, subject to earlier redemption. The convertible preferred stock is redeemable at prices ranging downward from $105.25 per share to $100 per share after June 1, 1979.

Proceeds from the sale of these securities will be used in connection with the company's 1958 construction program, including a $49,000,000 expansion program under which approximately 100 million additional cubic feet of gas per day would be delivered to certain of the company's present customers commencing with the 1958-1959 winter season. Upon completion of the program the company's system capacity will be increased to 1,860 million cubic feet per day, including deliveries from its gas storage facilities.

The company has under consideration other plans for constructing additional facilities relating to its gas transmission and petroleum products transportation systems during 1958, and if all such plans were carried out, the company estimates they would cost approximately $35,000,000.

Now With Lloyd Arnold

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John A. Armstrong, Jr. and M. S. Carroll are now with Lloyd Arnold & Company, 364 North Camden Drive. Mr. Armstrong was formerly with T. R. Piersol & Co. and prior thereto was local manager for Francis I. du Pont & Co. Miss Carroll was previously with T. R. Piersol & Co.

Webb Wilson V.-P. Of Chase International

The appointment of Webb Wilson as Vice-President of Chase International Investment Corporation has been announced by Robert H. Craft, President of the corporation. C.I.I.C. is the wholly-owned foreign financing subsidiary of the Chase Manhattan Bank.

An experienced corporate and investment banking executive, Mr. Wilson was associated for many years with the former investment subsidiary of Guaranty Trust Company and thereafter with Edward B. Smith & Co., More recently he has been with Eastman Dillon, Union Securities & Co. and with Aviation Financial Services, Inc., a subsidiary of Smith, Barney & Co. He also has served as an officer and director of Kaiser Motors Corp. and the Fairchild Engine and Airplane Corporation.

W. W. Johnston With Williston Beane

J. R. Williston & Beane, 115 Broadway, New York City, members of the New York Stock Exchange, today announced that Walter W. Johnston has joined its staff as assistant to the directing partner. Mr. Johnston was formerly associated with Merrill Lynch Pierce, Fenner & Smith.

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- CALL LOAN RATES
- DOW, JONES STOCK AVERAGES
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A Long Look at the Economy

By PIERRE S. du PONT, 3rd*
Secretary and Member of the Board
E. I. du Pont de Nemours & Company

The business decline will end as soon as confidence returns and people cease deferring purchases "perhaps as a result of some action taken in Washington, perhaps in spite of it," Mr. du Pont opines. In turning to the long-term outlook, the chemical firm's executive believes the amazing industrial progress witnessed during our lifetime has just begun—providing we do not endanger the conditions under which it has flourished—and that within ten years our difficulty will be labor force shortage. Urges we improve our educational standards, preserve our vital freedom and seek a better understanding of our economy.

I do not have the slightest idea whether the short-term economic trend will be up, down, or even sideways. Despite the guessing that is going on, I don't believe anyone else knows, either, including Congress and all the economists.


Pierre S. duPont, III

We do know the present economic slump is sharper than almost anyone anticipated except the perpetual prophets of gloom. One of the principal reasons for this is the simple fact that we enjoy an economy of abundance rather than scarcity. The vast majority of the people of the United States have a standard of living which gives them not only the essentials of food, clothing, and shelter, but also the ability to buy automobiles, washing machines, television sets, and many other conveniences which even royalty would have regarded as luxuries in the not too distant past.

What we have in this country is a substantial pool of purchasing power which can be spent at the discretion of the people. The timing of this spending has a great deal to do with the short-term state of business. It is the decisions made by tens of millions of Americans on when—not whether — to make purchases which determines whether current business is good or bad. When the overwhelming sum of these decisions is to buy now, we have a boom, and when it is to buy later, we have a slump. And unfortunately, the slump influences those who otherwise would buy now to postpone their own purchases.

I wonder how many people who had planned to buy a new car this year, or a new house, a new refrigerator, or even a new suit, decided to put it off for a while. The precise reason for these decisions may vary, and it is relatively unimportant. It might be because we don't like the 1958 models, or prices seem too high, or more probably, because we have been led to believe business was certain to slide a little bit after the dizzy climb of recent years. Whatever the reason, a lot of us decided to keep a tighter rein on the purse strings, and as a result, certain lines of industry have been hit hard.

The Businessman's Contribution

It has been said, and properly, that to those who have been thrown out of work, this is not a recession but a depression. Strangely enough, accusing fingers have been pointed at businessmen, even though they are more reluctant than any element in our society to take any steps which result in a loss of production. The American business system also is still providing good jobs at high wages for more than 62,000,000 Americans, and in certain lines of industry, this is undoubtedly the most prosperous recession in history. It should also be remembered that business made it possible for us to have a country rich enough to cushion the blow of temporary unemployment with unemployment insurance and public assistance. The money for these purposes came from taxes on business, with government acting only as the tax collector and paymaster, but this is conveniently forgotten by our critics.

I wish we had more Americans with the insight and understanding of the Illinois farmer who was asked whether he wouldn't like to receive a government check for not growing corn on part of his acreage. "Can't say I would," he replied, "because I don't see how the government can send me a check without me first sending a check to the government."

Too many of us, including some businessmen, I'm afraid, have the mistaken idea that what we get from the government is "free." The fact, of course, is that no government can give unless it first takes. The American people are beginning to find that out the hard way. For a while, we were victims of the cruel hoax that government could do something for everyone by "soaking the rich." But even when the rich were soaked by taxation taking up to 91% of their income, it was found this provided only a trickle of the revenue needed for skyrocketing Federal budgets. It was necessary to soak someone else, so today, the average American finds himself working at least one day out of four to pay his Federal taxes. There isn't any other way to get the money, and this is worth remembering whenever anyone proposes some new program for Federal spending. All of us will pay a share of the bill, either in taxes or inflation.

The Outlook

This brings me back to the reservation mentioned previously about my optimism toward business progress. The short-term situation will take care of itself when the family automobile wears out, or the real head of the family decides she can't wait another day for a new refrigerator or a living room rug, or when the breadwinner decides to stop worrying over the possibility of a layoff. Some day there will be a return of confidence just as there has been so frequently in the past—perhaps as a result of some action taken in Washington, perhaps in spite of it. To paraphrase an old saying, some of the people are pessimistic all the time, all are pessimistic some of the time, but not all of them are pessimistic all of the time.

As for the long-term, I have complete confidence the amazing industrial progress witnessed during our lifetime has just begun—provided we have the courage, the understanding, and the intelligence, as a nation, to preserve the conditions under which it has flourished.

Every thinking American, I believe, would agree this progress must continue, not only for our mutual welfare, but because the industrial strength of this nation is the best guarantee we could possibly have against the threats of the international communist conspiracy. What troubles me is whether we have suffieient understanding of this, and of the requirements for dynamic economic growth, among the 170,000,000 people who must make the decisions in our Republic.

Economic Growth Requirements

To put it as briefly as possible, there are three major requirements. The first is continuation of our freedom, as individuals, to speak, worship, work, and live as we choose. The second is the continuation of the incentives of a free society in which our reward is commensurate with the contribution we make toward individual or collective welfare. The third is continuation of the constitutional guarantee of an opportunity to make this contribution to the extent that we are either willing or capable.

I am not concerned over the activities of those who openly disparage the American system and urge us to give up our freedoms for communism or some other ism. What does concern me are the more subtle attacks of those who proclaim their loyalty to free enterprise but would lead us into socialism and the authoritarian state as the way to make it work. Or, and this is a recent development, those who would have us adopt the tactics of the Soviet government on the pretense it would strengthen us in our resistance to Russia.

As businessmen, we have a responsibility to expose the fallacies in that kind of thinking, however well-meaning or well-intentioned it may be. We have a responsibility to penetrate the disguises and present the truth to the American people. We must do this over and over again, so that when important decisions are made, the people will be in a position to make an intelligent and understanding choice.

To do this effectively, it will not be enough to rely upon business organizations and their activities, although they are helpful and can be made to be one of our most useful tools. But I doubt whether we will be really successful until every businessman accepts the task of improving understanding as a personal and individual responsibility. The skilled politician knows that if the precincts are organized, the election will take care of itself. So it is in this case, for if every businessman would undertake to convince his associates, his employees, his customers, and his neighbors, we would reach all the people. Moreover, we are most persuasive among those who know us best.

Education and Business

There is another area which I fear is too often overlooked by businessmen. We must recognize the direct link between education and business, as well as their interdependence. Our schools and colleges depend upon tax revenues from business and business employees for financial support; business, in turn, looks to the schools and colleges for a steady supply of its most valuable asset—man and woman power. Here again we seem to have an area of misunderstanding which requires attention.

Something is certainly wrong with economic education when a public opinion survey covering 1,280 seniors in 86 high schools throughout the United States finds that the vast majority believe industry is just a series of monopolies, and the average manufacturer makes a profit of 25%. Something is wrong when 55% of these high school seniors agree with Karl Marx that "the fairest economic system is one that takes from each according to his ability and gives to each according to his needs." Something is wrong when only 39% of these high school seniors believe keeping the profit incentive alive is essential to the survival of our system.

One thing that's wrong became apparent a few years ago when another survey showed that 66% of the social science teachers in our high schools felt business firms and associations should make more of an effort to explain the system to teachers. Since then, I know that much has been done by business and industry, and their associations, to make the facts available to educators. Your program here in Georgia, highlighted by the luncheon today honoring Georgia teachers, is an outstanding example, and you deserve the highest commendation for it.

Objective Information

Let me make something perfectly clear. I do not believe businessmen, either as individuals or as a group, should ever attempt to censor what is taught in our schools. I do believe we should try to be helpful by providing objective information, and by trying to overcome what has been called the "cultural lag" whereby some textbooks portray business in terms of what some portions of it might have been 25 or 30 years ago. Even today I suppose we have scoundrels in some areas of business, but they are not typical, any more than the shyster is typical of our lawyers, or the quack is typical of our doctors.

As businessmen, we owe education something more. I stated earlier of my belief that activities which we undertake through government should be carried on, wherever possible, by those agencies which are closest to the people involved. But just as sure as we are here tonight, if we hope to forestall Federal aid to education, and Federal control of education, we are going to have to put our educational house in order at the local level. If higher local taxes are required to build more schools and pay teachers a decent salary, businessmen should lend their support. We can't expect our teachers to resist Federal subsidies if we make the teachers themselves subsidize the education of our children through low pay.

Never, perhaps, in the history of our nation has a sound educational system assumed the importance it has today. I am not referring now to the clamor that the Russians are doing better than we are in this respect, for I don't believe it. Furthermore, to the extent that they are making progress in education, they are sowing the seeds for their own destruction. Tyranny and despotism are incompatible with education.

I am thinking, instead, of the increasing complexity of industrial technology in the United States — the growing need for more and better engineers and scientists to carry on the search for new knowledge, and to apply that knowledge to develop new products and new processes for our common welfare. We have made great strides since the turn of the century, but we are faced with difficult problems.

Population Growth

What would you think, for example, if it should be proposed to bring into the United States during the next 20 years all the people now living in Canada, Mexico, Norway, Sweden, and Denmark? What would we do with them? Well, what are we going to do with the same number of Americans who will be added to our population if it continues to increase at the present ratio of births and deaths? They will be here, and our economy will have to find some way to look after them. We will have to do it with a relatively smaller work force, for we will have more of the very young and the very old. In fact, people who study this question believe that within 10 years, our difficulty will not be unemployment, even temporary, but finding workers to operate and maintain the machines which will be required to meet our needs.

Natural Resources

A second problem is the depletion of our natural resources. To maintain and improve our standard of living, the present economy is chewing up ores, minerals, and fossil fuel deposits at a fantastic rate. The steel companies, for example, are already spending hundreds of millions of dollars to locate and develop iron ore deposits in Canada and South America to supplement the dwindling domestic supplies. Moreover, we can't depend entirely on imports of materials, for these resources are becoming increasingly unavailable because of the worldwide drive for industrialization of countries which for centuries have only had an agrarian economy.

Let me say the chemical industry looks upon any scarcity of a natural resource as a business opportunity. Tell the research chemist what is needed, and given time, he will find a way to produce a substitute as good or better, such as synthetic fibers, or synthetic rubbers. But the fact remains that we are going to need an enormous amount of research, staggering advances in technology, and tremendous quantities of energy from sources other than fossil fuels to provide our increasing population with the standard of living to which it will have become accustomed.

Can we do it? A recent long-range survey by scientists at the California Institute of Technology holds we can, even in a dimly foreseen era where we may be getting our minerals and chemicals from ordinary rock, our food from the minute organisms of the sea, and our energy direct from the sun or from the fusion of hydrogen from the oceans. Their only reservation, as I recall, was whether our educational system would develop the scientific skills and talents which will be required to create the technologies of that age. To that I would add another: Will we still have the freedom and other incentives which inspire men to do their best?

Education and freedom! This has been an unbeatable combination since it was brought together in our new world. It inspired the American people to push back the frontier until there was no longer any geographical frontier. It brought our continent under the plow to create an agricultural abundance so amazing we now have a problem because it is too bountiful. We easily made the transition to an industrial nation, with a system so flexible we have business organizations of all kinds and sizes, each fitted for the task it is best suited to perform.

Big Business

To those critics who say some of these organizations are getting too big and should be broken up, I merely reply we will need bigger ones in the future. The only difference between a big corporation and a smaller one is in the size of their resources. It is research which gives the American economy its dynamic qualities today, and we will need organizations with capital which only the larger ones can afford to risk, as well as scientific and managerial talent assembled over the years, to undertake the complicated and difficult tasks of the present and the future.

Research is a long and costly gamble. It takes on an average of 10 years for a successful idea in the laboratory to be translated into commercial production. The Du Pont Co. has demonstrated

*From a talk by Mr. du Pont before the Annual Meeting of the Georgia State Chamber of Commerce, Atlanta, Ga.

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its faith in the future by investing $80,000,000 last year in research, although it will be a decade before much of this investment will have a chance to pay off. Other American companies are doing the same thing on a larger or smaller scale.

So I close by urging all to join in doing all we can to maintain an ever-higher quality of American education, preserve our vital freedom, and seek a wider understanding of our business system. The American dream is the first in history to result in benefits for all the people. The American ideal can be realized for us, and for the world.

Consolidated Edison First Mortgage Bonds Offered to Investors

An underwriting group headed by Halsey, Stuart & Co. Inc. made public offering on June 4 of $50,000,000 Consolidated Edison Company of New York, Inc. 4% first and refunding mortgage bonds due June 1, 1988 at 102.655% and accrued interest, to yield 3.85%. The group was awarded the issue at competitive sale June 3 on a bid of 102.0399%.

Net proceeds from the sale of the bonds will be added to treasury funds of Consolidated Edison and applied to retirement of an estimated amount of $10,000,000 short-term bank loans and toward the cost of its construction program.

The construction program for the five-year period 1958-1962 is estimated at $800,000,000, exclusive of the proposed acquisition of three power plants from the City of New York for approximately $85,000,000. The company estimates that of the $800,000,000 program, $450,000,000 will be financed through the sale of bonds, including the bonds offered today. The balance of the required funds will be secured from depreciation reserves, retained earnings and other sources.

The bonds constitute a direct mortgage lien on substantially all of the properties and franchises now owned or to be acquired by Consolidated Edison. They are optionally redeemable by the company at prices ranging from 107.66% to 100% and, for special purposes, at prices ranging from 102.655% to 100%.

Operating revenues in 1957 totaled $552,669,000 and net income was $56,698,000. The company's 1957 fixed charges were earned 4.56 times.

With Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Donald H. Black has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly Sherman Oaks Manager for Waddell & Reed, Inc.

With Kidder, Peabody

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Joseph J. Keon, Jr., has been added to the staff of Kidder, Peabody & Co., 210 West Seventh Street.

Two With Lester, Ryons

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Verner R. Gray and James A. Keating are now with Lester, Ryons & Co., 623 South Hope Street. Mr. Keating was formerly with Francis I. du Pont & Co.

E. F. Hinkle Opens

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Ernest F. Hinkle has formed E. F. Hinkle, Inc. with offices in the Cascade Building to engage in a securities business. Mr. Hinkle was formerly with Merrill Lynch, Pierce, Fenner & Smith.

New Jersey Bankers Association Officers

New officers directing New Jersey Bankers Association in first get-together in Princeton headquarters following election at group's annual convention in Atlantic City May 23. From left, NJBA Vice-President Brice A. Eldridge, President, Hackensack Trust Co.; President Henry Knepper, Chairman, First Camden National Bank & Trust Co.; and Treasurer J. Milton Featherer, Executive Vice-President, Penn's Grove National Bank & Trust Co., Penn's Grove.

Warns Recession May Be Used as Decoy to Promote Harmful Measures

Guaranty Trust calls attention to unique ability of recession to becloud real significance of — and attract — spending and lending cures. Points out that business recessions pass away, but debased money and entrenched bureaucracy tend to remain indefinitely.

The recession may be used as a pretext for the propagation of measures which would be promptly rejected if offered in their true guise, Guaranty Trust Company of New York warned on June 5.

Although proposals for a massive "make-work" program have thus far been successfully resisted, the bank said in the June issue of its business and economic review, "The Guaranty Survey," the effects of such a program are now being sought, and to some extent achieved, by measures already adopted or proposals under consideration.

"Almost all of these schemes are aimed at throwing open the doors of the Federal Treasury for the benefit, or supposed benefit, of States, localities, and even private business and individuals," the "Survey" noted. "They are offered as antirecession measures and thus are given a strong political appeal.

"There is reason to fear, however, that their actual tendency, and possibly their real purpose as well, is not so much to 'cure' the recession as to cheapen money, promote Federal domination of State and local governments, and tighten the grip of political authority upon the economic lives of the people."

Guaranty cited recently enacted laws for further Federal aid to highway construction, purchase by a government agency of $1 billion in home mortgages, direct Federal loans to veterans for home purchases, and these pending proposals:

Extension of unemployment benefit periods, loans to localities for public works, funds for small businesses, relief and rehabilitation of "depressed areas," and authorization of increased expenditures for rural electrification and reclamation.

Almost all of these measures are aimed at more lavish outlays of Federal funds, Guaranty said, and tend toward further centralization of poltical authority in the Federal Government and its agencies at the expense of States and localities.

"All tend toward the enlargement of governmental powers, encroachment of bureaucratic authority on the economic liberties of the people, narrowing of the scope of individual initiative and enterprise, and relegation of citizens to the role of wards of a paternalistic 'welfare state'," the "Survey" declared.

Noting that the political appeal of spending and lending projects is strong in time for recession, Guaranty cautioned:

"Business recessions pass away, but debased money and entrenched bureaucracy tend to remain indefinitely."

Ambassador Menshikov Will Address Phila. Bond Club

PHILADELPHIA, Pa. — The Bond Club of Philadelphia has invited members of the Philadelphia Securities Association to attend their luncheon meeting on Thursday, June 12 at which Mikhail A. Menshikov, Russian Ambassador to the United States, will be the speaker.

Mr. Menshikov's subject will be "Soviet Industrial Objectives."

The luncheon meeting will be held at the Benjamin Franklin Hotel. Mrs. M. L. Murphy of Butcher & Sherrerd is in charge of reservations.

Blair Adds to Staff

(Special to The Financial Chronicle)

EAU CLAIRE, Wis. — James H. Southard is now with Blair & Co. Incorporated, S. A. F. Building.

With Davis, Skaggs

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Donald W. Davis is now with Davis, Skaggs & Co., 111 Sutter Street, members of the Pacific Coast Stock Exchange.

Encouraging New Order Pick-Up Seen Not Presaging Sharp Upturn

Latest survey by purchasing executives depicts definite improvement in bookings of new business. Despite this, and a reported backlog of work that would be released in a better business climate, businessmen are found to be skeptical about chances for an encouraging business upturn this year. Prices are reported weakening and though unemployment has dropped it still remains a major problem.

A marked continuation of the improved new order situation high-lights this month's report by Purchasing Executives.

According to the composite opinion of purchasing agents, who comprise the NAPA Business Survey Committee, whose Chairman is Chester F. Ogden, Vice-President, The Detroit Edison Company, Detroit, Mich., new order bookings reversed their downward trend in February this year and, since then, each month has seen some improvement. Currently, 36% say their position is better, 45% say there is no change, and 19% report a decrease. Not since the Fall of 1956, have so many told of an improved situation and so few of a poorer position.

As would be expected, this improvement in the bookings of new business is now beginning to reflect itself in a better production picture—29% say their production is up (as contrasted with 16% so reporting last month), 51% report no change, and 20% a decrease.

Despite this brighter picture, there is no wild enthusiasm for a sharp upturn in business this year. In fact, many of the National Association of Purchasing Agents committeemen view the immediate future wtih some misgivings. They believe we will have an inevitable "Summer lull," as the result of vacations and the shutdown of auto plants for model changeovers. Many point out, however, they do have backlogs of work that would be released in a better business climate.

With regard to prices, our reporting members contradict some of the published statistics and say they are paying less — not more. This price weakness contributes to the general desire to reduce inventories further.

While there is some improvement in the employment figures, unemployment remains a major problem.

There has been considerable comment that selling has become a "lost art." Therefore, our special question this month asked if salesmen were exerting more, the same, or less effort than in recent years. There is no doubt that our members believe more sales effort is being expended, for 82% report an increase, 17% the same, and only 1% less. But, with all this, some concern is expressed as to whether enough sales people are being properly trained in value analysis techniques rather than in "order taking."

Commodity Prices

Despite the publicity about increasing prices during this recession, committee members continue to report that, overall, they are paying less for the items they buy. They say many markets are soft and competition is resulting in an easing in price on more and more items. They do point out that, in most instances, the magnitude of the drop is small and not all items are going down in price. Statistically, 9% say prices are up, 71% report on change, and 20% tell of reductions.

Inventories

The inventory reduction program continues full blast. Both managements and purchasing executives are striving to reduce the amount of material they have on hand. Most companies are planning their operations so that they depend on prompt shipment from vendors' stocks. These reduction programs are effective, for 52% say they have less material on hand, 41% report no change, and only 7% have increased inventory levels over last month.

Employment

In May, a significant change in the employment situation is noted. Those saying their figures are improved rose from 9% in April to 14% in May, while those reporting fewer on their rolls dropped from 45% in April to 31% in May.

While college students will find it very difficult to obtain summer jobs, the consensus is that a number of industries will pick up many of their layoffs to cover vacation periods.

Buying Policy

If there is renewed confidence in the near business future, it is not reflected in the unchanged buying policy report of purchasing executives this month as shown in the accompanying table.

Specific Commodity Changes

The reporting of a specific commodity as "down" in price does not necessarily mean any change in the book price—only that buyers are finding they can buy it for less.

On the **up** side are: Raw sugar and electrical equipment.

On the **down** side are: Aluminum, copper, lead, kraft papers, gasoline, oil, coal, formaldehyde, linseed oil, asphalt, toluene, and well drilling equipment.

In **short** supply: As in April, nothing.

Form First Central

PHILADELPHIA, Pa. — First Central Corporation has been formed with offices at 1529 Walnut Street, to engage in a securities business. Officers are Albert M. Zlotnick, President; John W. Phillips, Executive Vice-President; Philip Kohn and Martin Young, Vice-Presidents; Harry W. Benjamin, Secretary; and Michael M. Brodsky, Treasurer.

Stuart Gould Opens

Stuart S. Gould is engaging in a securities business from offices at 285 Madison Avenue, New York City.

H. Carroll Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Geraldine Hamburg has been added to the staff of H. Carroll & Co., 324 North Camden Drive.

	Per Cent Reporting				
	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. to 1 Yr.
MAY—					
Production Materials	33	44	34	7	2
MRO Supplies	31	48	17	4	--
Capital Expenditures	17	8	17	26	32
APRIL—					
Production Materials	14	43	34	6	3
MRO Supplies	33	49	14	3	1
Capital Expenditures	16	9	20	22	33

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Communist Inspired Influence Harms U.K. Labor and Economy

By PAUL EINZIG

Consequences of British Communist-generated wage-inflation and why failure of a major strike to labor would have beneficial value, to the economy as well as to moderate trade union leaders, are some of the principal topics scrutinized by correspondent Einzig writing from London. The writer notes the powerful influence of the Communists, despite fewness in number, on the rank and file and compares their potential for harm to what a similarly situated group of Nazis could have done in 1939.

Communist influence in British trade unions is largely responsible for Britain's labor troubles, and for the progress of the inflationary wage-price spiral. Numerically the British Communist Party appears to be negligible, and its official newspaper, the "Daily Worker," has to beg for alms in order to keep going. But it would be a mistake to underrate the strength of the Communist movement in Britain. For its members have succeeded in infiltrating into trade unions, in which they are in a position to cause utmost damage to the national economy.

Paul Einzig

It is easy to imagine what would have happened if before the war the Nazis succeeded in planting their agents in Britain as trade union officials or shop stewards. By arranging awkward labor disputes they could have slowed own production considerably, so that at the critical moment of the Battle of Britain the Royal Air Force would not have possessed that narrow margin in planes which had made the difference between victory and defeat. Nazi shop stewards would have inspired a reinforcement of wage demands, so that Britain would have entered the war with inflation in full progress.

Had Nazi agents operated in British industry in 1939 they would certainly have been exposed and removed. Yet, even though the extent of Communist influence in British industry is well known, nothing is done to remove the enemy from positions where they can do the utmost harm.

The majority of trade union officials are of course not communists. Indeed many of them are only moderate Socialists. But if they tried to resist rigidly the Communists' influence in their trade unions they would not remain trade union officials for very long. For it is very tempting for the rank and file to listen to the Communist shop stewards who seek to induce them to demand excessive wage increases and shorter working hours. Even though responsible trade union officials are aware that the demands are excessive, they are not in a position to resist popular pressure in favor of these demands. If the men have to choose between those who say that they could and should have a 10% wage increase and those who say that in existing conditions they can't have it, most of them are tempted to cast their votes for the former.

Success of Militant Communist Leadership

During recent years most strikes have been more or less successful. Amidst full employment and rising prices employers were always tempted to give way, and the excessive wage demands were mostly conceded before it came to a strike, or they were conceded after a relatively short strike. So the trade unionist workers have come to the conclusion that it pays to strike. Their attitude recalls that of Germany after the war of 1870-71, when they succeeded in securing from France a big war indemnity after a brief war, so that they found that war could be made a paying proposition. Hence the war of 1914-18. The easy and profitable victories of trade unions since the end of the second World War have greatly strengthened the "war party" headed by the Communists whose influence has increased well beyond numerical proportion in the unions.

The number of days lost through strikes have been so far relatively small, precisely because the unions usually succeeded in obtaining most of what they asked for either without a strike or after a short strike. Even so, such strikes as have occurred have been handicapping the expansion of the output, which is obviously to the advantage of the USSR. What is less obvious but none the less true is that Communist-generated wage-price inflation has been largely responsible for the disinflationary measures the Government has been impelled to adopt, leading to an interruption of the expansion of the output. It is mainly in this respect that Communist influence in the trade unions has served the interests of the USSR.

If only one major strike were to fail it would have very far-reaching effect on the British industrial situation. It would greatly reduce the trigger-happiness of trade unionists who are only too eager to start a strike on the slightest excuse. It would go a long way towards discrediting the "war party" in general and the Communist infiltrators in particular. It would enable moderate trade union leaders to regain the control of the policy of their unions.

In the absence of excessive wage demands the Government would be able to remove its disinflationary measures and the expansion of the output could be renewed. This would make it possible to grant wage increases without causing any inflationary effects. There would be less discontent among the working classes and less class-hatred, which would of course be bad from the point of view of the Communists in Britain and their Russian masters. This explains the determination of Communists and militant trade union leaders to avoid at all costs the failure of the strike of London autobus workers. They are doing their utmost to secure support to the strikers by other trade unions.

Praises Government's Firm Stand

Although the position is obscure at the time of writing, there appears to be a real danger that, as a result of sympathetic action by other unions, the trouble might assume quite considerable dimensions. Even so, the Government is for once determined to stand firm, though after its act of appeasement with which it prevented a railway strike it may take some time before the strikers will come to realize that on this occasion they have encountered firm resistance.

The news about the labor situation in the United States makes very depressing reading. Although there the recession has proceeded much further than in Britain, there is no sign that under the effect of growing unemployment the American trade unions have come to their senses. They still insist on increased share in dwindling profits. Obviously it takes a long time for trade unions to adapt their attitude to changed conditions. And meanwhile valuable output is lost through their selfish short-sightedness.

Customers Brokers to Hold Electronics Forum

The Association of Customers' Brokers will hold an electronics forum June 5th at 4 p.m. at Schwartz Restaurant, 54 Broad Street, New York City, at 4 p.m.

Dr. William I. LaTourette, Shearson, Hammill & Co., will discuss the role of the leading companies in the industry with reference to specific selections of stocks suitable for investment.

Edgar T. Mead, G. C. Haas & Co., will discuss the smaller companies with especial reference to four promising stocks in the group.

Dr. L. Grant Hector, Vice-President of Sonotone Corporation, will discuss the stereophonic cartridge and the significance of stereophonic sound within the hi-fi industry, the position of his company in the electronics industry, and the future of the nickel-cadmium battery in aircraft and other applications.

Schmidt, Roberts & Parke New Firm Name

PHILADELPHIA, Pa.—Schmidt, Poole, Roberts & Parke, 123 South Broad Street, members of the Philadelphia-Baltimore Stock Exchange, announce that Donald W. Poole withdrew from partnership effective May 29th and the firm name has been change to Schmidt, Roberts & Parke.

G. Robert Brooks has been admitted to partnership in the firm.

Royden Morris Co. Expands Services

VANCOUVER, Canada—Larger offices and increased brokerage facilities were announced by J. Royden Morris, President and managing director of Royden Morris & Co. Ltd. following its move to new premises at 564 Hornby Street. The company is a member of the Vancouver Stock Exchange.

Establishment of additional departments and new department heads was also outlined.

C. N. Thodos, who has been associated with the firm for several years, is now manager of the stock department.

Investment and bond trading department is under the direction of Graham MacDonald, former Bank of Commerce executive and past Vice-President of the Investment Dealers Association.

Secretary-treasurer of the firm is Mrs. Mavis Johnson. Mr. Elmore Meredith, Q. C., is a director.

Account executives are C. D. Bowes and H. George Spencer-Lewis.

Stonehouse Inv. Opens

DENVER, Colo. — Stonehouse Investment Co. has been formed with offices at 4201 Jackson Street, to engage in a securities business. Officers are Alphonsus L. Sherwood, President and Treasurer; Gladys S. Turner, Vice-President; Robert W. Kinnison, Secretary.

Continued from page 3

The Business Outlook

tions are in nowise intended to condone unemployment. Every man who really wants to work should be able to find a job; and, these days, that should be the case for women also. Moreover, there are real financial hardships for many who are unable to find work. Many do not belong to unions with supplemental unemployment benefits; many have exhausted their unemployment insurance payments (which explains the legislative efforts to extend the time period); many do not have working wives; and many are heavily in debt with monthly payments on mortgages on homes and on instalment financing of durable consumer goods.

Nonetheless, the fact is that there are more than 65 million **employed**, including the armed forces, and purchasing power, as measured by disposable personal income (after taxes), dropped only $4 billion from the all-time peak of $303.3 billion in the third quarter of 1957 to $299.3 billion in the first quarter of 1958. This drop of only a little more than 1% in disposable income, even though a much larger percentage of the working force was unemployed, reflects the beneficial effect of some of the economic safeguards we now have in our economy.

The Economy Has Entered a New Phase

In this connection, it is important to keep in mind that the current decline is not so much a conventional **cyclical** downswing in business activity as a **new** phase of the postwar economic pattern. The first phase of the postwar economic pattern was characterized by an abnormally high level of business activity necessary to fill the great economic void caused by the sub-normal business activity of the long depression of the thirties and the diversion of production to military purposes during World War II. Expansion of non-military production, expansion of military production for the Korean war, and the expansion of production necessary for rearmament and a garrison economy have largely come to an end. In fact, our production capacity has been expanded to the point where we really can have both "guns and butter".

In addition to plant and equipment expansion, the great accumulated demand for automobiles and other consumer durable goods, and for housing has been met. This means that we now have entered a period in which the level of business activity must depend on **current** demand, plus modernization and replacement. This can hardly be over-emphasized, as too many people have come to look upon the high level of business activity of the great expansion of the postwar period as the normal level of business activity, and to think that it should be maintained at all costs. They feel that, if necessary, all the powers of government, especially heavy government spending and large increases in the money supply should be utilized in a bold, determined program to maintain such levels. But the hard facts are that production capacity throughout American industry is greater than present effective demand. Moreover, the productive capacity of the Free World is greater than ever before, so exports cannot rescue us. This means that we shall have to be satisfied with something less than the boom levels of 1955 and '56. Efforts to maintain such boom levels during the more normal period we have now entered can only result in inflationary pressures, which will cause even more trouble later on.

Capital expenditures are not only under the pressure of over-capacity in most industries, they now have the added pressure of a profit squeeze, as three out of four large corporations reporting recently have shown lower profits. Moreover, although substantial expenditures will be necessary for further automation and, also, to bring the fruits of the heavy research expenditures to our people and the government, capital expenditures on an overall basis have entered a long, cyclical downswing, which will probably last into the early '60's, when growing family formation and the passage of **time** should cause another upswing.

Inventory reduction has played an important part in the decline in industrial production. Inventory reduction accounted for virtually all of the 1948-49 downturn and almost half of the 1953-54 downswing. Moreover, studies of the National Bureau of Economic Research show that inventory liquidation, **on the average**, accounted for more than half the decline in production in all business contractions since 1918. This is good news, as inventory liquidation is necessarily a temporary weakness. Sooner or later, inventories decline to the point where they must be replenished, and then they become a source of strength.

Debt reduction, likewise, is a temporary phenomenon. This is particularly true of personal debt. Sooner or later, such debt is reduced to the point where it is not so burdensome to the individual or the family. This improves their credit standing and changes the desire to repay to a desire to make new instalment purchases.

Declining exports are, like declining capital expenditures, a fundamental factor in the current decline in business activity. The boom in Europe is coming to an end, the productive capacity of the Free World is greater than ever before, and there is a dollar shortage in many countries, because of the sharp decline in the world price of the raw materials they sell us. In addition, declining business activity has brought great pressure on the United States to reduce imports in several fields. This, of course, is causing repercussions abroad. For example, both Canada and Venezuela, two of our largest customers, are considering curtailing imports from the United States.

What Can the Government Do?

What can the government do to reverse the downward trend in business? As anything and everything that the government does has an effect on business activity, it follows that there are many things that can be done to help reverse the trend. As they are not all equally desirable, especially from the standpoint of inflation and after-effects on the private side of the economy, the more important ones will be briefly surveyed.

A consequential increase in the money supply is, of course, the first thing which comes to mind, as we have a managed money. Moreover, some justification can be found for such an increase, as growth of the money supply has not kept pace with the increase in the physical output of goods and services since the "accord" of March 1951 between the Federal Reserve and the Treasury. This can be done through reduction in reserve requirements and through open market operations of the Federal Reserve Banks. But such an increase should be done very carefully because it will do more

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harm than good, as in 1953-54, if over-done.

Lower reserve requirements and permission to count vault cash as part of reserves, as provided in the Fulbright and the Spencer bills now pending, would be the soundest way to accomplish such an increase in the money supply. In the meantime, the apparent Federal Reserve policy to maintain $500 million, or more, "free" reserves will lead to an increase in the money supply and a further moderate reduction in money market rates.

Tax reduction, especially of personal income taxes, is the most potent stimulus the government could give the private sector of the economy. In 1953, when business activity began to turn down, the Administration told the country in positive terms that a tax reduction could be expected in 1954. The stimulus this gave the economy was literally astounding.

But, this time, the Administration is reluctant to use the weapon of tax reduction. The principal reason for this opposition is that a reduction would further increase a deficit which, even without a tax cut, will be very substantial, and thus increase the danger, and the fear, of inflation. That fears on the size of the budget deficit are based on fact is indicated by Secretary Anderson's addition the other day of $4 billion to the amount he expects the government to spend in fiscal 1958-59. With this increase in expenditures, and a probable drop of $4 billion or more in revenues, the budget deficit in the coming fiscal year may reach $10 or $11 billion **without tax reduction.** As this deficit will, in large part, be financed through the banks, the danger of reviving the forces of inflation by increasing the deficit to cover a tax reduction of $4 or $5 billion is apparent.

The proponents of income tax reduction, nevertheless, argue that it would cost the government less in the long-run to stimulate the economy by lower taxes than by any other method. They maintain that government revenues are not determined by tax rates, but by the application of such rates to the income generated in the economy, and that a sound reduction in rates might very well eventually result in increased revenues, because of its favorable impact on business activity.

Of course, if by some miracle both expenses and taxes could be cut, the economy would really jump. The heavy burden of the current level of taxes is shown by the studies of the Tax Foundation, which indicate that Federal, state and local taxes, including hidden taxes, take approximately one-third of the income of United States families at average income levels. Anything which would lighten such a burden would certainly have a most favorable effect on the psychology of consumers, who, in the last analysis, hold the key to both business revival and continuing business prosperity.

Large scale government spending will also help revive the economy. But such increased spending takes quite a while to have much effect on the economy, as is evidenced by the Federal road program, of which so much was expected. Plans have to be drawn, right-of-way has to be acquired, contracts have to be let, and after that it may take as long as a year or even two years for the job to be finished and have its full impact on the economy.

It even takes considerable time to expand defense spending. For example, although defense orders for major items have more than doubled from the $2.1 billion of the third quarter of 1957 to the $5.4 billion rate of this quarter, actual national security spending this quarter will apparently be less than in that quarter.

In any event, overall government spending is bound to cause a substantial increase in the money supply, especially during the second half of this calendar year. To be specific, the cash outflow for fiscal 1958-59, starting July 1, is now estimated at $92.3 billion, while the cash intake by the government is put at $82.1 billion, which leaves a deficit of $10.2 billion.

As almost all of this cash deficit will materialize between July 1 and Dec. 31 of this year, and as almost all of it will probably find its way into the commercial banks, a large increase in the money supply seems inevitable.

Economic Consequences of Easier Money

Government action, Federal Reserve policy, and declining loan demand will still further increase the availability and lower the cost of money in the months ahead. This easier money will, of course, have broad economic consequences.

Banks with savings deposits will be aggressive buyers of mortgages. This will not only have a direct favorable effect on home starts, it should enable FNMA to reduce its holdings of some $1.5 billion of VA and FHA mortgages. Thus, easier money should permit a moderate improvement in home starts. However, an all-out housing boom cannot be visualized as the prices of homes are at high levels, local taxes are increasing continuously, and the costs of transportation from the suburbs are likewise mounting, although the service steadily gets worse.

Military housing and public housing, however, may be expected to increase considerably, which will have a favorable impact on the economy. The easier money conditions will also have a favorable effect on the volume of other public construction. State and local governments may be expected to sell growing amounts of their obligations of finance, the construction of all kinds of public works. This expansion should have a marked favorable effect on both employment and business activity toward the end of the year.

Probable Course of Business Activity

As this recital has shown, there are many forces in the economy working for recovery. In addition to those which have been enumerated, the most basic economic force of all—**time**—should be kept in mind. Time is steadily working for recovery, and every day that passes brings us that much closer to the end of the downswing.

Also, there are many more things the government could do which would affect the rate of recovery and future business activity. Only time can tell what actually will be done, as political issues are involved.

Nonetheless, on the basis of present conditions and outlook, it seems that the downward trend of business should come to an end sometime in the early summer. Business activity will then probably remain at a low level until late in the fall, when seasonal factors, the end of inventory liquidation, increased money supply, increased monetary ease, increased government spending, and the passage of time should have us on our way again—but a repetition of what happened in 1950 or 1955 cannot be expected.

Parker, Wester, Taranto

CARMICHAEL, Calif.—Parker, Wester, Taranto and Company has been formed with offices at 6609 Stanley Avenue to engage in the securities business. Partners are Raymond Parker, Albert J. Wester, and Anthony J. Taranto. All were formerly with Richard A. Harrison, Inc.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

We have observed several times that such is the nature and the intricacies of insurance accounting that few sections of corporate business are as late in reporting annual showings as these companies are. So it is that in the main, consolidated data have just recently been compiled and made public.

And the fire-casualty division of the business fully lived up to our expectations so far as concerned the underwriting portion of the business. In a group of some 39 companies taken from a compilation of about 77 by the leading statistical service on insurance stocks, Alfred M. Best Company, only five reported underwriting profits for 1957, with 34 in the red. By "underwriting" we mean adjusted underwriting, which is statutory underwriting gain or loss plus the customary equity in the change in unearned premium reserve.

Now, this is a serious condition when only five units come out in the black, bearing in mind that the 39 contain the largest and most important carriers in the business. It gives us pause to consider what may be happening to some of the smaller and weaker units, for some of them will not be equipped financially to weather too long a siege of the big losses that they are suffering. Probably it will result in some mergers; but a company with such losses is seldom much of an attraction to others.

And who knows, maybe the Department of Justice or other powers will crack down on insurance mergers as they have on the First National City Bank-County Trust attempt, or that of Bethlehem Steel and Youngstown.

But this phase aside, the dire predictions of sizable losses among the fire-casualty stocks have been borne out. 1956 was bad enough, but 1957 results were worse. And the present year has started out with but little promise of worthwhile betterment. Fire losses continue to mount, although the estimate for the 12 months to April 30, 1958 was modestly better than the preceding like period. There have been some rate increases, but not of such importance as to contribute importantly to expectations of a change in the trend in underwriting.

Several adverse factors continue to plague the companies: inordinately large jury awards, high labor costs on repairs resulting from accidents, careless driving, etc. Another item that bears watching is the so-called moral hazard, the arson hazard. Thus when the unscrupulous businessman, during a depression or a bad recession gets into the hands of his creditors it no longer pays him to set fire to his inventory or property. But before that, when he is experiencing hard going to stay in business, he may, and often does, resort to arson.

Probably the current decline in business activity has not yet gone far enough to induce much incendiarism; but in past business slumps it has been found to be a means of getting ones creditors off ones back.

But let us look at the bad news in underwriting, company by company, considering mainly the companies whose shares are more generally traded:

	Per Share		
	Statutory Gain or Loss	Equity in Change in Prem. Res.	Adjusted Underwriting
Aetna Casualty	—$6.03	$4.12	—$1.91
Aetna Insurance	— 8.94	0.40	— 8.54
Agricultural Ins.	— 6.08	0.42	— 5.66
American Equitable	— 2.85	0.21	— 2.64
American Insurance	— 4.46	—0.17	— 4.63
American Surety	— 4.39	1.49	— 2.90
Bankers & Ship	— 6.03	4.35	— 1.68
Boston Insurance	— 5.16	—0.11	— 5.27
Continental Cas.	— 1.08	0.10	— 0.98
Continental Insurance	— 5.63	0.82	— 4.81
Federal Insurance	0.09	0.56	0.65
Fidelity & Deposit	4.94	1.53	6.47
Fidelity Phenix	— 4.68	1.05	— 3.63
Fireman's Fund	— 4.39	0.56	— 3.83
General ReInsurance	1.25	0.66	1.91
Glens Falls	— 2.91	0.50	— 2.41
Great American	— 4.45	0.35	— 4.10
Hanover Insurance	— 6.79	1.70	— 5.09
Hartford Fire	— 2.89	1.91	— 0.98
Home Insurance	— 3.87	0.16	— 3.71
Insur. Co. of No. Amer.	— 2.13	1.84	— 0.29
Massachusetts Bond.	— 0.78	1.12	0.34
Merchants Fire	— 3.59	1.23	— 2.36
National Union	— 5.85	0.65	— 5.20
New Amsterdam Cas.	—13.70	2.47	—11.23
Northern Insurance	— 8.78	6.41	— 2.37
North River	— 1.36	0.05	— 1.31
Pacific Insurance	— 5.15	3.71	— 1.44
Phoenix Insurance	—11.50	2.45	— 9.05
Prov. Wash.	— 2.52	—2.26	— 4.78
Reliance Insurance	— 4.58	—0.51	— 5.09
St. Paul Fire	— 1.39	0.58	— 0.81
Seaboard Sur.	4.89	1.65	6.63
Security Insurance	— 8.97	—4.53	—13.50
Springfield	— 7.66	0.49	— 7.17
Standard Accident	—16.76	5.45	—11.31
U. S. Fid. & Guaranty	— 9.92	3.43	— 6.49
U. S. Fire	— 1.09	0.06	— 1.03
Westchester	— 1.33	0.08	— 1.25

Otto Wymer Retires From Inv. Business

HOUSTON, Tex.—Otto U. Wymer, Vice-President and Director of Moroney, Beissner & Company, Bank of the Southwest Building, retired June 1 after more than 30 years in the investment banking field, Company President Robert E. Moroney has announced.

"Mr. Wymer has distinguished himself in his field, particularly in the handling of municipal bonds, and it is with deep regret that Moroney, Beissner & Company bows to his desire for retirement," Mr. Moroney said.

His first banking experience was with the Cheyenne, Wyoming, First National Bank where he worked as a clerk and bookkepper following graduation with a bachelor of arts degree from the University of Colorado. Following World War I service with the Signal Corps and the Air Corps, he was affiliated with Foreman State Corporation of Chicago and Chase Harris Forbes, investment affiliate of Chase National Bank, before forming his own company.

Mr. Wymer said he has no retirement plans beyond "taking a good, long vacation and spending more time with my family."

Federal Home Loan Banks Notes Offered

An offering of $80,000,000 Federal Home Loan Banks 1¼% non-callable consolidated notes dated June 16, 1958 and due Jan. 15, 1959 was made June 4 by the Federal Home Loan Board through Everett Smith, Fiscal Agent of the Banks, and a national group of securities dealers. The notes were priced at par.

Net proceeds from the sale of the notes, together with current funds of the banks, will be used to retire $191,000,000 of 4.60% notes on their due date on June 16, 1958.

Upon retirement of the June 16 maturity, outstanding indebtedness of the banks will have been reduced by $111,000,000 to $456,000,000, consisting of $166,000,000 short-term non-callable notes and $290,000,000 non-callable five-year bonds due April 15, 1963. Mr. Smith said the ability of the banks to effect the substantial reduction in indebtedness is due in part to a continued inflow of savings into member institutions of the Home Loan Bank system and to a continued moderate, instead of heavy, demand for home financing.

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Continued from first page

As We See It

cessors under other names have repudiated just about everything that experience during the centuries had taught us about central banking. They have banished the gold standard and have instituted so many controls and have interjected government into the economic affairs of the nation at so many points that experience under traditional conditions of *laissez-faire* may not apply under existing conditions. Yet attempts to formulate any set of broad general principles by which central banks should operate, according to the ideas of these reformers, have been left to amateurs where they have occurred at all.

Keynesian Cliches

The fact of the matter is, or so it seems to us, that pending some more coherent and convincing defense of the state of semi-socialism under which we now live, it would be virtually impossible to define the duties of central banking in terms that would demand confidence. What has been done so far is for the most part a mere repetition of the cliches of the Keynesians and neo-Keynesians, and an elaboration of procedures under an assumption of their validity. Even the experience of the New Dealers themselves during the 'Thirties is apparently given very little consideration. It is time we did more than that. The Commission could do worse, as a matter of fact, than begin with a really thoughtful study of the depression of the 'Thirties, and of the attempts of the reformers and economic managers to bring an end to it—which they never did succeed in doing.

In one of the late chapters of his "Economics and the Public Welfare," the late Prof. B. M. Anderson has a paragraph or two with which this Commission to study our financial system might well begin. They read:

"Preceding chapters have explained the great depression of 1930-1939 as due to the efforts of the Governments, and very especially the Government of the United States, to play God.

"The trouble has come as governmental action has interfered with the markets. High tariffs following the First World War, when we had changed from a debtor to a creditor nation, and when only a low tariff policy could give us a sound and normal export trade in adequate volume, made the beginning of the trouble. They created a grave disequilibrium between our export industries, notably agriculture, and the rest of our industies. Artificially cheap money, partly designed to offset tries. Artificially cheap money, partly designed to offset this, gave us for a time a great export trade, but also created a vast fabric of debt, internal and international. As the volume of this debt grew, its quality deteriorated. The increased tariff in 1930 further impaired the quality of the international credits, and precipitated rising tariffs and trade restrictions all over the world, which made it almost impossible for debtor countries to pay their debts with goods. The period 1931 down to March of 1933 saw progressive collapse of the unsound portions of this vast fabric of debt. The efforts of the Government in 1929 and 1930 to hold farm prices artificially high, and to hold up wages and prices generally, intensified the difficulties.

"Finally the failure to get out of the depression in the years 1933 to 1939 has been explained as due to the great multiplicity of New Deal 'remedies,' all tending to impair the freedom and efficiency of the markets, to frighten venture capital, and to create frictions and uncertainties, and impediments to individual corporate initiative."

Could Not Have Saved Us

Now obviously in this context there was no policy or general pattern of behavior on the part of central banks in this or any other country, or in all of the countries, which alone could have prevented the collapse in 1929 or have rescued us from the depression of the 'Thirties—whatever harm mistaken financial policies may have done. Careful and intelligent banking practices and financial policies generally can, of course, do a great deal to help the economy remain on an even keel if other broad policies and practices are what they ought to be—and indeed under proper circumstances may play an important part in keeping these other policies and practices sound and helpful. They cannot in the best of circumstances be expected to banish depressions. Coupled with New Deal type of public policies they are likely to be powerless to keep us out of financial and economic trouble.

The moral in all this is clear. No banking and financial system or policy can be helpfully studied in vacuo. The Commission which now undertakes to review our financial machinery and policies will find, of course, that it must first consider the economic and political world in which our banks and other financial institutions must live and have their being. They, if they are realists, can hardly escape asking themselves very seriously whether the whole New Deal system which we have now placed upon our own shoulders is workable or feasible, or whether regardless of financial organization or monetary policy we can expect only "pain and grief for promised joy." If such a task is undertaken and well done, the work of the Commission will have real value regardless of what it may say about our financial system.

Continued from page 5

Prospects for Growth in The Housing Industry

vacancy rate is far from excessive, I assume that the low level of vacancies in seasonal dwellings prior to the recession may well have been abnormal, in view of the intended purpose of those dwellings. While supply conditions are not as tight as they were ten years ago, the **condition** of the housing stock together with rising living standards may actually reflect an increasing need for replacement. For instance, in the Bankers Trust Company "Investment Outlook" it is stated that there is a "steady rise in the number of overage, dilapidated and badly located homes." Except for measures expected to be taken in the road building program and urban renewal, however, I do not assume any substantial increase in replacement rates.

Discusses Demand Factors

If supply conditions can be taken as essentially passive, attention may be centered on demand factors, the general dimensions of demand factors can be thrown into broad relief. The major demand factors are dependent upon (1) growth in primary families occupying dwelling units; (2) growth in households occupied by unrelated individuals; (3) the number of demolitions; (4) change in size or deflated value of the new dwelling units added; (5) additions and alterations, and (6) growth in seasonal and other so-called nonhousing facilities. A seventh factor which might be listed is shift in the doubling or undoubling of families in dwelling units but I assume there will be no secular change in undoubling so I am eliminating it from the list. In fact, conversions of old buildings to new and additional dwelling units might be listed as an eighth factor, but I assume from here on out conversions of that kind will be an inconsequential factor so that I am also ignoring them.

A frequent misunderstanding has arisen regarding the probable growth of primary families occupying separate dwelling units between now and 1965. The fact is that such factors as undoubling and earlier marriages led to an abnormal rise in husband-wife households in the early fifties. The number of persons in the 20 to 24 age group dropped nearly 5% from 1950 to the mid-fifties. If we can say that those in the 20 to 24 age group represent the number entering adult life, the number entering adult life will be back to the 1950 level by 1960, and will be nearly 20% higher by 1965 even though total population growth from 1960 to 1965 will be substantially less than 10%. In other words, the prospects are that the rate of family formation will increase between now and the mid-sixties although at a slower rate than in the decade following that.

Use of Census Data

With a speeding up in family formation, however, the projected rate of increase in household formation by primary families to 1965 is no greater than actual in the first part of the fifties. The conservative course is to assume that the artificial factors of undoubling and earlier marriages which stimulated household formation by primary families in the first part of the fifties will not be duplicated in the years ahead. Nevertheless, it is a gross error to move from the actual level of family formation in 1957 to the level projected by the Census on the basis of demographic data in estimating family formation in the late fifties. This method, as employed by some analysts, has indicated an extremely low rate of household formation by primary families from 1957 to 1960. As an illustration of the fallacy, note that if the number of husband-wife families forming households should continue at the rate of the year ending in March, 1957, the total number of such households would be 1½% above the 1960 level by March, 1959.

The increase in primary families is beginning to accelerate again. Possibly, the acceleration will not increase the growth in households inasmuch as that growth has recently been stimulated by what we may call artificial factors. I assume that the growth in households generated by primary families, as shown by the change in the Census projections for 1960 and 1965 represents expected growth from the present to 1965. The Census projection implying the most rapid increase in percentage in the household group comes to 670 thousand increase per years, while the one which implies no increase in the percentage comes to 500 thousand. I take 600 thousand as fairly representative of reasonable assumptions. The average for the period 1950 to 1957 was slightly higher than 600 thousand.

The Census assumptions regarding increase in households composed of unrelated individuals appear to me to be unrealistic. The number of such households at the present time is about 6.5 million, only a third of those who might wish to form such households or maintain them after the remaining members of the family have gone. The rate of increase the first seven years of the decade was 231 thousand per year, but there are likely to be even more compelling reasons for increase in such households in the near future: increasing proportions of the population in old age groups, more universal receipt of pensions, and rising standards of living. I assume an increase of 300 thousand per year for this type of household, compared with the highest Census projection from 1960 to 1965 of 266 thousand.

The number of withdrawals from the housing market are variously estimated as ranging from 250 to 400 thousand per year during the last four years, but nonhousekeeping facilities are not well segregated. I arrive at 300 thousand as the average requirements to 1965 by adding 100 thousand for demolitions growing out of the road and urban renewal programs to 200 thousand, shading below the minimum noted.

Estimates 1.2 Million Secular Trend

Adding together 600 thousand for new households formed by primary families, 300 thousand for new households formed by unrelated individuals and 300 thousand for replacements, I come to an estimated annual demand of 1.2 million new dwellings per year. The next question relates to the extent to which the average deflated value of these dwellings will change. There are forces working in both directions. Single dwellings are increased in size and cost because of increase in size of the family and because of increases in luxury demand such as more bathrooms and a game room. Working in the other direction are increased proportion of apartment dwellings and of buildings in warmer climes. The proportion of added dwellings located in California, Florida and Arizona far exceeds the proportions of total dwellings which are located in those climates where less rugged building is satisfactory. I assume that these factors will approximately counterbalance so that the value of the dwellings added can be represented by the number.

In addition to housing demand by new households, housing demand is increased by additions and alterations and by so-called nonhousekeeping facilities. Information to represent these areas is unsatisfactory. Additions and alterations are currently estimated to add about a fourth to housing demand and even this may be an underestimate. The relative demand in the future will be as great as in the past because of aging of the housing stock and because of need to add rooms to accommodate for more family members. I take the addition of a fourth to be conservative in an estimate of growth for near future years.

The Census Inventory and other information which has recently become available confirm the impression that vacation and seasonal dwellings commonly listed as nonhousekeeping facilities have been experiencing an accelerated growth. This is a function of the rising standard of living and the urge of Americans to get away when time permits. The official statistics indicate that these facilities added 1¼% to housing demand in 1950 and over 3% in 1957. I estimate an average of 4% to 1965. Knowledge of the number of units involved is very vague and the types and value vary so greatly that number of units would not help too much in getting an estimate.

About $19 Billion in 1957 Prices

In putting the housing demand together I am converting to 1957 dollars. The average value of the approximately 1 million new household units in 1957 was approximately 12 thousand dollars. Multiplying this value by the 1.2 million unit demand an estimate of $14.4 billion is achieved, surpassed only in years of peak housing demand. Adding 29% to that figure to allow for additions and alterations and for nonhousekeeping facilities, I obtain an estimate for total new demand of $18.6 billion. This is only slightly less than 1955 put-in-place estimates. It may be taken as an estimate of expected demand under conditions of high level activity in 1961 or 1962. But it is not intended to reflect the peak levels of prosperity; these might be accompanied by slightly higher building levels, but, as you know, residential building does not move very sensitively with general business-cycle conditions. By developing a single average figure to

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reflect near-future growth, I do not mean to imply that a horizontal movement is to be expected. On the contrary, an estimate for 1965 would be somewhat higher than the $18.6 billion, and, of course, with the more rapid rate of household formation after 1965, still higher levels are to be expected. Intermediately, the growth line will be interspersed with lower as well as higher levels; the continued existence of recessions is well understood in 1958. Only limited variation is to be expected, however, because of the insensitivity of housing to business-cycle movements.

I have noted that housing supply is not redundant, at least in the aggregate, so that demand requirements can be taken as net. The probable influence of housing costs remains to be considered. In general it would appear that the cost of new houses has risen more than the rents of old houses in the postwar period. Doubt remains because there is no certainty that any rises which have occurred in productivity in using labor and materials in building have been adequately allowed for in the cost indexes. In any case, housing cost indexes rose so much more than rents until 1948 that such costs unquestionably outpaced rents. Since then the rise has been less drastic. In fact, the 1957 rise in the Boeckh index was only 1.5% compared to 2% in the BLS Rent Index. Since July, the Boeckh index shows a decline and the Rent Index a rise. But these shifts are recession phenomena.

Discounts Housing Price Changes

It has been said that the ability of builders to tap the demand potential of the coming years depends upon the achievement of an adequate price adjustment. But does this statement mean anything? Theoretically, at least the ability of businessmen to tap any market depends upon ability to sell at a satisfactory price. There is, however, apparently a special difficulty in the case of housing. At least, the tracing of past history shows that rents and housing prices have tended to get out of adjustment for substantial lengths of time and that the lack of adjustment is related to a long period fluctuation in housing activity. Will not history repeat itself? Perhaps. But I doubt that this will be a chief difficulty in the near future. Builders are already foregoing some of the wide profit margin available when housing supply was tighter a few years ago. Technological developments never have been very rapid in housing compared to many manufactured products, but I think there is a chance that they will be as rapid as any time in past history. On the contrary, the ending of housing booms have been particularly marked by failure to readjust building programs. The least successful housing contractors have now failed and those remaining may be alert enough to follow indicated trends. The increased need for rental housing, now apparent, is not indicative of prices too high in relation to rents.

I am willing to assume that housing costs will not significantly shrink the potential housing demand I have visualized. The roughly $19 billion dollar level for 1961 if that year is neither a recession nor excessively prosperous is, of course, only roughly approximate. And I consider the estimates of the parts employed to develop the total even more approximate. If some parts are too high others are likely to be too low and vice versa. What I am saying is that I have tried to estimate an overall total, not its divisional parts.

Stanley C. Eaton

Stanley C. Eaton, for many years active in the investment business in New York City, passed away May 22.

Continued from page 9

The Future of Atomic Energy

have two gas-cooled reactors to provide a total of 300,000 kilowatts per plant. Subsequent developments have shown that the reactors are capable of producing a much larger heat output, and the latest reports have indicated that with the improvements now available, these reactors are capable of producing from 250,000 to 300,000 kilowatts electricity. Thus two reactors of the physical size initially planned for a single atomic power plant may be capable of producing at least 500,000 kilowatts and perhaps as much as 600,000 kilowatts.

The British originally intended to build atomic plants having a total capacity of six million kilowatts by 1965. With the larger capacities which can now be obtained, the number of plants required is greatly reduced, and the latest word is that only one new atomic plant will be started each year.

Here again we have a vivid demonstration of the rapid advancements in the field of nuclear power. American engineers have some doubts concerning the technology and economics of gas-cooled reactors, but the British situation is being followed with intense interest.

Fuel Cycle Problems

Perhaps the most complicated technical matter in power reactor development is the matter of fuel cycles. Some reactors, using moderators such as graphite or water, are designed to utilize natural uranium as the fuel. Others utilize slightly-enriched uranium, perhaps two per cent U-235, while others may utilize highly-enriched uranium. The Enrico Fermi reactor, for example, will use highly-enriched uranium — about 27% U-235. As a further step, fully enriched U-235 could be used as a fuel, but it is generally agreed that the cost would be prohibitive except perhaps for highly specialized marine, naval, and other similar purposes.

Fuel cycles are not interchangeable between different types of reactors but there are certain common considerations, such as the degree to which the potentialities of the fuel can be utilized; the fabrication of fuel elements; and the reprocessing of irradiated fuel elements for all reactor types.

The thermal reactor types, which are moderated with graphite or water, generally use natural uranium or slightly-enriched uranium as fuel. The laws of nuclear physics which apply to these reactors are such that only a very small part of the uranium in the fuel assembly can be utilized — probably not more than 4 or 5%. These laws of nature cannot be changed by any developments now foreseen.

Breeder reactors, on the other hand, by recycling the irradiated fuel and blanket elements, theoretically can utilize all the heat potentiality in the uranium. After the initial fuel inventory, such reactors would require only depleted uranium as fuel.

The relative merits of these characteristics enter importantly into the development programs now under way and planned for the future. Many believe that there is sufficient natural uranium available to sustain a substantial atomic power industry for many years, even though only a very small part of the uranium is utilized.

Others feel that modern engineering cannot condone this inefficient use of the world's natural resource. They point to the breeder reactor as the means of attaining a highly efficient utilization of uranium, and after sufficient development, at highly favorable cost considerations. Perhaps eventually, methods will be devised whereby the fuel cycles of thermal and breeder reactor types can be made to supplement or complement each other.

The use of plutonium as a fuel further complicates the fuel cycle situation. It is well understood, of course, that ultimately plutonium must become a reactor fuel, and work is under way in many places to develop the required technology.

Fuel Element Fabrication

It was noted earlier that the fabrication of fuel elements is an important problem which is common to all reactors using solid fuel elements. Most fuel is fabricated into small-diameter rods or pins clad in zirconium or other appropriate metal. In some instances, the fuel is fabricated into thin plates. The manufacture of such elements is extremely costly to the point where it is almost impossible to obtain low fuel cost. Here is a situation that can and will be resolved, but the difficulties have been far more severe than was anticipated earlier.

Mobile and Fluid Fuel Systems

One solution to the fuel element problem lies in the development of mobile or fluid fuel systems. Much work in this field has been done in connection with homogeneous reactor studies. A vast area of possibilities of a somewhat different nature remains to be studied before positive results can be expected. It is certain, however, that either important developments in the fuel element fabrication processes must be achieved, or other new fuel systems must be perfected, before truly competitive nuclear power will come into being. This is especially true in the case of the high performance reactors that we are endeavoring to develop in the United States.

Reprocessing of Irradiated Fuel Elements

The reprocessing of irradiated fuel elements continues to be a problem common to all solid fuel reactors. Some plutonium is produced in the fuel elements of all types of reactors now being considered for power generation, and the recovery of this valuable material is one of the very important items in the economics of any atomic power plant. For slightly enriched fuel elements, the unconsumed uranium would be treated as waste. The situation is entirely different for highly-enriched fuel elements because only a small part of the U-235 would be consumed during any one irradiation. The unconsumed U-235 must be reclaimed, refabricated into new fuel elements and reinserted in the reactor. The fuel might make as many as 50 or more cycles through the reactor before it is ultimately consumed.

Up to the present time, reprocessing is a high-cost operation which will either greatly reduce the net value of the plutonium that is recovered, or add substantially to the cost of the reactor fuel. It is hoped that as more power reactors come into operation, less costly methods will be developed.

Innumerable other technological problems exist and are being studied intensively. Unfortunately, the progress in solving such problems may not be as rapid nor as spectacular as the advancements which have been made in reactor heat output.

Capital Investment Considerations

The future of atomic power is dependent upon many factors other than technology advancements. It is generally agreed that atomic power plants will require a substantially higher investment per kilowatt of capacity than conventional plants. This higher investment cost must be offset by lower fuel cost and also, perhaps, through revenue obtained by the sale of plutonium produced during the operation of the reactor.

The problem of investment in power generating facilities is not new. Since the inception of the industry, many companies have had to make difficult decisions concerning the investment in high capital cost hydraulic plants, with no fuel required, and thermal power plants where the capital investment frequently is not as great, but where a substantial fuel cost must be incurred.

Where funds for capital investment are scarce, this could be a most important matter. Recent dispatches from Great Britain indicate that the British are now putting added effort into the development of conventional fuel resources in an effort to reduce somewhat the very large investment in atomic power plants which was planned a year or so ago.

There is nothing at this time to indicate that high investment costs will deter the installation of atomic power plants when development has progressed to a reasonable degree — if it can be shown that they are competitive with conventional plants. It must be recognized, however, in these times of rising prices, that decisions concerning investment of large sums must be weighed with extreme care.

Government Ownership of Special Nuclear Materials

The Atomic Energy Act of 1954, which provides for government ownership of special nuclear materials, introduces many matters of interest to those engaged in purchasing activities. The purpose of the law is to assure that fissionable materials are used only for lawful purposes. The law provides that these materials shall be made available on an annual rental basis to those having a license to use them, and that the government shall be paid for all materials consumed at fixed published prices which may be established by the Atomic Energy Commission for as much as seven years in advance.

The price established for U-235 seems reasonable and has been accepted without serious question. There is, of course, the question as to whether the government should continue indefinitely to provide U-235 for industrial uses.

The situation with respect to plutonium is confusing, at best, depending in part upon defense matters over which industry has no control whatever, upon the development of plutonium fuel technology, and perhaps upon the continued availability of U-235 from government production facilities.

All nuclear power reactors utilizing uranium as a fuel produce some plutonium during their operation. The value of this plutonium is an important factor in the economics of nuclear power. The future course is difficult to predict.

Purchasing for Atomic Industry

Our experiences in procuring both prototype and final design reactor components for the Fermi reactor project have underlined the special importance of the purchasing function in atomic power development. As noted earlier, nearly everything about a power reactor is new, or involves new conditions. Atomic industrial technology involves new materials, new methods of fabrication, new inspection and test procedures, and even new transportation problems.

Thus, long hours of conferences among scientists, nuclear engineers and manufacturers are required to make certain that all interested parties fully understand the nature of the product desired. Main factors to be considered include the conditions under which the equipment must operate; the facilities and competence of the manufacturer to produce the specific item; and the test and inspection procedures which the product must undergo.

In this new and highly unconventional field of procurement, practitioners of the science of purchasing already are demonstrating their extreme aptitude and responsibility. They know the sources of supplies of all kinds; they know how to determine the capabilities of manufacturers; and they know how to determine and maintain the rigid test and inspection standards that are so essential to sound purchasing.

Our atomic industry depends very heavily on people trained in modern purchasing techniques which stress special alertness to cost and pricing problems. Because of the developmental status of power reactors, costs are particularly difficult to determine in advance, and many purchase contracts are unavoidably indefinite and subject to final negotiation. Under these circumstances, extreme care and skill is required in the drawing of contracts and in the accounting of charges, in order to avoid serious misunderstandings.

These are only a few of the many areas in the atomic power field in which the science of purchasing can make a most significant contribution to the advancement and productivity of a brand-new industry.

Looking to the Future

At the beginning of this discussion I emphasized that a substantial period of research and development lies ahead before atomic power will be fully competitive with power from our present conventional sources. I also outlined some of the remarkable progress that has been made toward reaching our goal, considering that efforts on a broad base could not be undertaken until the enactment of the Atomic Energy Act of 1954—only four years ago.

During the coming two or three years a considerable number of additional atomic plants, both large and small, will come into operation. They will greatly widen our background of experience. There seems to be little doubt that power reactors will function well from a mechanical standpoint. The real problem lies in the development of technologies that will provide low cost fuel cycles, and lower investment costs.

We have made spectacular advancements in the past. We must make similar broad and rapid progress in the future — and we fully expect to do so.

Russell White Forms Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Russell White is conducting a securities business from offices at 299 Beacon Street under the firm name of White & Co.

Forms Paul Lewis Co.

(Special to THE FINANCIAL CHRONICLE)

NEWTON, Mass. — Paul Lewis is engaging in a securities business from offices at 37 Charlesbank Road under the firm name of Paul Lewis & Co.

Forms Taylor Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

KINSTON, N. C.—John G. Taylor has formed Taylor Investment Company with offices at 605 West Atlantic Avenue, to engage in a securities business.

Frederick J. Leibmann

Frederick J. Liebmann, with E. M. Warburg & Co., Inc., N. Y. City, passed away at the age of 71.

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C. E. D. Completes Formation of National Monetary and Credit Commission

Selection of 25-man national Monetary and Credit Commission, chosen for their individual capacities and also wide diversity of interests involved in a basic reassessment of our monetary and financial system rather than, for the most part, their expertise in the subject, is announced by Committee for Economic Development. Emphasis is placed upon the independence of this fact-finding, research and advisory committee. Study is expected to take three years.

Formation of a 25-man independent national Commission on Money and Credit, which will undertake a thorough survey of United States public and private monetary and financial policies and institutions, was announced in New York City on May 28 by Donald K. David, Chairman of the Board of Trustees of the Committee for Economic Development.

This is the second of two national organizations undertaking such a study. The other group is The Economists' National Committee on Monetary Policy, New York City, which commenced its survey study in 1957. The Relm Foundation, Ann Arbor, Michigan, is sponsoring this study group.

Frazar B. Wilde, President of the Connecticut General Life Insurance Company, Hartford, Conn., Vice Chairman of the C.E.D., is Chairman, and H. Christian Sonne, New York, Chairman of the National Planning Association, is Vice Chairman of the Committee launched by the C.E.D. which includes outstanding figures from business, finance, education, labor and agriculture.

The Commission on Money and Credit, which was established by the Committee for Economic Development (C.E.D.) with a grant of $500,0000 from The Ford Foundation, will be a self-governing body. In addition to Mr. Wilde and Mr. Sonne, its members are:

A. A. Berle, New York City, N. Y.

James B. Black, Chairman of the Board, Pacific Gas & Electric Company, San Francisco, Calif.

Marriner S. Eccles, Chairman of the Board, First Security Corporation, Salt Lake City, Utah.

Lamar Fleming, Jr., Chairman of the Board, Anderson, Clayton & Co., Houston, Texas.

Henry H. Fowler; Fowler, Leva Hawes & Symington, Washington, D. C.

Fred T. Greene, President, Federal Home Loan Bank of Indianapolis, Indianapolis, Indiana.

Philip M. Klutznick, Park Forest, Illinois.

Fred Lazarus, Jr., Chairman of the Board, Federated Department Stores, Inc., Cincinnati, Ohio.

Isador Lubin, Industrial Commissioner, New York State Department of Labor, New York, N. Y.

Irwin Miller, Chairman of the Board, Cummins Engine Company, Columbus, Indiana.

Robert R. Nathan, Robert R. Nathan Associates, Inc., Washington, D. C.

David Rockefeller, Vice Chairman, Board of Directors, Chase Manhattan Bank, New York, N. Y.

Beardsley Ruml, New York, N. Y.

Stanley H. Ruttenberg, Director of Research, AFL-CIO, Washington, D. C.

Charles Sawyer; Taft, Stettinius & Hollister, Cincinnati, Ohio.

William F. Schnitzler, Secretary-Treasurer, AFL-CIO, Washington, D. C.

Earl B. Schwulst, President and Chairman of the Board, Bowery Savings Bank, New York, N. Y.

Charles B. Shuman, President, American Farm Bureau, Chicago, Illinois.

Allan Sproul, Kentfield, Calif.

Jesse W. Trapp, Chairman of the Board, Bank of America, N. T. and S. A., Los Angeles, Calif.

J. Cameron Thomson, Chairman of the Board, Northwest Bancorporation, Minneapolis, Minn.

Willard L. Thorp, Director, Merrill Center for Economics, Amherst College, Amherst, Massachusetts.

Theodore O. Yntema, Vice-President-Finance, Ford Motor Company, Dearborn, Michigan.

Members of the Commission were selected by Mr. David with the advice and consent of a Selection Committee composed of leading educators and heads of economic research organizations. Members of the Commission were chosen primarily for their individual capacities, but also to symbolize, in the aggregate, the wide diversity of interests involved in a basic reassessment of our monetary and financial system.

The 11-man money and banking survey-study group of The Economists' National Committee are all members of that organization and are experts in the field of money, banking and credit. This group plans to issue a compact study similar to the "Macmillan Committee Report (of England) of 1931."

Emphasis Placed on Independence

C.E.D. laid great stress on the independence of the Commission. In Mr. David's words, "The Commission will be its own master." Eight members, however, are trustees of the C.E.D.

In order to safeguard the objectivity of the Commission's procedures, it armed itself with a set of by-laws, modeled upon those C.E.D.'s Research and Policy Committee which have been time-tested over the last 15 years.

These rules are designed, said Mr. David, "to insure that the Commission's research will be thoroughly objective in character and that all work will be approached from the standpoint of the general welfare and not from that of any special political or economic interest."

The Commission will decide for itself the scope of its inquiry. The Selection Committee, however, suggested certain directions the inquiry should take.

"In view of significant changes in the economy which have occurred in recent decades, that are now occurring or that may be anticipated," the Committee said, "the Commission should make studies and recommendations concerning monetary and financial institutions, and their powers and policies, with a view to promoting more effectively the major objectives of national economic policy.

"These objectives should include balanced economic growth, sustained high employment and production, and the prevention of cumulative general price movements or avoidance of their undesirable effects.

"The Commission should consider to what extent these objectives are consistent with one another and it should also investigate how fully and by what means within our present economic system they can be realized."

The Selection Committee went on to say that the foregoing specification would entail studies of the following:

Suggested Areas of Study

"(1) The effectiveness of governmental policies for influencing total money expenditures.

"(2) The organization and processes for making decisions about monetary and fiscal policies, regulations, and controls.

"(3) The standards by which the Federal Reserve System determines the use and effectiveness of monetary instruments.

"(4) The size, management, and composition of public and private debt.

"(5) The relations between monetary and budget policies.

"(6) The functions, powers, and policies of the several state and Federal agencies concerned with the regulation or supervision of private and governmental financial institutions with a view to consolidating or redirecting them in the interest of desirable national economic policy.

"(7) The adaptation of financial institutions to needs for capital and credit; and

"(8) The relationship of the tax system to the volume allocation and use of capital and credit."

Three-Year Study Contemplated

The inquiry will be the first full-scale look at the nation's monetary and credit institutions since the three-year study began in 1908 under the late United States Senator Nelson Aldrich. It is expected that the C.E.D.-sponsored study will also take about three years.

C.E.D. first suggested creation of such a Commission in a national policy statement of December, 1948. There have been numerous other demands for a monetary investigation since then, most recently by President Eisenhower in both his Economic Report and State of the Union Message of January, 1957. The proposals, however, were not adopted.

Before undertaking to establish the Commission, C.E.D. Trustees consulted leaders in the executive and legislative branches of the Federal Government, as well as with leaders in business and civic affairs, to ascertain if such private initiative would be welcomed. The cordial response encouraged C.E.D. to proceed and to seek the grant from The Ford Foundation.

Mr. David emphasized that the Commission's work would provide a broad, factual and analytical basis that would assist Congressional Committees and other public agencies which have the primary responsibility for monetary legislation and policy and also would assist private organizations in determining their own policies and activities directed toward stable economic growth.

The new Commission will name its own Research Director and staff.

It is expected that, like the Aldrich Commission, the new Commission on Money and Credit will produce a number of thorough-going studies of various aspects of the national monetary and credit system which should provide guidance to all those interested in the subject. Out of the Aldrich Commission also came the idea that sparked the formation of the Federal Reserve System in 1913.

C.E.D. is a non-profit, nonpartisan committee of 150 business executives and scholars who make research studies into national economic problems and issue reports with a view to promoting high employment and economic growth and stability.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jameson Young has become associated with Harris, Upham & Co., 232 Montgomery Street. He was formerly with Henry F. Swift & Co. and Hooker & Fay.

Continued from page 7

Employment Act Objectives and The Stabilization of Prices

"acknowledges that there is an unfavorable feature in recent economic developments. . . . Four-fifths of the increase in gross national product in 1957 was accounted for by rising prices. There are critical questions here for business and labor, as well as government. Business managements must recognize that price increases that are unwarranted by costs, or that attempt to recapture investment outlays too quickly, not only lower the buying power of the dollar, but also may be self-defeating by causing a restriction of markets, lower output, and a narrowing of the return on capital investment. The leadership of labor must recognize that wage increases that go beyond over-all productivity gains are inconsistent with stable prices, and that the resumption of economic growth can be slowed by wage increases that involve either higher prices or a further narrowing of the margin between prices and costs. Government, for its part, must use its powers to keep our economy stable and to encourage sound economic growth with reasonably stable prices." (p. v).

There is in this report the familiar pledge of allegiance to the dual objectives of the Employment Act: economic policy must "strive to limit fluctuations in the rate of over-all economic growth to a relatively narrow range around a rising trend." (p. 3). This is followed by an impeccable section on "Free Competitive Enterprise." Here is the emphasis made familiar in previous Economic Reports on the efficacy of free enterprise in guilding the allocation of productive resources but nothing about competitive adjustment of price and income structures in a day of giant corporations and unions. The Report rightly says that "the authors of the Employment Act made it explicit that Government . . . should foster and promote free competitive enterprises." But does this not mean that the Congress should shape business institutions so as positively to induce price competition or minimize monopolistic price controls? History suggests that more is needed than the mere official pronouncement that "policies and practices of individuals and private groups must [sic] contribute to, not hinder, the achievement of economic growth with reasonably stable prices."

Effectuating the Objective of Free Competitive Enterprise

From examination of the language of the Employment Act (in the perspective of its legislative history) and review of its administration (in the context of contemporary economic thinking), I am led to five conclusions:

(1) Both the framers of the act and those who have sought to forward its broad purpose of sustained high-level use of the nation's productive resources have been quite aware that they must deal with a complex interrelated process of prices and incomes.

(2) There has been general recognition that there are three avenues of constructive approach to the maximum production problem: fiscal policy, monetary policy, and market (or private price-income) policy. Because of preoccupation with the current economic fad of aggregate demand as the antecedent rather than the concomitant of maximum production, there has been undue faith placed in monetary and fiscal policy as the means of attaining the ends of national growth and stability.

(3) There is progressive disenchantment with monetary policy as a major means of achieving the objective of the Employment Act both because of inherent limitations and of political back-seat driving. Fiscal policy is still recognized as a powerful agency of growth and stability but one subject to similar political hazards in application. It is a basic limitation of both these types of control that they are aimed at aggregates, or the statistical artifact of a price level rather than specific functional price and income relationships. They may aggravate rather than correct the specific and local situations where increased costs, disbursed incomes, and prices realizations attain or fail to attain so good a balance as to clear the market at full capacity operation. To the extent that such balance is not attained (or approximated) the compensatory or offsetting task thrown on public action (fiscal and monetary) is increased —with resultant failure or desperate resort to authoritarian controls.

Voluntary Economic Statesmanship

(4) In lieu of such a drift toward government control ("creeping socialism" or whatever) we have the alternative deeply rooted in our traditions—"free competitive enterprise." This has two aspects. One is the "economic statesmanship" of corporation price-making executives, and a like concern for the welfare of the economy on the part of wage-negotiating officials of large and strategically placed labor unions. Appeals to this important source of business efficiency and economic stability are consistently emphasized through the Economic Reports of the President from 1947 to 1958. I believe that such appeals are not fatuous. With growing economic sophistication and clearer sense of their responsibility on the part of executives of large industrial, commercial, and labor aggregations, we may hope to move closer toward the self-sustaining balance which both President Truman and President Eisenhower have repeatedly stated should be the contribution of private business. They have, I believe, been soundly advised in taking this position.

(5) The greatest service the Joint Economic Committee and the Congress can render at this juncture is to clarify the meaning of free competitive enterprise in this day of corporation and labor union giants. With the degree of concentration of economic power that has grown up at these centers and the institutional structures they now have it is quite possible for the free competitive enterprise of their leaders to work against rather than for the stabilizing of the economy in a strong growth trend. We need to reestablish conditions of price competition instead of power competition. A full employment economy needs flexibility of its price and income structure to displace the built-in rigidities and ever-widening institution of "escalation," whether of farm price supports, union contracts, cost-plus procurement, variable annuity insurance, government pay scales, and even proposed fixed income bonds.

Facing the Issue Finally

Ten years ago the Economic Report of the President said: "The policy proclaimed in the Employment Act requires us to devise

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and adopt positive measures to stop this inflation and secure relative stabilization." That responsibility has not been diligently carried out in the intervening years. Instead, we have followed the easier but dangerous course of accepting what in 1951 I called "inflation as a way of life." The present Administration, as noted above, has instituted two inquiries into the field of monopoly, and at least three Committees of the Congress have been conducting hearings on various phases of the matter. But there has been no comprehensive attempt to relate these specific inquiries to the central purpose of the Employment Act. Tney have been lacking in comprehensiveness also in that none has faced forthrightly the inseparability of price, wage, and profit structures in a free market economy. In my opening testimony before the Kefauver Subcommittee on Antitrust and Monopoly, I was moved to suggest that "the processes of price making and of wage making are so intertwined in the modern industrial world that neither can be effectively analyzed in isolation from the other. I believe also that the phenomenon known as monopolistic competition or as administered pricing manifests itself in essentially similar ways and with essentially similar consequences in the two cases."

There are places in the program of the Joint Committee's hearings at which it would seem that the pricing of labor and its relation to full employment would naturally enter the discussion, but the word wages is nowhere used. I anticipate that this gap will in some measure be filled by several of the contributors to the compendium and that the panel discussions as they unfold will not only broaden and deepen our understanding of the nature of free competitive enterprise as an objective of the Employment Act in an age of large-scale technology but will also point to specific measures for buttressing the old faith and giving it modern implementation.

Nadler Favors Tax Cut Program to Another Boost in Federal Spending

Hanover Bank's economist warns that whether price inflation will follow this recession, or not, depends on the measures that have been or will be taken by the government. Dr. Nadler advises we cope with the future problem of inflation now by avoiding recessionary cures that will harm the economy later on. Favors tax remissions to Federal spending.

The May issue of The Hanover Bank's monthly news letter discusses dormant inflationary forces during the present recession. Written by Dr. Marcus Nadler, the bank's consulting economist, and New York University Banking and Finance Professor, the "Letter" concludes as follows:

Marcus Nadler

"(1) **The foundation for the present recession was laid during the boom years of 1955-56.** It was then evident that the huge capital expenditures would lead to excess capacity and that individual indebtedness could not keep on rising indefinitely. Similarly, the measures that have already been taken and those that will be taken by the government in the near future will determine the pattern of business later on."

Above all, these tactics will have an important bearing on whether the inflationary forces will be revived and the purchasing power of the dollar continue to decline. The situation is all the more serious today. Despite the recession and the widespread unemployment—particularly in manufacturing—both consumer price index and wage rates continue to rise.

"(2) **Although the current decline in business activity is more serious than the 'rolling' readjustment of 1953-54, the Administration and Congress have been slower to act.** Their approach to the economic problems confronting the nation has been marked by caution. The policies of the Reserve authorities in recent months have been less bold than in 1953-54. These policies are influenced at least in part by the fear that the forces of inflation may be resurrected. In addition, the Treasury offered long-dated bonds, thus competing for long-term funds with private borrowers and political subdivisions.

"(3) **The measures taken so far by the government have been aimed primarily at stimulating public works and housing.** However, experience has shown that such projects—no matter how useful—are costly and slow in their effects on the economy. If the bill extending unemployment insurance for an additional 13 weeks is enacted, it will alleviate hardship and help to maintain the purchasing power of the unemployed. But it is not likely to have any material impact on the most depressed segments of the economy—namely, durable consumers and capital producers goods.

"(4) **To date both the Administration and Congress have been reluctant to consider a tax reduction program, even though such a measure is apt to have an immediate beneficial effect on economic activity and on business sentiment.** An across-the-board cut in individual income taxes would boost the spending power of millions of taxpayers. Whether this increased disposable income is used for buying, saving, or investment, these funds ultimately would find their way into business."

A reduction of corporate taxes would lower the cost of doing business. This would enable many corporations to lower prices and thus stimulate sales. In addition, accelerated amortization would stimulate some capital expenditures.

"(5) **It is clear that the country cannot afford *both* massive spending by the Federal Government and a reduction in individual and corporate taxes.** Already the deficit for the present fiscal year is estimated at about $3 billion. Even without a tax cut the deficit for fiscal 1959 is placed at over $8 to $10 billion. If Congress should appropriate additional substantial sums for public works and at the same time reduce taxes, the deficit could range from $12 to $15 billion."

While such measures would have a good effect on business activity, they would also revive the dormant forces of inflation. Once business activity resumed its upward course, the wage-price spiral would be renewed. As experience of the past has taught, the government and Congress would be reluctant to adopt measures to curb the inflationary process.

"(6) **The aim of the Employment Act of 1946 is to assure a sustainable growth of the economy of the country.** If this is to be achieved and if continued erosion of the purchasing power of the dollar is to be avoided, **now** is the time to adopt appropriate measures. **Now** is the time to stem the recession, stimulate a revival of business activity and prevent a resurgence of the inflationary forces. Sound tax reductions and a bold policy of credit ease adapted to present conditions—tactics which could be promptly reversed when necessary — would achieve these results."

Mtg. Bankers Group Elects E. V. Taylor

SAN FRANCISCO, Calif.—Earle V. Taylor, Vice-President of Crocker-Anglo National Bank, was named President of the Mortgage Bankers Association of Northern California at their recent annual meeting in the Fairmont Hotel in San Francisco. Mr. Taylor succeeds former MBANC President Thomas M. Murphy, President of American Trust Company.

Other officers named by the association are A. G. Cummings, Vice-President of E. S. Merriman & Sons, Vice-President; Henry F. Trione, President of Sonoma Mortgage Company, Secretary; and Albert E. Maggio, Vice-President of Marble Mortgage Company, Treasurer.

Taylor has been with Crocker-Anglo since 1930 and was named Vice-President in the real estate loan department early this year. He is a past President of the Society of Residential Appraisers and a member of the San Francisco Real Estate Board, the American Institute of Real Estate Appraisers, the California Mortgage Bankers, the Mortgage Bankers of America and the American Institute of Banking.

Two With J. Barth

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert C. Ryan and Peter M. Zuber have been added to the staff of J. Barth & Co., 404 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Ryan was formerly with Dean Witter & Co.

Jas. Vosburgh Joins Keystone Custodian

James W. Vosburgh has joined Robert L. Norcross as Regional Representative for Keystone Custodian Funds in the Middle Atlantic area, it has been announced by S. L. Sholley, President of Keystone Company of Boston.

The new Keystone representative was formerly associated with A. G. Edwards & Sons, St. Louis.

Keystone's Middle Atlantic office is 1700 Pennsylvania Building, Philadelphia, 2. Mr. Vosburgh's headquarters will be in Washington, D. C.

Hartford Bond Club Annual Field Day

HARTFORD, Conn.—The Bond Club of Hartford will hold its annual outing and dinner at the Country Club in Farmington, Conn., June 6th.

John A. Cissel, Sr.

John A. Cissel, Sr., partner in F. P. Ristine & Co., passed away May 21 at the age of 76. Mr. Cissel, a former Governor of the New York Stock Exchange, had been with F. P. Ristine & Co. for 50 years.

Bache Opens Branch

ANDOVER, Mass.—Bache & Co. has opened a branch office at 14 Park Street un er the direction of Vincent Treanor.

Securities Salesman's Corner

By JOHN DUTTON

Some Effective Advertising

I have a dealer friend that is using postal cards that he sends to a select list of clients and prospects every two weeks that are producing good-will and business for him. He is a small dealer and he is located in an area where there are mostly individual investors with limited to medium investing capacity, and for his type of operation this form of advertising is inexpensive and good. It is not an undignified message either because he has the advertisement set-up by a good photo-offset printer, first in a clear, clean type-face, with the firm signature at the bottom, and then the photo-offset is reduced to card size. It makes a very neat message and a lot can be said on the ordinary two-cent card. (Incidentally, the rate is scheduled to go to three cents under the new law.) I have written about this before in a previous column.

I would like to give you one of his recent mailings which goes as the following. "We are looking for clients — not customers — (that's the heading in bold faced type). Underneath it says: "Customers: Persons whom we sell. Clients: Persons whom we serve. Services we offer:

(1) We BUY or SELL, as agents for our clients: (a) Listed stocks on all exchanges; (b) Unlisted (over-the-counter) stocks; including local stocks; (c) Corporate bonds; (d) Tax-free bonds.

(2) We represent and recommend shares of a few, carefully selected Regulated Investment Companies (Mutual Funds). Descriptive circulars and prospectuses on request.

(3) We advise and assist clients in many ways including the following, and others: (a) Transfer of securities into or out of joint tenancy; (b) sale or exercise of subscription warrants; (c) Questions about proxies; (d) Amount or payment of dividends; (e) Market price of securities at current or some previous date.

(4) We analyze present holdings, furnishing latest information as to current price, anticipated dividends, investment quality and future prospects.

(In Bold Face type) Note: We make no charge for services and/or information, other than standard commission rates on purchases and sales when executed. Then follows the firm name, address, telephone number and the caption at the bottom of the card "Investment Quality Is Our First Consideration."

That is quite a message to be placed in readable and clear type on a small postal card but the use of reduced type makeup to offset printing does it. I think this sort of message is well suited to a small office that is catering to this type of clientele. By keeping his name before his clients in a favorable way every two weeks this card, plus good service, has helped this dealer to build up a sound business.

Recently when the Telephone rights were offered he sent out a card to the effect that he would assist anyone that desired help in either subscribing or selling their rights and his office was so busy for several days that he told me he hardly had time for lunch.

Service Is the Answer

Any salesman who goes out of his way to help his customers with information, rights, quotations, transfers, tax information, etc. is going to gain good-will and build up his business. The day when we could pickup a telephone and sell securities on the old story that "it's going up" is happily almost a thing of the past. Whether your firm is large or small, it pays to train your employees to win good-will and be helpful to clients. Many people just don't know very much about the simple facts pertaining to the purchase, sale, transfer, and payment of securities. Your telephone operator is your first contact with the public; she should be paid for efficiency and her friendliness. Your cashier and his clerks should know how to ask for funds, necessary letters of instruction, etc., without antagonizing clients either by mail, or in their conversation. Abruptness may be acceptable among certain people but it is never a good advertisement for your firm.

NY Wool Associates Elect Officers

W. Gordon McCabe, Jr. of J. P. Stevens & Co., Inc., Greenville, S. C., was re-elected President of the Wool Associates of the New York Cotton Exchange, Inc. at the annual election today. Re-elected First Vice-President is W. Brewster Southworth of Nichols & Co., Boston, Mass. Re-elected Second Vice-President is Elliot W. Brown of the National Wool Marketing Corporation, Boston. Re-elected Treasurer is Bruce S. Lachlan, Jr. of New York City.

Those re-elected to the Board of Governors are: Harry B. Anderson of Merrill Lynch, Pierce, Fenner & Smith, New York City; James J. Caires, Boston; B. Harrison Cohan of Cohan and Company, Boston; Georges A. Florin of Prouvost Lefebvre of Rhode Island Inc., Boston; E. Bradford Keith of The Top Company, Inc., Boston; William Reid of Bache & Co., New York City; Charles R. Rudd of Pacific Mills, Boston; Irving Weis of Irving Weis & Co., New York City; William G. Wigton of Orvis Brothers & Co., New York City; John M. Williams of Royce & Co., New York City and Gilbert F. Wright of Wright Bros. Inc., Boston.

These officials of the Exchange will take office Wednesday, June 4th for a one-year term of office.

Thomas Craig Joins Mercantile Trust

Thomas N. Craig, formerly with Penington, Colket & Co. and Tilney & Company, is now associated with the Mercantile Trust Company of St. Louis in the office of the New York Correspondent.

Chicago Analysts to Hear

CHICAGO, Ill.—The Investment Analysts Society of Chicago will have for guest speaker at the luncheon meeting to be held May 29 at the Adams Room of the Midland Hotel, William C. Stolk, President of the American Can Co.

First Trust Branch

HASTINGS, Neb. — The First Trust Company of Lincoln has opened a branch office in the Clarke Hotel Building under the direction of Lawrence F. Dendinger.

Bernard J. Flynn

Bernard J. Flynn, a member of the Philadelphia-Baltimore Stock Exchange, passed away on May 13.

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Continued from page 15

Reasons for West Germany's Remarkable Economic Growth

velop new products. And most important, tax policy stimulated industry to expand and innovate and make the most of technological advances.

Between 1949 and 1956, gross investment in Germany was $7 billion higher than it was in Britain. And in this period German investment nearly tripled. There's little doubt that the vast amount of money which was poured into new factories, new machinery and new manufacturing techniques was the principal force that sparked Germany's miraculous postwar recovery and her subsequent rise to leadership in Europe.

What this seems to show is that government policy can have a tremendous effect on the speed with which a nation moves ahead. I'm not suggesing that we in this country should rush right out and write ourselves a new set of tax laws just like Germany's. But I am suggesting that the economic attitudes of government — and more specifically, its tax policies —may be far more important to the growth of our nation than most people now realize.

I'm also suggesting that taxes are something that vitally concern the engineer and architect. All of us here should be interested in taxes not only because they affect the size of our paychecks, but, more important, because they affect the opportunities and the achievements of engineering and architecture. The rate at which the world uses the engineer's and the architect's talents and ideas depends not only upon scientific progress and the advance of education, but also upon the way their government manages its policies.

We Could Profit From This

We've seen the important part that depreciation policy played in the recovery of German industry. What I'd like to suggest is that perhaps we in the United States could profit from this experience. Isn't it possible we could make more effective use of machine technology? Isn't it possible we could increase our productivity for the good of everyone?

It seems to me that industry and engineering in this country need a liberalizing of our government's policy on depreciation allowances. Tax officials still tend to base their judgment on the experience of the past—not on the accelerating advances in technology which we're now experiencing. Government policy on this matter simply hasn't caught up with the speed of development in industrial machinery.

I wonder if people generally know just how fast we're moving in this field. How many, for instance, know about the tremendous improvements that have been made in metal-cutting machinery over the past 10 years? Some of today's lathes are turning 15 times faster than those in use before World War II. The development of high-speed cutting metals such as tungsten carbide has vastly increased the depth of the cut as well as the speed at which these lathes operate. As a result they are using nearly twice the power they did a decade ago.

Similar advances have been made in pressing and stamping. Only seven years ago most big presses were capable of turning out large stampings at the rate of about six strokes a minute. Today there are big presses with automatic handling devices which can operate all day long at 18 strokes a minute or better. And it seems likely that press speeds will reach new highs in the immediate future. A few stamping machines equipped with progressive dies already operate at a speed of about 600 pieces a minute, and for some applications the output may exceed 1,000 pieces a minute within the next 10 years.

Additional Incentives

One of the best ways for this country to make the most of fast-moving technological advances like these is to provide the incentive to industry to expand and modernize and innovate. But above all, incentive must also be given to the engineer and achitect—the incentive to create new tools and improve on the old ones —to search for new and better techniques and methods—and to make imaginative and creative uses of science nd technology. New and more realistic attitudes toward depreciation allowances may be one of the most effective means of providing incentive to both industry and engineering.

In their present attitudes on depreciation allowances, our tax officials are inclined to think about how long it used to take a piece of machinery to wear out—not taking into full account the all-important fact that a great deal of machinery no longer wears out. You and I know that almost invariably the tools used by modern industry are replaced by new ones long before they show any serious signs of wear. Under present conditions we should be permitted to write off the cost of machinery at much faster rates than we used 20 years ago.

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

Government officials are beginning to recognize this new situation, but they are still a long way from giving it the realistic consideration it requires. Neither are they recognizing that it takes far more money to buy new machines than it did to pay for the ones they replace. Inflation, as you know, has increased the cost of machinery enormously. We can't even come close to replacing an old machine with a new one just by recovering the cost of the old one.

Other countries have learned that they can speed their industrial and technological growth by gearing their tax policies on depreciation to today's realities. In this country we've been making only modest progress in using our depreciation policies to encourage industrial modernization—to promote new uses of machinery—and to give momentum to the advance of technology.

Vehicle's Excise Tax

There is another tax matter I'd like to comment on briefly. As you know, everyone who buys a car or truck these days must pay an excise tax. This is an amount equal to 10% of the manufacturer's wholesale price to the dealer. We in the automobile industry believe this tax discriminates against our products. Moreover, we believe it discriminates against products that are essential to the business and industrial life of this country and to the daily living of practically all of us.

Over and beyond the discriminatory features of the excise tax, however, there's a more important consideration. By removing this tax or by cutting it drastically, the government could provide an economic stimulus that would strengthen the ability of the country to recover quickly from the present recession and to advance steadily in the years ahead. The benefits of such action would reach everyone affected by the design, manufacture, distribution, servicing and use of motor vehicles—and that includes just about the entire population in one way or another.

Retroactive to March 1

It's extremely important, in our opinion, that protection be given to new-car buyers by making the reduction of this tax retroactive to at least March 1.

Today this country is being challenged to match the growing economic and military power of the Soviet Union — to develop ways of conquering space — to meet our growing needs for more and better education—and to find the means of stimulating our economy in a period of recession. Our economic and technological strength stands as a major force in the survival of freedom throughout the world. However, should our economic progress be retarded, this strength could be sapped and our ability to meet the challenges of our time could be greatly weakened — perhaps beyond rejuvenation.

Right now, more than ever, industry needs the incentive to invest in new products, new processes, and new machinery. For this kind of investment creates new and vigorous competition. It gives impetus to engineering research and creativity. It encourages efficiency and higher productivity. It creates markets, and these markets mean more jobs and opportunity in all areas of the country. Finally, it broadens the base of our economy, increases our sources of revenue without raising tax rates, and gives us the funds to pay for the things our nation needs.

Government policies that strengthen the nation also strengthen the profession of engineering. But the government has even more specific power to expand and broaden the universe of the engineer. Positive depreciation policies help engineers in industry to make full and efficient use of advanced machine technology. Tax policies that encourage the development of new ideas, new products and new processes mean unlimited opportunities for engineers of all kinds. Financial policies that help maintain a stable and steadily growing national economy encourage an adequate and **continuous** investment in scientific and engineering research.

Engineers can make their greatest contributions to the welfare and progress of the nation when government gives men the incentive to explore, to discover, to create and to move ahead. By helping to kindle the will, imagination and ingenuity of men, government tax laws and fiscal policies can stimulate the advancement of science, promote creativeness and innovation, and help build the economic and technological strength we need so much in these difficult times.

Stewart, Miller Co. Being Formed in Chicago

CHICAGO, Ill.—Stewart, Miller & Co., Inc. is being formed with offices at 209 South La Salle Street to engage in a securities business. Philip B. Stewart II is a principal of the firm.

Handforth Assoc. Formed

STATEN ISLAND, N. Y.—John H. Handforth is engaging in a securities business from offices at 389 Ridgewood Avenue under the firm name of Handforth Associates. Mr. Handforth was formerly with Wm. Newman & Co., and Hunter Securities.

Continued from first page

Monetary Rock of Gibraltar

following report of *The Statist* (London, Nov. 2, 1957) was indicative of this change:

"Dr. A. J. R. Rhijn, Minister of Economic Affairs of the Union of South Africa, delivered an address at the University of Zurich. . . . When asked about the present attitude of the Government of South Africa to the claim to a rise in the dollar price of gold, Dr. van Rhijn showed extreme reticence, declaring that the moment was not opportune for discussing the question. Asked what developments might be expected to follow if the gold price were raised, Dr. van Rhijn said no one could predict the consequences."

The moment was not opportune—last October. Since then, the "depression" has resuscitated the wishful expectations abroad. Not so, among leading Swiss bankers. In their opinion, as the same article of *The Statist* reported, five reasons militate against a dollar devaluation in the visible future. These arguments deserve close consideration.

Cause Monetary Upheaval

Reason #1: "A . . . devaluation of the dollar . . . would oblige all the other countries . . . to adjust the rates of their currencies to that of the dollar, just as in 1949 most European countries . . . had to adjust when sterling was devalued. Otherwise, United States exports would be greatly stimulated but imports impeded. After the dollar price of gold was raised in 1934, Switzerland found herself unable to compete on world markets and in 1936 had to cut the gold value of the franc by 30%, although the franc was momentarily perfectly sound, but Swiss commodity prices after devaluation of the dollar too high. In the present agitated state of the world economy, *incalculable harm might be done by provoking world-wide monetary upheavals.*" (Italic's ours.)

In the Bretton Woods Agreement of 1944, devaluation of individual currencies was put on the taboo list. But global devaluation was written into the Monetary Fund statutes as permissible. Under such auspices, the myth of a harmless — nay, beneficial—world-wide money manipulation has acquired a sort of intellectual respectability.

Global Devaluation

The difference between a national and a global devaluation boils down to this: Raising the gold price by an individual country means a penalty on every import and a subsidy to every export, upsetting the price structure both ways. Theoretically, global devaluation is a different story. Depreciating all currencies *simultaneously* at a *uniform* rate would leave untouched the foreign exchange rates of each against all others. International trade need not be affected—provided, to repeat, that *all* currencies are cut in the *same* proportion, and that *all* export prices and *all* import prices are adjusted in the *identical* proportion. But that is exactly what would *not* happen.

France and even the Sterling Area may use the opportunity to under-cut the dollar, to say nothing of a majority of nations in acute inflationary pains. On the other hand, Switzerland, Germany and Venezuela are most *unlikely* to go as far as the rest. That would create all sorts of price differentials and balance of trade disturbances.

But assuming the improbable, that all countries devalue simultaneously and at the identical rate—the inflationary effects (to be discussed presently) would be neither simultaneous nor identical. Money-tinkering inflames the demand for higher wages sooner in one case than in another; some countries would hold prices by physical or indirect controls, others would not. A change of the currency's gold "parity" means very different things to different peoples, depending on mass psychology, politics, structure of production, demand and supply elasticities affecting foreign trade, and so on. In short, whether global or local, devaluation tends to distort price levels and price relationships and to cause a "fundamental" disequilibrium—which it is supposed to cure—to be cured in turn by more devaluations or other tricks of commercial and monetary warfare.

However, foreign trade maladjustments are only one "fly" in the global devaluation ointment. Its impact on prices would be something to behold! That brings us to the next point.

Destroy Private Savings

Reason #2: "If the dollar price of gold were raised, commodity prices and services all over the world would rise until a new state of equilibrium in price levels were reached. That would raise the cost of living. All bonds, insurance policies, annuities, mortgages, and fixed-interest securities would be devaluated, impoverishing millions who are dependent on fixed incomes, and destroying confidence in thrift."

Given the inflationary bias, or inclination, of most parliaments and governments, one may easily imagine the reaction to (say) doubling their gold reserves' dollar content. The "natural" tendency would be to utilize the diluted credit base for diluting the credit system. Few things could be more helpful in promoting the Fools' Paradise than a large paper-gain in the basic reserves of the central banks. Sooner or later, it would serve as a *free-brief for reckless credit expansion.*

This inflationary momentum would be vastly enhanced by the reaction of gold producers and hoarders. The latter would find that the purchasing power of their treasures have doubled overnight. That "surprise" alone would stimulate spending. By all experience, devaluations tend to cause commodity prices to rise. The sheer *expectation* of that sequence is bound to bring the newly won purchasing power into action. The more so, since much of the gold had been hoarded in the anticipation of just that: of a dollar devaluation. After the event, the opening up of the hoards is a virtual certainty. Their total in the Free World must be in the order of $12 billion or more; since the last war, as much as one-half of the annual gold output "vanished" into private hands. A major fraction flowing into the central banks would suffice to create a money flood.

Dilute Credit Base

The flood will be far from minor, considering a further factor: the premium on gold production. A 100% or similar increase of the American gold price—and nothing less than 50% would be "effective" from the devaluationists' point of view—would raise accordingly the dollar value of the annual output. It is running now at the all-time high of roughly $1,100 million, not counting the Soviet production. At a doubled price it will represent $2.2 billion. And of course, the gold industry will turn to the exploitation of low-grade ores; it could raise the output easily by 50%—until costs will catch up.

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(By that time, it will turn to clamoring for another devaluation.)

This vast quantity of old and new gold will tend to flow into the central banks, expanding the credit bases. The initial gold inflation will be sustained and magnified by a secondary credit inflation several times the dimensions of the first. In short, an outburst of world-wide inflation would be the pay-off for dollar devaluation even under "normal" (19th Century) conditions. How could it be otherwise in an era politically and psychologically geared to inflation, in the age of Welfare States dominated by trade unions, contractual escalators, pressure group politics, and vicious wage-price spirals?

Would Aid Our Adversaries

Reason #3: "If the purchasing power of gold were increased by raising the dollar price, the immense hoards held by the Soviet Union would be a far greater potential menace to the West than they are now."

Estimates of the Soviets' gold reserve vary between $6 billion and $12 billion. Even at the lower figure, it is second only to that of the U. S. Their gold production is second only to that of South Africa. In any event, they are in the position of a large-scale gold hoarder and producer. They are not likely to miss the boat in case of a dollar devaluation, to which Lenin's precept, addressed to his followers (published in his *Selected Works*, New York 1937, Vol. IX, pp. 299-300) applies: "When we conquer on a world scale I think we shall use gold for the purpose of building public lavatories in the streets of the several large cities of the world. . . . Let us work for another decade . . . in order to reach the stage when we can put gold to this use. *Meanwhile,* we must *save the gold* in the R.S.F.S.R., *sell it at the highest price, buy goods* with it *at the lowest price.*" (Italics ours.)

This should be the climax of all boon-doggling: to provide the Soviets, the French, Latin and Oriental gold hoarders, and the South African gold interests with the wherewithal to drive our prices sky-high—ultimately to force us into the strait-jacket of price and wage controls!

Encouraging a Run on the Dollar

Reason #4: "Today only Congress can sanction a rise in the dollar price of gold. Unless some way could be found of taking discussion out of the political arena, no change in the gold price is conceivable."

This "technicality" is being ignored, or pooh-poohed, by the advocates of dollar devaluation. True, the U. S. Treasury has the power to stop the export of gold without asking for Congressional consent. The Treasury is on record that it might resort to such a desperate measure—if the foreign creditors would start a run on the dollar, which they can be relied upon to do the moment their dollar holdings of $17 billion are threatened by a reduction of the gold "content."*

In other words, the Treasury is supposed to bring about deliberately a *run on the dollar* by "unhinging" it! Its value in terms of gold would be thrown open to violent fluctuations, depending on the markets' estimate of when and at what level the gold price would be fixed again. Note, however, that *the Treasury could not fix a new gold price,* except by returning to the old one. In the meantime, the unhinged dollar would jump up and down as the Congressional winds may blow (and would they blow!) providing the foreign speculators with fantastic profit chances—at the expense of innocent bystanders — and throw international trade into a chaos.

Reason #5: Monetarily, nothing permanent would be gained by a rise in the dollar price of gold until inflation in the U. S. has been stopped once and for all.

Most certainly, nothing (but more inflation) would be gained until inflation has been stopped "once and for all." That brings us to a most paradoxical argument in favor of devaluation: that it constitutes the road to monetary stabilization, costly as it may be—nay, they claim, the only road to economic salvation.

The Patent Medicine

Clipping the coin, which is what the deliberate reduction of the currency's gold content amounts to, served in medieval days as a source of princely revenue. Since the 16th Century, it became a standard technique of the kings (followed by the Bank of England in 1931) to relieve the burden of their debts, a substitute for open default. The outgoing 19th Century developed the vicious practice of trying to improve the balance of trade by devaluing the paper money. It was left to F. D. R. to improvise a new pattern: devaluation as a "contracyclical" measure to raise prices and to beat the depression. It has inaugurated the opening wedge of British Socialism and American New Dealism.

The precedent has a terrific influence on this generation—outside the U. S. What was a totally misconceived patent medicine in the throes of the greatest depression, has become accepted practice nearly all over the world. We are supposed to live by the same standards. Why should the "sanctity of contracts" apply to the American dollar when it has gone out of fashion in all but a few quarters (like Switzerland, lately also Germany)? Such principles—and their economic and political implications — are obliterated when the over-riding issue is to maintain Full Employment, cost what it may; when a modest slowdown in the record rate of spending and investing drives the politicians into hysteria.

At any rate, a moderate decline in the index of U. S. manufacturing production—with the cost of living still edging upward—awakened the outer world's wishful expectations. Accordingly, the long languishing shares of gold stocks have gained a new lease on life. Such expectations should seem well justified in view of the "crash programs" of deficit finance rushed by the President and the Congress. Yet, popular as deficit spending to "prime the pump" may be, this country is not ready for, still less in need of, tinkering with the monetary standard. As the London *Economist* put it recently: "A higher gold price has lost none of its appeal to countries outside America, and none of its anathema to Congress."

As to overcoming the depression by such legerdemains, Philip Cortney's trenchant remarks may be quoted:

"I for one doubt that any government of a free country . . . has the means and the know-how to ensure perpetual prosperity by monetary and fiscal policies. I hear some people in our country saying: 'We cannot afford a depression.' Very frankly, I do not understand what they mean by this proposition. No one wants or likes a depression. However, a recession or a depression is only the consequence of precedent abuses of money and credit. We can't get drunk and not have a hangover. . . . A so-called creeping inflation would not in the present situation of our economy prevent unemployment. Quite to the contrary it may well increase it above what a normal readjustment would require, and besides would undermine our currency. A free economy can maintain a steady level of high employment provided maladjustments are not created by abuses of credit, and provided also it is not subjected to continuous unjustified rises in wages by monopolistic unions, as is presently the case. . . ."

Yet, depression fear is the chief premise of all inflation propagandists, open and concealed. Advocates of a devaluation are no exception; they predict a disastrous gold shortage that is bound, allegedly, to bring about a catastrophic decline of prices.

Gold Shortage

In the 1870's, an Austrian geologist, Professor Suess, announced that the gold deposits of the earth had been exhausted. Pronto, gold shortage became a stock-in-trade of the international silver (double standard) sales talk. The opening up of the South African fields in the '90s was the end of that. The idea was revived in the late 1920's by Gustav Cassel and Jos. Kitchin who made the most of it as the alleged cause of the great depression. Stretching the available volume of yellow metal was the proposed remedy, either by a more "economic" use (gold exchange standard: the same gold reserve to serve simultaneously as the base of several credit pyramids); or by raising its price in units of the leading national currencies—global devaluation.

Of these two methods, the former has been overstretched since World War II by a gigantic accumulation of foreign-owned dollar balances in New York and sterling balances in London. They have reached unmanageable and highly inflationary proportions. Their further growth is scarcely advocated any longer.

That leaves the second way: global devaluation. At the "proper" rate, it should provide the dollar-volume of gold to replenish the monetary reserves and to permit the general return to convertibility. It is that simple: equate an ounce of gold with, say, $70 (why not more, or less?) in lieu of $35, and an all-around stabilization of the currencies will be obtained, the gold standard rescued, inflation and deflation banned, etc. As if a magic formula could convert the socialist and welfarist public opinions of the Western world to the strict discipline inherent in the gold standard—no deficit finance, no foreign exchange restrictions, no more Cheap Money, or debt monetization.

In reality, as pointed out, prices would receive a sharp upward momentum by a dollar devaluation; the psychological impact alone would be formidable. In due course, gold reserves would run short again. What then?

Let Wages and Prices Adjust Themselves

"Gold shortage" is a bugaboo. Leaving the Russian output aside,[1] gold production keeps rising, if only in South Africa where 58% of the annual output originates. It reached in 1957 the record volume of 29.3 million ounces, 1.1 million ounces more than in the previous year. A 4% annual increase at present compares favorably with the pre-depression average rate of 2 to 3%. On top of that, the Soviets sold last year a record 7.5 million ounces, against 4.3 million ounces in 1956. Nor is there any reason to assume that at the present gold price and at current or similar costs, production should fall of. South African gold properties still are *very* profitable. Consolidated Gold Fields Ltd. expects "a continued improvement in the returns" from its gold mining operations.[2] But if a decline should occur, why not let prices and wages adjust themselves instead of trying to save the creeping inflation by plunging into the runaway kind?

All of which does not take into consideration the previously discussed private hoards. That they open up at the first signs of monetary stabilization, has been proved by the "Pinay miracle" of 1952. ("The first duty of a government," said he, as French Premier, "is to defend the currency, for by defending the currency it defends everything." Amen!) But in 1957, in addition to 4 million ounces absorbed for industrial use, 9 million ounces, or still one-quarter of the *total* new supply of about $1.35 billion, went into hoards. (This time, the bulk of this huge amount of vanishing gold — just about equal in dollar value to the Dollar Aid Mr. Nehru draws!—went to India.)

A New Foreign Aid Financing Scheme

Small wonder that the devaluationist emphasis shifted from the untenable gold-scarcity position to to equally naive variant of the same. In the interwar period, when France had the biggest reserve, some $4 billion, and refused to sacrifice it in reckless foreign credits, it was called the Mal-Distribution of Gold. After World War II it became the famous Dollar Shortage — "lack of international liquidity," in the colorful jargon of the International Monetary Fund economists. By whatever name it goes . . . *Dollar Shortage* is the alleged global ailment a dollar devaluation is supposed to cure by distributing the U. S. Treasury's "gain" on the revalued gold reserve. Duplicating the Marshall Plan is supposed to bring equilibrium to the sick payment balances and permit the return to the convertibility of all, or most of all, currencies—for how long? Would it enhance industrial productivity, stop unreasonable wage claims, wipe out strikes and absenteeism in Britain? Would it lower costs, eliminate the multitude of subsidies, and balance the national budget in France? Stop the capital flight from all the over-taxed, over-managed and over-inflated economies?

Incidentally, how did the Germans succeed in making their currency virtually convertible and in assuring their share in the $30 billion (!) "visible" gold and dollar holdings of foreign countries—without waiting to be rescued from the spurious "lack of international liquidity"? It would be futile to try and find an answer to such simple questions in the devaluationist exhortations. They ignore what does not fit into their frames of mind, or by-pass it in a cavalier fashion.

Stabilization by — Devaluation

For a decade or longer, certain interests have been preaching the sweet doctrine: that the dollar must be devalued if the currency systems of the world should be brought to order. *Le Monde*, the most distinguished French newspaper, came out lately for such a "stabilization" plan. The numerous reasons alleged or implied are too sophistical and confused for serious discussion.

One sample may suffice: Devaluation of the dollar would change nothing, so the argument runs, it would merely confirm *de jure* its "depreciation" that has occurred already. Note the semantics: depreciation, a decline in the money's gold value is being equated with a decline of its purchasing power, as if they were identical. By that token, gold is "depreciated," too, not less so than the dollar; 350 dollars have since 1934 the same purchasing power in the world markets as has a ten-ounce bar of gold, a clear state of affairs that cannot be obscured by twisting words.

There is one apparent *rationale* to the idea of devaluation: Government debt certificates could be taken out of the Federal Reserve portfolio. That would start us fresh on the gold standard. A very desirable objective, indeed. But is devaluation the way to accomplish it? By what stretch of imagination can one assume that a colossal outpour of dollars fresh from the printing press—the devaluation profit on the gold reserve—would be put by the politicians to no more "profitable" use than to relieve the Federal Reserve of its bond portfolio, to take the rules of the gold standard out of moth balls, and apply them rigorously? If they did promise, how would one stop them from starting fresh where they left off? And how should the "gold inflation," that inevitably follows an all-around devaluation, be controlled? No "rationale" can overcome the objections, discussed above: that devaluation implies vicious principles and mischievous practices.

Fortunately, there is no danger *at present* that the powers-that-be would be used for deliberately clipping the dollar. Yet, devaluation is not an academic question. Unwillingly and unwittingly, we may slide into the catastrophe. If we embark on the kind of budget deficits as are being projected now, at some by no means very remote point the foreign-owned dollar balances will start—in fact, they did start!—slipping out, taking our gold reserve with them. Major gold losses will in turn force us into an embargo on gold exports, and the dollar would depreciate *de facto* on the foreign exchange markets. From there, it is only a very short step to formal devaluation.

*Whether the measure could also stop the transfer of foreign-owned balances to the pile of earmarked gold, that would deplete our basic reserve just as its export does, is a moot question.

[1] Estimated by the U. S. Bureau of Mines at 10 million fine oz. in 1956.

[2] Quoted in *Monetary Notes*, New York, Feb. 3, 1958.

Port Authority Bonds Placed on the Market

Blyth & Co., Inc. and Harriman Ripley & Co., Inc. are joint managers of the group that offered on June 4 an issue of $35,000,000 The Port of New York Authority 3⅜% consolidated bonds, twelfth series, due 1988, at a price of 99½%. The group was winner of the bonds at competitive sale on a bid of 98.43 for the 3⅜% coupon.

Of the proceeds from the sale of the bonds, $15,000,000 is to be used for capital expenditures in connection with Newark Airport and Port Newark; and $20,000,000 is to be used for capital expenditures at any one or more of the Port Authority's facilities, other than Port Newark, La Guardia, Newark or New York International Airports.

The twelfth series bonds are redeemable at the option of the authority at regular redemption prices ranging from 103% beginning on May 1, 1968 to 100% after Nov. 1, 1976; and at mandatory periodic retirement redemption prices ranging from 103% beginning on Nov. 1, 1965 to 100% after Nov. 1, 1973.

These consolidated bonds are direct and general obligations of the authority, and its full faith and credit are pledged to the payment of their debt service. The Port of New York Authority is a municipal corporate instrumentality of the States of New York and New Jersey, created in 1921 by compact between the two states, with the consent of the Congress of the United States.

F. S. Moseley Branch

LA CROSSE, Wis.—F. S. Moseley & Co. has opened a branch office at 125 North Fourth Street under the management of Bernard L. Decheine. Mr. Decheine was formerly with Shearson, Hammill & Co.

New Dunne Branch

COMMACK, N. Y. — Dunne & Co. has opened a branch office on Veterans Memorial Highway under the management of Peter Lockhart.

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Arthur Allyn Re-Elected Chairman of Midwest Exchange

CHICAGO, Ill.—Arthur C. Allyn, senior partner of A. C. Allyn & Co., investment securities firm, has been elected to a second one-year term as Chairman of the Board of Governors of the Midwest Stock Exchange.

A. C. Allyn

Mr. Allyn, who has been active in the securities business for nearly half a century, is widely known for his underwriting activities. His firm has been a member of the Midwest Stock Exchange for the past 10 years.

Clemens E. Gunn, Vice-President of Cunningham, Gunn and Carey, Inc., Cleveland, was elected Vice-Chairman. He succeeds Frederic P. Barnes, partner of H. O. Peet & Co., Kansas City, Mo., who served two terms.

Newcomers to the Board of Governors are Charles F. Ford of A. G. Edwards & Sons, St. Louis; Benjamin M. Storey, Vice-President of Kalman & Co., St. Paul, and Claude F. Turben, Vice-President of Merrill, Turben & Co., Cleveland.

Others are Chicagoans Chancellor Dougall, partner of Chancellor Dougall & Co., floor brokers; Norman Freehling, partner of Freehling, Meyerhoff & Co. and Arthur C. Sacco, partner of Webster, Marsh & Co.

Re-named to full terms as Governors were James W. Pope, partner of Glore, Forgan & Co., Chicago, and Clarence A. Horn, Vice-President of First of Michigan Corp., Detroit.

Leslie B. Schwinn, partner of L. B. Schwinn & Co., Cleveland, was re-elected to a two-year term.

George F. Noyes, Vice-President of The Illinois Co., was named Chairman of the 1959 Nominating Committee.

Governors of the Midwest Stock Exchange are elected by the 400 members to serve three-year terms. Eight Governors and a Chairman and Vice-Chairman are chosen each year.

Mtg. & R. E. Forum Elects Shapiro

The election of Benjamin Shapiro, Vice-President, Dollar Savings Bank of the City of New York, as President of the Mortgage and Real Estate Forum of the State of New York, has been announced.

Edgar T. Hussey, President, West Side Savings Bank, served as President of the Mortgage and Real Estate Forum during the past year.

Also elected were: Vice-President Philip L. Greenawalt, Vice-President, The Brooklyn Savings Bank; Vice-President William P. Schweickert, Jr., Assistant Vice-President, The Bank for Savings in the City of New York; Vice-President Sheldon J. Ziegler, Mortgage Officer, The Bronx Savings Bank; Secretary Graeme J. Pierce, Excelsior Savings Bank; and Treasurer Milton Rich, Assistant Mortgage Officer, Central Savings Bank in the City of New York.

With Danforth Field

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Danforth Field II has joined the staff of Danforth Field Co., 315 Montgomery Street.

Continued from page 4

The State of Trade and Industry

clined to make overnight changes in their schedules to meet momentary surges in demand.

The big postwar steel expansion boom is running out of steam, "The Iron Age" further states. Its view is based on a survey of capital spending plans among leading steel firms.

"The prevailing sentiment of steel men is that a pause may be in order following the intensive modernization and expansion spending of the last several years, spending that boosted industry capacity from 99,400,000 ingot tons in 1950 to 140,700,000 tons this year," says "The Iron Age."

The metalworking magazine reports that some steel men look at 1959 as a "breather" year to be followed by another four years of expansion slowdown. But over the long term the mills are talking confidently of the need for further expansion. Spending this year will approximate $1,000,000,000, but 1959 is a question mark.

Since 1947, the steel industry has spent a total of about $10,000,000,000, not including funds earmarked for this year, concludes "The Iron Age."

Construction contracts in the United States showed a "highly encouraging" increase in April, complete figures for the United States released today by F. W. Dodge Corporation show.

Dodge vice-president and economist George Cline Smith noted that this marked the first break in a series of declines which began last November with practically all categories showing improvement.

The April contract total for the United States was $2,881,011,000, an increase of 4% over April of last year. The first three months of 1958 had been down 11% below the same period of 1957.

The residential building category showed its first increase of the year in April. The dollar total of $1,240,217,000, amounted to a rise of 1%, and the number of dwelling units covered by the contracts was up 4%.

There was a moderate rise in the total dollar volume of building permits in April from the previous month, Dun & Bradstreet, Inc., reports. The aggregate for 217 cities, including New York, amounted to $590,547,983, up 0.4% over the $588,106,268 of April 1957, the highest level for any April on record. The total exceeded the $564,046,356 of March by 4.7%.

Contrary to the national trend building permits fell noticeably below a year ago in April in New York City. They amounted to $53,726,893, down 35.6% from the April 1957 total of $83,437,287. The level was very close to the $53,723,840 of the preceding month.

The aggregate value of permits for the 216 outside centers increased 6.4% to $536,821,090 from $504,668,981 in April last year and was up 5.2% above the $510,322,516 of March.

Corporate activity in April was below that of both the preceding month and April 1957, Dun & Bradstreet, Inc. reports. New stock corporations formed during the month numbered 11,329. This was a decline of 2.9% from the 11,670 of March and was 8.0% below the 12,312 of April last year.

New businesses chartered during the first four months of 1958 totaled 46,545, or a decrease of 4.1% from the 48,539 filed during the similar 1957 period.

Consumers increased their new instalment debt slightly in April from the previous month, mostly for autos and personal loans, but continued to repay old debt at a faster rate, the Federal Reserve Board declared.

The result, the board said, was a drop from March of $123,000,000, on a seasonally adjusted basis, in the amount of consumer instalment debt outstanding. Total instalment debt outstanding at the end of April was $32,900,000,000. This was $1,100,000,000 more than the figure at the end of April in 1957.

New extensions of credit in April came to $3,278,000,000 on an adjusted basis, the board noted. This was $85,000,000 more than the new debt of $3,193,000,000 in March, on an adjusted basis, but well under the new debt extensions in April, 1957, which totaled $3,470,000,000 on an adjusted basis.

In the automotive industry last week plant shutdowns for the Memorial Day observance and for inventory adjustments dropped United States car and truck assembly 21.7%, "Ward's Automotive Reports" disclosed on Friday last.

The statistical service said completion of 81,918 cars and trucks the past week against 104,590 the preceding week found nine of the industry's assembly plants closed "all week," including Plymouth, Dodge and DeSoto in the Detroit area.

However, a bright note was injected into the production picture by "Ward's": "Chrysler Corp.," it said, "is scheduling an 18% increase in its June operations over May and will continue at that level throughout July before blacking out for model change in August."

"Ward's" underscored the significance of the upturn for the Detroit area, the source for approximately 80% of Chrysler Corp. United States production. It added that the increase will return Chrysler's June-July volume to the 1958 high level of 59,927 car completions posted in January, and attributed it to a balancing out of 1958 model components and materials plus a progressive reduction in the new car inventory.

Idled all of last week were Plymouth, Dodge and DeSoto car assembly plants in Detroit, Mercury and Chrysler Corp. in Los Angeles, plus the Metuchen, N. J., and St. Louis plants of Mercury and Ford.

General Motors Corp. plants held to a general four-day week the past week and produced 39,000 units as against 32,579 units in the same Memorial Day week a year ago.

Studebaker-Packard Corp. in South Bend, Ind., scheduled a three-day assembly last week, "Ward's" disclosed.

Total manufacturers' sales in April totaled $24,800,000,000 on a seasonally adjusted basis and were close to the revised level of the prior month, the United States Office of Business Economics reports. New orders dipped over 2% from March and inventories declined about 1%. All of the decrease in new orders occurred among manufacturers of durable goods; non-durable goods orders rose slightly in April from March, but were down appreciably from the similar month last year.

Steel Output This Week Scheduled to Rise for Sixth Consecutive Week

Steelmaking scored its fifth consecutive advance last week with furnaces operating at 56.5% of capacity, up 2 points, "Steel" magazine reported on Monday last.

Production was about 1,525,000 net tons of steel for ingots and castings, the highest of any week since mid-January, the metalworking weekly added.

Seven districts reported higher operating rates than the previous week. Four showed no change and two registered declines.

St. Louis at 87.5% of capacity was up 8.5 points over the previous week; the Far West at 75, up 8 points; Detroit at 52, up 4.5 points; Chicago at 63, up 3 points; Buffalo at 46.5, up 2.5 points; Cleveland at 33.5, up 1.5 points and Pittsburgh at 54, up 1 point. The Mid-Atlantic remained at 49, Youngstown at 45, Wheeling at 73.5 and New England at 40. Cincinnati at 59.5 was down 2.5 points and Birmingham at 66.5 was down 0.5 point.

Encouraged by a sudden pickup in June orders, steelmakers hope the improvement is real. If price hedging is an important factor in the upturn, recovery may be an illusion. Consumers may buy more steel than they need in June and next to nothing in July.

Until recently, the price outlook has been so clouded that steelmen had given little thought to the possibility that buyers might hedge. They have assumed that increased orders would reflect either seasonal improvement in demand or a slowdown in inventory reduction. Now they are not so sure.

Commenting on a sudden surge of orders for oil country tubing and casing, a sales executive declared: "There's little doubt that hedging is having some effect. If the trend continues, our June sales may jump 20 to 25%."

Bars are affected, too. "If orders continue at the current rate, we'll operate at 50% of capacity for the first time this year," says a producer of hot-rolled bars.

Structural fabricators are not stocking up. They are afraid interest costs and scrap losses would more than offset what they could gain by hedging. With a four-week delivery from mills, they are unconcerned about low inventories.

In the last three weeks, automotive inventories of cold-rolled sheets have dwindled from 26 to 15 days. June buying will be aimed at finishing off 1958 models, not at beating a price increase, this trade weekly notes.

Autodom's spring sales boom has not met expectations. The industry hopes it can cut inventories to 275,000 net cars in the third quarter to give 1959 models a comfortable start. Estimated inventories for the second quarter stand at 740,000, as against 865,000 in the first. It looks like the first half year production and sales will total about 2,250,000 units. Sales have climbed, but the gain is partly seasonal and nobody is sure that it will last.

With auto and truck output holding at about 104,000 units a week for the last two weeks of record, the rise in steel output and freight carloadings was the biggest factor in the fourth week of upturn for "Steel's" industrial production index. Of the four segments in the index, only electricity output declined. The preliminary reading for the week ended May 24 was up 2 points to 127 (1947-49=100), a 9-point gain since the low point, the week ended April 26.

A study of the index during the spring seasons from 1953 to date suggests that the current strengthening is the start of the road back, not merely a temporary flurry. The strength of the upturn will be tested this week and next.

"Steel's" composite on the prime steelmaking grade of scrap advanced another $1 to $34.50 a gross ton reflecting the rise in steel output.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *102.2% of steel capacity for the week beginning June 2, 1958, equivalent to 1,641,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *97.5% of capacity, and 1,567,000 tons a week ago.

Output for the week beginning June 2, 1958 is equal to about 60.8% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 58.1% the week before.

For the like week a month ago the rate was *83.0% and production 1,334,000 tons. A year ago, the actual weekly production was placed at 2,240,000 tons, or 139.4%.

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

Electric Output Declined in Memorial Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 31, 1958, was estimated at *11,000,000,000 kwh., according to the Edison Electric Institute. Output based upon estimated figures declined the past week.

For the week ended May 31, 1958, output decreased by 316,000,000 kwh. below that of the previous week, but was 64,000,000 kwh. higher than that of the comparable 1957 week, and increased by 402,000,000 kwh. above that of the week ended June 2, 1956.

*Estimated.

Car Loadings Rose 1.8% Above Previous Week But Were 21.1% Below Like 1957 Period

Loadings of revenue freight for the week ended May 24, 1958, were 9,905 cars or 1.8% above the preceding week.

Loadings for the week ended May 24, 1958, totaled 570,670 cars, a decrease of 152,233 cars or 21.1% below the corresponding

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1957 week and a decrease of 217,584 cars, or 27.6% below the corresponding week in 1956.

Automotive Output Declined by 21.7% Last Week

Automotive production for the week ended May 30, 1958, according to "Ward's Automotive Reports," dropped by 21.7% due to plant shutdowns for the Memorial Day observance and for inventory adjustments.

Last week's car output totaled 66,340 units and compared with 86,589 (revised) in the previous week. The past week's production total of cars and trucks amounted to 81,918 units, or a decrease of 22,672 units below that of the previous week's output, states "Ward's."

Last week's car output decreased below that of the previous week by 20,249 units while truck output declined by 2,423 vehicles during the week. In the corresponding week last year 82,431 cars and 17,519 trucks were assembled.

Last week the agency reported there were 15,578 trucks made in the United States. This compared with 18,001 in the previous week and 17,519 a year ago.

Canadian output last week totaled 8,935 cars and 1,420 trucks. In the previous week Dominion plants built 7,150 cars and 1,169 trucks and for the comparable 1957 week 8,686 cars and 2,231 trucks.

Lumber Shipments Increased 5.4% Above Output in Week Ended May 24, 1958

Lumber shipments of 482 reporting mills in the week ended May 24, 1958, were 5.4% above production, according to the National Lumber Trade Barometer. In the same period new orders were 11.7% above production. Unfilled orders amounted to 36% of stocks. Production was 0.6% above; shipments 2.9% above and new orders were 5.2% above the previous week and 1.9% above the like week in 1957.

Business Failures Registered a Substantial Decline Last Week

Commercial and industrial failures fell to 278 in the week ended May 29 from 337 in the preceding week, Dun & Bradstreet, Inc., reports. Although at the lowest level since early January, casualties remained considerably above the 225 in the comparable week of last year and the 238 in 1956. Twelve per cent more concerns failed than in the corresponding pre-war week of 1939 when 249 occurred.

Failures involving liabilities of $5,000 or more declined to 250 from 299 in the previous week but exceeded noticeably the 185 of this size a year ago. There was a dip among small casualties, with liabilities under $5,000, to 28 from 38 last week and from 40 in the similar week of 1957. Liabilities exceeded $100,000 for 19 of the week's casualties as against 25 in the preceding week.

Business Failures Declined in April But Were 24% Above Level of Year Ago

Although failure trends in April varied by lines of business and geographic regions, there was an overall dip of 2% from the postwar high of March. Totalling 1,458, casualties ran 24% above April a year ago.

Concerns failed at an apparent annual rate of 59.7 per 10,000 listed enterprises. While this rate was more severe than the 48.2 in April last year, it remained moderately below the 1939-1940 level and was only half the toll of 116 per 10,000 in 1933.

Contrasting with the seasonal downturn in number of failures, their liabilities continued up, reaching $84,000,000 17% above March and 47% above the previous April. Casualties involving liabilities in excess of $100,000 were largely responsible for these increases.

Despite mixed month-to-month trends among individual lines of business, failures in all functions except service pushed 21 to 35% above their 1957 levels. Nearly all lines of business felt increases from a year ago. Construction casualties ended a four-month dip from the previous year's level by climbing 22%. Manufacturers suffered a severe rise in mortality. In two of its industries, lumber and steel, casualties reached the highest totals in 25 years. More retailers succumbed than in April, 1957 in all trades, with the sharpest increases occurring in the furniture and automotive groups.

Four geographic regions reported March-to-April declines, whereas five regions suffered a continuing increase. Business mortality exceeded last year's level in all regions except the predominantly agricultural West North Central States. Casualties mounted sharply in the New England Region, primarily in Massachusetts and Connecticut and in the South Atlantic Region, where four states reported that their 1957 tolls had doubled—Maryland, Virginia, West Virginia and North Carolina. Also, Ohio and Michigan boosted the East North Central total noticeably above the national average. There was little change in the Pacific States. In both large cities and non-metropolitan districts, casualties rose above last year. Sizable upturns occurred in Baltimore, Boston, Buffalo, Detroit and St. Louis.

Wholesale Food Price Index Rose for the Third Straight Week and Above Like Period of 1957

The Dun & Bradstreet wholesale food price index rose for the third straight week to stand at $6.68 on May 27. This represents an increase of 0.5% over last week's $6.65 and is 9.3% higher than the $6.11 registered in the comparable week a year ago.

Higher prices were shown last week for corn, flour, oats, eggs, raisins, cocoa and bellies. Lower in price were barley, rye, wheat, sugar, lard, milk, coffee, cottonseed oil, steers and hogs.

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 Showed Moderate Gains the Past Week

The general commodity price level moved up the past week, reflecting price increases on most grains, flour, rubber and cocoa. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 281.01 on May 26 from 280.58 a week earlier, but was below the 285.92 of the comparable date a year ago.

Influenced by reports of unfavorable growing conditions in some areas, buyers stepped up their purchases of wheat and futures prices advanced noticeably. Some wholesalers expect that the tightening supply of commercial stocks of winter wheat may be alleviated by harvesting in the next two weeks in parts of Texas and Oklahoma.

The buying of rye was stimulated by reports of dry weather in the Northwest, which resulted in an appreciable rise in prices. There was a substantial gain in the buying of corn for export. Receipts in Chicago were light and supplies were reduced, causing a noticeable rise in corn futures prices.

Increased trading helped soybean futures prices climb somewhat during the week. Soybeans inspected for overseas export for the week ended May 16 amounted to 1,684,675 bushels, compared with 541,868 a week earlier and 526,399 in the similar week last year.

Flour prices rose somewhat, with much of the increase ascribed to the higher wheat prices. Flour buying remained close to that of the prior week. Commercial sales of flour for export totaled 54,600,000 bushels in grain equivalent so far this season compared with 42,100,000 bushels in the comparable period last season.

There was a slight gain in purchases of cocoa during the week. Prices rose fractionally. The prospect of United States aid in establishing a coffee control program resulted in a slight rise in coffee futures prices. Cash prices, however, were close to those of the preceding week.

A slight decline in purchases of cattle and calves occurred the past week, but prices held unchanged from the prior week. There was a fractional dip in cattle receipts in Chicago. Hog prices were steady with some falling off in trading. Hog receipts climbed slightly from a week earlier. Lard wholesalers reported another moderate increase in futures prices.

Reports of favorable growing conditions and Government estimates on reduced staple consumption last month discouraged cotton buying last week. Futures prices on the New York Cotton Exchange slipped at the end of the week. Total domestic consumption of staple during the first nine months of the current season totaled 6,175,000 bales compared with 6,769,000 bales in the similar period last season. Cotton exports in the period ended on Tuesday of last week were estimated at 128,000 bales as against 133,000 in the prior week and 124,000 a year ago. Total exports for the season totaled about 4,749,000 bales compared with 6,410,000 at the same time last season.

Trade Volume Shows Moderate Expansion Both for Latest Week and Like Period a Year Ago

Successful sales promotions and pleasant weather accounted for much of last week's increase in consumer buying. Higher sales of women's summer apparel and outdoor furniture helped over-all retail volume fractionally exceed that of a year ago. There was another moderate gain from the prior week in sales of new passenger cars, but buying was still noticeably less than a year ago, spot checks show.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 1% below to 3% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: East North Central States +2 to +6%; West South Central +1 to +5%; West North Central and Mountain 0 to +4%; Middle Atlantic and South Atlantic —1 to +3%; East South Central —2 to +2%; Pacific Coast —3 to +1% and the New England States —6 to —2%.

Activity quickened in many of the major textile markets last week. A substantial gain from the prior week was noted in orders for woolens, worsteds and carpet wool in Philadelphia and Boston. Increased bookings in print cloths offset sluggish trading in broadcloths and sheetings, boosting total sales of cotton gray goods slightly over a week earlier. Both Mid-Atlantic and New England dyers and finishers reported a dip in incoming orders.

Retailers were cautious in the buying of women's summer merchandise, especially dresses and coats. Some early openings stimulated interest in women's fall coats, with orders equalling those of a year ago. Wholesalers reported a moderate decline in volume in men's and boys' summer sportswear, beachwear and lightweight suits.

Wholesale purchases of summer outdoor furniture were sustained at the levels of the previous week, but volume was down somewhat from a year ago. The call for refrigerators and lighting fixtures expanded slightly, while interest in air conditioners and automatic laundry equipment lagged. There was a moderate gain from the prior week in sales of floor coverings and linens. Another moderate increase in orders for building materials, hardware and garden implements occurred.

Food wholesalers reported a continued rise in the buying of canned fruit and vegetables, causing stocks to dwindle. Although trading in frozen foods, poultry and some dairy products slipped, volume in fresh meat, fresh produce, sugar and rice was steady.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended May 24, 1958, advanced 3% above the like period last year. In the preceding week, May 17, 1958, a decrease of 2% was reported. For the four weeks ended May 24, 1958, a decrease of 3% was reported. For the period Jan. 1, 1958 to May 24, 1958 a decrease of 3% was recorded below that of 1957.

Retail trade sales volume in New York City the past week was unchanged to 3% below that of the like period a year ago.

Shopping last week was curtailed by the long week-end resulting from the Memorial Day holiday, falling on Friday.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 24, 1958 climbed 4% above that of the like period last year. In the preceding week, May 17, 1958, a decrease of 3% (revised) was reported. For the four weeks ended May 24, 1958 a decline of 2% was reported. For the period Jan. 1, 1958 to May 24, 1958 no change was registered from that of the corresponding period in 1957.

Chase Fund Shares Offered to Investors

A nation-wide underwriting group headed by Shearson, Hammill & Co. is offering to the public today (June 5) 1,000,000 shares, $1 par value, of The Chase Fund of Boston, a new diversified investment company, at a price of $10 per share.

The Chase Fund, whose investment advisers are John P. Chase, Inc., will be the first closed-end investment company to avail itself of provisions of the amendment to the Internal Revenue Code of 1954 which permits a regulated investment company to retain and reinvest for the benefit of its shareholders any net capital gains realized from its portfolio transactions. The fund will pay the Federal tax on any such capital gains at the rate of 25%.

During the period of the initial offering, the fund will have a closed-end status. It will be open-end thereafter with shares offered on a continuous basis through Chase Distributors Corporation, Boston, which will act as the fund's exclusive national distributor.

The Fund expects to offer plans for the systematic purchase of additional shares and the automatic reinvestment of dividends, and plans to pay quarterly dividends representing all of its net investment income. Capital gains will be retained and reinvested.

The advisory committee and trustees, who act in the same capacity for Shareholders' Trust of Boston, include: G. Peabody Gardner, director of American Telephone & Telegraph Co., General Electric Co., and First National Bank of Boston; Dr. Charles S. Draper of Massachusetts Institute of Technology, inventor of the inertial guidance system; Earl P. Stevenson, chairman of the board of Arthur D. Little, Inc.; John P. Chase, President, and William J. Kirk, Executive Vice-President, John P. Chase, Inc.; Francis C. Gray, chairman of the board, Fiduciary Trust Company; Oscar W. Haussermann, secretary of American Research and Development Corporation; William M. Rand, former President of Monsanto Chemical Company.

vigilance

Final victory over cancer will come from the research laboratory. But there are victories today. Many cancers can be cured when detected early and treated promptly. Vigilance is the key to this victory.

There are seven signals which might mean cancer. Vigilance in heeding them could mean victory over cancer for you.

1. Unusual bleeding or discharge. 2. A lump or thickening in the breast or elsewhere. 3. A sore that does not heal. 4. Change in bowel or bladder habits. 5. Hoarseness or cough. 6. Indigestion or difficulty in swallowing. 7. Change in a wart or mole.

If your signal lasts longer than two weeks, go to your doctor to learn if it means cancer.

AMERICAN CANCER SOCIETY

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Continued from page 16

News About Banks and Bankers

name of the new bank would be the **Vermont National & Savings Bank.**

* * *

Approval has been given by stockholders of both the **Passaic-Clifton National Bank & Trust Co., Passaic, N. J.,** and **County Bank, Paterson, N. J.,** to form a new bank, **New Jersey Bank & Trust Co.** The new bank will have total resources of over $280,000,000. Previous article appeared in the May 15 issue on page 2188.

* * *

Trenton Trust Company, Trenton, New Jersey will present a proposed Plan of Recapitalization to the stockholders for their approval at a meeting called for June 10.

The Plan provides for the following:

(a) The complete elimination of the Preferred Stock A.

(b) The capitalization of part of the accumulated dividends on the Preferred Stock B, thereby making possible the resumption of dividends on the common stock.

(c) The periodic retirement of the Preferred Stock B at the rate of $112,000 per year.

(d) The two-for-one split of both the Preferred Stock B and the Common Stock.

(e) The issue of rights to the common stockholders, after the split, to purchase new common stock at $35 per share. The rights will be issued to stockholders of record May 22, in the ratio of one new share for each two shares held after split. The rights, evidenced by transferable subscription warrants, will expire on July 1.

There is no underwriting in connection with the offering of the new stock. However the resolutions provide that any unsubscribed stock may be sold, under the direction of the Board of Directors, at the subscription price, $35.00 per share.

* * *

The National Metropolitan Bank of Washington, District of Columbia, with common capital stock of $1,500,000, has gone into voluntary liquidation by a resolution of its shareholders dated May 20, effective at 5:00 p.m., (EDT) May 20. Liquidating agents or committee: Thomas D. Carson, Joseph L. Whyte, Frank B. Morgan, care of the liquidating bank.

The liquidating bank was absorbed by **American Security and Trust Company, Washington, District of Columbia.**

The liquidating bank was operating two local branches.

* * *

American Security and Trust Company, Washington, District of Columbia, absorbed the **National Metropolitan Bank, Washington, District of Columbia.** The former main office of the discontinued bank and its branches will be operated as branches by the continuing bank.

* * *

John Bohmer, President of **the Brooten State Bank, Minn.,** died June 1 at the age of 89. Mr. Bohmer founded the Bank in 1894 and retired in 1954. He served as President for 60 years.

* * *

By the sale of new stock, the common capital stock of the **Northwestern National Bank of Minneapolis, Minn.,** was increased from $12,000,000 to $15,000,000 effective May 20. (Number of shares outstanding—150,000 shares, par value $100.)

* * *

Herbert F. Boettler, Vice-President and Chairman of the loan committee of **First National Bank in St. Louis, Mo.,** will retire on May 31 after 39 years of service, according to an announcement made by William A. McDonnell, Chairman of the Board.

He will continue to serve the bank as investment advisor and as a member of the Board of Directors and Advisory Board.

Mr. Boettler, joined the staff of First National in November, 1919, after having worked two years for the **St. Louis Union Trust Company.** In 1922 he became Manager of the bank's industrial service department, and he was named Assistant Vice-President in 1934. He was elected Vice-President in 1937, and in 1952 was made Chairman of the loan committee, while retaining his other duties as head of the bank's foreign and industrial service department. He was elected a member of the Board of Directors and Advisory Board on Jan. 10, 1956.

* * *

The First National Bank of Cody, Wyo., with common capital stock of $25,000, has gone into voluntary liquidation by a resolution of its shareholders dated April 18, effective May 3.

Liquidating agents or Committee: Messrs. Lloyd W. Taggart, Jesse M. Taggart and D. R. Stott, in care of the liquidatnig bank.

Absorbed by: **The Shoshone National Bank of Cody, Wyo.,** which bank changed its title on May 3, to **Shoshone-First National Bank.**

* * *

Announcement of a new banking organization which will be owned and controlled jointly by the **Bank of Montreal, Montreal, Canada** and the **Bank of London and South America Ltd., London, England** was made jointly today by Gordon R. Ball, President of the B of M, and Sir George L. F. Bolton, K.C.M.G., Chairman of BOLSA.

The new bank will be known as the **Bank of London and Montreal** and will have an authorized capital of $20,000,000, they said. It will serve the Caribbean area.

It is expected that 14 existing BOLSA branches will be brought into the new organization, with headquarters probably located in the Bahamas.

The B of M initially will supply its share of capital in the form of cash, while BOLSA will provide branches already established in the area. As the new bank develops, the Bank of Montreal will gradually assume its full share of management and staff.

The Bank of London & South America Ltd. (BOLSA) was founded in London in 1862. The Bank represents the amalgamation over a period ended in 1936 of all the British banks which have operated in Latin America: **London & River Plate Bank, Limited; London & Brazilian Bank, Ltd.; British Bank of South America, Ltd.; Commercial Bank of Spanish America, Ltd.** and **Anglo-South American Bank, Limited.**

Capital at Dec. 31, 1957, was £5,050,000; reserve stood at £4,000,000 and assets amounted to £146,321,764. BOLSA has a large network of branches throughout Latin America: Argentina, 21; Brazil, 12; Chile, Colombia and Uruguay, four each; El Salvador, three; Ecuador, Peru and Venezuela, two each; and Guatemala, Nicaragua and Paraguay, one each.

BOLSA also has offices in France, Switzerland, Spain and Portugal, in addition to a large agency in New York and offices in Bradford and Manchester, Eng.

The Bank of Montreal is the oldest of the nine Canadian chartered banks, having been established on Nov. 3, 1817 with an initial capital of $250,000.

The bank was responsible for the introduction of Canada's first domestic currency and was the originator of the Canadian branch-banking system. It became the Government's banker shortly after its establishment and was the official bank of the Canadian Federal Government until the formation of the central bank, the Bank of Canada, in 1935. From 1893 to date it has served as the Federal Government's financial agent in the United Kingdom.

Today the Bank of Montreal has capital and reserves of $172,000,000 and assets of approximately $3 billion. It has 750 offices in Canada, the United Kingdom, the United States and Continental Europe.

Since Confederation, eight banks have been amalgamated with the Bank of Montreal—one of them was itself an amalgamation with another bank. These are: **Commercial Bank of Canada,** amalgamated with the **Merchants Bank of Canada, 1867; Exchange Bank of Yarmouth, Nova Scotia, 1903; Peoples Bank of Halifax, 1905; Ontario Bank, 1906; Peoples Bank of New Brunswick, 1907; Bank of British North America, 1918; Merchants Bank of Canada, 1922; Molsons Bank, 1925.**

Milwaukee Bond Club Announces Field Day

MILWAUKEE, Wis.—The Milwaukee Bond Club will hold its annual field day and picnic on Friday, June 13, at the Oconomowoc Lake Club and Oconomowoc Country Club. Marshall A. Loewi, Loewi & Co., Inc., is General Chairman, and Harold Madary, Robert W. Baird & Co., is Reservation Chairman. Tariff is fifteen dollars.

Scheduled for the day will be a bridge tournament (Fred Newton, Loewi & Co., Inc., and Edw. Levy, Straus, Blosser & McDowell committee in charge), with first and second prize; baseball (Lyle W. Hamann, Central Republic Co., and Thomas Twitchell, B. C. Ziegler & Co., committee) with prize for the winning team.

Richard Vermillion, Smith, Barney & Co., and John Mich, Harris, Upham & Co., are in charge of the golf tournament. In the individual events, three prizes will be offered in competition for low gross; two prizes for low net; one prize each for long drive on hole No. 18; nearest to pin, hole No. 3 on tee shot; nearest to pin, hole No. 18, second or third shots off tee; highest gross score; and least number of putts.

Entered in the Calcutta Sweepstakes are the following teams: Robert Johnson, The Milwaukee Co., and Richard Stoeffel, Merrill Lynch, Pierce Fenner & Smith; John Secord, The Milwaukee Co., and Horace Ward, Merrill Lynch, Pierce, Fenner & Smith; Richard Vermillion, Smith, Barney & Co., and Roy Reed, The Marshall Co.; Roy Richter, Francis I. du Pont & Co., and Skip French, Marshall & Ilsley Bank; Thomas Kenny, B. C. Ziegler & Co., and Harry Madary, Robert W. Baird & Co.; Jack Baumann, The Milwaukee Co., and Thomas Stocks, Marshall & Ilsley Bank; Hank Schlass, Brew, Jenkins Co., Inc., and Matthew Pahle, A. C. Allyn & Co., Inc.; Robert Westervelt, Bell & Farrell Co., and Fred Jenkins, Brew, Jenkins Co., Inc.

The Prize Committee is composed of Al Harbaugh, Gardner F. Dalton & Co., Chairman; Oliver A. Julien, Thomson & McKinnon; and Bud Campbell, Jr., Loomis, Sayles & Co.

Now With Shuman, Agnew

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Wallace R. Hagglund is now connected with Shuman, Agnew & Co., 155 Sansome Street, members of the New York and Pacific Coast Stock Exchanges. He was previously with Francis I. du Pont & Co.

Continued from first page

Gold: A Power for Good

synonymous, the dollar was as good as gold, in fact, and in everyone's mind until 1933. The severance of this tie in an arbitrary manner, the raising of the price of gold with the avowed purpose of cutting the value of the dollar, came as a great surprise and shock to the nation. There had never been any question about the soundness of our dollar before that. The paper dollar redeemable in gold on demand was rightly considered the standard of value because it was firmly linked to gold.

In 1933 the status of the dollar was changed completely. It was cut adrift from gold and lost its reliability as a standard of value even at its supposed new relationship to gold because the American citizen was no longer allowed to prove up its value by asking his government to return any of the gold he had entrusted to it, even at the $35 figure. The dollar has maintained a semblance of stability as a standard of value only in foreign markets. This, because our great stock of gold was freely available to the foreigner should he desire to draw it down, and be in a position to do so.

Such statements as the above to the effect that a higher price for gold would be inflationary are vicious because they lead the public to believe that the paper dollar can retain its value no matter how far our nation departs from sound financial practices. It is the obligation and the sacred duty of those in authority at Washington to clear away this fog of misinformation which has been spread out over the land. The people of this nation have a right to know and to be told the truth. What could possibly be more inflationary than our present money setup, based entirely on debt and managed by a group who do not dare for long to resist an Administration which has a vested interest in spending? How can anyone who knows the history of money, or who understands the basic principles of money, in fact, anyone who uses any real logic, believe that our dollar has not been losing value continuously? Official recognition of this fact by allowing a free market in gold is the necessary first step to stop the erosion of our dollar and stop the inflation based on this erosion. There is nothing to fear in an initially higher price for gold if our own citizens are bidding for it. In fact, if they are not soon allowed this privilege, determination of the proper price for gold may be out of our hands entirely, and in the hands of foreigners who are now in a position to take our gold away from us. Such a free market would reveal the truth as to the present value of our dollar. More than this, and far more important than this, a free market for gold would reveal the intentions of those in authority to turn their backs on the whole unfortunate mess of "managed money" and rebuild our economy on a sound basis. It had better be done voluntarily than in an emergency when foreign withdrawals of our gold are heavy.

That Russian Bugaboo

To say that a higher price for gold in terms of an already depreciated dollar would help Russia as we so often hear trotted out these days, is a statement as viciously misleading as the first statement mentioned above. Russia's big moment will come with the complete collapse of our money, should we but continue along our present course, if the lessons of history have any meaning at all.

With a free and open market and a higher price for gold, we should welcome any gold which Russia might dispose of as an aid to stabilizing the price in terms of the paper dollar. The world market for gold is far too broad to be influenced for long by the actions of any one nation. Because of our position of dominance and our fantastic give-away program, we have up until now been able to maintain a fictitious price for gold in terms of our dollar, but as other nations gradually improve their status, the world market for gold is slowly but surely getting out of our hands.

Proof That Gold Is Worth More Than $35 an Ounce

After forcibly seizing all gold from our citizens in 1933, the United States Government acquired a great stock of gold because its bid was above the bid elsewhere in the world market, and other nations settled their adverse trade balances with us in gold. This stock of gold which could be a very real power for good within our country is rendered quite useless. It has been declared that it is "against the public interest" for the American citizen to be allowed the privilege of redeeming his paper money in gold and thereby re-establish the dollar as a standard of value. This stock of gold, prevented from being a power for evil, can become a power for good. The privilege redeeming paper dollars for gold is reserved for the foreigner and for the present at least at the unrealistic price of $35 to the ounce.

The world market for gold has long since passed through our bid price to higher levels. While our position of dominance and our attitude toward gold has thrown a wet blanket over the market, other nations are now able to show their preference for gold over the paper dollar. Our bid, widely heralded as supporting the gold market, has in effect brought no gold into our monetary stock during the last ten years. During this period approximately $9 billion in gold has been produced in the world without even taking Russia's production into consideration. Where has it gone? Who are the people who recognize its value? It is estimated that more than half has gone into hiding to escape the hazards of paper money, whereas the remainder has gone into the arts and into foreign monetary stocks.

Do we need to look further for proof that the $35 price for gold is too low? All that was temporarily anticipated in 1933 as to the effect of devaluation on commodity prices has now been written into the price structure, and much more. Furthermore, we are left with the debts of a second great war. With little apparent concern in higher places as to what we are handing down to the younger generation, we have continued to spend on a wartime basis for the succeeding ten years. The inflation is already with us. Why all this concern about recognizing a higher price for gold?

Gold, the Only True Standard

Gold is the only true standard of value. All other articles known to man or manufactured by him must finally be evaluated in terms of gold, and this includes paper and paper money. Nations rise and fall but gold retains its value under all conditions. Spurred by a temporary lack of profit in the mining of gold, some well meaning but misguided persons have at times urged development of new uses in industry to stimulate demand, or they have actually argued that the price should be increased to be in line with the price of other commodities. To induce changes in the price of gold for such purposes would tend to

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destroy the function of gold as a measure of other values. With inconsequential industrial demand, gold is a law unto itself. It never wants for takers. It has been in constant demand for thousands of years by those who are wise enough to recognize in it security against the hazards of change in all other values.

Devaluation Is Bankruptcy

Now it must be recognized that every great war is a capital levy against the wealth of the citizens of a nation. Were it possible, in the event of war, to make a direct capital levy on all wealth the burden would fall equally on all. But this is not practical if it were possible, so the penalty must finally fall on those who hold money or intangibles payable in money.

To the man on the street, the money in his pocket, the money in the bank, in insurance, or in government bonds, is wealth. The real wealth, however, is in the land and its resources, in real estate, in tangibles that are useful in themselves.

"Potential wealth" might be the proper term for intangibles which are payable in money. It is assumed by its holders that it can be turned into real wealth, but unfortunately this cannot always be done, or at least in the same measure.

With the extreme expansion of debt and the money supply based on that debt there is an immense increase in this potential wealth. This creates an illusion of prosperity since it is assumed by all that this increased apparent wealth can be turned into real wealth. However, inasmuch as it has grown out of all proportion to the real wealth, its exchange value has been greatly lessened, and it finally becomes evident that a write-down of this potential wealth must occur. The only practical way of bringing this about is to recognize the lower value of the money in which these instruments of wealth are payable.

It may be said again right here, the value of our paper dollar has already been lowered. It only remains for those in authority to admit this by allowing gold to reflect it in a free market. This, they do not wish to do, and will not do until forced to do so by the operation of a natural law known as Gresham's Law.* These authorities have thwarted Gresham's Law by removing gold coin from circulation in this country. But don't forget, more than $15 billion of foreign deposits in this country and many more billions in paper dollars and American securities held abroad, are poised and ready to escape into good money. The only good money is gold. This is recognized the world over and as the demand grows, the price in terms of paper dollars must naturally rise.

It is ridiculous that gold should not command a higher price in terms of paper dollars along with other real wealth, and it certainly would were it freely available in this country. The shortage of real wealth in comparison to the potential wealth is only aggravated by sterilization of our gold. Paper dollars are bidding for tangibles, not for use, but for security and escape. They seek a storehouse of value because the paper dollar is no longer a trustworthy storehouse or standard of value. This contributes to the higher cost of living, and unnecessarily so.

In bankruptcy we write down our debts and start over. It is tragic that as a nation we cannot likewise admit our insolvency after every great war and make a start on a sound basis rather than avoid the issue and mislead the people into the thought that such destruction can be turned into prosperity by make-believe money. In this respect we can take a lesson from Germany's complete recovery from almost complete destruction in so short a time.

Gold, a Governor to Prevent Unwise Expansion

Why not go back to gold and sound finance before we are forced to do so and before it is necessary to admit a fantastic price for gold in terms of an old paper dollar. Our experience with the lack of restraint inherent in make-believe money over the past 25 years should certainly convince any sincere student of money that, as a steam engine needs a governor to keep its speed within bounds, so any government needs an automatic restraint such as only convertibility into gold can supply. Without it there are no limits placed upon the engine of inflation created by our Federal Reserve system.

"Whatever exceeds the bounds of moderation is built on an unstable foundation." So wrote Seneca, the great Greek statesman and philosopher 1900 years ago. Need we look further to explain our present confused situation?

The extravagancies brought about by monetary inflation and superimposed upon the enormous destruction of wealth by war is hardly the type of foundation for an enduring prosperity. The wonder is that so many people profess to believe that nature's law of compensation can be eliminated by more of the same extravagancies or by perpetual pump-priming. We seem to have a tendency to grow accustomed to big figures as normal rather than to stand off and view trends in their proper perspective. Not so many years ago a government budget of $4 billion was viewed with alarm. Not long ago a government debt of $25 billion was considered big. Now we regard a $70 billion budget and a $280 billion debt with more or less complacency.

The whole theory of managed money disregards the frailties of human nature, the tendency of men to over-expand which carries with it the doubt as to the ability of the debtor to make good his promises. Furthermore, the lack of restraint tends to carry with it doubts as to the intentions of the debtor to live up to his promises.

Why has your government been so careless with your money? Is it not because it is not required to maintain reserves to redeem your money in gold? Can you imagine how careless the banker might be with your deposits if he were not required to keep certain reserves on hand to meet withdrawals?

The government, the Federal Reserve System, businessmen and the American people, need a governor which will automatically restrict their enthusiasm and their tendencies to "exceed the bounds of moderation."

Is It a Plot?

In light of the above facts it would be interesting to know if our authorities are at all concerned over the recent continual withdrawal of gold from this country by foreigners. Inasmuch as Great Britain increased her gold reserve by $230 million during March, it begins to look as if her "poor mouth" was a bit of clever financial maneuvering. It would be interesting to know what proportion of the $15 billion net foreign deposits down east are credits which she has built up as a result of our give-away program. In other words, how much gold are we obligated to turn over to her? Half the world's trade is still carried on in £ Sterling with only about 4% of the apparent gold monetary reserves of the world. Could it be that the £ Sterling will in this under-cover method finally be restored to its former dominant position at the expense of our dollar and at a considerable higher valuation for gold?

Why, may we ask, are the American people not even entitled to buy back the gold that was taken from them, when it is being given away to foreign people? Why would this be "against the public interest" as we have been told so many times? Or should we do a little thinking on our own and recognize that what is so often repeated is more likely the opposite of the truth.

A Challenge

This issue is of vital importance to the American people today. If the administration in power is to live up to its solemn promise, if it is directed by other than the same influences which have directed our government for the previous three terms, now is the time to take action. Is it not likely that such a step taken boldly would bring many conservative and thoughtful people to the polls, and in surprising numbers?

One promise made good on such a clear-cut issue, and at this stage, would be worth a hundred new promises at election time.

*Any Highschool student in economics knows this law.

Chicago Analysts Receives Slate

CHICAGO, Ill.—The Nominating Committee of the Investment Analysts Society of Chicago has submitted the following candidates for office in the Society for the 1958-59 year.

President: Clarence E. Torrey, Jr., A. G. Becker & Co., Inc.; Vice-President: Neil E. Heikes, Commonwealth Edison Co.; Treasurer: William A. Stenson, The Northern Trust Co.; Secretary: James C. Bard, The Miami Corp.

Board of Governors (three-year term expiring June 30, 1961): Russell J. Eddy, Brown Bros. Harriman & Co.; Lang Elliott, Stein Roe & Farnham; Robert E. Peckenpaugh, Security Supervisors.

Two-year term expiring June 30, 1960 (to replace Neil Heikes): Edgar Peske, Illinois Bell Telephone Co.

Election will take place at the annual meeting, Thursday, June 5, 1958.

The Nominating Committee for the Milwaukee Chapter has submitted the following slate of officers of that Chapter for the coming year:

Chairman: Dr. Francis J. Calkins, Marquette University.

Vice-Chairman and Program Chairman: George L. Struck, The Milwaukee Co.

Secretary-Treasurer: William A. Konkel, Marine National Bank.

C. H. Shaver, United States Gypsum Co., will address the Society's luncheon meeting June 5 in the Adams Room at the Midland Hotel.

Two With Merrill Lynch

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Alfred C. Cooper and Erwin B. Holton have become connected with Merrill Lynch, Pierce, Fenner & Smith, 301 Montgomery Street.

Now With Reynolds & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Robert C. Baaba has become associated with Reynolds & Co., 425 Montgomery Street. He was formerly with Bingham, Walter & Hurry, Inc.

With Thomson McKinnon

(Special to The Financial Chronicle)

MIAMI, Fla.—Charles E. Fuller, IV has become connected with Thomson & McKinnon, Shoreland Building.

Public Utility Securities

By OWEN ELY

Orange & Rockland Utilities, Inc.

Rockland Light & Power Co. and Orange & Rockland Electric Co. were merged recently to form Orange & Rockland Utilities, Inc. (Also Orange & Rockland Electric of New Jersey, an affiliate, was merged into the subsidiary, Rockland Electric Co.)

The newly-acquired Orange & Rockland Electric was comparatively small, with revenues of about $2.6 million compared with $21.4 million for Rockland Light & Power. The two companies had adjacent territories and the merger was a natural development, rounding out the Rockland service area. Orange & Rockland last year earned $3.17 a share, and earnings in recent years ranged between $3.01 and $3.53. Thus the exchange of 3¾ shares of the new company for each share of Orange & Rockland compared with the share-for-share exchange for Rockland L. & P. seems reasonable in relation to the average share earnings of the two companies in recent years.

The territory of the consolidated system now covers about 1,350 square miles extending from a point six miles north of the George Washington Bridge on the west bank of the Hudson River, to the West Point Academy, and to the Delaware River at the west. Included in the area are Rockland County, parts of Orange and Sullivan Counties in New York, parts of Bergen, Passaic and Sussex Counties in New Jersey, and the northeast corner of Pike County in Pennsylvania.

While the area is largely residential and numerous housing developments have been under construction, a substantial amount of electricity and gas is sold to two large state hospitals, and a number of industrial companies have come into the area. Industrial customers include: Curtiss Wright, Ford, Grant Pulley & Hardware, Willcox & Gibbs, New York Trap Rock, Kay Fries Chemical, etc. Union Carbide is building an important center for nuclear research.

Growth in recent years has been similar to that of Long Island. The nationwide trek from city to suburbs has been aided by the construction of new highways, bridges, etc. which have greatly facilitated automobile traffic. The New York Thruway traverses 34 miles of the area and crosses the Hudson at the Tappan Zee Bridge, extending from South Nyack to Tarrytown in Westchester County. The Palisades Interstate Parkway, which will be completed in 1958, extends from the George Washington Bridge to the Bear Mountain Bridge, passing through the company's eastern territory. Route 17, an express highway known as the "Quickway," connects the western section at Middletown with the New York Thruway. The final length of highway between the Thruway at Spring Valley, New York and New Jersey's Garden State Parkway at Montvale, New Jersey was opened in September, providing the first direct by-pass of New York City by toll road. Plans are being discussed for a connecting link between the New Jersey Turnpike and the Thruway. Construction is now under way on connections between the Thruway and the New England superhighway system.

Rockland Light & Power's growth has been exceptional, sales of residential electricity in 1957 being nearly three times as large as in 1956 while gas sales were nearly six times as great. Industrial and commercial electric sales also tripled during the nine years, while gas sales quadrupled. In seven years the population of Rockland County has increased by 24,000 to 113,000 and it is predicted that it will more than double by 1975. A recent estimate of growth made by the Regional Planning Association is much more optimistic than an earlier one.

Present electric generating capacity is considered adequate for the immediate future. The company has five hydro plants with a capacity of about 44,000 kw. and two steam plants with a capacity of 128,000 kw. Construction projects for this year will probably cost about $8 million, to be financed by a pending bond issue. Last year's expenditures of about $6 million were taken care of by sale of convertible preferred stock and bank loans.

About 70% of revenues are electric and 30% gas. Gas is obtained from Home Gas Co. (Columbia Gas System), Tennessee Gas Transmission and Algonquin Gas Transmission; the company is attempting to obtain additional gas from Tennessee.

Share earnings remained irregular during 1946-53 for Rockland Light & Power, but have increased steadily from 61c in 1953 to $1.14 in 1957. However, part of the increase in the past two or three years must be attributed to increased tax savings resulting from accelerated depreciation. Such savings were equivalent to about 20c a share in 1957 and 15c in the previous year. This item is expected to increase steadily.

The common stock has been selling recently around 20 Over-the-Counter, to yield 4.5% based on the 90c stock dividend which was recently increased. In 1956 68% of the dividend was tax-free, and some portion of the 1957 payment was probably also free of income tax.

NY Cotton Exchange Elects Officers

William K. Love, Jr. of Anderson, Clayton & Fleming has been elected President of the New York Cotton Exchange at the Annual Election. Elected Vice-President is Tinney C. Figgatt of New York. John M. Williams of Royce & Co. was re-elected Treasurer. Those elected to the Board of Managers are: Harry B. Anderson of Merrill Lynch, Pierce, Fenner and Smith; Edward C. Angelery of Felder & Co.; Alfred Boedtker of Volkart Brothers Company; W. Oscar Cate of Central Cotton Co.; Frank J. Knell of New York City; Hugh E. Paine of Abbot, Proctor and Paine; Fred W. Perutz of Schwabacher & Co.; James E. Robison of Indian Head Mills, Inc.; Malcolm J. Rogers of New York City.; J. Raymond Stuart of E. F. Hutton & Co.; Gustave I. Tolson of Geo. H. McFadden & Bro.; Robert K. Vincent of The Kendall Company; Alden H. Vose, Jr. of Kohlmeyer & Co., Albert M. Weis of Irving Weis & Co. and J. Antonio Zalduondo of Orvis Brothers & Co.

With the exception of Messrs. Robison, Stuart and Zalduondo, all of the others were members of the retiring Board who were re-elected.

The new officials of the Exchange take office Thursday, June 5, for a one-year term of office.

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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.

★ Albemarle Paper Manufacturing Co., Richmond, Va.
June 3 filed $3,500,000 of 5½% convertible subordinated debentures due 1978 to be offered for subscription by holders of the company's class A and class B common stock at the rate of $100 of debentures for each 20 shares of class A or class B common held of record June 20, 1958. **Price**—To be supplied by amendment. In addition to the debenture offering, Albemarle Paper and two of its subsidiaries, Halifax Paper Co., Inc., and Seaboard Mfg. Co., have agreed to sell privately to two insurance companies $10,500,000 of new first mortgage refunding bonds. **Proceeds**—To be used in part for refunding of debt and payment of bank loan, and in part for new productive facilities. **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 (with an oversubscription privilege). **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.

★ Associated Fund, Inc., St. Louis, Mo.
May 29 filed (by amendment) an additional 30,000 Associated Fund Trust Certificates, Full Paid, and 10,000 Associated Fund Trust Certificates Accumulative. **Price**—At market. **Proceeds**—For investment.

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. (7/14)
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.

★ Billups Eastern Petroleum Co., Jacksonville, Fla.
May 29 filed $2,500,000 of 7% debentures due July 1, 1993, and 650,000 shares of common stock (par $1) to be offered for sale in units, each consisting of $1,000 of debentures and 20 common shares. **Price** — $1,000 per unit. **Proceeds**—To acquire all of the assets of Orlando Fuel Oil Co., Inc., Florida Service Corp., Billups Petroleum Co. of Georgia, Inc., Billups Petroleum Co. of N. C., Inc., Billups Petroleum Co. of S. C., Inc., Florida Friend Oil Co., Inc., and Your Friend Oil Co., Inc. **Underwriter**—The Johnson, Lane, Space Corp., Augusta, Ga.

• 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**—Statement withdrawn.

★ Blake & Neal Finance Co.
May 26 (letter of notification) $300,000 principal amount of 6% promissory notes in denominations of $500 each and multiples thereof. **Price** — At par. **Proceeds** — For working capital. **Office**—1939 E. Burnside St., Portland, Ore. **Underwriter**—None.

★ Bonanza Air Lines, Inc., Las Vegas, Nev.
May 29 filed 470,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—Together with proposed borrowings, for repayment of loans, for working capital, and other corporate purposes. **Underwriter**—William R. Staats & Co., Los Angeles, Cal.

★ Brockton Edison Co.
May 20 (letter of notification) 538 shares of common stock (par $25) to be offered to minority stockholders of record June 2, 1958 on the basis of one new share for each 12 shares of common stock outstanding. Rights expire June 24, 1958. (Total offering 21,664 shares and Eastern Utilities Association, a single majority holder, will purchase unsubscribed shares as well as its prorata allotment). **Price**—$65 per share. **Proceeds**—For payment of notes to banks. **Underwriter**—None.

Builders Loans Inc.
March 27 (letter of notification) 40,000 shares of 17½¢ 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. (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. **Office** — Calgary, Alta., Canada. **Underwriter**—Paine, Webber, Jackson & Curtis, New York.

★ Central Cooperatives, Inc.
May 26 (letter of notification) $250,000 promissory notes consisting of 4% 6-year notes and $150,000 of 5% 9-year notes. **Price**—At par (in multiples of $100). **Proceeds**—To retire notes and for working capital. **Office** — 1901 Winter St., Superior, Wis. **Underwriter**—None.

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 (6/5)
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. (6/12)
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. (6/16)
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. Statement withdrawn.

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.

★ Dayton Aviation Radio & Equipment Corp. (7/1)
May 28 filed 500,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter** — McDonald, Holman & Co., New York.

Delaware Power & Light Co. (6/17)
May 21 filed $25,000,000 of first mortgage and collateral trust bonds due 1988. **Proceeds**—To refund $15,000,000 of 5% bonds due 1987 and to repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Eastman Dillon, Union Securities & Co.; The First Boston Corp. and Blyth & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co. (jointly). **Bids** — 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.

★ Dewey Portland Cement Co.
May 29 filed 79,000 outstanding shares of the company's class A non-voting common stock (par $7.50). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

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.

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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. (6/10)**
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.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

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.

★ **Fall River Electric Light Co.**
May 20 (letter of notification) 411 shares of capital stock (par $25) to be offered to minority stockholders of record June 2, 1958 on the basis of one share for each 12 shares outstanding. Rights expire June 24, 1958. Total offering 18,771 shares of which 18,360 shares being subscribed by Eastern Utilities Association, the single majority holder and also will purchase unsubscribed shares.) **Price**—$48 per share. **Proceeds**—To make partial payment of notes to banks. **Office**—85 North Main St., Fall River, Mass. **Underwriter**—None.

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.

★ **First Investors Corp., N. Y.**
May 28 filed (by amendment) $50,000,000 of Single Payment and Periodic Payment Plans, with and without insurance, for the accumulation of shares of Fundamental Investors, Inc. **Price**—At market. **Proceeds**—For investment.

★ **Florida Power Corp. (7/1)**
May 29 filed $25,000,000 of first mortgage bonds due 1988. **Proceeds**—To pay off temporary bank loans of $16,000,000 incurred to meet costs of the company's construction program and the balance will be applied to the 1958 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 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.

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office** — Portland, Ore. **Underwriter**—To be named by amendment. Sol Goldberg is President.

Forest Laboratories, Inc.
March 26 filed 150,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—H. Carroll & Co., Denver, Colo.: and Alfred L. Powell Co., New York. **Offering**—Expected early in June.

Four Corners Oil & Gas Co., Denver, Colo.
March 25 filed 400,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To pay off debts and for drilling and exploration costs. **Underwriters**—None.

★ **Frank Paxton Lumber Co.**
May 26 (letter of notification) 15,000 shares of common stock (par $5) to be offered to employees. **Price**—$12.80 per share. **Proceeds**—To redeem common stock. **Office**—6311 St. John Ave., Kansas City, Mo. **Underwriter**—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.

★ **Gerber Products, Inc., Fremont, Mich.**
June 3 filed $1,000,000 of participations in the company's Retirement Investment Program, together with 10,000 shares of common stock which may be acquired pursuant to such program. **Underwriter**—None.

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

Continued on page 36

NEW ISSUE CALENDAR

June 5 (Thursday)

Owens-Illinois Glass Co.____Debentures
(Lazard Freres & Co. and Goldman Sachs & Co.) $50,000,000

Tamarac Gas & Oil Co., Inc.____Common
(Ross Securities, Inc.) $299,970

Tel-A-Sign Inc. ____Common
(Charles Plohn & Co. and Clayton Securities Corp.) 200,000 shares

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

North American Merchandising Co.____Common
(McDonald, Holman & Co., Inc.) $300,000

June 10 (Tuesday)

Elsin Electronics Corp.____Common
(Lee Co.) $298,424

Life Insurance Securities Corp.____Common
(First Maine Corp.) $5,000,000

Southern Union Gas Co.____Preferred
(Snow, Sweeney & Co., Inc., and A. C. Allyn & Co., Inc.) $3,000,000

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

Talcott (James), Inc.____Common
(F. Eberstadt & Co. and White, Weld & Co.) 100,000 shares

Technology Instrument Co.____Common
(S. D. Fuller & Co. and Scott, Horner & Co.) $2,600,000

June 12 (Thursday)

Chesapeake Instrument Corp.____Debentures
(Offering to stockholders—underwritten by Drexel & Co.) $275,000

Searle (G. D.) & Co.____Common
(Smith, Barney & Co.) 250,000 shares

June 16 (Monday)

Chesapeake Utilities Corp.____Com. & Debs.
(Harrison & Co.)

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

Rhodesia and Nyasaland (Federation of)____Bonds
(Dillon, Read & Co. Inc.) $10,000,000

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

Standard Financial Corp.____Debentures
(Glore, Forgan & Co.) $4,000,000

June 19 (Thursday)

Mountain Fuel Supply Co.____Debentures
(The First Boston Corp.) $16,000,000

Municipality of Metropolitan Toronto__Debentures
(Harriman Ripley & Co., Inc. and Dominion Securities Corp.) $39,587,000

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)

Standard Oil of Calif.____Debentures
(Blyth & Co., Inc. and Dean Witter & Co.) $150,000,000

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

Dayton Aviation Radio & Equipment Corp.__Com.
(McDonald, Holman & Co.) $500,000

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) $65,000,000

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 14 (Monday)

Bankers Management Co.____Common
(McDonald, Holman & Co., Inc.) $400,000

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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Continued from page 35

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. Statement expected to become effective this week.

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.
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 370,792 shares of common capital stock being offered for subscription by stockholders of record May 29, 1958, at the rate of one new share for each six shares held; rights to expire on June 30. Minority stockholders own 5,934 shares. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., and for property additions and improvements. **Underwriter**—None.

Industro Transistor Corp. (N. Y.) (6/16-20)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department. **Underwriter** — S. D. Fuller & Co., New York.

Insured Accounts Fund, Inc., Boston, Mass.
May 12 filed 5,000 shares of common stock. **Price**—$5,000 per share. **Proceeds**—For investment. **Business**—To invest primarily in share accounts insured by the Federal Savings and Loan Insurance Corp., in savings and loan associations throughout the country. **Underwriter**—None. Ben H. Hazen is President.

★ International Opportunity Life Insurance Co.
June 2 filed 5,000,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and other corporate purposes. **Office**—Denver, Colo. **Underwriter**—Columbine Securities Corp., Denver, Colo.

★ Investors Planning Corp. of America
June 2 filed $2,000,000 of Single Payment Investment Plans and $6,000,000 of Systematic Investment Plans and Systematic Investment Plans With Insurance, for the accumulation of Axe Science & Electronics Corp.

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.

● Jetronic Industries, Inc., Philadelphia, Pa. (6/23)
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.

★ Ladley (William H.)
May 22 (letter of notification) pre-incorporation subscription agreement to 24,000 shares of class B stock of Produce Marketers. **Price** — At par ($2.50 per share). **Proceeds**—For working capital. **Office**—Room 302, 611 South Carolina St., Los Angeles, Calif. **Underwriter**—None.

★ Lancaster Chemical Corp.
May 26 (letter of notification) 122,115 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each two shares held, with additional subscription privileges subject to allotment. **Price**—$1.50 per share. **Proceeds**—To repay outstanding debts to purchase real property and for working capital. **Office** — Broad and 13th St., Carlstadt, N. J. **Underwriter**—None.

★ Lancer Industries, Inc.
May 26 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—For purchase of equipment, raw materials, inventories and supplies and for other working capital. **Office**—1827 N. E. 144th St., North Miami, Fla. **Underwriter**—None.

★ Lehigh Portland Cement Co.
May 28 filed 100,000 shares of common stock (par $15) to be offered to eligible salaried employees pursuant to the company's Employee Savings Plan.

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.

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.

★ Mansfield Tire & Rubber Co., Mansfield, Ohio
June 4 filed $5,000,000 of sinking fund debentures, due July 1, 1973, and $2,511,400 of convertible subordinated debentures, due July 1, 1973. Convertible subordinated debentures are to be offered for subscription by common stockholders of record June 24, 1958, at the rate of $100 principal amount of debentures for each 22 common shares then held. **Price**—For sinking fund debentures to be supplied by amendment. **Proceeds**—To redeem and retire outstanding debentures and other securities. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill.

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.

★ McConnell (Russel), Dorset, Ohio
June 2 filed $50,000 of participating interests in the so-called "Pazdziorko Well Number One" and "Black Well Number One" in Monroe Township, Ashtabula County, Ohio.

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.

★ Mid-America Minerals, Inc., Oklahoma City, Okla.
June 3 filed $199,000 of working interests in the Buffalo Prospect. Buffalo Prospect consists of all the rights of Mid-America under a certain farmout agreement between the company and Shell Oil Co. Agreement covers the oil and gas leasehold in a total of approximately 1,600 acres in Harding County, South Dakota.

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.

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. (6/19)
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.

★ Municipality of Metropolitan Toronto, Canada (6/19)
May 29 filed $3,800,000 of instalment debentures, maturing from 1959 through 1973, and $35,787,000 of sinking fund debentures, maturing in 1978. **Price**—To be supplied by amendment. **Proceeds**—For public works improvements. **Underwriter** — Harriman Ripley & Co., Inc., and Dominion Securities Corp., both of New York.

● Murphy Corp., El Dorado, Ark.
May 5 filed 71,958 shares of common stock (par $1) being 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 and will expire on June 9, unless extended, but in no event later than June 23.

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 non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Birkenmayer & Co., Denver, Colo.

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**—May be in June.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

New England Power Co. (6/9)
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 reecived 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.

★ Norfolk & Carolina Telephone & Telegraph Co., Elizabeth City, N. C.
May 22 (letter of notification) 3,000 shares of common stock to be offered to common stockholders on the basis of one share for each four shares of common stock held on June 5, 1958 at par ($100 per share). No underwriting is involved. The proceeds are to be used to retire short-term open notes and for working capital.

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North American Merchandising Co. (6/9)
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 Indiana Public Service Co.**
June 2 filed 374,500 of common stock to be offered for subscription by common stockholders of record at 2 p.m. on June 16, 1958, at the rate of one additional share for each 10 shares then held. Offer expires July 7. **Price**—To be supplied by amendment. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—Dean Witter & Co., Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Smith, all of New York.

★ **Northern States Power Co. (Minn.) (7/8)**
May 29 filed $30,000,000 of first mortgage bonds due July 1, 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.

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.

★ **One William Street Fund, Inc.**
June 2 filed (by amendment) an additional 5,000,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

★ **Orange & Rockland Utilities, Inc. (6/30)**
May 29 filed $10,000,000 of first mortgage bonds, series F due 1988. **Proceeds** — For construction program and bank loans incurred in connection with the company's construction program and the retirement of preferred stock of The Orange and Rockland Electric Co. (a predecessor) also to purchase 20,000 shares of Rockland Electric Co., a subsidiary. **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.

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**—To be received up to noon (EDT) on June 24 at Room 2033, Two Rector Street, New York 6, N. Y.

Palestine Economic Corp., New York
March 31 filed $2,000,000 of 5% notes, due Oct. 1, 1963 to be offered in two types: (a) interest-bearing notes with interest payable at the rate of 5% and at an offering price of 100% of principal amount; and (b) capital-appreciation notes, at a discount from maturity value so as to yield 5% compounded semi-annually. **Proceeds**—For making investments and loans in companies or enterprises that the corporation is already financially interested in, or for other corporate purposes. **Underwriter**—None.

Paradox Production Corp., Salt Lake City, Utah
April 18 filed 767,818 shares of common stock (par $1), of which 100,000 shares are to be offered by the company in exchange for oil and gas properties and 3,000 for services; the remaining 664,818 shares are to be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Pecos Valley Land Co., Carlsbad, N. Mex.
March 13 filed 2,000,000 shares of common stock (par 10 cents), of which 300,000 shares are to be offered for sale by the company and 1,700,000 shares by the present holders thereof. **Price**—$1 per share. **Proceeds**—From sale of the 300,000 shares, to be used to pay 6% mortgage notes and interest and to pay back tax claims, and interest due on the note to Mr. Harroun. **Underwriter**—Wiles & Co., Dallas, Texas.

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) (6/17)**
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.

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.

★ **San Diego Imperial Corp., San Diego, Calif.**
June 2 filed 70,000 shares of 5½% cumulative convertible preferred stock. **Price** — At par ($10 per share). **Proceeds**—To retire $550,000 of promissory notes. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

● **Searle (G. D.) & Co., Chicago, Ill. (6/12)**
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.

★ **Securities Acceptance Corp.**
May 23 (letter of notification) 10,000 shares of 5% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Office**—304 South 18th St., Omaha, Neb. **Underwriters**—First Trust Co. of Lincoln, Lincoln, Neb.; Wachob-Bender Corp., Omaha, Neb., and Cruttenden, Podesta & Co., Chicago, Ill.

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 (6/10)**
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 Financial Corp. (6/18)**
May 29 filed $4,000,000 of 15-year first subordinated convertible debentures due June 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To retire $725,000 of indebtedness and for working capital. **Underwriter**—Glore, Forgan & Co., New York.

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. **Underwriters**—Morgan Stanley & Co. in United States; and Harris & Partners, Ltd. in Canada.

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. (6/5)
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. (6/11)**
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. **Underwriters** — S. D. Fuller & Co., New York, and Scott, Horner & Co., Lynchburg, Va.

Tel-A-Sign Inc., Chicago, Ill. (6/5)
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

Continued on page 38

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Continued from page 37

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.

★ **Tennessee Gas Transmission Co.**
June 2 filed 1,084,054 shares of common stock (par $5) to be offered in exchange for common stock of Middle States Petroleum Corp. at the rate of 45 shares of Tennessee Gas common for each 100 shares of Middle States common; it is a condition of the exchange offer that it be accepted by holders of not less than two-thirds (1,606,005 shares) of the outstanding 2,409,007 Middle States common. **Underwriter**—Dillon, Read & Co., Inc., New York.

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.

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 (6/27)**
March 28 filed 6,000,000 shares of common stock (par 50 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 of record May 28, 1958; rights to expire on Aug. 1, 1958. **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 Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Gas 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 Perlite Corp., Santa Fe, New Mexico**
May 27 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incidental to mining. **Underwriter**—Watson & Co., Santa Fe, New Mexico.

● **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.; Bauman Investment Co., New Orleans, La.; and Walter Sondrup & Co. and Thornton D. Morris & Co., both of Salt Lake City, Utah.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

United States Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York.

★ **United Wholesale Druggists, Inc.**
May 27 (letter of notification) 5,000 shares of preferred stock. **Price**—At par ($25 per share). **Proceeds**—To purchase merchandise. **Office**—1120 Oakleigh Drive, Eastpoint, Ga. **Underwriter**—None.

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.

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.

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 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.
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.

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).

★ **California Water & Telephone Co.**
May 27 it was reported that the company will offer additional common stock to stockholders, and then to the public. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected later this year.

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 July.

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 4⅜% 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

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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.

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.

★ Houston Corp.
June 2 company announced that it plans to register common stock and debentures to be issued in connection with acquisition of the Coastal Transmission Corp. **Underwriters**—Blyth & Co., Inc.; Lehman Brothers; Allen & Co.; and Scharff & Jones, Inc.

Indiana Gas & Water Co., Inc.
March 25 it was announced that the company plans to issue and sell $3,000,000 of first mortgage bonds. May be placed privately. **Proceeds**—To repay bank loans and for new construction.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp.

Kentucky Utilities Co.
Jan. 21 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginson Corp.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. **Offering**—Expected in September or October.

Kentucky Utilities Co.
Jan. 21 it was also reported that company may offer approximately 165,000 additional shares of its common stock to its common stockholders on a 1-for-15 basis. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

Laclede Gas Co. (7/8)
May 15 it was announced company plans to issue and sell 320,000 shares of cumulative preferred stock (par $25). **Proceeds**—To retire bank loans and for construction program. **Underwriters** — Lehman Brothers and Merrill Lynch, Pierce, Fenner & Smith, both of New York.

Laclede Gas Co. (7/9)
May 15 it was 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 June 6.

★ Martin Co.
June 2 it was announced by the company that it plans to issue $25,000,000 of debentures. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Smith, Barney & Co., New York.

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.

★ National Gypsum Co.
Company plans to register additional common stock in connection with proposed acquisition of American Encaustic Tiling Co. Subject to approval by stockholders of latter company, offer calls for exchange of 1 share of National common for 2.4 shares of American Encaustic common.

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 $65,000,000 of refunding mortgage bonds, together with 1,300,000 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 on July 16 for the purchase from it of $2,340,000 of series D equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & 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.

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.

★ Public Service Electric & Gas Co. (8/20)
May 26 it was announced that the company plans early registration of $60,000,000 of first refunding mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 20.

★ Salem-Brosius, Inc.
May 27 it was announced that the corporation plans early registration of $2,000,000 of convertible subordinated debentures due in 15 or 20 years and 112,500 shares of common stock (par $2.50) **Underwriter**—Blair & Co., Inc., New York.

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 (6/25)
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 June 25.

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.

● Washington Gas Light Co.
May 26 it was announced company plans to issue and sell about 300,000 shares of new preferred stock (no par). **Proceeds**—For construction program. **Underwriters** — Johnston, Lemon & Co., Alex. Brown & Sons, Auchincloss, Parker & Redpath and Folger, Nolan Inc. **Offering**—May be early in Summer.

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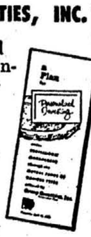

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Mutual Funds

By ROBERT R. RICH

TV-Electronics Fund Assets Up 15%

Total net assets of Television-Electronics Fund, Inc., pioneer and largest mutual fund concentrating investments in the field of electronics, rose 15% in the six months ended April 30, 1958, Chester D. Tripp, President, told shareholders in the Fund's semi-annual report.

The Fund's resources totaled $155.4 million at the fiscal mid-year, Mr. Tripp said, compared with $135.1 million on Oct. 31, 1957, and reflected new sales of the Fund's shares as well as market appreciation of portfolio securities. The Fund executive told shareholders that gross sales of the Fund's shares showed a 19.7% increase over the corresponding period of 1957 while redemptions of shares during the period reached an all-time low, running at less than 10% of sales, or about 1.3% of period-end assets.

Net asset value per share of the Fund on April 30, last, was $10.46, slightly above the $10.37 recorded at the end of the last fiscal year. If adjusted for the distribution on Nov. 30, 1957, of 55.1 cents from realized capital gains, the capital value increase during the six-month period was 6.2%, Mr. Tripp said, compared with a general market rise, as measured by the Dow-Jones Industrial Average, of 3.4%. The number of shares outstanding of the Fund at the fiscal midyear were at a record level of 14,857,031, up 13.9% over Oct. 31, 1957, and the number of shareholders reached an all-time high of 73,242.

Discussing the Fund's portfolio operations during the six-month period, Mr. Tripp stated that "continuing emphasis has more recently been placed on companies expected to benefit from the anticipated upward trend in military electronics spending this year and the immediate future." He said that military budget allocations clearly point to a rising phase in military electronics spending through 1959, "with such expenditures reaching an estimated $4 billion in the 1959 fiscal year, compared with about $3.6 billion in 1958." Playing a prominent part in this spending, he added, is the U. S. missile program, which according to the Aircraft Industries Association, will call for an allocation of some $5 billion in fiscal 1959. "Since electronics represents roughly 50% of the cost of the average missile," the Fund president said, "the inference to be drawn from the foregoing figures is rather obvious in its significance to the electronics industry."

Principal portfolio changes effected during the second quarter of the Fund's fiscal year included: purchase of common stocks of Allis-Chalmers Manufacturing Co., American Bosch Arma Corp., American Telephone & Telegraph Co., Carborundum Co., Carrier Corp., Douglas Aircraft Co., Dresser Industries, Ex-Cell-O Corp., General Dynamics Corp., General Electric Co., General Precision Equipment Corp., Robertshaw-Fulton Controls Co., Sprague Electric Co., Union Carbide Corp., and United Aircraft Corp. New common stock additions included American Electronics, Inc. and Foxboro Co. Existing holdings of the common stocks of Beckman Instruments, Inc., General Tire & Rubber Co., Hammond Organ Co., Otis Elevator Co., Penn Controls, Inc., and Ryan Aeronautical Co., were reduced and the common stock holding of International Nickel Co. was eliminated.

As of April 30, the Fund had 87.3% of its assets in equities, including common stocks, preferreds and convertible debentures, and 12.7% of its resources in short-term notes, U. S. Government securities and cash, compared with 84.7% and 15.3%, respectively, three months earlier. This increase in equity holdings reflects a shifting, during the second quarter, from short-term securities and Government bills into common stocks.

Incorporated Fund Assets at New High

Incorporated Income Fund total net assets increased by $4,300,000 during the quarter ended April 30, 1958 to a new high of $84,401,282, as reported in the 14th quarterly report to stockholders. In the three and one-half years since the start of the fund total net assets have grown from $10,249,040 to $84,401,282; shares outstanding have increased from 1.4 million to 11.1 million.

Announcement is made of the new dividend payment service inaugurated during the quarter: the "check-a-month plan." Stockholders who own shares in the Fund with an aggregate purchase cost of $10,000 can receive their dividends in monthly rather than quarterly payments; each quarterly dividend is separated into three equal payments.

During the quarter ended April 30, 1958, the following new securities were added to the portfolio of Incorporated Income Fund: Atlantic Coast Line RR., Bethlehem Steel, Dresser Industries, Eastern Gas and Fuel, General Motors, Gillette, Gimbel Brothers, Harsco Corp., Hilton Hotels, May Department Stores, Sinclair Oil, Spiegel, Sunray Mid-Cont. Oil, U. S. Rubber, and Mangel Stores.

The following securities were eliminated from the portfolio during this quarter: Chicago, Rock Island & Pacific RR., Commercial Credit, Curtiss-Wright, Gulf Mobile & Ohio RR., Illinois Central RR., Iowa Power and Light, Kelsey-Hayes, Miami Copper, Midwest Piping, Reynolds Tobacco, and Wheeling Steel.

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Lazard Fund to File With SEC

Lazard Freres & Co., one of the oldest investment banking houses in the United States, plans to file today (June 5) with the Securities and Exchange Commission the final information on its proposed offering to investors of shares in a new mutual fund — The Lazard Fund.

The new fund will be a mutual fund in the sense that its shares can be redeemed by investors at asset value. However, once the initial offering is over, it is not planned to issue further shares continuously as most mutual funds do through their dealer network.

Present Canada Market Reveals Good Buys

From an investment viewpoint, the present market for Canadian securities affords the opportunity to purchase selected common stocks at more advantageous prices than have recently prevailed, Hugh Bullock, President of Canadian Fund, Inc. told shareholders in the report accompanying the mutual fund's 23rd consecutive quarterly dividend.

The dividend, derived from net investment income, amounts to 10 cents per share and is payable June 2 to shareholders of record on May 9, 1958.

The long-term growth prospects of the Canadian economy continue to appear excellent, Mr. Bullock said, pointing out that the most recent statistics from Canada underline its current position of strength in the world economy.

With a population recently estimated at 16.9 million, which is only slightly larger than the population of New York State, Canada is today the fourth trading nation in the world. In addition, he said, Canada leads the world in the production of nickel, asbestos, platinum and news print; is second in world production of aluminum, hydro-electric power, zinc, uranium, pulp and gold; is third in production of titanium ore, molybdenum, sawn lumber and silver; is fourth in iron ore; and fifth in copper and lead. Also Canada's proven reserves of petroleum and natural gas currently are estimated to comprise 3,500,000,000 barrels and 24,000,000,000,000 cubic feet, respectively.

While there seems to be a view that the current recession has had a seriously dampening effect upon the Canadian economy, Mr. Bullock told the shareholders, a closer look presents some sanguine considerations. For example, housing starts in Canada, seasonally adjusted, have climbed steadily since July 1957, and at the end of March 1958 were 85% above midsummer levels. Steel production in Canada today, at approximately 75%, is greatly above the 50% operating rate in the United States. Canadian exports in March were 4% higher than a year ago, and the trade deficit was greatly reduced in the first quarter.

"Total capital expenditures in Canada this year are estimated at $8.5 billion, almost equal to the $8.7 figure last year," Mr. Bullock said. "An idea of the magnitude of this figure can be seen when compared with the Gross National Product of about $30 billion. It would appear that, while Canada has not escaped the recession south of its border, there are demonstrated elements of strength reflecting its fundamental vitality and dynamism."

Total net assets of Canadian Fund increased slightly during the quarter and, on April 30, 1958, were $39,009,481, or $16.13 per share. This compares with total net assets of $37,909,026, or $15.73 per share at Jan. 31, 1958.

Merger Study by 2 Canadian Funds

The directors of Hydro-Electric Securities Corp. and International Holdings, Ltd., two closed-end Canadian funds, are considering a merger in order to form an American investment company.

International Holdings has the same directors as Hydro-Electric and owns a substantial interest in Hydro-Electric Securities. J. S. Fry, secretary of the two companies, has stated that such a merger would allow investment in Canada which is not permitted under the Canadian companies' present tax set-up. Details will be submitted for stockholders approval as soon as practicable.

As of Dec. 31, International Holdings had total assets of $23.4 million and Hydro-Electric's total $25.4 million.

Report of Scudder Common Stk. Fund

Scudder, Stevens & Clark common stock fund announced that total net assets on May 15 amounted to $17,684,593 or $21.69 per share compared with $15,992,886 or $24.43 a year ago.

Affiliated Fund Share Value Rises 13½%

Semi-annual report of Affiliated Fund, Inc. reveals an increase of 13½% in the value of its shares in the six months ended April 30, 1958 after adjustment for a 20c capital gains distribution made in December.

Net assets of the company were $399,306,986 at the end of the half-year, equivalent to $6.04 a share, compared with $346,447,346 on Oct. 31, 1957. Per share value after capital gains adjustment was $6.24 against $5.49 on Oct. 31, 1957, end of the last fiscal year.

H. I. Prankard, II, President, points out that the 13½% increase in the six months' period is substantially greater than the advance experienced by the stock market in general as measured by the well known indices. While adhering to the judgment that many of the capital goods stocks are still overpriced, Mr. Prankard states "prices of the stocks of some of the companies producing consumers' durable goods have declined to an area where it appears to us the inherent market risk is small in comparison with profit possibilities."

In accordance with this opinion Affiliated Fund has invested in some of the consumers' durables including the purchase of small amounts of the stocks of each of the three major automobile manufacturers.

"We shall not be surprised," he adds, "if the prices of these automobile stocks decline further before they have a major advance. Our long-term purpose is to add

105th CONSECUTIVE QUARTERLY DIVIDEND

EATON & HOWARD BALANCED FUND

17 CENTS A SHARE

107th CONSECUTIVE QUARTERLY DIVIDEND

EATON & HOWARD STOCK FUND

13 CENTS A SHARE

Dividends payable June 25 to shareholders of record at 4:30 P.M., June 10, 1958.
24 Federal Street, Boston, Mass.

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to our holdings from time to time so as to obtain a good position at an attractive average cost."

In addition to Chrysler, Ford and General Motors the following stocks were added during the six months ended April 30, 1958: Fibreboard Paper Products Company, Gulf Oil Corporation, H. J. Heinz Company, International Telephone & Telegraph Company and McGraw-Hill Publishing Co.

Eliminations were: American Natural Gas Company, General Foods Corporation, International Shoe Company, Marathon Corporation (merged with American Can Company), New England Electric System, New York State Electric & Gas Corporation, Northern Natural Gas Company, Westinghouse Electric Corporation.

Group Shies Away From Favored Stocks

An interesting and profitable independence of judgment is revealed in the performance of two cross-sectional funds of Group Securities.

Gauging from the July 12, 1957, market high to May 20, 1958, Group's Common Stock Fund's asset value per share has risen 0.6% and its balanced Fully Administered Fund 3.8%, both figures adjusted for securities profits. These rises compare with declines of 11.7% in both the Dow-Jones Industrial and Composite Indexes, and 11.2% in the Standard & Poor "500."

Explaining the role of independent judgment in these performances, Group's President, Herbert R. Anderson, pointed out that only 5% of The Common Stock Fund's current assets are invested in stocks comprising the "Favorite Fifty." This is the term used to describe the 50 stocks most widely held by investment companies generally. At the present time these 50 stocks represent about 20% of the investible assets of all investment companies, and an obviously higher proportion of their common stock holdings.

Group's good opinion of these 50 favorites in markets other than today's is indicated by its having invested over 30% of The Common Stock Fund's assets in them at various times over the past five years. However, anticipating the market correction that began last July, Group shifted assets into less popular issues that were felt to be in a better price and income position.

The Common Stock Fund's distinctive performance is emphasized by its stated policy of remaining fully invested in good quality common stocks, during market declines as well as rises. That the quality of its portfolio has not suffered in its withdrawal from the "Favorite Fifty" is indicated by the fact that all 92 stocks currently held are considered eligible for purchase by savings banks in New York State.

Mr. Anderson further explains the performance of Group's Common Stock Fund and its balanced Fully Administered Fund in terms of their management's philosophy of adjusting their holdings for primary market trends, as contrasted with attempts either to "beat the market" through frequent trading; or simply buying to hold for the long term.

Group's sales in 1958 have more than doubled their 1957 rate, with the biggest increase in purchases of $25,000 or more.

Niagara Share Corp.

	May 31,'58	May 31,'57
Net assets per share	$25.21	$28.27
Net assets	$45,443,228	$50,970,329
Capital shares	1,802,703	1,802,703

Fund Completes Record Financing

The largest initial financing ever undertaken by an investment company was formally completed May 29 when Lehman Brothers, as manager of a 640-member underwriting group, handed over to The One William Street Fund, Inc. the net proceeds from a public offering of 15,833,114 shares of capital stock of the Fund. The net proceeds amounted to $183,070,380.63 and checks for that sum were delivered to the Fund by the underwriters. The closing ceremonies took place in the offices of Lehman Brothers. The offering of securities began on May 14.

Simultaneously with the transfer of the funds from the sale of the 15,833,114 shares, The One William Street Fund acquired all of the $37,000,000 assets of the Aurora Fund, a private investment company, in exchange for 3,101,761 shares of the Fund's capital stock. Thus the Fund starts business with total assets of approximately $220,000,000 and 18,934,875 outstanding shares of capital stock.

With the completion of the initial financing, the Fund, a closed-end investment company, becomes an open-end investment company, whose shares will be offered on a continuous basis through William Street Sales, Inc.

American Mutual Fund Assets Reach New High

Total assets of American Mutual Fund reached a new high of $75,242,794 on April 30, 1958, and investment income for the first half of the company's fiscal year was also at a record level, it was stated by Jonathan B. Lovelace in his semi-annual report to the shareholders.

Total net assets of $75,242,794 were equivalent to $7.42 for each of the 10,135,763 shares outstanding April 30, compared to a total of $63,768,099 at Oct. 31, 1957, equivalent to $7.15 per share on the 8,921,330 shares then outstanding. This is an increase of 6% in net asset value per share after adjusting for the capital gains distributions during the period which aggregated $1,457,788 (equivalent to 16 cents per share).

The report pointed out that the increase of $11,474,695 in total assets was due to (1) purchase of new shares in the Fund by both old and new shareholders, (2) acquisition in April of the $3,783,392 assets of Bareco Investment Company (through the issuance of 515,448 shares of American Mutual at net asset value), and (3) increase in market value of securities owned.

Net income for American Mutual Fund excluding realized gain on sales of securities, in the six-months period ended April 30, 1958, was $1,173,309, equivalent to approximately 12.7 cents per share on the 9,261,124 average number of shares outstanding during the period. This compares with net investment income of $971,304 in the corresponding period a year ago, equivalent to approximately 12.9 cents per share on the smaller average number of shares then outstanding.

New names appearing in American Mutual Fund's portfolio since Jan. 31 include Petrolite Corp., American Airlines, Columbia Broadcasting "B," and International Telephone & Telegraph. Stocks completely eliminated during the quarter include Borg-Warner, Cutler Hammer, Diamond Alkali, Lone Star Cement, and Worthington Corp.

Opportunities Seen In Petroleum Shrs.

The management of Group Securities, Inc., $100,000,000 Mutual Fund thinks that the decline of more than 20% in oil stock prices since the highs of last year provides growth-minded investors with a unique opportunity to take advantage of a temporary situation. "While current earnings compare unfavorably with the 1957 first quarter, those were abnormally high," says Group, "due to the Suez Crisis. Following the reopening of the Canal, and compounded by a declining level of economic activity in the United States, petroleum inventories grew rapidly. Production was and still is sharply curtailed to restore a healthy supply-demand picture."

In answer to the question, Is this a permanent situation? Group's management says, "Outstanding authorities, including the U. S. Bureau of Mines, forecast a **continuation** of the use of oil and gas over the next two decades **at rates consistent with its past growth.**"

Particular significance is attached to the widespread acceptance of oil and gas securities by the professional managers of large institutional accounts. "To cite a few examples," states the new report, "oil and gas securities are the largest holding of the College Retirement Equities Fund, the Harvard Endowment Fund, the Massachusetts Institute of Technology Fund and the entire $10 billion-Mutual Fund industry."

Copies of a new brochure on Petroleum Shares of Group Securities, Inc., are available from Distributors Group, Inc., 63 Wall St., New York 5, N. Y.

Townsend Shows Revenue Rise

Townsend Investment Company reported operating revenues of $7,381,891, up 26% over the $5,868,448 in 1956, it was announced today.

Townsend earned $672,592 or $1.03 a share on 596,430 common shares outstanding for the year ended Dec. 31, 1957. Of these earnings, $117,648, or 20 cents a share is considered non-recurring. In 1956, the company earned $611,205, exclusive of non-recurring items.

Clinton Davidson, Chairman, and Morris M. Townsend, President, pointed out that the company's 83.4% owned-airline subsidiary, Resort Airlines Inc. (N. C.) paid its initial dividend on May 20, 1958, resulting in $163,649 being paid into the parent company's treasury.

Mr. Davidson said: "The past year has been one of transition. With the parent company's interest in Resort Airlines, Inc., (N. C.), the largest contract carrier of military air freight in the nation as a nucleus, the company has taken the first step towards participating in the rapidly-growing field of Mutual Funds."

He continued: "The parent company has recently acquired more than 50% of Class A common shares of Townsend Management Company."

Mr. Townsend said: "In line with the enlarged scope of activities of your company and to provide a broader market for its securities, your board of directors plans to make application for listing of the common stock on a national stock exchange."

Riley With Powell Johnson

(Special to The Financial Chronicle)

FULLERTON, Calif. — Harold E. Riley is now with Powell, Johnson & Powell, Inc., 306 North Pomona Avenue. He was formerly local manager for Morgan & Co.

Dividend Shares Total Net Asset Value Up Sharply

Total net assets of Dividend Shares, Inc. at April 30, 1958 were $219,269,385, or $2.61 per share, compared with total net assets of $195,529,831, or $2.36 per share on Oct. 31, 1957, Hugh Bullock, President, told shareholders in the semi-annual report.

Although the report is presented at a time of recession, he said, the total net assets are at the highest figure ever reported in a semi-annual statement to shareholders in the history of the company.

Common stocks of 103 corporations in 19 different industries having a market value of $182,326,715 were owned by the fund on April 30, 1958 as compared with 109 corporate stocks with a value of $168,769,194 on Oct. 31, 1957. All of these holdings are currently paying dividends, Mr. Bullock said. The fund, which is managed by Calvin Bullock, Ltd., has more than 89,800 shareholders, several thousand of whom have become shareholders in the past six months. Common stocks represented 83.15% of total assets, government bonds, 15.17, and cash and receivables, 1.68%.

Dividend Shares has continued its policy of laying stress in its buying program on securities possessing certain defensive characteristics, Mr. Bullock told the shareholders. In line with this policy, of the 31 purchases made during the first half of 1958, almost one-third were concentrated in the utility group, while investments in finance, food and drug industries also were increased. Currently, the largest single investment group in the fund's portfolio is in the utility field (15.45%) followed closely by petroleum (15.35%) with the chemicals and drugs group (8.21) in third place.

As now constituted, the portfolio appears to possess proper defensive characteristics, Mr. Bullock reported, "The rapid decline that has taken place in business activity over the past six months indicates that this present recession exceeds in scope the two previous post-war declines. Such a period is bound to create difficulties since costs cannot ordinarily be cut as rapidly as revenues with the result that corporate profits dropped sharply. The present economic scene is creating investment problems which should be realistically faced and not glossed over."

"Inflation has been cited as a potent reason for purchase of common stocks and as such remains true today. The growth of population and the development of the American economy are sufficient reasons in themselves for justifying long-term investment in common stocks. These longer term factors as well as current economic difficulties must be taken into account in shaping a portfolio.

"It is encouraging to note elements of strength in various areas of the economy which enhances the belief that the decline will not spiral into a deep recession. Also the very rapidity of the decline, which in many cases has brought production below consumption, seems likely to lead to improvement in business activity before too many months pass," Mr. Bullock pointed out.

With Shearson, Hammill

(Special to The Financial Chronicle)

PASADENA, Calif. — Roy E. Warnock is now affiliated with Shearson, Hammill & Co., 348 East Green Street. He was formerly with Kerr & Bell.

Puritan Fund Assets Reach New High

Puritan Fund, Inc., reports new highs in total assets, number of shareholders, and number of shares outstanding in the quarter ended April 30, 1958. Total net assets of $38,991,021 show 21.9% increase over the $31,978,133 reported April 30, 1957. Number of shareholders increased to 16,500 from 13,200 a year ago. Number of shares outstanding rose from 4,956,664 to 6,653,147 in the same period.

On April 30, 1958, net asset value per share was $5.86 compared with $5.68 on Jan. 31, 1958. On April 25, 1958, dividend of 9 cents per share was paid by the Fund from net investment income.

As of April 30, 1958, 25.8% of the assets of the Fund was invested in bonds, preferred stock and net cash and receivables compared with 29.1% on Jan. 31, 1958. The balance of the assets was represented by common stock investments amounting to 74.2% compared with 70.9% on Jan. 31, 1958.

New securities added to portfolio during quarter included Atlantic Coast Line, Briggs & Stratton, Stewart Warner, Kansas City Southern and Sinclair Oil. Eliminated from the Fund during the quarter were American Radiator and Swift & Company.

Int'l Investors, Inc. Cites Growth

President John C. van Eck, Jr. announced that International Investors net asset value per share rose 6.2% from the end of 1957 to $8.53 a share on April 1, 1958 as compared to an increase of 2.2% in the Dow-Jones Industrial Average for the same period.

The President noted that one of the leading securities in their portfolio continues to be Daimler-Benz A. G. This stock was purchased in June, 1957, at $83 a share and today is selling at $110 a share. This growth reflects the expansion of motor vehicle production in Germany which increased 13% in 1957 over 1956 and for the first quarter of 1958 was 25% above the same 1957 period. As a comparison, the U. S. motor vehicle production rose 4% in 1957 over 1956 and for the first quarter of 1958 is 30% lower.

Mr. van Eck, Jr., further states that the industrial production continues to expand in Europe in spite of the current U. S. recession. German industrial production during the first quarter 1958 was 3.3% above the same period of 1957 while in the U. S. there has been a 10.5% decline.

International increased its holdings during the first quarter 1958 in Royal Dutch Petroleum Co., Shell Transport & Trading, British South Africa, Courtaulds Ltd., Siemens & Halske, KLM Royal Dutch Airlines, Allgemeine Elektricitats-Ges., Bowater Paper, International Packers, Imperial Chemical Industries Ltd., Philips Lamp, Associated Portland Cement Mfg. Ltd., Bayer, Hoechst, Unilever Ltd. and United Dominion Trust Ltd.

With Yates, Heitner

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Lloyd A. Schafale is now affiliated with Yates, Heitner & Woods, Paul Brown Building, members of the New York and Midwest Stock Exchanges.

Morrison Adds to Staff

(Special to The Financial Chronicle)

NEWTON, N. C. — Robert B. Royal is now connected with Morrison and Company, Northwestern Bank Building.

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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 8	§60.8	*58.1	49.4	87.5
Equivalent to—					
Steel ingots and castings (net tons)	June 8	§1,641,000	*1,567,000	1,334,000	2,240,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 23	6,256,485	6,261,885	6,288,385	7,457,365
Crude runs to stills—daily average (bbls.)	May 23	¶7,331,000	7,479,000	6,984,000	7,910,000
Gasoline output (bbls.)	May 23	25,679,000	25,200,000	24,440,000	27,102,000
Kerosene output (bbls.)	May 23	1,714,000	1,881,000	2,090,000	1,878,000
Distillate fuel oil output (bbls.)	May 23	11,853,000	11,650,000	10,943,000	12,592,000
Residual fuel oil output (bbls.)	May 23	6,607,000	6,558,000	6,355,000	7,584,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 23	195,753,000	198,307,000	207,147,000	194,373,000
Kerosene (bbls.) at	May 23	20,709,000	20,306,000	18,287,000	23,935,000
Distillate fuel oil (bbls.) at	May 23	84,464,000	80,771,000	74,743,000	91,532,000
Residual fuel oil (bbls.) at	May 23	60,353,000	59,503,000	57,600,000	39,791,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 24	570,670	560,765	533,724	722,903
Revenue freight received from connections (no. of cars)	May 24	503,096	498,017	494,183	616,221
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 29	$423,990,000	$588,107,000	$485,610,000	$298,907,000
Private construction	May 29	155,564,000	241,161,000	228,856,000	100,712,000
Public construction	May 29	268,426,000	346,946,000	256,754,000	198,195,000
State and municipal	May 29	178,108,000	206,906,000	182,339,000	171,613,000
Federal	May 29	90,318,000	140,040,000	74,415,000	26,582,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 24	5,570,000	*7,270,000	6,720,000	9,476,000
Pennsylvania anthracite (tons)	May 24	395,000	385,000	355,000	487,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 24	128	*126	136	124
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 31	**11,600,000	11,316,000	11,251,000	10,936,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 29	278	337	336	225
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 27	5.967c	5.967c	5.967c	5.670c
Pig iron (per gross ton)	May 27	$66.49	$66.49	$66.49	$64.56
Scrap steel (per gross ton)	May 27	$35.33	$34.00	$31.50	$47.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 28	24.475c	24.425c	24.175c	31.300c
Export refinery at	May 28	22.225c	21.725c	21.425c	29.175c
Lead (New York) at	May 28	11.500c	11.500c	12.000c	15.000c
Lead (St. Louis) at	May 28	11.300c	11.300c	11.800c	14.800c
‡Zinc (delivered) at	May 28	10.500c	10.500c	10.500c	12.000c
Zinc (East St. Louis) at	May 28	10.000c	10.000c	10.000c	11.500c
Aluminum (primary pig, 99%) at	May 28	24.000c	24.000c	24.000c	25.000c
Straits tin (New York) at	May 28	94.500c	94.375c	94.125c	98.375c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 3	95.97	96.19	95.63	88.09
Average corporate	June 3	96.38	96.23	96.23	94.86
Aaa	June 3	103.13	103.13	103.30	99.20
Aa	June 3	99.52	99.36	100.00	97.78
A	June 3	95.92	95.77	96.07	95.32
Baa	June 3	87.72	87.45	86.78	87.59
Railroad Group	June 3	91.62	91.62	91.77	93.08
Public Utilities Group	June 3	97.94	97.78	98.09	95.92
Industrials Group	June 3	99.68	99.36	99.04	95.47
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 3	2.84	2.82	2.87	3.51
Average corporate	June 3	3.98	3.99	3.99	4.08
Aaa	June 3	3.56	3.56	3.55	3.80
Aa	June 3	3.78	3.79	3.75	3.89
A	June 3	4.01	4.02	4.00	4.05
Baa	June 3	4.58	4.60	4.65	4.59
Railroad Group	June 3	4.30	4.30	4.29	4.20
Public Utilities Group	June 3	3.88	3.89	3.87	4.01
Industrials Group	June 3	3.77	3.79	3.81	4.04
MOODY'S COMMODITY INDEX	June 3	400.6	403.0	390.0	418.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 24	242,408	240,015	224,405	242,783
Production (tons)	May 24	259,071	269,356	236,328	282,388
Percentage of activity	May 24	85	86	81	95
Unfilled orders (tons) at end of period	May 24	333,870	348,331	326,592	382,666
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	May 30	109.82	109.87	110.10	110.24
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 10	1,711,330	1,540,280	1,331,070	1,632,010
Short sales	May 10	389,200	355,920	282,350	305,700
Other sales	May 10	1,269,700	1,274,380	1,041,090	1,268,910
Total sales	May 10	1,658,900	1,630,300	1,323,440	1,574,610
Other transactions initiated on the floor—					
Total purchases	May 10	466,310	320,090	371,920	344,600
Short sales	May 10	40,400	23,130	44,400	23,500
Other sales	May 10	492,340	304,670	284,800	360,350
Total sales	May 10	532,740	327,800	329,200	383,850
Other transactions initiated off the floor—					
Total purchases	May 10	549,980	579,159	452,840	597,183
Short sales	May 10	195,630	158,240	75,890	141,720
Other sales	May 10	685,850	729,040	399,000	509,176
Total sales	May 10	881,480	887,280	474,890	650,896
Total round-lot transactions for account of members—					
Total purchases	May 10	2,727,620	2,439,529	2,155,830	2,573,793
Short sales	May 10	625,230	537,290	402,640	470,920
Other sales	May 10	2,447,890	[illegible]	[illegible]	2,138,436
Total sales	May 10	3,073,120	2,845,380	2,127,530	2,609,356
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 10	1,357,465	1,268,858	1,204,165	1,342,810
Dollar value	May 10	$57,441,121	$55,162,385	$51,875,453	$67,158,913
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 10	1,180,818	1,111,269	973,134	1,190,651
Customers' short sales	May 10	18,868	18,467	20,689	11,568
Customers' other sales	May 10	1,161,950	1,092,802	952,445	1,179,083
Dollar value	May 10	$48,156,212	$46,921,729	$41,200,471	$57,962,814
Round-lot sales by dealers—					
Number of shares—Total sales	May 10	327,950	323,620	234,750	323,530
Short sales	May 10				
Other sales	May 10	327,950	323,620	234,750	323,530
Round-lot purchases by dealers—					
Number of shares	May 10	501,140	490,220	501,380	486,470
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 10	953,240	843,230	761,590	560,170
Other sales	May 10	13,952,700	12,029,740	10,032,850	11,919,650
Total sales	May 10	14,905,940	12,872,970	10,794,440	12,479,820
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 27	119.3	119.3	119.3	117.2
Farm products	May 27	97.4	97.3	97.2	89.9
Processed foods	May 27	113.2	113.0	[illegible]	105.3
Meats	May 27	115.4	115.4	110.8	91.6
All commodities other than farm and foods	May 27	125.2	125.2	125.6	125.2

*Revised figure. ¶Includes 928,000 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. **Estimated.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of April 30:			
Imports	$278,125,000	$263,335,000	$272,212,000
Exports	415,548,000	432,276,000	471,168,000
Domestic shipments	12,241,000	12,377,000	15,052,000
Domestic warehouse credits	403,568,000	458,239,000	73,913,000
Dollar exchange	130,730,000	139,240,000	3,988,000
Based on goods stored and shipped between foreign countries	239,205,000	223,780,000	181,547,000
Total	$1,479,417,000	$1,529,247,000	$1,017,880,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of April (in millions):			
Total new construction	$3,666	$3,338	$3,657
Private construction	2,563	2,410	2,603
Residential buildings (nonfarm)	1,292	1,168	1,301
New dwelling units	920	870	940
Additions and alterations	324	250	327
Nonhousekeeping	48	48	34
Nonresidential buildings	653	664	713
Industrial	204	218	271
Commercial	259	258	263
Office buildings and warehouses	158	156	135
Stores, restaurants, and garages	101	102	128
Other nonresidential buildings	190	188	179
Religious	61	61	64
Educational	40	40	39
Hospital and institutional	46	47	38
Social and recreational	28	26	23
Miscellaneous	15	14	15
Farm construction	127	114	126
Public utilities	478	452	448
Railroad	29	29	37
Telephone and telegraph	80	80	94
Other public utilities	369	343	317
All other private	13	12	15
Public construction	1,103	928	1,054
Residential buildings	62	61	34
Nonresidential buildings	371	343	375
Industrial	31	29	42
Educational	238	221	233
Hospital and institutional	28	28	31
Administrative and service	39	32	36
Other nonresidential buildings	35	33	33
Military facilities	72	70	89
Highways	370	245	330
Sewer and water systems	111	105	113
Sewer	65	62	63
Water	46	43	50
Public service enterprises	32	28	30
Conservation and development	76	68	72
All other public	9	8	11
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of March 31:			
Total consumer credit	$42,562	$43,043	$40,735
Instalment credit	32,983	33,302	31,524
Automobile	14,889	15,122	14,528
Other consumer goods	8,192	8,277	8,043
Repairs and modernization loans	1,915	1,936	1,856
Personal loans	7,987	7,967	7,097
Noninstalment credit	9,579	9,741	9,211
Single payment loans	3,542	3,542	3,370
Charge accounts	3,528	3,710	3,534
Service credit	2,509	2,489	2,307
COPPER INSTITUTE—For month of April:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	97,390	*98,943	110,070
Refined (tons of 2,000 pounds)	120,467	130,075	144,013
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	81,344	*78,683	116,716
Refined copper stocks at end of period (tons of 2,000 pounds)	251,099	238,641	139,842
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100—Month of April:			
Adjusted for seasonal variation	134	*131	131
Without seasonal adjustment	126	*116	131
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of April (1947-49 = 100)	65.1	65.7	77.9
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of February:			
Net railway operating income	$8,897,266	$31,736,336	$65,835,146
Other income	20,225,883	24,859,340	20,217,740
Total income	29,123,149	56,595,676	86,052,886
Miscellaneous deductions from income	4,406,151	4,612,378	4,015,943
Income available for fixed charges	24,716,998	51,983,298	82,036,943
Income after fixed charges	*6,716,189	20,736,349	51,671,341
Other deductions	3,984,904	4,000,977	4,162,787
Net income	*10,701,093	16,735,372	47,508,554
Depreciation (way & structures & equipment)	49,752,858	49,788,507	47,604,200
Federal income taxes	1,279,766	12,388,694	23,537,590
Dividend appropriations:			
On common stock	27,998,337	26,996,208	41,277,590
On preferred stock	8,352,214	6,443,547	8,457,015
Ratio of income to fixed charges	7.86	1.66	2.70

*Deficit.

	Latest Month	Previous Month	Year Ago
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of April:			
Net sales	$2,104,600	------	------
Net purchases	------	$10,591,100	$35,384,000
U. S. GOVT. STATUTORY DEBT LIMITATION —As of April 30 (000's omitted):			
Total face amount that may be outstanding at any time	$280,000,000	$280,000,000	$278,000,000
Outstanding—			
Total gross public debt	275,057,407	272,624,225	274,007,941
Guaranteed obligations not owned by the Treasury	93,879	103,959	102,728
Total gross public debt and guaranteed obligations	$275,151,287	$272,728,185	$274,110,669
Deduct—other outstanding public debt obligations not subject to debt limitation	433,318	434,085	448,503
Grand total outstanding	$274,717,969	$272,294,099	$273,662,166
Balance face amount of obligations, issuable under above authority	5,282,030	7,705,900	4,337,833
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of April 30	$275,151,287	$272,728,185	$274,110,669
General funds balances	6,487,218	6,075,602	5,531,560
Net debt	$268,664,069	$266,652,583	$268,579,109
Computed annual rate	2.679%	2.725%	2.725%
WINTER RYE CONDITION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of May 1	92%	------	88%

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Our Reporter's Report

The corporate new issue market is still feeling its way cautiously though perhaps with a bit more confidence seeing as how Secretary of the Treasury Robert B. Anderson did decide to try $1 billion issue of 26-year and 11-month bonds on investors coincident with his current roll-over of $9.4 billion of maturing debts.

The cue now, of course, will be the scope of the response to this new Government issue carrying a 3.25% coupon and offered at a premium. The long-term end of the Treasury list has been tapering off since the announcement of the new offering.

Meanwhile, the secondary corporate market has been pretty much mixed but with prices generally holding in a narrow range. Top-grade paper has been edging forward though evidently not in a manner sufficient to stir up demand for remnants of recent new offerings.

But bankers are obviously betting that with the money managers definitely committed to a policy of ease, in an effort to spur a rebound in business, the seasoned market will ultimately catch up with their current pricing ideas. It may take a little time but few syndicates have shown any rush to turn loose such issues as they have been carrying.

Latest of the major undertakings, Consolidated Edison Co. of New York's $50 million of new first and refunding bonds, apparently failed to push the market off dead-center upon reoffering, but bankers were satisfied that prospective buyers would be moving to take down sizable allotments in due course.

Getting the Job Done

Consolidated Edison Co.'s big offering had been slated for competitive bidding orignally about April 22, but because of market conditions at the time it was decided to delay the venture.

The issue drew three bids and found underwriters thinking pretty much along the same lines. The winning bid of 102.0399 for 4s was only $1.30 per $1,000 above that of the runner-up and about $3.20 per $1,000 above the lowest bid.

The bonds were priced for reoffering at 102.655 to yield 3.85%. This was a far cry from the previous offering by the big utility which last October, sold an issue of $60 million of bonds with a 5% coupon and bankers reoffered at 100.77 to yield 4.95%.

N. Y. Tel. Lifts Ante

New York Telephone Co. which, a fortnight ago, decided to delay its projected financing involving debentures and additional stock has now set July as the target date for marketing the new securities.

But the company has raised the ante somewhat. Its original request to the Public Service Commission was for authority to sell $50 million of debentures publicly and 1.2 million shares of stock to American Telephone & Telegraph Co., parent concern.

Now it seeks to amend its petition and to increase the total of debentures to $65 million while raising the stock issue to 1.3 million shares. It would retire bank loans and finance new construction.

Up for Bids

Niagara Mohawk Power Corp.'s $50 million of new bonds tops the list of new corporates ahead for the coming week. This issue will be up for bids on Wednesday.

New England Power Co. will get things started on Monday when it opens tenders for $10 million of new bonds. Southern Union Gas Co. will be selling $3 million of new preferred the same day. And on Tuesday, Virginia Electric & Power Co., will market $25 million of bonds.

By way of changing the pace a little, bankers, on Tuesday, will bring to market an issue of $10 million bonds of the Federation of Rhodesia and Nyasaland.

$11 Million Notes Of Int'l Salt Company Placed Privately

F. Eberstadt & Co. and W. H. Newbold's Son & Co. announced June 3 they had negotiated the private placement with certain institutions of $11,000,000 International Salt Co. 4⅜% promissory notes due in 1978.

Secondary Offering Of Ingersoll-Rand Common Stock

Smith, Barney & Co., New York City, and Associates made a secondary offering of 247,824 shares of Ingersoll-Rand Co. common stock (no par value) at a price of $73.75 per share.

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., May 27, 1958.

The Board of Directors has this day declared a dividend of Twenty-five Cents (25c) per share, being Dividend No. 119, on the Preferred Capital Stock of this Company, payable August 1, 1958, out of undivided net profits for the year ending June 30, 1958, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business June 27, 1958.

R. M. SWEARINGEN, Assistant Treasurer

120 Broadway, New York 5, N. Y.

DIVIDEND NOTICES

TENNESSEE CORPORATION

May 28, 1958

A dividend of fifty-five (55c) cents per share was declared payable June 26, 1958, to stockholders of record at the close of business June 11, 1958.

JOHN G. GREENBURGH, Treasurer.

61 Broadway
New York 6, N. Y.

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On May 27, 1958 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable July 1, 1958 to Stockholders of record at the close of business June 13, 1958. Transfer books will remain open. Checks will be mailed.

JOHN R. HENRY, Secretary

CANADA DRY

Canada Dry Corporation

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock—A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable July 1, 1958 to stockholders of record at the close of business on June 13, 1958.

Common Stock—A quarterly dividend of $0.25 per share on the Common Stock, payable July 1, 1958 to stockholders of record at the close of business on June 13, 1958.

Transfer books will not be closed. Checks will be mailed.

J. W. REILLY, Secretary

ROBERTSHAW-FULTON CONTROLS COMPANY

Richmond, Va.


MR. CONTROLS

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5½ per cent Cumulative Convertible Preferred Stock, payable June 20, 1958 to stockholders of record at the close of business June 10, 1958.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable June 20, 1958 to stockholders of record at the close of business June 10, 1958. The transfer books will not be closed.

May 23, 1958

JAMES A. WITT, Secretary

ALCO ALCO PRODUCTS INCORPORATED

30 Church Street, New York 8, N. Y.

PREFERRED DIVIDEND No. 200
COMMON DIVIDEND No. 136

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared, payable July 1, 1958 to holders of record at the close of business on June 11, 1958. Transfer books will not be closed.

May 27, 1958

CARL A. SUNDBERG, Secretary

New York, June 4, 1958

The Board of Directors has this day declared a quarterly dividend of Eighty (80) Cents per share on the Capital Stock of this Company for the quarter ending June 30, 1958, payable on July 15, 1958, to stockholders of record at the close of business June 16, 1958.

STUART K. BARNES, Vice-President and Secretary

Guaranty Trust Company of New York

THE West Penn Electric Company (Incorporated)

Quarterly Dividend on the COMMON STOCK

37½¢ PER SHARE

Payable June 30, 1958
Record Date June 13, 1958
Declared June 4, 1958

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

DIVIDEND NOTICES

Beneficial Finance Co.

116th CONSECUTIVE QUARTERLY COMMON STOCK CASH DIVIDEND

The Board of Directors has declared cash dividends on Common Stock—$.25 per share

5% Cumulative Preferred Stock Semi-annual—$1.25 per share

Dividends will be paid June 30, 1958 to stockholders of record at the close of business June 13, 1958.

June 2, 1958

Wm. E. Thompson, Secretary

Over 1,100 offices in U. S., Canada, Hawaii and Alaska.

Beneficial Finance SYSTEM

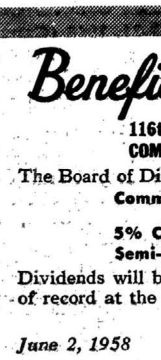
CERRO DE PASCO CORPORATION

Cash Dividend No. 152

The Board of Directors of Cerro de Pasco Corporation at a meeting held on June 3, 1958, declared a cash dividend of twenty cents (20¢) per share on the Common Stock of the Corporation, payable on June 27, 1958, to stockholders of record on June 13, 1958.

MICHAEL D. DAVID, Secretary

300 Park Avenue
New York 22, N. Y.



AMERICAN BANK NOTE COMPANY

PREFERRED DIVIDEND No. 209
COMMON DIVIDEND No. 199

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending June 30, 1958 and a dividend of 30¢ per share on the Common Stock have been declared. Both dividends are payable July 1, 1958 to holders of record June 9, 1958. The stock transfer books will remain open.

May 28, 1958

LOUIS T. HINDENLANG, Secretary and Treasurer

FEDERAL

FEDERAL PAPER BOARD CO., Inc.

Common & Preferred Dividends

The Board of Directors of Federal Paper Board Company, Inc., has this day voted the regularly quarterly dividend of 50 cents a share on the common stock, payable July 15, 1958 to holders of record July 2, 1958.

In place of the usual dividend of 28¾ cents a share on the 4.6% Cumulative $25 par value Preferred Stock, the Board declared two separate dividends, both payable September 15, 1958. Holders of record June 27, 1958 will receive 4¾ cents a share and holders of record August 29, 1958 will receive 24 cents a share. The split dividend was declared to provide for the new preferred stockholders expected to result from the merger with Federal Glass Company now pending.

ROBERT A. WALLACE, Vice President and Secretary

May 23, 1958
Bogota, New Jersey

LONG ISLAND LIGHTING COMPANY

QUARTERLY DIVIDEND

PREFERRED STOCK

The Board of Directors has declared the following quarterly dividends payable July 1, 1958 to holders of Preferred Stock of record at the close of business on June 13, 1958.

Series	Per Share
Series B, 5%	$1.25
Series D, 4.25%	$1.0625
Series E, 4.35%	$1.0875
Series F, 4.35%	$1.0875
Series G, 4.40%	$1.10

May 28, 1958

VINCENT T. MILES, Treasurer

YALE & TOWNE

Declares 281st Dividend

37½¢ a Share

On May 28, 1958, dividend No. 281 of thirty-seven and one-half cents per share was declared by the Board of Directors out of past earnings, payable on July 1, 1958, to stockholders of record at the close of business June 10, 1958.

Wm. H. MATHERS, Vice-President and Secretary

THE YALE & TOWNE MFG. CO.

Cash dividends paid in every year since 1899

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The cornerstone of the economy of this country is agricultural abundance. Across the nation this spring appears to be ample evidence that another good crop year is in the making.

The fields are green and lush, and the trees in the orchards are laden with fruit. Never before has there been finer beef cattle on the rangers and in the pastures. The pig crop is bigger and millions of chickens and turkeys have been hatched.

There has been a revival in interest in the farms in the past year or so. Membership in the nation's 90,499 Four-H Clubs is at a record high with 2,164,000 boys and girls enrolled. The farm economy generally has picked up, with beef and pork bringing good prices.

This country needs to be assured of an abundance of food. Farmers deserve confidence that they will not be greatly penalized for providing an abundance. They need this pledge without the annual outpouring from "bleeding hearts" on Capitol Hill, who are thinking of the next elections.

There are a lot of ills in agriculture, and the truth is there is no cure-all formula. Ask a farmer in the Shenandoah Valley of Virginia what he thinks, and he will tell you quickly that agriculture cannot be run successfully by "a bunch of men sitting in a big air-conditioned office building" in Washington. The farmers know there are no panaceas.

Benson's Philosophy

Quickly to agree is the Secretary of Agriculture, Ezra Taft Benson, who may go down as one of the finest cabinet officers ever to occupy that post. Mr. Benson hates regimentation and high rigid prices. He maintains that major problems in agriculture have grown out of efforts to support prices of a few farm products substantially and above competitive levels.

For instance, the cotton farmer now has his acreage cut to a third of its former level, because of lost markets at home and overseas, and cotton acreage abroad twice the size it used to be. The corn farmer finds that the acreage taken out of cotton and wheat has been put into feed grain, and the wheat farmer has discovered the corn farmer has shifted to wheat. As a result the carryover has risen to 1.3 billion bushels, and the wheat production in excess of allotments was about 100 million bushels.

"My views regarding farm programs can be very simply put," said Secretary Benson. I favor programs that help farm people by repairing, improving, and bolstering the enterprise system which has made American agriculture the envy of the world. I oppose programs which destroy markets, create distortion and inequity and contribute to inefficiency."

"Too many people have the false impression that most farm prices and incomes are government supported and on an artificial basis. Most farm products are being sold competitively on free markets. Items from only 13-price-supported crops, plus dairy products, are in government inventory — out of about 250 commodities that farmers produce."

Sound Policy

When the Department of Agriculture was created, Congress directed that one of the best ways that the Federal Government could help the farmer was to find out new facts and give it wide distribution for the benefit of all concerned. This has proven to be sound.

There is very little "press agentry" today in the Department of Agriculture releases. They are written for the most part factually. Of course the Department's mistakes are not released. Errors have to be dug out here like in any other Federal department.

Research Paying Off

There is a tremendous amount of research taking place in agriculture. New marketing methods alone the past year are fantastic. Some of the examples include:

The poultry industry will be able to save $1 million or so a year through an electronic blood spot detector which is now being manufactured commercially. Improved shipping procedures for tomatoes and watermelons is resulting in huge savings. Northwestern grown apples no longer shrivel when packed in non-sealed liners, and the pear and cherry growers of the same region are shipping a better product through use of polyethylene-lined boxes.

A wholesale food distribution center, under construction at Philadelphia, will reduce the cost of handling food by $6 million a year. Handling and storage charges for cotton have been reduced through new methods.

The growing charcoal market is of marked interest because charcoal is made of waste wood. The Forest Products Laboratory has developed a low-cost kiln suitable for small timber owners and sawmill operators. Because of the expanding market, established plants were enlarged and many small producers have entered the field.

Coosa Pines, Ala., where a big newsprint bill is in operation, has a new source of employment for people of the area in a new cold soda pulp mill. As a result woodland owners now have a market for low value scrub oak and gum trees that never before had a market. A cold soda newsprint plant is giving the Calhoun, Tenn., community the same type of employment. The cold soda pulping process promises a use and market for America's abundant hardwoods. The process is not limited to newsprint. A paper company in Lyon Falls, N. Y., is using it to pulp birch, maple and beech in the production of quality printing paper.

Research and development programs, in cooperation with the various state extension services and colleges, are producing some truly amazing results.

Important Industrial Markets

Crops with specific advantages for industrial use are opening important markets for farmers. Dawn, the first castorbean variety, will enable farmers to supply more of the needs of United States industries, which now import 138 million of the 140 million pounds of castor oil they require annually. The new variety can be readily harvested by machine.

Great progress has been made in fire control through expanded use of aircraft and heavy ground machinery. Helicopters are being used to success in the Western States.

School Lunch Program

The national school lunch program, which is administered through the Department of Agriculture, reached a peak of 10,800,000 children last year. A total of 2.8 billion pounds of surplus foods was moved into use through the direct distribution program. At home the foods were distributed for use in the school lunch programs, institutions and needy families. Needy persons in 88 foreign countries received the United States surplus food.

The price of farm land continued to rise during the past year. A recently completed report by the Department of Agriculture showed that farm land prices showed a slight rise during the early part of this year..

The total number of persons working on the farms in 1957 averaged about 7,649,000 compared with 7,869,000 in 1956, and the average of 8,361,000 for 1952-56. About one person of each four employed, was a hired worker, the other being farm operators and unpaid members of farm families.

Record Harvests

Despite a 3% reduction in crop planting in 1957 due to the soil bank program, farm output the past year equalled the record 1956 high. If weather and yields continue favorable, output in 1958 could exceed 1957 despite still a further reduction in acreage. With hog, broiler, and dairy output expanding, production and marketing of livestock and livestock products may edge up this year.

Record harvests and declining feed prices are strong stimuli to livestock production. The 1958 spring pig crop was up about 6% over spring of 1957. Cattle numbers on farms is not expected to increase for another year. Consumer demand for beef continues to rise. Total milk output in 1958 will set a new record high.

[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

"A fine patriotic citizen you are—criticizing me for buying things and giving people jobs!"

Harris, Upham Adds

(Special to The Financial Chronicle)

OAKLAND, Calif. — Robert L. Hosler has been added to the staff of Harris, Upham & Co., 1400 Franklin Street.

Stephenson, Leydecker

(Special to The Financial Chronicle)

OAKLAND, Calif. — David H. Huenergardt has become affiliated with Stephenson, Leydecker & Co., 1404 Franklin Street.

With C. W. Leonard

(Special to The Financial Chronicle)

PORTLAND, Me.—Glenwood C. Day has been added to the staff of C. W. Leonard & Co., Masonic Building.

FOREIGN SECURITIES

CARL MARKS & CO. INC.

FOREIGN SECURITIES SPECIALISTS

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COMING EVENTS

In Investment Field

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

June 6, 1958 (Hartford, Conn.)
Bond Club of Hartford outing at Country Club, Farmington, Conn.

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

June 12, 1958 (Boston, Mass.)
Boston Securities Traders Association annual outing at Salem Country Club, Peabody, Mass.

June 13, 1958 (Cleveland, Ohio)
Cleveland Bond Club spring outing at Kirtland 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 (Milwaukee, Wis.)
Milwaukee Bond Club annual outing at Oconomowoc Lake & Country Club, Oconomowoc, Wis.

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, 1958 (Boston, Mass.)
Boston Investment Club outing at Essex Country Club.

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.

TRADING MARKETS

American Cement
Botany Mills
A. S. Campbell Co. Com.
Fashion Park
Indian Head Mills
United States Envelope
Morgan Engineering
National Co.
Flagg Utica

LERNER & CO.
Investment Securities
10 Post Office Square, Boston 9, Mass.
Telephone HUbbard 2-1990 Teletype BS 69

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