ESTABLISHED 1839

In 2 Sections — Section 1

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 188 Number 5756 New York 7, N. Y., Thursday, July 3, 1958 Price 50 Cents a Copy

EDITORIAL

As We See It

This is an election year and the Democratic party is in full control of the investigatory offices of Congress while the White House is occupied by a member of the Republican party. Both parties are busily engaged in preparing for the political contests due later this year. The present encumbent of the White House in his initial political campaign in 1952 made a good deal of political capital out of the "mess in Washington." It is natural enough, therefore, in fact all but inevitable, that Congressional committees would be eagerly seeking to uncover another "mess in Washington" for use this autumn. They are obviously having some success, and it is apparent also that they are finding and airing some facts which provide more political thunder than evidence of real wrong-doing—as well as straining the credulity of the public at times.

We have no way of knowing what the great rank and file are making of all this. It is, however, a state of affairs whose importance far transcends election campaign tactics. In point of fact, one might even question whether the facts being disclosed are really pertinent to the choices voters must make this autumn. We for our part certainly have no desire to condone, or even to appear to condone, any sort of wrong-doing in this or any other Administration—and certainly we must regret the long standing habit on the part of all Washington to accept—and the public to insist upon giving—expensive presents.

At the same time we have not forgotten about the Dawsons, the Macks, the Youngs, the Vaughans, and the many others in various Administrations who in their turn shared the sort

Continued on page 24

Member Bank Borrowings From Federal Reserve Bank

By DR. KARL A. BOPP*

President, Federal Reserve Bank of Philadelphia

Policies and other criteria governing loans to member banks by Federal Reserve Bank are reviewed by Dr. Bopp. The Philadelphia Bankers' bank president and economist shows why member banks should not seek funds from Fed when overloaded with long terms during tight money period; explains why Fed does not prevent borrowing by charging a high enough rate; clears up common misunderstandings held about Fed's operations; and rebuts arguments of those holding commercial banks should invest in long terms during recession to aid recovery at expense of internal liquidity position. Terms discount rate an indispensable monetary policy tool but likens it to a safety valve only to be used to meet needs that could not reasonably be anticipated.

I propose to discuss borrowing from the Federal Reserve Bank. I have selected this topic for discussion precisely because few member banks have occasion to borrow at this time. The amount of borrowing is low in part because the Federal Reserve System has provided reserves liberally and cheaply in other ways as an important contribution to economic recovery.

Karl R. Bopp

Why, then, talk about such borrowing now? There are several reasons:

(1) If experience is any guide, this will not be a permanent state of affairs.

(2) We all wish to know the basic principles on which we operate.

(3) We are more apt to establish valid principles when our immediate profit position is not affected by the decisions we reach.

Before I discuss borrowings as such I would like to

Continued on page 30

*An address by Dr. Bopp before the 64th Annual Pennsylvania Bankers Association Convention, Atlantic City, N. J.

Reaping Inflation's Harvest

By DR. EDWIN G. NOURSE*

Former Chairman, Council of Economic Advisers
Economic Consultant, Washington, D. C.

Dr. Nourse rejects dismayful alternative of economic authoritarianism proposed by some as answer to the problem caused by institutionalization of inflation by labor, corporation and finance policies — fertilized by soft money and deficit spending. Referring to earlier warnings of the consequences of sowing the bad seeds of inflation, Dr. Nourse explains how reliance on monetary-fiscal cures, which he avers are dangerous palliatives, leads to a bad harvest of overstrained booms and distorted ensuing downturn. Believes the public will not accept chronic unemployment resulting from inflationary policies, and contends the answer to this is self-sustaining adjustments in the price-income structure of the market place instead of economic controls.

Just a year ago I addressed a meeting speaking under the title "Sowing the Seeds of Inflation." I argued that seeds of inflation were sown in the soft-money policy that prevailed for some years prior to the Federal Reserve-Treasury "accord" of March 1951; in the tax reduction of May 1948; and in the price-wage leap-frogging that characterized the 1946-'57 period of easy-going boom. My remarks were not calculated to make women faint and strong men shudder at the prospect of runaway inflation, worthless paper money, and national collapse. But I did bear down on the simple arithmetical fact that even a "creeping" inflation of 2% a year just about cuts the dollar in half in a single generation. And I might add here that some of those gentle souls who urge us to adopt this innocent creeper into our hearts and homes exhort us not to worry even if, with a little more pabulum and wheaties, he becomes

Edwin G. Nourse

Continued on page 24

*An address by Dr. Nourse before the National Conference on Keeping America Strong, Washington, D. C., June 20, 1958.

I. D. A. OF CANADA CONVENTION ISSUE: Section Two of today's issue is devoted to the 42nd Annual Convention of the Investment Dealers' Association of Canada at Manoir Richelieu, Murray Bay, Quebec, June 18-21, 1958.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

U. S. Vitamin Corporation—Irving L. Feltman, of Hay, Fales & Co., New York City. (Page 2)

National Distillers & Chemical Corp.—Curtis V. ter Kuile, New York City, N. Y. (Page 2)

IRVING L. FELTMAN

Hay, Fales & Co., New York City
Members of the
New York Stock Exchange

U. S. Vitamin Corporation

Everyone in the securities field is constantly on the lookout for "growth" stocks. And all of us get an immense satisfaction when we hit upon one which seems to have a clear path ahead.

Irving L. Feltman

That's the way I feel about the U.S. Vitamin Corporation. This company develops and manufactures various and well-known vitamin and mineral medicinal and nutritional preparations and pharmaceutical specialties. This is one of the more successful companies in what seems to be an all-time growth industry.

One factor which has interested me is the long-term trend of sales and earnings. In these categories U. S. Vitamin has considerably exceeded the average for the industry. In the last 11 years, at least, annual sales have increased substantially and almost uninterruptedly, and 1957 sales of $13,453,000 were $1,016,000 ahead of the previous year and $9,329,000 or 225% ahead of the $4,124,000 sales registered in 1948, 10 years previously. Net income has more than kept up with sales. The all-time record high net of $1,723,000 recorded in 1957 was $223,000 or 14.8% ahead of 1956 and $1,408,000 or 446% ahead of 1948.

Particularly reassuring to investors in its shares is the company's aggressive research program. It has produced a series of successful new products year after year, and at present is preparing for the commercial introduction of a new oral treatment for diabetes. Known as DBI, it has been subjected to clinical tests which have proceeded to the point where the company has felt free to announce that "In the hands of qualified clinicians, DBI is an effective, safe oral treatment for the majority of diabetic patients."

On the surface, U. S. Vitamin would appear to be somewhat overpriced on the basis of current earnings. At the current price of 41, the ratio is 23 to 1. However, a little digging discloses that this high ratio is the result of what appears to be justified investor confidence in further growth. It is expected that DBI will receive favorable publicity in the national press as a result of a series of scientific papers to be read or published during the course of the year. Enthusiastic acceptance of this drug is indicated, with a correspondingly sharp increase in sales and earnings in 1959.

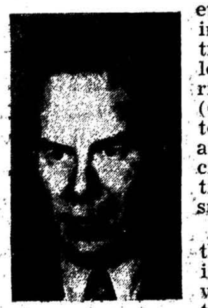
Considering both the pattern of the past and the outlook for the future, it is my thinking that there is still a lot of room on the upside. I regard U. S. Vitamin, which is listed on the American Stock Exchange, as an excellent businessman's risk for larger than average capital appreciation.

CURTIS V. TER KUILE*

New York City, N. Y.

National Distillers

There are 53 concerns listed as industrial chemical manufacturers in the Fitch industry classification section. These include such giants as Allied Chemical, du Pont, Monsanto, Hercules Powder, Dow, and Union Carbide. Under certain other classifications one will find enterprises, such as Eastman Kodak and Koppers, who produce large quantities of chemicals along with their familiar lines. It will come as a surprise, therefore, when it is discovered that National Distillers and Chemical Corporation now stands as 12th in the whole chemical industry, that it is gaining ground fast and plans that by 1960 at least 50% of its operating profits will be derived from chemicals as compared with 38% today. Actually this observer feels that National is today nearly a 100% chemical concern, despite its modest claim. This feeling is based on the premise that when one produces ethyl alcohol, rectified spirits, fermented or distilled products, he is practicing chemistry. That when a company takes grain, for example, and processes it so as to produce a complicated substance technically known as C_2H_5OH, it is certainly in the chemical business, even if people do insist on drinking the finished product.



Curtis V. ter Kuile

National started, shall we say, the industrial division of its chemical business in 1950, only about seven years ago. Since then its operating profit from industrial chemicals has jumped from $670,000 in 1950 to $19,982,000 in 1957.

In order to build a large chemical enterprise it takes a great deal of business ability, an excellent management, a certain amount of luck, and an enormous amount of money. For example, the net plant account of National has gone from $44,771,000 in 1950 to $153,016,000 in 1957, and capital expenditures are expected to come to $25,000,000 each year for at least the next three. Business ability, excellent management and luck can hardly be separated in this case, for all three have become entwined in a sort of chemical combination of their own. But luck has had its turn, because when the company started in the industrial chemical business, it could not have clearly foreseen the tremendous demand for "exotic fuels," quadrivalent metals, and those with melting points up to 3272 degrees Fahrenheit. The extremely high speeds of our latest aircraft, and the requirements of jet propulsion have created this situation.

The company is producing a variety of industrial chemicals; ethyl alcohol, metallic sodium, chlorine, ammonia, sulphuric acid, nitric acid. This year it will commence to operate a new plant to manufacture Isosebacic Acid, used in synthetic lubricants, synthetic textiles, and as an intermediate for plastics, its National Petro-Chemicals Division produces butane, propane, ethyl ether and ethyl chloride. It converts ethane into ethylene to produce industrial ethyl alcohol, and polyethylene under a license from Imperial Chemical Industries, Ltd. (Great Britain). Its one-third interest in Mallory-Sharon Metals affords an entrance into the special metals industry: zirconium, titanium and other special metals such as columbium and tantalum.

The future implications of all this appear to be very bright. It is doubtful if marked progress will be very evident in the metallic sponges or their fabricated products this year. However the demand for beverage spirits, ethyl alcohol, polyethylene and the new products, dibasic (Isosebacic) acid, should continue. As operational difficulties with new products and new mills are overcome there should be a steady increase in the chemical business of the company in the next three years and by 1960 or 1961 the chemical division is expected to contribute about 50% of operating profits before interest and taxes.

Net earnings for 1958 are estimated to be in the neighborhood of $25,000,000, or $2.25 per share of common stock, as compared with $2.05 per share in 1957.

Despite the attention which management has been giving to the development of the chemical side of the business, it has meanwhile been doing what the writer considers a good job in its beverage operations. Lesser brands and activities have been sloughed off and good merchandising has been applied to such brands as Old Crow, Old Grand-Dad, Old Taylor, Gilbey's and the Vat 69 Scotch acquired a few years ago.

In considering an investment in National Distillers and Chemical Corporation, the following securities are available, all listed on the New York Stock Exchange:

$60,000,000 4⅜% s. f. debentures due 5/1/83, rated Baa by Moody, callable at 105, selling at 101⅜ to yield 4.65%. The sinking fund is calculated to retire 75% of the issue prior to maturity.

$32,750,000 3⅜% s. f. debentures due 4/1/74. They are rated Baa by Moody, callable at 102¼ and selling at 93½ to yield 3.90%. The sinking fund is calculated to retire $1,400,000 of the debentures this year and 76% prior to maturity. In 1957 the company earned 8.22 times all interest charges before Federal income tax on a pro-forma basis.

436,705 shares of 4¼% preferred stock, rated BB by Fitch, callable at 103 and selling at 93 to yield 4 56%. It is held by 43 institutions. The high and low for 1958 is 95-86¼. The stock is covertible to 2.88 shares of common stock to 9/1/61. A purchase fund, supplemented by purchases in the open market, has reduced the issue by over 63,000 shares since 1952. In 1957 the overall cover of interest plus preferred dividend, after tax, was 3.47 times on a pro-forma basis.

10,330,326 shares of $5 par value common stock, selling at 24¼

Continued on page 43

*The writer is a graduate mechanical engineer, Cornell University. He has been engaged in engineering and the investment business for many years and is a member of the Cornell Engineering Society and the New York Society of Security Analysts.

The Price of Gold and the Devaluation of the Dollar

By ROBERT FELSETTE
Investment Counsellor, Los Angeles, Calif.

Mr. Felsette's commentary on proper gold price policy to pursue includes arguments to support his conclusion that we should not raise the mint gold price. The writer defines devaluation and distinguishes domestic from external dollar depreciation. Believes devaluation: (1) is unnecessary for economic recovery; (2) would be beneficial to USSR; (3) not aid our balance of payments or export trade; (4) would increase cost of our imports and, yet, bring about sharp deflation in world's commodity producing countries—particularly those linked to sterling — and cause world currency devaluation or world chaos which, in turn, would abet Lenin's prediction of currency debasement; and (5) would lower prestige of U. S. A.

The present recession in the United States reminds many people of the possibility of a devaluation of the dollar as one of the means to bring back prosperity. In fact, the 1933 devaluation which followed the great depression of 1929-1932 is such an impressive precedent that several foreign countries have started to convert into gold the dollars they hold in the United States ($1 billion for the first five months of 1958). They voluntarily deprive themselves of earning interest on their dollar balances in order to benefit from a possible increase in the price of gold.


Robert Felsette

Today, it is still impossible to foresee if the present recession will turn into a serious depression, but if it did, the government could resort merely to a large monetary inflation, which could bring a "de facto" depreciation of the dollar, without ever performing a legal devaluation of the dollar.

Definitions

A legal devaluation of the dollar, as we know, is a modification of the gold content of the dollar i.e., an increase in the price of gold expressed in dollars. In increasing in 1933, the price of gold from $20.67 to $35.00 per ounce, the Roosevelt Administration caused a legal and official devaluation of the dollar.

Within the United States, a "de facto" depreciation is a decrease in the purchasing power of the dollar without change of its gold content: when the price level or the cost of living increases 10% for instance, the dollar loses 10% of its purchasing power and in fact has undergone a depreciation of 10%. This is what happened during the last 20 years but to a much larger degree, when the cost of living increased 220%.

Abroad, a depreciation of the dollar appears when the dollar bills sell for less than its official parity: If 90 Canadian dollars can buy 100 U. S. dollars, it shows an external depreciation of the U. S. dollar though all business and official transactions are still made at the official rate of 100 U. S. Canadian dollars for 100 U. S. dollars.

An official devaluation of the dollar would not bring to the American economy any advantage that could not be obtained by other means. On the other hand, it would greatly lower the prestige of the United States. Practically, it would considerably increase the purchasing power in dollars of Russia which has become the second largest producer of gold and which is about to become the first.

The Buyers of Gold

The most important pre-war buyer of gold — China — is completely out of the market. In 1957, 24 million ounces of gold were purchased by foreign national banks (among others by West Germany which has increased its stock of gold tenfold between 1953 and 1957), nine million ounces by private parties and four million for industrial use.

Since world gold production, Russia excepted, is estimated at 29.3 million ounces, the Russian sales have been approximately 7.5 billion against four billion ounces in 1956. This enormous increase of Russian sales on the world market is the most striking event of the last few years.

Russia: an Increasing Producer Of Gold

A British specialist believes that Russian production of gold is probably twice as large as its sales; this would mean that the Russian production is now over 15 million ounces while the U. S. Mining Bureau estimates Russian gold production as being certainly over 10 million of ounces.

Since the production of the Union of South Africa is around 17 million ounces, Russia would already be the second largest producer of gold in the world, according to the American figures and about to become the first one, if we accept the British figures (Canada takes third place with four million ounces and the U. S. fourth postion with 1.8 million ounces). A devaluation of the dollar would increase the number of dollars that Russia receives for each ounce of gold which it sells on the world market; it would

Continued on page 28

INDEX

Articles and News

MORE ARTICLES IN SECTION TWO

SECTION TWO of today's "Chronicle" is devoted to the 42nd Annual Convention of the Investment Dealers' Association of Canada at Manoir Richelieu, Murray Bay, Quebec, and includes the following articles on the pages indicated:

Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, July 3, 1958

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St. Chicago 3, Ill. (Telephone STate 2-0613)

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $65.00 per year, in Dominion of Canada, $68.00 per year. Other Countries, $72.00 per year.

Other Publications

Bank and Quotation Record — Monthly $45.00 per year. (Foreign Postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Observations . . .

By A. WILFRED MAY

THOSE SOVIET COMPETITORS

The national self-debasement with which we color our comparative appraisals of U. S.-Soviet "progress," encompassing activities ranging from Sputnik-hoisting to folk dancing, has with ever-increasing prominence been including the economic area. Current publication of much valuable factual data, as in studies by the Committee for Economic Development and the National Bureau of Economic Research, and an article, "Khrushchev's New Economic Gambit," by Philip Mosely in the current Foreign Affairs, renders particularly important the public's knowledge-ability for drawing conclusions that are objective and realistic.


A. Wilfred May

For example, before becoming panicky over the favorable *rate of growth* demonstrations chalked up by Soviet production, it must be questioned as to how important this statistic actually is. In the first place, the importance of the relative base from which the rate is calculated must be appreciated. A country which is in its early stages of industrialization, and proceeding from a lower base, will, as do the Soviets, quite easily show year-to-year *percentages* of increase which are sensationally greater than in an advanced nation, but smaller in *absolute* quantitative figures. Also to be realized is the short-sightedness of concentrating on industrial production, in lieu of including the qualitative areas of economic progress into which the more advanced country fans out. In various service industries and housing, the United States is ever widening its enormous lead; and our agricultural production has over the years far outdistanced the Russians'.

Also, in matching rates of growth, the time intervals selected should be recognized as important. Over the entire 40-year span of the new regime, the Kremlin's rate of growth has been no higher than ours. In any event, it is misleading to concentrate on the past 2-year period, which has included the American cyclical Recession.

Moreover, the actual validity of the U.S.S.R. statistics is open to serious question. Can we trust the Kremlin on their statistical handouts on which our comparative data are based? In any event, their statistics on individual commodities are not consistent with their over-all production index; and besides, it seems that some major sectors are omitted.

The Bureau points out that the wide divergence of behavior of their indexes, when coupled with the evidenced shortcomings of each index, demonstrates the impossibility of constructing a satisfactory Soviet index. It concludes that since none of the indexes is based on anything approaching the amount of verifiable data encompassed in standard indexes of industrial production used in most Western countries, none can be considered an accurate estimate, by Western standards, of what it purports to measure.

Also, we too often become engrossed in the "foreign fields look greener" foible, overlooking the Soviet's troubles while we so masochistically play up our own. Philip Mosely, in the article which we have cited, aptly depicts the bureaucratic Mr. Khrushchev's difficulties in trying to cut through a "maze of decision-making" to resolve conflict between the authority of regional councils and central direction, reflecting deep-rooted schism between local interests and the nationwide demands as prompted by administration from Moscow.

* * *

APPRAISING THE RECESSION NOW

In taking stock of our present bearings and direction in the 10-month Recession, the National Bureau's indicators (technically termed the Diffusion Index of Business Indicators) finds that the rate of decline has been more serious than in the previous mild recessions, including 1923-24, 1946-49, and 1953-54; but less severe than the major drastic slumps of the 1929-32 or 1938-39 categories. In the area of personal incomes, this is the very mildest decline on record.

On the immediate situation, the Bureau's widely-publicized indicators of business activity reveal that the over-all economy has gained since April, with activity in May completely reversing the December-to-April decline. The crucial period is immediately ahead. If the indicators continue to move up, this will in the normal course of events signify that the decisive low point of the recession has been reached. On the other hand, should the upward course of the indicators be reversed, the May business upturn will presumably be identifiable as a mere "ripple."

Initiated by Dr. Arthur F. Burns, former Chairman of President Eisenhower's Council of Economic Advisers and now returned to the Bureau as President, the indexes are now compiled under the direction of Dr. Geoffrey H. Moore, Associate Director of Research. For anticipating business changes the so-called Leading Series is used, because it includes areas that have historically risen and fallen from four to nine months before the over-all economy has changed its course. Used in this group are business failures, durable goods' new orders, residential building contract awards, non-residential building contract awards, average hours worked, new incorporations, the movement of 22 commodity prices, and the Dow-Jones Industrial Stock Average.

The Stock Market as an Indicator

Quite significant to us is the inclusion by the Bureau, as by other studies, of the movement of stock prices, along with the seven other indicators. To this writer any reliance on short-term stock market fluctuations as a forerunner of business is fallacious on the grounds of logic as well as actual experience.

Laying aside for a moment the value of the market's thermometric ability, it should be realized that stock price fluctuations are only in small part connected with business factors; the important influences unconnected with business, including the supply of investible funds and the interest rate, the inflation prospects, tax factors, and just downright inexplicable psychology of the speculator crowd. But even to the minor extent that fluctuations of business and the market are relevant, the taking of a Gallup Poll regarding the business future among market participants is unjustifiable. With the stock market followers basing their business expectations on the same indicators that are available to economists, for the economist in turn to rely on the market people as an indicator, represents travel in a circle. Such reliance would only be justified on the assumption, wholly unwarranted, of special business forecasting prescience by investors.

During the short term of the present Recession, the market's action has been irrelevant to either the course of business or the economic expectations of the experts (again re-stated in the pessimistic forecasts of 12 industrial leaders, as published by the First National Bank of Chicago).

The actual performance record of the market also discredits stock prices as an indicator of the course of business. Our epochal stock market boom of the latter 1920's had no relevance to economic activity. Likewise, the bull market of 1935-36, chalking up a 50% advance, was completely unrelated to industrial activity (it stemmed from monetary inflation). Conversely, the drastic bear market of 1939-42 occurred midst a major rise in production and national income. Again in 1946 the

Continued on page 16

The State of Trade and Industry

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

With the summer season already under way business and industrial leaders look for some tapering off in the weekly indices of trade and industry.

Steel production an important factor in our economy has already shown signs of contraction in output from the somewhat improved tone of previous weeks.

One metalworking weekly, "The Iron Age," states this week that "no one is looking for a real pickup in steel demand until late August or September. Even then, the improvement is expected to be gradual rather than abrupt. Part of the pickup will be due to increased buying by auto companies for new model output. Steel men get the word that the auto firms will not go overboard on new model production until they see how sales are going." Other trade reports have given similar evidence of some mild declines in output but they are not being viewed at this time with alarm, but rather something that was expected with the feeling that conditions would brighten a bit in the closing months of the year.

Seasonal expansion in outdoor work pushed down the number of idle workers receiving unemployment compensation to the lowest level this year, the United States Department of Labor reported.

The agency's report, for the week ended June 14, showed state jobless payrolls declined by 113,000 from the week before to a total of 2,704,600. This total reflects the number of insured workers reporting a completed week of unemployment.

The department's Bureau of Employment Security also reported new claims for such insurance during the week ended June 21 dropped by 13,800 to a total of 318,500, the lowest number of new claims for any week since last mid-November.

Both total insured unemployment and new claims were still substantially above the 1957 periods. In the corresponding 1957 week, insured unemployment totaled only 1,268,700, while the 1957 figure for new claims was 202,600.

Although the total of workers getting jobless pay fell as a result of more work, 32,000 persons were removed from the benefit rolls because they exhausted the maximum period of coverage under the State-Federal unemployment insurance set-up. This was practically the same as the number of exhaustions in the previous week.

The drop in insured unemployment was the ninth successive weekly decline, a span in which the total fell by 658,000 from the 1958 high of 3,363,300 reported for the week ended April 12.

The latest weekly decline lowered to 6.4% the rate of insured unemployment, compared with 6.7% a week before and 3.1% a year earlier.

All but three states reported lower levels of insured workers, with the biggest declines in California, 22,300; Ohio, 14,000; Michigan, 10,600, and New York, 9,300.

The California decline was attributed mainly to increased activity in construction and food processing industries and some improvement in lumbering, trade and tourist activities. More outdoor work influenced the declines in Ohio, Michigan and New York as well as in several other states, the bureau said. It also noted that Michigan reported a sizable number of recalls in Detroit automobile plants.

Declines in new claims for the insurance were reported by 28 states, with the reductions in most states relatively small. Biggest drops occurred in Missouri, 2,800; Indiana, 2,700, and Pennsylvania, 2,300. They came as a result of shoe plants reopening in Missouri after summer vacation closedowns, a tapering-off in the volume of claims filed by steel, coal and textile workers in Pennsylvania and more stable conditions in Indiana's auto industry.

In the steel industry this week we learn that prices are expected to rise in August with an outside chance that the prices of some individual products will go up during July, according to "The Iron Age," national metalworking weekly.

It notes that United States Steel Corp. and other major producers will go slow in "clarifying" the competitive and cost factors affecting the steel price structure. When they finally move, they will be armed to the hilt with evidence to support a price increase.

"The price boost, when it comes, will be on a selective basis," reports "The Iron Age." "Not all steel products will be affected at the outset. It's even possible that United States Steel will follow, rather than lead, in establishing new prices on some products."

The metalworking magazine added that when the returns are

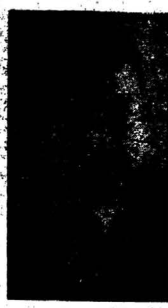
Continued on page 32

United States Life Insurance Co. And United States Trust Co.

By DR. IRA U. COBLEIGH
Enterprise Economist

Two distinguished financial institutions outlined in a brief joint review.

So far as we know, the two institutions bracketed in today's title have not before been discussed together. The joint treatment occurred first to us since it's especially topical on the Fourth of July, weekend to refer to the United States; and these companies include such reference in their corporate titles. There are other points of similarity: both institutions are over 100 years old, both domiciled in the City of New York; and they share a strong mutual interest in the creation and preservation of estates. Further, sustained purchase of shares in either, or both, enterprises over any period of years would have provided a considerable measure of investment serenity.



Ira U. Cobleigh

We'll talk about the life insurance company first. In the period between 1945 and 1955, life insurance company stocks as a group showed probably a larger percentage of capital gain than shares in any other major industry. Excited by that dazzling market performance, hundreds of newcomers decided to become life stock holders; and they have been just a bit disappointed that the market pace in this sector has slackened since 1855; and that, in a number of instances, highs reached three years ago have not since been equalled. And this in the face of continued rise in earning power.

We offer no broad interpretation of this apparent price plateau except perhaps that enthusiasm sent the shares too high too fast; that competition in the industry has substantially increased, and that there have been recurrent threats of a higher base of Federal taxation for life companies.

Be that as it may, it does appear that a number of life company shares are worth looking at today, particularly where good management and aggressive salesmanship have resulted in a good increase in per share net and stockholders' equity. One such company is United States Life. This company, founded 108 years ago, is the oldest stock legal reserve company in the United States. For many years, its growth was not particularly spectacular. In 1952 new management came abroad when two affiliated companies, Continental Assurance and Continental Casualty Co. acquired 75% of U. S. Life capital stock. Men with long and successful experience in life insurance at Continental were brought in, there was a new accent on the sale of ordinary life; an expansion of accident and health business, and a complete revision of the company's group insurance underwriting. A substantial improvement in sales and profitability has resulted so that today total insurance in force is about $1,200,000,000.

The official legal calculation of life company profits is believed to result in a considerable undervaluation thereof. For example, in 1952 U. S. Life reported 71c a share and in 1957, $1.65. With some small allowance for overallocation of reserves, however, and translating the equity value of new insurance placed on the books, in terms of its future earning power, 1952 results were 92c a share and the 1957 figure about $3. (This equity value of new business is a bit confusing but is customarily calculated on the assumption that each new $1,000 of ordinary life is worth $15, and of group, $5. It's somewhat similar to adding "cash flow" to the earnings of an oil company.)

All these figures mean that the 1,100,000 capital shares of United States Life now quoted over-the-counter at 35 are selling at about 11½ times adjusted earnings. The dividend, only 15c a share, is meager (but almost all life company cash dividends are). This is, accordingly, not a particularly good stock to retire on, but it may prove an exciting one to hold for ten years prior to retirement! Continental Assurance shares rose 1000% in market price between 1947 and 1957. United States Life has Continental type management and generated a lot of forward motion in the past 5½ years. (Continental shareholdings in U. S. Life have now been reduced to about 13%.)

United States Trust Co.

Now we switch from a company creating estates to one which has, for over a century, been doing a fine job in taking care of them. United States Trust Co. is believed to be the largest institution in the United States specializing in personal trusts. Whereas the typical bank derives most of its income from loans and investment, United States Trust Co. derives about 57% of its operating income from commissions on investment management and fiduciary services. It keeps securities, in-custody, supervises individual portfolios, and serves as executor, administrator, trustee or guardian.

Its business has grown with the economic trends of the country. As wealth has increased, more and more of it has been placed in corporate securities requiring safekeeping, supervision and professional management. Equally, decades ago, most estates were handled by individual trustees, whereas today estates of any size nearly always are administered by either a bank or trust company as sole trustee, or co-trustee with an individual or individuals.

As a result of these trends, and as a tribute to its outstanding excellence in fiduciary matters, earnings of United States Trust have been rising substantially. Operating income which was $6.5 million in 1951 advanced to $11.7 million for 1957. This worked out (1957) to $5.74 per share on the 500,000 shares of capital stock now outstanding.

An important thing to note about trust company operations is that fees are annual and recurrent. A certain percentage is charged on the principal of the fund under management and supervision, and there is usually a terminal charge when the trust is ended. For United States Trust, both the number of accounts handled, and fees therefrom, have been expanding. Investment management fees alone have risen since 1949 from $973,000 to $1,814,000 for 1957; and in the first quarter of 1958 trust fees were 10% higher; and investment management fees 15% higher than in the same 1957 period.

United States Trust Co. also has a major commercial banking operation, with $146 million on deposit at the 1957 yearend, and earnings for that year, on approximately $73 million of loans and discounts, at an average rate of 4.35%.

There is always some tendency to regard trust officers as elderly, ultra conservative and super dignified. One does not glean that impression at United States Trust. The management is progressive, and the senior officers, headed by Mr. Hoyt Ammidon, President, are both vigorous and effective, and years away from retirement age. They are not only business-getters but are showing fine results in operating cost controls.

For the future, there is not only a broad expansion in trust business to look forward to, but a beautiful new 27-story air-conditioned United States Trust Co. building at 45 Wall, with a million dollar bomb proof vault, now under construction which will be ready for occupancy next spring. This will take care of the physical requirements of the company for years to come.

The capital stock of United States Trust Co. has been a most dependable and durable blue chip. It has paid uninterrupted cash dividends for 104 consecutive years. The present rate is $3.20 which at the current price of the shares, 71, creates a 4.5% yield. Since 1948 the net per share has risen in each year. It was $3.61 for 1949, $5.74 for 1957 and should cross $6 this year. Because of this favorable direction of earnings, the present dividend is handsomely covered, and an increase in cash distribution for 1959 is a distinct possibility.

These two equities, United States Life, and United States Trust, both quality items in their own field, appeal to two different kinds of investors. U. S. Life is strictly a growth stock and should be considered by those seeking capital gain who can muster a certain disdain for current income. U. S. Trust, however, is for dividend fanciers, who prefer to keep their money in shares unlikely to reduce their dividends, and capable of increasing them over time. A package deal, consisting of units of one share of United States Life at 35, coupled with one share of United States Trust at 71, would make an interesting long term holding—perhaps even an exciting one.

Some Present Banking Problems

By J. BROOKE WILLIS*
Vice-President, Savings Banks Trust Company
New York City

In going over present banking problems, savings banks' banker discusses impact of business recession—and its possible prolongation—and maintenance of easy money conditions on both commercial and mutual savings banks. Mr. Willis: (1) notes difficulty surrounding condition of deposit growth and lessened earnings opportunities; (2) observes that commercial banks' deposit increase was mainly time deposits and not, surprisingly, demand deposits and expects, however, demand deposits to increase and commercial banks to discourage savings accounts; opines bulk of Treasury financing will consist of short and intermediates sold to commercial banks; and predicts savings banks' deposits will most likely continue rapid growth during 1958. The author takes exception to views held by some contemporary economists about cyclical shifts of deposits, and to Department of Commerce's measurement of personal income.

The business recession has created a number of formidable problems for bankers—for both commercial bankers and for savings bankers. The major problems are financial in nature; they stem from the basic fact that deposits are rising much more rapidly than the supply of suitable loans and investments while at the same time the rate of return on investments is declining. How long this imbalance between the growth of deposits and the supply of investments persists depends mainly upon the course of business activity and the monetary policies of the Federal Reserve System.

J. Brooke Willis

Recent Economic Trends

The decline in business has slowed. The Spring season has been accompanied by an actual upturn in certain important statistical measures such as personal income, employment and housing starts. Only last week the Federal Reserve Board announced that industrial production after an eight-month decline rose one point in May to 127.

Perhaps the most encouraging aspects of the economic situation are the orderliness of the economic readjustments taking place and the failure of cumulative downward pressures to develop. Total consumer expenditures have been well maintained and the confidence of both consumers and businessmen appears strong in spite of the fact that the recession has proved to be more prolonged and more widespread than was commonly anticipated last Fall. The recovery in the stock market since last Fall has been quite remarkable.

The Administration, apparently with popular consent, has thus far successfully resisted the adoption of any radical depression remedies. The opportunity for cutting tax rates has been waived while extravagant spending proposals have been successfully resisted.

The economic malaise has been alleviated by the Federal Reserve's easy money policy which has helped restore liquidity among banks and corporations, greatly augmented the supply of loanable funds, and reduced borrowing costs to business. Benefits have also been derived from the operation of the so-called automatic stabilizers, particularly the payment of unemployment compensation and social security retirement benefits, while at the same time the gradual rise in government defense expenditures has furnished some stimulus to business and employment.

Prospects for an Upturn

In spite of the encouraging aspects of recent economic developments it would be premature to conclude that a sustained cyclical upturn is an early prospect. First, this would not be in accordance with the experience in previous business recessions. Secondly, more time will be required to correct the basic imbalances which still exist between industrial capacity and output and between inventories and consumption.

Recent studies of the experience in previous business cycles indicates that prerecession levels of general business are not likely to be regained before mid-1959, at the earliest, on the most optimistic assumptions and might not be achieved before late 1960. A

Continued on page 26

*An address by Mr. Willis before the Joint Annual Meeting of the New Hampshire Bankers Assn. and New Hampshire Assn. of Savings Banks, New Castle, N. H., June 20, 1958.

Supporting NATO in this Era of Confidence But Not Composure

By HON. W. RANDOLPH BURGESS*

U. S. Ambassador to the North Atlantic Treaty Organization
Paris, France

Former banker, author, Under Secretary of the Treasury and now NATO Ambassador, in a commemorative address in honor of Leonard Ayres and Harold Stonier, describes the workings, achievements and future of two new international organizations said to be of significance to us, namely, the North Atlantic Treaty Organization and the organization for European Economic Cooperation. Dr. Burgess explains why we can have "confidence but not composure," in ascertaining there is no room for complacency or relaxation, and presses the point that the East-West contest is not military alone. Notes we are not doing "quite well enough to be sure in winning this economic contest" and calls for informed public opinion giving NATO's purposes constant, vigorous support.

I propose to review something about the task on which I am now engaged in Paris as the American Representative to two international organizations of great significance to every one of us here: the North Atlantic Treaty Organization—NATO; and the Organization for European Economic Co-operation—OEEC.

W. Randolph Burgess

First I must state just what these organization are, for I find many Americans do not understand them. They are something completely new under the sun. For the first time in history, the countries of Western Europe have formed a close peacetime association with the United States and Canada for their mutual protection and well-being, and to preserve the heritage of Western civilization with all that that means to each one of us.

I shall discuss mostly about NATO simply from lack of time to do justice here to both organizations.

What Is NATO?

NATO is first of all a pledge by 15 Western nations of mutual support for defense against aggression. The North Atlantic Treaty reads in part:

"The Parties to this Treaty reaffirm their faith in the purposes and principles of the Charter of the United Nations and their desire to live in peace with all peoples and governments.

"They are determined to safeguard the freedom, common heritage, and civilization of their peoples, founded on the principles of democracy, individual liberty, and the rule of law.

"They seek to promote stability and well-being in the North Atlantic area . . . .

"The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defense recognized by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually, and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area."

Who Belongs to NATO?

The original signers of the Treaty were: Belgium, Canada, Denmark, France, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, the United Kingdom, and the United States. Greece, Turkey, and the Federal Republic of Germany were admitted later.

How Does It Operate?

The operations of NATO in fulfilling this pledge are twofold: military and political. Let us first consider the military aspect.

NATO's armies, air forces, and navies, with equipment constantly modernized, form the front line of Western Europe's and America's defense on air, land, and sea against possible aggression. This shield together with the great striking force of the United States, the Strategic Air Command (SAC), and the UK Bomber Command, forms the deterrent. It is the strength of this force and the knowledge that it can and will be used promptly for the effective defense of NATO members that constitute the reason why Russia does not dare attack. General Lauris Norstad has put it very simply: "Any nation starting a war against the West would be destroyed."

This force is the bulwark of our Western civilization. Without it, our life of freedom and opportunity for the individual would be in grave and constant danger. One might call NATO the insurance policy of the Western world.

The United States has provided the top military leadership of NATO. The quality of that leadership, with Eisenhower, Ridgeway, Gruenther, and Norstad as Supreme Commanders, should make us all proud. It has been vital to the success of NATO. Incidentally, the full official title for the Supreme Commander is SACEUR (Supreme Allied Commander Europe), and his headquarters are very near Paris at SHAPE (Supreme Headquarters Allied Powers Europe).

Now to turn to the political aspect of the NATO operation. NATO is an extraordinary political instrument, both for making effective military plans, and for linking the 15 members of the alliance together in a much wider effort for peace, security, and prosperity.

The mechanism by which NATO operates is simple in design, complex in detail. Suffice it to say that at the top operating level sits the NATO Council (similar to a board of directors). The Council is in permanent session and is made up of a representative from each of the 15 member countries. The Chairman of the Council is the Secretary-General, P. H. Spaak who last year succeeded Lord Ismay. The Permanent Representatives, as we are called, vote with the full authority of their governments. Twice a year, the Foreign Ministers meet as the NATO Council, and on one historic occasion last December the chiefs of the governments themselves sat at the Council—that was when President Eisenhower made his historic trip to Paris.

Week after week, the Council considers a wide range of problems: military, political, scientific, economic. For example, a major activity of this Council in recent months has been the preparation for a possible Summit meeting with the Russians. I'll tell you more about that later.

Thus these three elements constitute NATO; a pledge; great military strength; and a growing practice of political consultation.

The Historical Background

The reasons for NATO and how it developed will be clearer if we take a look back at history:

In Paris, we are surrounded by it. My office in the "Hotel Talleyrand" was once occupied by one of the men who made and unmade rulers. I look out on the Place de la Concorde, where the heads rolled from the guillotine and where mobs have often formed to support or protest governments. As I prepared this talk, I automatically glanced out of the window to see if there was any evidence of reaction to the statement just made by General de Gaulle. No heads were rolling and Parisians were carrying on much as usual.

Everywhere in Europe are the historical monuments of generations of royalty. How did they keep the peace in those days? Mostly they did not; history is a record of wars—civil and foreign. Over those stormy years, in the search for peace, there was gradually developed from bitter experience a formula of two parts: an alliance and a balance of power. The alliance was often rooted in intermarriage between ruling families, and was planned to produce a weight of power sufficient to deter the prospective enemy.

Gradually as history developed,

Continued on page 27

*From an address by Dr. Burgess before the Graduate School of Banking of the American Bankers Association, inaugurating the Harold Stonier Memorial Address, Rutgers-The State University, June 13, 1958.

An Appraisal of the Business Outlook

By DWIGHT W. MICHENER*

Economist, The Chase Manhattan Bank, New York City

Chase Manhattan economist addresses himself to what has currently happened to business, depicts spectacular opportunities just ahead, and comments on the importance of business to assume the principal responsibility for making necessary adjustments in order to prepare for what is ahead. Mr. Michener finds greater part of our moderate decline from unprecedently high peaks is apparently behind us; sees no cause for alarm in our "growing pains"; suggests we also look at positive side, with the negative; and avers confrontation of difficulties in a prompt, businesslike way will aid adjustment, recovery and maintain our economic organization.

I think we will all agree that the present business situation is complex and difficult to analyze. Under the circumstances we need to take a calm and careful look at the facts of the situation, getting all the perspective we can, and then to make our own appraisal.

D. W. Michener

It is true that business reports are less favorable than they were a year ago. To some people things look very discouraging and they are wondering if we are going to have to say good-by to prosperity and to be prepared to run for cover. Whatever feelings are represented here this morning, I hope we can all look squarely at the facts of the situation and then draw our own individual conclusions.

In any attempt to review the current economic situation, it is well to remember that our economy has a good record of accomplishment. Since 1870, our population has been multiplied by four, our output of goods and services multiplied by 21 and output per person, by about five. So it is that our economy has given us the highest standard of living, the most rapid progress, all lines considered, and the greatest individual freedom that any people has ever known.

In the following remarks I would emphasize three points:

First to notice exactly what has happened to business during the past few months,

Second to take account of the spectacular opportunities just ahead for American business and

Third to take account of the magnitude of the responsibility now resting upon the shoulders of American business.

First let us notice what has happened to business recently—what all the current excitement is about.

Past Few Months

The decline in business thus far has been largely in the area of plant and equipment expansion, steel and automobile production, inventories and foreign trade. Electric power, foods, beverages, and drugs are among those showing little change.

The fall-off in industrial production thus far has been slightly larger than that of the two former postwar periods of reversal. The decline in April was near the average for the 16 month period since the high point of December, 1956.

April automobile production was lowest in several years, and new car stocks on May 1 were still above 800,000. Despite the continued decline in plant and equipment outlays, the value of all construction is holding up very well because of strength in state and local activity along with that of the Federal Government and larger outlays for private residential construction. Total inventories continue to decline from the high point of 1957 and the same is true of our foreign trade.

As to the future of our foreign trade much depends upon our trade policy which is now being formulated by the Congress. As you know our Reciprocal Trade Act expires June 30. The President has asked for a renewal of this Act for five years. The outcome of current legislation in this direction is still uncertain. Should we take a narrower view of foreign trade and foreign aid while Russia is tending to broaden her policy in this regard, the development would be significant indeed.

The strength displayed by the price averages has been one of the unusual features of the current period of decline. Consumer prices touched a new high point in April with higher farm and food prices being a major force. Retail sales have eased moderately from the high point of last year. Consumers are reported to be spending less after-tax income for durable goods than at any time in many years. Consumer credit outstanding has declined somewhat more than seasonally since Jan. 1.

In the wake of these developments corporate profits have been reduced and dividends are following the downward trend. Tax income of the Federal Treasury is thus reduced at the same time that its expenditures are on the increase. It now appears that Federal expenditures next year will be above the $75 billion mark and that the deficit will be about $10 billion if there is no tax cut.

Thus, in summary it is now clear that we are experiencing the largest decline in general business since the Second World War, and that we are having it, for the most part, in the usual way in which such adjustments take place. It is a moderate decline from unprecedentedly high peaks. The greater part of the decline is, apparently, behind us and, certainly, it this point we have no cause for alarm.

The simple fact is that the economy has been growing rapidly for a decade. Growth is always uneven. It involves obsolescence, and it requires periods for adjustment. In short, we are now experiencing some "growing pains" which are a natural part of the advancement of our economic organism. Small economies have them, and large economies have them too.

Spectacular Opportunities Before Us

In any appraisal of the business outlook, we must not look at the negative side—the decline—only. In the current situation, there is much of a positive nature to be taken account of in the form of the spectacular opportunities before us. By "opportunities" I mean not certain, guaranteed, or easy times, but rather the promise of developments ahead which

*From a talk by Mr. Michener before the Chemical Specialties Manufacturers Association, Cincinnati, Ohio.

have great potential if we place ourselves in position to take advantage of them.

World population is now growing at the unprecedented rate of more than 40 million people a year, bringing an enormous new potential market. At the same time people of underdeveloped countries are discovering the desirability of improved living standards. Along with this has come the world-wide desire to industrialize which, in turn, has brought enormous new demands on the American economy for power plants, machinery, etc. — goods which can be paid for by these people by selling us materials, hand-made goods and other products which can be produced to advantage abroad.

At the same time, the more highly developed countries of the world are now making great strides in technological progress. In our own country, industry is spending some $8 billion annually on research.

Again, and from a still broader point of view, the world is now on the threshold of the Space Age. We have unlocked the power of the atom, and solar energy is also awaiting application. Soon to come are many new products, fuels, control devices, motors, heat-resistant metals, precision instruments, etc. Along with these there will be demand for new skills and the creation of entirely new industries.

Thus, insofar as this country is concerned, we are not a "mature" economy, ready to settle back and to terminate growth; but, rather, the economy is one having enormous youthful vigor and continuing to experience the challenge of greater and finer things ahead. So it is that business people today have a great challenge and a great opportunity.

Business Bears Chief Responsibility

This leads to the third point which I want to make. In a period of adjustment of the type we are now in, it is the businessman who carries the chief responsibility for making the necessary adjustments. These are not easy. Adjustment demands that we identify and eliminate weak policies and practices; that we adjust constantly to changes in consumer demand and also improve our products and services. Even though we have sold to a market for years we cannot take that market for granted. Salesmen must be inspired to sell—not just to "be available." And we must watch for opportunities to reduce production costs and selling prices. All of this is a part of the necessary adjustment. It has been said that "almost anyone can run a business when things are booming, but a decline separates the men from the boys."

Thus, for most business concerns the important question may not be whether general business turns upward in July, December or later. Rather it may be—are we going to make needed adjustments and be ready for that which is ahead.

During the current decline Government agencies have taken many steps to aid. Among these have been the road program, aid in the home mortgage field, the provision of easier credit, etc. Many people have proposed that the Government do much more in the field of spending, tax cuts, supports, aids and so on. The list of such proposals is long, indeed. With free speech and free expression of desires, such proposals are perhaps to be expected. However, one can dare to be confident that the American people realize that we cannot for long take more from the Federal Treasury than we put in, and that we cannot for long get by vote what we fail to get by work.

Relative to Government aid proposals in general, one observation may be made. To the extent that there are maladjustments in the economy, massive stimulants of this nature cannot make the economy healthy. If wages have been pushed too high, if prices are too high and inflexible, if consumers have borrowed too much for their own good, if foreign trade policies are too narrow at a time when Russia is broadening hers, these troubles cannot be relieved by Federal subsidies and larger deficits. Furthermore many proposed Government stimulants would not take effect immediately. The delayed action might provide a stimulant in a later boom and thus, possibly, do more harm than good.

Business people over the country are asking the question — "What is business going to be like a little way down the road ahead." The fact is, business people are going to answer their own question by the policies they support, the attitudes they maintain and the actions they take. By facing our own difficulties in a prompt, businesslike way we not only aid adjustment and recovery but also help to maintain the finest kind of economic organization.

Fitterer Mun. Mgr. For Wertheim & Co.

Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announced that John C. Fitterer, Jr. is now associated with their firm as manager of the Municipal Bond Department. Mr. Fitterer was formerly with the Municipal Department of Kuhn, Loeb & Co.

Coast Exch. Appoints Alfred Hopkins

Alfred E. Hopkins has been employed by Pacific Coast Stock Exchange as its Public Relations Director it was announced by Mr. Frank E. Naley, Chairman of the Exchange's Governing Board. "Mr. Hopkins' newspaper experience with the Los Angeles 'Examiner' and Oakland 'Tribune' as well as his extensive promotional experience in other fields especially qualify him for the responsibilities he is assuming with us," Mr. Naley stated in his announcement. "In creating the position of Public Relations Director," he said, "we are planning a long range program by which Pacific Coast Stock Exchange will more rapidly realize its great potentialities as well as attain the wide public appreciation and patronage its services merit. Since this involves internal as well as public relations we felt its direction should be in the hands of a member of the Exchange's own staff and so created the position to be held by Mr. Hopkins."

A. B. Feigen Rejoins Josephthal Staff

Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announced that Aaron B. Feigen has rejoined the firm as Manager of the research department.

With Duke Securities

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Carroll E. Pullen is now affiliated with Duke Securities Co., 3030 Butner Road, S. W.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 38) on growth of civilian nuclear projects, planned new uranium-milling capacity to be allocated by AEC, and developments affecting Algom and Pronto Uranium Mines—Atomic Development Mutual Fund, 1033 Thirtieth Street, N. W., Washington 7, D. C.

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

Bond Market — Analysis — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Canada—Facts on business development opportunities—Canadian Bank of Commerce, Business Development Division, 25 King Street, West, Toronto 1, Canada.

Carrying on Business in Canada—Booklet on how to set up business operations in Canada—Royal Bank of Canada, Business Development Department, 360 St. James Street, West, Montreal, Canada.

Electric Utility Company Common Stocks—A study of 50 companies, outlining modern investment ideas and recommendations—Montgomery, Scott & Co., 120 Broadway, New York 5, N. Y.

Japanese Market — Survey — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

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.

Latin American Business Highlights: including articles on Soviet Bloc Trade and on Commodity Agreements — The Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

Life Insurance Business—Analysis—Ralph B. Leonard & Company, Inc., 25 Broad Street, New York 4, N. Y.

Life Insurance Companies and **Fire and Casualty Insurance Companies**—Comparative study—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N.Y.

Mid 1958 Review—Analysis of the market—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Outlook for Business for the last six months of 1958—A symposium—First National Bank of Chicago, Dearborn, Monroe & Clark Streets, Chicago 90, Ill.

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

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

Portfolio of Income Stocks for the investment of $25,000 fund —in "Current Comments"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of candidates for dividend increases.

Stock Digest—Condensed data—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are analyses of **Gulf Oil Corporation, Commercial Credit Company.**

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

Wheat—Analysis of outlook for the Canadian wheat market—Bank of Nova Scotia, Toronto, Ont., Canada.

• • •

Bank of Douglas (Arizona)—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Boeing Airplane Co.—Bulletin—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Brooklyn Union Gas Company—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are surveys of **Gillette Company** and **Great Northern Railway.**

Brown Shoe Company Inc.—Report—Counselors Research Corporation, 411 North Seventh Street, St. Louis 1, Mo.

Cerlist Diesel Inc.—Memorandum—Carolina Securities Corporation, Insurance Building, Raleigh, N. C.

Cincinnati Milling Machine—Analysis—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

Divco Wayne Corporation—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of the investment outlook.

Duncan Electric Co.—Memorandum—Taylor, Rogers & Tracy, 105 La Salle Street, Chicago 3, Ill.

Federal Bake Shops—Analysis—General Investing Corp., 80 Wall Street, New York 5, N. Y.

W. R. Grace & Co.—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is the current issue of "Pocket Guide" with recommended securities for various purposes, and a bulletin on **Thatcher Glass Manufacturing Company.**

Great Western Oil & Gas Company—Analysis—Berry & Co., 240 West Front Street, Plainfield, N. J.

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

Hobart Manufacturing Company—Report—Milwaukee Co., 207 East Michigan Street, Milwaukee 2, Wis.

Lockheed Aircraft Corp.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Neptune Meter — Analysis in July "Investment Letter" — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same issue are brief analyses of **California Packing** and **British Petroleum.**

New York Capital Fund of Canada—Report—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

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

Northwestern Steel & Wire Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Pepsi Cola General Bottlers Inc.—Memorandum—Saunders, Stiver & Co., Terminal Tower, Cleveland 13, Ohio.

Ryder System, Inc.—Comprehensive report—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Scudder Fund of Canada—Report—Lehman Brothers, 1 William Street, New York 5, N. Y.

S. Morgan Smith Co.—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

State Loan and Finance Corporation—Analysis—Winslow, Cohu & Stetson, 26 Broadway, New York 4, N. Y.

Texas Gulf Sulphur—Analysis—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y.

Western Union—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Leonard F. Howard and George Murnane, Jr. Become Partners in Lazard Freres

Lazard Freres & Co., 44 Wall Street, New York City, have announced that, subject to the approval of the New York Stock Exchange, Leonard F. Howard and George Murnane, Jr., will become partners of the firm on July 15, 1958. Mr. Howard will also serve as Vice-President of The Lazard Fund, Inc.

Mr. Howard has been with General American Investors Co., Inc., since October, 1947, and was a Vice-President.

Mr. Murnane has been associated with Lazard Freres & Co. since December, 1945.

U. S. Trust Co. Will Have World's Largest Watertight Vault

The world's largest watertight vault — with shelving that would run more than three times the length of Wall Street — is being constructed for the United States Trust Company of New York. It will be 32 feet below the center of New York's financial district, and will safeguard almost six-billion dollars worth of securities when the Trust Company moves into its new building, 45 Wall Street, early in 1959.

According to Raymond Koontz, President of Diebold Incorporated, "This is the vault we dreamed of and wished we were able to build before World War II."

Mr. Koontz's "dream" is 40,000 cubic feet, or 55½ by 58¾ feet. The ceiling is 12 feet high. It will withstand 1,640 pounds of water pressure per square foot—which is equal to submergence in 27 feet of water. This is vitally important. Millions of gallons of water gush through the water mains under Wall Street every day.

The vault's total protective strength exceeds that of the vaults that withstood the atomic bombing at Hiroshima in 1945 and in subsequent atomic tests since that time.

With Coburn, Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — George F. Killian is now affiliated with Coburn & Middlebrook, Incorporated, 100 Trumbull Street.

Frank McMahon Opens

SYRACUSE, N. Y.—Frank McMahon is conducting a securities business from offices at 16 Centennial Drive.

Herbert Perry Opens

Herbert P. Perry is engaging in a securities business from offices at 135 East 50th Street, New York City. He has been with Ross Securities, Inc., and J. H. Lederer & Co. Inc.

Carroll Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Arnold B. London, George R. Mitchel, Ruben Solomon, and Rosemary L. Bassett have joined the staff of H. Carroll & Co., 324 North Camden Drive.

Walston & Co. Elects Three Vice-Presidents

Walston & Co., Inc. members of the New York Stock Exchange and other leading security and commodity exchanges, have announced the election of Frank B. Haderer, Ben H. Pulliam Jr. and Rex L. Wakefield as Vice-Presidents of the organization. The new Vice-Presidents will become voting stockholders in the firm.

Mr. Haderer, who began his career in Wall Street in 1928, joined Walston in January, 1949. He has served as office manager of the New York headquarters of Walston & Co., Inc. since November, 1956.

Mr. Pulliam became associated with Walston in February, 1946 and now holds the position of comptroller of the company. He was associated with the Texas Company for 10 years prior to enlisting in the Navy at the outbreak of World War II. Formerly headquartered in Walston's San Francisco office, Mr. Pulliam now makes his office at 74 Wall Street, New York.

Mr. Wakefield started his career in the securities business in Los Angeles, Calif., as a messenger for a member firm of the Los Angeles Stock Exchange and has been in the investment business ever since. He came to Walston & Co. in 1949, and prior to his election as Vice-President, he served as office manager of Walston's Los Angeles office. He will remain in the firm's Los Angeles branch as manager of operations for the southern division.

Joins Henry F. Swift

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Alfred B. Chong has joined the staff of Henry F. Swift & Co., 490 California Street, members of the Pacific Coast Stock Exchange. Mr. Chong was previously with Hooker & Fay.

Sterling at a Discount

By PAUL EINZIG

Sterling weakening during June leads Dr. Einzig to examine Britain's chances in being spared the Autumn run on sterling in view of: changed conditions abroad affecting export, internal credit squeeze relaxation and labor settlement pattern, and lowered Bank rate that may not be high enough to help protect sterling against adverse influences presaging Autumn pressures. Concludes Britain will be risking a first rate run on sterling unless (1) Prime Minister Macmillan receives firm reinforcements from U. S. A. or (2) anti-inflation credit squeeze goes on undiminished.

LONDON, Eng.—After having been at a premium against the dollar for more than six months, sterling declined below its parity of $2.80 at the end of June. It has been inclined to be weak throughout the month, with only occasional temporary recoveries. As is usual on such occasions, the decline of sterling has been accompanied by a crop of pessimistic pronouncements about its prospects. And as usual it is difficult to say whether pessimism is the cause or the effect of the depreciation. Probably it is a little of both.

Dr. Paul Einzig

A change in the balance of visible trade is often largely responsible for a change in the tendency of an exchange rate. On the present occasion, too, it is assumed that the foreign trade figures for June will disclose a change for the worse. So far the balance of payments has remained reasonably good in spite of the recession in various parts of the world. This has been due to a large degree to the decline in United Kingdom imports, coupled with the decline in the prices of imported raw materials.

But it is now expected that the balance of payments will cease to benefit any longer from this direction. So sterling will have to bear the full burden of any decline in exports due to conditions abroad. It is assumed that this factor has already begun to operate, which would account to some extent for the weakening of sterling.

Bank Rate Cut May Be Too Much

Indications of the Government's intention to relax to some degree the credit squeeze were another adverse influence. It was not sheer coincidence that the decline of sterling to a discount followed closely on the reduction of the Bank rate to its pre-crisis level of 5%. Even at 5% the Bank rate is very high compared with that of most other countries. But seemingly it is not high enough to protect sterling against adverse influences towards the middle of the year when the autumn pressure is beginning to cast its shadow ahead.

The outcome of recent wage disputes was far from encouraging, except to those who think we have to be grateful for small mercies. Although workers did not get as much as they had asked for, they did get more than could be justified on any reasonable appreciation of the situation. The vicious principle that they are entitled to an annual wage increase regardless to whether they have worked harder, or whether the output has increased, or whether profit margins have widened, or whether the cost of living has risen, has been upheld. By the autumn there are bound to be a number of wage demands. With the credit squeeze relaxed employers may be inclined to yield once more, so wage inflation is likely to proceed unabated.

Until quite recently most people assumed that this year Britain would be spared of the autumn run on sterling. Under the influence of the fall in the rate, doubts are beginning to arise. During recent months the depleted overseas holdings of sterling have been replenished to a considerable extent, so that there are now once more substantial balances available for withdrawal by their overseas owners. Whether many of them will in fact withdraw the balances will depend on the view taken about the outlook on the front of wages and domestic prices. Nor are short positions in sterling as big as they were some months ago.

The political situation, too, is liable to influence their decision. During recent weeks political prophets were inclined to become somewhat less pessimistic about the prospects of the Conservative Government. There is, however, no cause for optimism.

The display of the Government's determination not to allow wage increases in nationalized industries to be followed up by increases of the charges for the services provided by these industries constituted a favorable point. Both British Railways and London Transport have to meet the increased wages by reducing unprofitable service. From the point of view of the British public the solution is—to use a formula of customary British understatement—far from ideal. Although fares on the railways and on London road transport will remain unchanged, services will become less satisfactory.

Even this is better, however, than giving the inflationary spiral another turn by allowing charges to follow the rise in wages. Moreover, if the reduction of services is accompanied by the reduction in the number of employees, the chances are that the remaining employees will be less keen on pressing for unearned wage increases in the future, for fear that any one of them might be dismissed through economies necessitated by the next wage increase. From this point of view the Government's formula may produce a beneficial effect.

As a result of their seven weeks' strike, London Transport employees lost the equivalent of more than two years' benefit from the wage increase they now received, and the Transport and General Workers' Union paid out about 10% of its reserves available for strike pay. All this tends to make that union and its members, and other unions, less trigger-happy in future wage disputes. The realization that strikes need not necessarily be profitable may go some way towards discouraging excessive wage claims in the future.

Sees Premiums Developing

The unknown factor in the situation is the result of Mr. Macmillan's Washington talks in the form of additional dollar facilities. In many quarters it is assumed that the principle has been agreed upon, so that all that is needed is the discussion of the details. But such international financial operations are never a simple matter. So unless something definite becomes apparent by the autumn sterling is liable to be subject to pressure in spite of the vague hopes of a reinforcement of the British dollar facilities. But this would mean that the Government could not afford to relax the credit squeeze to any considerable extent without risking a first-rate run on sterling. Unless the reinforcement of the dollar reserve becomes a near-certainty the Government would have to continue to resist inflation.

R. B. Deans V.-P. of Van Strum & Towne

Robert B. Deans, Jr. has been elected a Vice-President of Van Strum & Towne, Inc., investment counsel, according to an announcement by the company.

Mr. Deans, who has been with Van Strum & Towne for the past year and one-half, will be in charge of the organization and administration of the company's operating units. Offices are situated here and in Chicago, Los Angeles and San Francisco.

Prior to joining Van Strum & Towne, Mr. Dean was for four years engaged in foreign banking work in Switzerland, Austria and Lebanon.

Firm Name Now Stubbs, Watkins & Lombardo

BIRMINGHAM, Ala.—The firm name of Stubbs, Smith & Lombardo, Inc., First National Building, has been changed to Stubbs, Watkins & Lombardo, Inc. Officers of the firm are Joseph F. Lombardo, President; George H. Stubbs, Jr., Vice-President and Treasurer; and Miles A. Watkins, Jr., Vice-President and Secretary.

Sound Social Security For Lasting Satisfaction

By JOHN H. MILLER*
Vice-President and Senior Actuary
Monarch Life Insurance Co., Springfield, Mass.
Chairman, Joint Committee on Social Security
American Life Convention and the Life Insurance
Association of America

Life insurance industry's spokesman opposes proposed Social Security Act amendments, which would increase level of benefits, the wage base, payroll tax rates, and include medical care benefits, on the grounds that they would further inflation, increase payroll taxes, and reduced living standards of the employed. Mr. Miller adds that benefit payments have kept up with changes in purchasing power; declares that since average full time earnings are $4,100 there is no need to increase the present $4,200 OASDI limit; sees no need for hospital, medical and nursing home benefits; and suggests benefit changes be made carefully after expert study and refers to two studies now in progress—one, by Advisory Council on Social Security Financing appointed by Sec. Folsom and, two, by National Bureau of Economic Research—in view of long-range effects OASDI changes may have on the economy.

I will confine my remarks to proposals to increase the level of OASDI benefits, to increase the present $4,200 wage base, to add a system of medical care benefits, and to increase the payroll-tax rates. Our general views on most of the other proposals pending before the Committee are indicated in the policy statement just mentioned.


John H. Miller

Proposals to Increase OASDI Benefit Level

From its inception the fundamental purpose or aim of the OASDI system has been to furnish a basic floor of protection. It is generally recognized that this protective floor should be high enough to be of real value in preventing want, but that it should not be so high as (1) to impair incentives to work or to save or (2) to require payroll taxes that will, now or in the future, unnecessarily reduce the living standards of self-supporting people.

Past liberalizations in the OASDI benefit structure intended to maintain the purchasing power of the benefits in the face of cost-of-living increases have done so. In fact, the 1954 benefit liberalizations went beyond what was needed to meet the cost-of-living rise up to that time. The excess was sufficient to cover the further cost-of-living increases that have occurred since 1954. Thus at this time benefits and living costs are in balance. A benefit increase now would create an imbalance.

As an illustration of the adequacy of current benefit levels, a married couple—where the husband's average earnings were at the $4,200 taxable minimum—can draw tax-exempt benefits amounting to nearly 50% of his previous earnings. At the $1,800 level, they can draw benefits of over two thirds his previous earnings.

In our opinion, frequent changes in the OASDI benefit structure—whether to take account of small changes in the price level or for any other reason — should be avoided. Instead, price levels should be observed over longer periods of time so that changes in benefits follow the long-term trend. In this connection, it should be observed that a previous upward adjustment of benefits is unlikely to be reversed as a result of a future drop in the cost of living. Consequently we feel that current benefit levels substantially conform with the floor-of-protection principle and that no adjustment should be made at his time.

Proposals to Increase $4,200 Limit On Taxable Earnings

The limit on annual earnings taken into account by OASDI—now $4,200—functions as a dividing line between the responsibility of the government system to furnish basic protection and the responsibility of such voluntary means as private pension plans, personal savings, and insurance coverages to furnish such additional protection as groups or individuals may choose to build for themselves. Where this wage base dividing line is fixed is an important matter to be resolved carefully on a basis of sound principle.

The guiding principle, in our judgment, should be one of maintaining the annual wage base at a level not to exceed the average full-time earnings of both male and female workers, since both are covered by the system. Such earnings are now about $4,100, and consequently there appears to be no necessity for increasing the $4,200 limit. In our opinion, any increase in the wage base should be related to the earnings of all covered workers—not male workers alone. It has been suggested, however, that since 57% of the male workers earn over $4,200 annually this might justify an increase in the wage base to $4,800 at this time. However, the average annual wage of male workers is currently $4,400, only $200 over the present base. We therefore submit that an increase to $4,800 cannot presently be jusitfied on this basis.

An increase, at this time, in the $4,200 wage base would mean additional benefits, above the floor-of-protection level, only for the minority of people who have above-average earnings. The recipients of these extra benefits are those people who are in the best position to build their own supplementary protection on a voluntary basis. To grant them benefits above the floor of protection provided for individuals with average earnings, would tend to discourage them from doing so. Since the current benefit levels are adequate for the average wage earner there appears to be no sound reason for providing additional benefits for those above the average.

Economic Effects of Proposed Tax and Benefits Increases

In the absence of new legislation increasing taxes and benefits, payments from the OASDI Trust Fund are expected to exceed income until the scheduled tax increase reverse the present trend which may not occur until 1965. Higher OASDI benefits, would not only call for an immediate tax increase, but also would require an increase in the ultimate employer-employee taxes for the system, already scheduled to reach a combined 8½% of taxable payroll in 1975.

It is estimated that an increase in taxes of ½% on both employer and employee, and ¾% on the self-employed, as has been proposed would yield nearly $2 billion yearly at the outset. Of course, if the wage base were also increased, the tax yield would be even greater. The present period of economic decline is hardly the time for any such tax increases.

As a specific illustration, a self-employed person, earning $4,800 a year, if his tax rate were increased by ¾% and the wage base raised to $4,800 would be required to pay an additional $56 yearly. Altogether his OASDI taxes would represent over two weeks' income. In 1975 and after, on these assumptions, a man earning $4,800 would pay $342 yearly. This amount would approximate his net income for four weeks and in many cases would nearly equal his Federal income tax (at present rates).

A proposal to raise taxes at this time to the level of 9½% for employer and employee combined, and to 7⅛% for the self-employed, would be unlikely to receive serious consideration. Such a diversion of so much personal and corporate income could have a serious effect on the economy. What assurance have we that such taxes would be more nearly bearable and acceptable in 1975?

While higher taxes would reduce people's ability to save and spend, higher benefits would impair incentives to work. To take a fairly typical example, a man aged 65 or over, with earnings at the rate of $3,000 a year, can now retire and, with an eligible wife, draw tax-exempt benefits of about $1,600 a year. He can then supplement these benefits by earning up to $1,200 a year under the OASDI retirement test in part-time employment or self-employment. Thus, his monetary incentive to continue in full-time work has already been reduced by current OASDI benefit levels to less than $200 a year. A 10% increase in his benefits — $160 a year—would just about eliminate the remaining incentive for full-time work. There are many aged couples whose situation under OASDI does not differ greatly from this illustration.

Proposals for Hospital, Surgical, and Nursing Home Benefits for OASDI Beneficiaries

The pending proposals to provide hospital, surgical, and nursing home benefits for OASDI beneficiaries would alter the fundamental character of the program.

There were a number of reasons for setting up the original OASI system as a centrally administered and financed Federal enterprise—in contrast to the state-administered unemployment compensation and public assistance programs. Among these reasons are the following:

(1) Becuase it was decided to gear retirement and survivor benefits to earnings, long-term wage records are required. A federally centralized plan is obviously more practical than one administered by the several states; for maintaining such records.

(2) Because old age and survivorship benefits are determined on the basis of provable facts—age, past earnings, family relationship — there is no need for local administration or individual case work.

(3) Because the beneficiaries may move about while still on the benefit rolls, administration by states would have involved problems of change of residence that area voided under Federal administration.

Without going into details, it is obvious that these arguments for Federal administration of old age and survivorship benefits simply do not apply in the area of hospital, surgical and nursing care. To the contrary, a program of hospital and surgical care is so much affected by local circumstances and requires so much personal administrative activity that either locally autonomous or statewide programs are clearly preferable.

Means Compulsory Federal Health Insurance

The proposals for medical benefits, of course, represent an initial step in the field of compulsory Federal health insurance. A system of such insurance would seriously cripple or destroy the institution of voluntary health insurance. While voluntary personal or group pensions or insurance benefits can readily be superimposed on the old age benefits of the OASDI system, it is not ordinarily possible to supplement health service benefits in the same way. One either takes the specific service the government offers, or he pays the entire cost of purchasing an alternative service himself or of insuring against its costs. Few people would have the resources or the desire to pay for alternative services after already paying compulsory taxes for the government services.

This raises the serious question as to whether, if our citizens are arbitrarily divided into two categories—one served by a Federal compulsory system and the other by a private voluntary system—the two systems can long co-exist. Pressures to expand the area of Federal benefits would be strong, if for no other reason than to correct various seeming anomalies, inequities, and discriminations in the initial provisions.

The past two decades have seen a striking increase in the amount and quality of the protection provided by voluntary health insurance. Well over 120 million individuals now have some form of health insurance, while benefit payments are being made at a rate of about $4 billion a year.

Because the voluntary system started out by insuring, for the most part, the people currently employed, and is still a fairly new development, there has been a natural lag in covering the aged. However, as will be pointed out by Mr. Faulkner, the witness for the Health Insurance Association of America, great progress has been made and is being made in overcoming this lag. It should be particularly noted that within the past few years many employers have begun to assume the responsibility of contributing to the medical care benefits of retired employees and their beneficiaries. If the employers are relieved of this responsibility, might this not start a reversal of the whole trend toward broader and more adequate employee benefits? Should the voluntary approach be discouraged by government stepping into the field at the very moment when unprecedented progress toward a solution by private efforts is being recorded?

The cost implication of the health-benefit proposals also require careful weighing. As a help in this direction, the Health Insurance Association of America and the organizations for which I am appearing have prepared a joint report giving cost estimates on the health benefits specified in H. R. 9467. It will be presented and discussed by Mr. Faulkner. Let me simply emphasize that the costs would be large and uncertain—much larger than our estimates if subsequent legislation should take the OASDI system progressively further into the health-benefit field.

Expert Studies Pending

In general, it would seem to us the part of wisdom for the OASDI legislation to be amended only at relatively infrequent intervals, on a basis of sound principle, and after expert study. In this regard, let me mention two studies in progress, the results of which should be particularly helpful. First is the study by the Advisory Council on Social Security Financing, appointed last October by Secretary Folsom pursuant to provisions in the 1956 Amendments to the Social Security Act. You are no doubt familiar with the scope and objects of this study.

Second, the National Bureau of Economic Research has recently commenced a broad study of the economics of pensions, both voluntary and compulsory. The Life Insurance Association of America has made a modest grant to the National Bureau to assist in the financing of the project. Little is now known about the long-range economic effects of the various types of pension plans and it is hoped that this study will yield much new knowledge. I will be glad to furnish further information on this important study, if it is desired.

Conclusion

All in all, we believe that if social security is to give lasting satisfaction to the nation, unnecessary liberalization should be avoided. A new increase in OASDI taxes and benefits would not make the system better or stronger, but would add to the concern sure to be felt by many of those covered as their payroll taxes go up and up, while inflation may be threatening the purchasing power of their benefits.

We also understand that this Committee has before it H. R. 10570 and a number of similar bills which would, among other things, amend the definition of "employee" in the Federal Unemployment Tax Act to include life insurance agents who are independent contractors. I shall not take the time to state orally our position on this proposal. I have here, however, a supplemental statement outlining our objections to this proposed amendment on the grounds that inclusion of such agents under the unemployment compensation system would not be consistent with the purposes of that system and would in addition be wholly unworkable. I respectfully request that this supplemental statement be made a part of the record.

*A statement by Mr. Miller before the House Ways and Means Committee, Washington, D. C., June 24, 1958.

Chicago Inv. Women Elect New Officers

CHICAGO, Ill.—The Investment Women of Chicago, has elected new officers for 1958-1959. They are as follows:


Lucille B. Guenther

Lucille B. Guenther of The Northern Trust Company, President; Doris M. Kempes, Harris Trust & Savings Bank, Vice-President; Angeline M. Costa, Ralph W. Davis & Co., Corresponding Secretary. Audrey F. Miller, Wellington Fund, was re-elected Treasurer, as well as Marjorie H. Rosen, Mullaney, Wells & Company, Assistant Treasurer.

Now With Reynolds

(Special to THE FINANCIAL CHRONICLE)

SALINAS, Calif.—W. Carvel Johnson has become affiliated with Reynolds & Co., 223 Main Street. He was previously with the First Sierra Corporation.

National Legislative Developments Affecting Real Estate Industry

By O. G. ("BILL") POWELL*
Chairman, Realtors' Washington Committee
National Association of Real Estate Boards

Deploring current legislative attempt to reorient public housing to accommodate more and more higher-income families, particularly by proposed "windfall" amendment and allowance of rent and income determination by local housing authorities, spokesman for the nation's Realtors explains what must be done in order to correct what is described as a maximum debasement of the public housing's welfare function. The Des Moines, Iowa, realtor would enhance FHA's and Federal National Mortgage Assn.'s effectiveness; not allow Public Housing Administration to become merely a "check-writing" agency; and discusses several tax reforms under consideration, including efforts to secure tax exemption of real estate trusts and realistic real estate depreciation concept.

The Realtors' Washington Committee is the legislative committee of the National Association of Real Estate Boards. It consists of approximately 75 Realtors representing every State in the Union—Realtors who give generously of their time and counsel to meet several times during the year and help to implement the national legislative policies adopted by our annual national conventions. The Texas Real Estate Association has given generously of its talents in the makeup of the Committee.


O. G. (Bill) Powell

The government's role in housing is a tremendous one. I wonder how many realize that today there are more than 10,000 persons employed in the various government housing programs. As the function of government housing expands it unfortunately becomes more and more political. As a result, every year we find ourselves resisting the efforts of those who would increase the role of the Federal Government in our industry and make our industry more dependent upon sprawling government bureaucracy.

Of course, I do not want to infer that all of the government's role in our industry is improper. The Federal Housing Administration is an ideal example of government's proper role in the housing industry. Another example is the secondary market operations of the Federal National Mortgage Association and, of course, the Federal Home Loan Bank System. This year the RWC sought approval of certain amendments which would make these programs more effective, particularly in the sale of existing houses.

On June 11, the Senate Banking and Currency Committee completed its action on a housing bill and approved our recommendation for a more liberal trade-in program under FHA. Under this proposal, which now has the support of the Administration, a Realtor or builder may obtain an FHA-insured mortgage in the same amount as a qualified owner-occupant. Under the present law the Realtor or builder can obtain an insured mortgage that is only 85% of the amount to which an owner-occupant would be entitled. This necessitates refinancing the traded-in home when sold by the Realtor and of course results in double-closing costs. This certainly operates as a deterrent to the use of FHA in trade-ins. Under the new proposal the Realtor or builder could obtain an FHA-insured mortgage in the same amount as an owner-occupant. However, the Realtor would have to put 15% of the mortgage proceeds in escrow which would be applied to the reduction of the mortgage in the event that he has not sold the home to an owner-occupant in 18 months.

We have also urged that the maximum insured mortgage under FHA section 203 be increased, and we note with some satisfaction that the Senate Banking and Currency Committee has approved an increase in single-family homes from \$20,000 to \$22,500, and to \$25,000 for two-family homes. This, we believe, is still unsatisfactory, but at least it reflects some recognition on the part of the Congress that the present \$20,000 mortgage limit under Section 203 is unrealistic.

For some time the RWC has been concerned over the apparent discrimination against the mortgage on an existing home under the secondary market operations of the Federal National Mortgage Association. For example, only 10% of the mortgages purchased by FNMA are on homes five years old or older; whereas 45% of the mortgages insured by FHA are on homes five years old or older. We have urged the Congress to authorize a standby commitment on a mortgage on an existing house which now is available only to new construction. We were unsuccessful in obtaining the Senate Committee's approval on this amendment, although we have reason to believe that we will be more successful in the House.

This amendment would at least require FNMA to approve the security behind a mortgage and thus overcome the inhibitions of many lenders who do not want to finance smaller and lower cost houses with FHA financing, because of their fear that under FNMA's purchase requirements the loan would not be eligible for purchase by FNMA.

Co-Insurance Problem

The proposal by the United States Savings and Loan League for a system of co-insurance of conventional loans will probably not be approved by the Congress this year. Our Association endorsed this proposal because we felt that it would result in lower downpayment financing by savings and loan associations and other conventional lenders. However, we qualified our support by recommending that the program be available to all lenders on an equal basis.

Unfortunately, the savings and loan trade associations wanted to limit the plan to only members of the Federal Home Loan Bank System. We sought to amend the savings and loan plant but the Senate Banking and Currency Committee believed that the matter required additional study and deleted the plan from the housing bill with the comment that it would be considered next year. Nevertheless, I would be less than candid if I did not say that it is very unlikely that such a plan will be approved. The Administration is so adamant in its opposition that we are confident that any housing bill containing the proposal would result in a Presidential veto.

Something new has been added to this year's legislative fight over a housing bill. For the first time since the close of World War II the Federal Housing Administration is not dependent upon a major housing bill. For the past several years the Congress, as well as the Administration, has been forced to accept housing bills containing expanded public housing programs and other costly subsidized housing schemes because the FHA general insurance authorization was used as a hostage. Every year the industry has been faced with a threatened breakdown in the FHA system unless a housing bill were enacted.

This year, because of the heavy volume of FHA applications, the FHA insurance authorization would have been exhausted by now unless the Congress acted separately on an extension of the agency's authorization. The Administration asked for a \$4 billion increase in the authorization which would carry all FHA programs through June, 1959.

New Housing Look May Not Pass

However, the public housing bloc wanted only \$1 billion, which would enable FHA to operate only until August, 1958. Then, in such event, the public housing bloc would attempt to put over their so-called "new look" in public housing and again use the FHA as a hostage for this purpose. This turned out to be the year's most important legislative fight.

Because the champions of private enterprise prevailed in this fight, there is a good chance that the so-called "new look" for public housing may not see the light of day. I want to take a few moments to discuss this "new look" because it has tremendous implications for private enterprise.

This "new look" generates a new philosophy for public housing. Units would be individual or scattered throughout the community. The Public Housing Administration would no longer

Continued on page 23

*An address by Mr. Powell before the Texas Real Estate Ass'n's Convention, Austin, Tex., June 19, 1958.

LETTER TO THE EDITOR:

Investment Banker's Wife Gives Advice to Women

Women's lack of financial knowledge, particularly management of investments, is singled out as an important problem of today by the wife of a Los Angeles investment banker. Mrs. Seidel explains what should be done to acquire understanding of the subject and how to select an investment advisor with moral and financial standing. She deplores recourse often made to laymen for expert advice, and suggests husbands acquaint their wives with their financial standing and their financial advisors.

Editor, Commercial and Financial Chronicle:

As the wife of a man who has been in the field of finance and investment for 40 years I have heard many women lament the fact that their husbands had not discussed finance with them. After the death of her husband perhaps for the first time in her life she faced the reality of money. In many cases funds would need rearranging so that a woman could have the necessities of life. In other cases large sums which had not been had before her husband's death need investing.

Mrs. Morton Seidel

Each unto his own. We practice medicine. A doctor would hesitate, in fact would not give the advice that a layman too frequently gives unhesitatingly. A bit of law is given promiscuously which an attorney would not give in many cases without reading the law on the point in question. We are prone to give free advice in fields about which we know nothing.

Taking Advice From Laymen

The layman in the field of investments is an offender. He gives an opinion. It too often is from the mind of an uninformed person given in a haphazard manner. What does it all mean? What beginning should she make? To be an expert, an authority, one must make a life study of finance and investments. A college degree is merely a background. To have studied mathematics, chemistry, physics, social sciences, psychology and what not is helpful. But each day as many hours as is possible must be devoted to more and more study and research. A person who has no knowledge or experience or has not had the opportunity to study problems, techniques or methods of investing is not a person from whom to take advice.

Women particularly, in my opinion, should invest with care. They too often have little or no experience in selecting or purchasing. It frequently happens that money falls into the hands of a woman who for years has handled no money with the exception of her household funds. Suddenly she finds herself in possession of money and she knows not what to do. She is "advised" how to "invest."

Women too often become suspicious but sometimes feel they know more about investing than they really do. Why cannot women strike that happy medium that a man so rarely fails to do? We should read more books, articles, reports written by financial men and hear reliable, well informed speakers. We should study and above all learn to read a balance sheet.

A purchase of a stock is buying a piece of a business. A purchase of a bond is making a loan to a company. It therefore behooves a woman before buying a stock or a bond to become cognizant of not only what is a good stock or a good bond but of events and situations going on about her in the world of today.

Checking Advisor's Standing

When a woman is about to invest her money, should she feel that every man is dishonest? Or, are they out for commissions? What should she do? First, she should investigate the investment advisor's moral and financial standing. Check with his bank not with his competitor. Make inquiries regarding his reputation, his background and his interest in his clients.

"I have a tip" is heard every day. "Tips" usually come from rumors. Never buy on a rumor or a tip. At all times have a good, firm foundation on which buying for investment is based. Otherwise a person can literally throw his money away.

When one gives an order to buy the answer can be, if your broker is honest and interested, "Why do you want to buy that?" Too often that is the basis for either an all round argument or for the layman to stop to think that he may need expert advice. Why are people so free to spend with hard earned money but so angry when an advisor whose life work is to invest funds says, "Don't buy"? Anger comes quickly to the layman when a specialist in the field of finance tells his client that the investment is not a good one. There are many stocks and bonds which may be a good investment for one person but not for another. One person may have plenty of money to take chances. Another person should not dare touch such speculative stocks. One is a legitimate speculation which is all right for one investor but is not good as an investment for the man or woman with less funds and less financial ability.

Investing is serious! Most people work hard for the money they earn. The advice of any good investment counselor or investment banker should be "This is as safe as any good security can be." (1) It has conscientious, reliable, well trained men at its head. (2) It has paid its dividends without interruption for years. (3) It is a type of business which does not fluctuate from prince to pauper.

Women should become familiar with words and expressions in the field of finance. For example, "Big Board" (stocks listed on the New York Stock Exchange); "On Board" (those listed on any stock exchange); "Over-the-Counter" are transactions that do not take place on an Exchange.

There are different grades and values in stocks—preferred, convertible and preferred and so on. It is up to the woman who is unfamiliar with investing to delve into more and more technical aspects. She should familiarize herself with at least fundamentals such as learning to read a balance sheet and income statements.

Can Be Interesting and Stimulating

It is virtually impossible for an average woman suddenly to become the expert that is necessary in order to make proper investments. It is therefore expedient for a man to acquaint his wife with his financial standing and for him to introduce her to his own financial advisor. Any such financial advisor should be a man who is capable, honest and conscientious and one in whom she knows her husband has had confidence. The advisor should be thoroughly familiar with problems that will confront the wife as a widow and who will invest her funds in accordance with these problems. Women who find financial problems dull and difficult can with some study find investing most interesting and stimulating. Recently I received a letter from the wife of a famous man and I quote, "Since I started investing a whole new, fascinating world was opened to me."

MRS. MORTON SEIDEL

601 North Rodeo Drive.
Beverly Hills
California
June 19, 1958

Morgan Stanley Admits Baldwin & Poor

Morgan Stanley & Co., 2 Wall Street, members of the New York Stock Exchange, announces the admission of Robert H. B. Baldwin and J. Sheppard Poor as general partners effective July 1.

J. Sheppard Poor Robert H. B. Baldwin

Mr. Baldwin was graduated from Princeton University in 1942. He became associated with Morgan Stanley & Co. in 1946 after having spent four years in the U. S. Naval Reserve.

Mr. Poor attended Williams College and served as an aviator in the U. S. Naval Reserve. He was graduated from the Harvard University Graduate School of Business Administration in 1947. He joined the staff of Morgan Stanley & Co. in that year.

R. M. Eckley Joins Hayden, Miller & Co.

TOLEDO, Ohio — Richard M. Eckley has been appointed Toledo representative of Hayden, Miller & Co., one of Ohio's largest and oldest investment firms, it was announced.

For the past two years, Mr. Eckley has represented Investors' Diversified Services in Columbus. For seven years prior to that he had his own company, Eckley Realty Co., in Columbus.

While his work will be concentrated in Toledo, Mr. Eckley will cover other areas in northwestern Ohio and southern Michigan including Detroit. Officers are in the Rumpf Bldg., Toledo.

James Fallon Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Garry Hochman, Arne Gronfeldt, Merritt S. Harvey, C. L. Martin, Lee Rogers and Leroy Welch have become associated with James L. Fallon Co., 7805 Sunset Boulevard. Mr. Hochman was previously with H. Carroll & Co. Mr. Welch was with Bennett-Gladstone-Manning Company.

From Washington Ahead of the News

By CARLISLE BARGERON

The most annoying thing to your correspondent in the recent French crisis when General DeGaulle came into power was that the French army revolted and brought him to power. We have seen the army running the little dictatorships of Latin America but this is the first time in modern history that the army of a recognized first rate nation has so asserted itself. God knows the French army didn't acquit itself in World War II when, Communist infiltrated, it opened the gates of the Maginot line and permitted the German hordes to come rushing through.

Carlisle Bargeron

But now we are told that this army, born of a highly cultured and sensitive people, is smarting under the light it has been put in. So to show that it is not the namby pamby crowd it is generally held to be it decided to show its strength — against whom? Russia or any first rate power? No, it decided to act up against the French government. That as really throwing its weight around.

Inasmuch as the Paris government did not immediately call in the army generals and chop off their heads for insubordination, it means that the army still rules the French people. DeGaulle's permanence in power depends upon his persuasiveness with the army. But if they were insurrectionists once they can be insurrectionists again.

Now we have never had that experience in this country. We keep the military in its place by having it supervised by civilian heads. We have a civilian Secretary of Defense, a civilian Secretary of the Army, the navy and the air force. In this way we seek to maintain the civilian dominancy over the military. Let's see if we are actually doing it.

In the first place, it has long been recognized that the civilian secretaries are taken into the camp of their respective branches of the service. The admirals, for example, very shortly make an office boy of the Secretary of the Navy, he becomes an advocate, and this is true also with the other branches of the service.

Several years ago Congress passed a bill calling for unification of the armed forces. This was to end the rivalry between them, make for more efficiency and, in peace times, to cut out the vast duplication of purchasing. This was several years ago when the present defense establishment to be headed by a Secretary of Defense was created. It has not eliminated any duplication of purchasing, it has not eliminated the slightest bit of rivalry.

Just now the President is trying to bring about a reorganization of the Pentagon. He has a bill designed to do this before Congress. His generals and admirals have not the slightest compunction in appearing before Congress in opposition to his plan. The fact that the President is the senior military officer, the commander-in-chief, means nothing to the generals and admirals.

What is more dangerous, to my mind, is that the chairmen of the military committees in Congress insist upon this insubordination. They insist that when the President and his Budget Bureau recommend a certain amount for a particular branch of the service, that the head of that service be permitted to come before Congress and say he has not been given enough. It is an old story that these fellows could never be given enough. They insist upon the right of these subordinates to challenge any other Presidential recommendations.

Now, just why do the chairmen of the committees insist upon this freedom for the various secretaries of the armed services and the brass hats? The answer is that they want to retain their power over the services. They don't like the idea of dealing with a centralized defense branch. They want to keep their influence with the navy brass, the army generals and the air force. They want to be in position, for example, of ordering an air force plane on short notice to fly them to any part of the world; they want to be able to tell the army what to buy and from whom to buy. They are afraid they will lose this power if the services are really unified. I can remember a chairman of the House Naval Affairs Committee, a few years back before the services were supposed to have been unified, who was interested in a New Jersey real estate development. By way of boosting it he had the whole Atlantic fleet brought into a New Jersey port.

Just recently Admiral Arleigh Burke, chief of naval operations, appeared before Congress in opposition to the President's Pentagon reorganization bill. The Secretary of Defense expressed his disappointment that the admiral should do this. Whereupon Senator Dick Russell, chairman of the Senate Armed Forces Committee, a very able man, charged that Mr. McElroy, the Secretary of Defense, was trying to exercise a censorship and several newspaper took up the plaint. They even wanted McElroy to apologize.

When we get to that point we aren't much further from the French army's insubordination. Our military doesn't have control of the government, only the budget.

H. V. McKeever Gov. Of NY Stock Exch.

H. Van Brunt McKeever, a partner in Goodbody & Co., has been elected a Governor of the New York Stock Exchange. The Board of Governors elected Mr. McKeever to fill the vacancy created by election of Edward C. Werle as Chairman. Mr. McKeever's term of office will expire May, 1959.

H. Van B. McKeever

Mr. McKeever has been a member of the Exchange since 1930 and served as a Governor from 1950 to 1953. Following graduation from Princeton University in 1926, he was employed by his present firm. He resigned in 1930 to become a partner of Colgate, Hoyt & Co., returning to Goodbody & Co. as a partner in 1936.

Three Legged Stool Supports Private Utility Industry

By ALAN S. BOYD*

Chairman of Florida Railroad and Public Utilities Commission Tallahassee, Florida

What should be expected of investor's, consumer's and regulatory commission's interest in the utility industry receives a multisided analysis by Florida's state utility Chairman. Some of the topics looked into by Mr. Boyd are: (1) need to inform consumers about such specific costs as demand rate and interruptible power sales; (2) inclusion of investors with consumers in A. E. C. nuclear power research and development programs; (3) recognition of "risk capital" term in utility industry as a misnomer, anachronism of certain *ex post facto* regulations, and false assumption that full disclosure of utility-operation-facts automatically harms the investor; and (4) need to adjust rate making and earnings to inflation. Calls for better communication between utility, regulatory agency and the public, and substitution of positive for negative advertising.

"A Three Legged Stool Supports Free Enterprise in the Utility Industry." This is my thesis. The three legs are, of course, investor, consumer and the regulatory agency. That most important function — management — is for the purpose of this discussion to be considered as the alter ego of the investor. I shall try to define the relationships, discuss some of the problems created thereby and hopefully offer some thoughts for the future.

Alan S. Boyd

Electricity and its transmission and distribution lines have been accurately described as "the nervous system of modern civilization." At the present time, according to figures furnished to me by the Institute, approximately 75% of this nervous system in the United States is investor-owned or within the realm of free enterprise. Our concern is and should be what the future holds. What will this precentage be 25 or 30 years hence? The advent of nuclear energy and the manner in which it is developed may have a considerable bearing on this figure.

Now let us return to the three legged stool, which I am reminded is characteristic of a milkmaid's stool. But, I'm sure that none of us have the desire to "milk" anybody.

The investor is most assuredly interested in free enterprise in the utility industry for reasons that are obvious. The consumer provides the main support to the free enterprise, willy-nilly, and his support of the industry in the field of free enterprise as opposed to public ownership of power may be unknowing, but more properly this support will depend on the manner in which the industry has educated the consumer to the advantages to be derived from private ownership.

Wants Public Informed About Specific Costs

Some serious consideration must be given to the desires as well as the needs of the consuming public. They pay the bills and provide the cash to make this whole vast enterprise possible. It is not enough to state that what the public wants is more electricity at less expense. The consumer should be well educated by you. The consumer should know, for example, what is a demand rate, the theory of interruptible power sales, how a fuel adjustment clause operates and what the average cost is of installing electrical service at a residence or business location.

Another important item is informing the consumer the approximate added cost where major new appliances are purchased. This is a tough problem since the utilities operate or control only a fraction of the appliance sales. But it is an area where a lot of ill will has been developed. You must keep constantly before you the fact that electric utilities are suspect as the result of excesses of an earlier generation. Matters not understood or facts misrepresented to members of the consuming public create additional burdens for the utility and for the regulatory agency.

While I must necessarily generalize, regulatory agencies such as ours in Florida are committed to the support of privately-owned electrical utilities by the fact that we regulate no other type and by the further fact that we are required by law to provide rates that will permit a "fair and reasonable" return to the owners of the utility. It is understood that some regulatory agencies may also have jurisdiction over some aspects of publicly owned utilities and there may be other exceptions which are not in major conflict with my thesis.

My philosophy requires me to support private ownership of electrical utilities under sound regulation. Sound regulation does **not** encompass usurpation of management policies by the regulatory agency. But, due to the fact that the generation and distribution of electricity is a monopoly in fact and in name, there should be some rules of operation established and enforced.

The investor in the electric industry is someone I visualize as desiring continued growth with stable or preferably increasing earnings dependent upon the existing economic situation. Such earnings require sound management, enlightened regulation and the support of the consuming public.

The big question is why should the consumer support privately-owned as opposed to public power? Public power is not illegal, it does work and in some cases it may be less expensive than would electricity sold by a privately-owned competitor.

Basic Objection to Public Power

The basic objection of public power stems from the fact that power is a basic industry. Control of the power industry would mean control of our modern existence. This has been established conclusively by all authoritarian governments in modern times. It is interesting to note that all of the revolutionary activities in Central and South America in recent years have included bombing or capture of power plants among their first priority objectives.

Secondly, public ownership of power on a grand scale would mean a complete change in our way of life. Not only would existing tax structures be inadequate but it would require a most sanguine individual to feel that such a condition could occur without ultimate nationalization of all other major fields of private endeavor.

There are many sincere individuals and organizations in this country today advocating an ever increasing percentage of public power. Undoubtedly, many of them give no thought to other corollary effects of such action, but there are many who do know exactly what will happen in such a case and who revel in the thought. The consumer must be made aware of these facts. Any educational program must be pitched altogether on the advantages that accrue to the consumer from the use of privately-owned utility services.

All of this has to do primarily with the development of nuclear energy. Here is where the battleground of public versus private power really lies. The development of this new fuel for the power industry will be swift. The die may well be cast by the manner in which this battle is fought. By this I do not mean to advocate necessarily that private ownership should "git thar fustust with the mostest."

The utility industry spokesmen assert most earnestly that full support and free rein should be given to the industry in conducting research and development programs in the nuclear energy field. This, of course, pertains to the regulatory agencies; and since they only establish the rules, what is meant is that the consuming public should be required to underwrite the cost of this experimentation. With this argument, I am in full accord.

The benefits to be derived from such programs will be passed on to the consuming public. The necessity of perfecting a source of fuel to replace our present fossil fuels is readily apparent.

Investor Must Be Included in Atomic Program

I feel most strongly however that within this program of research and development (which will include construction of first and second generation plants) there should be a partnership of consumer and investor and not alone a joint venture on the part of consumer and the Atomic Energy Commission. It is far too easy to relate all the benefits to be derived by the consumer while forgetting any advantages that may accrue to the investor.

The investor cannot content himself with being a standard bearer for free enterprise while the consumer pays the bills. Some of the risk capital in the development of the nuclear energy program must be supplied by the investor. I do not know the amount and have no formula for participation but I am sure this must be the case and on an increasing scale.

It really seems to me that the term "risk capital" in its historical sense is foreign to the electrical utility business in this day and time. It is used to define the capital invested in a business at the risk of losing part or all if the venture fails. In an electric utility today the only risk is whether the earnings will be less or more and whether the market value of the stock will appreciate or depreciate; this has relatively little to do with the operation of the utility as a business.

As an intrinsic factor in the investment of risk capital in development of the nuclear energy program, it is incumbent upon the investor to communicate the fact of the investment to the consumer. This communciation can and should state that the investment is made for the benefit of the consumer and for the maintenance of free enterprise that pays its own way in the support of our free institutions.

Criticizes Utility Negative Advertising

This leads me into the advertising program of the industry

Continued on page 28

*An address by Mr. Boyd before the 26th Annual Edison Electric Institute Convention, June 10, 1958, Boston, Mass.

Review of Monetary Policy Actions

By M. S. SZYMCZAK*

Member, Board of Governors of the Federal Reserve System

Central banker compactly summarizes economic events and monetary policy offsetting actions since 1953 to buttress contention that the Federal Reserve is fulfilling its function of providing a favorable climate for resumption of economic progress in so far as can be done by money and credit policy.

In the three years preceding the downturn in economic activity in the fall of 1957, the United States experienced a healthy expansion in output and employment, accompanied in its later phases by inflationary pressures. This upswing represented at first recovery from the 1953-54 recession—a recovery which was encouraged by monetary and fiscal actions. The initiating force for recovery came from American consumers, who undertook a surge of spending for homes, automobiles and other durable goods. This spurt of consumer buying, stimulated by ready availability and easing terms on mortgage and consumer instalment credit, had effects throughout the economy.

M. S. Szymczak

In response to the surge of consumer buying, businesses undertook sizable expansion programs. Plant and equipment outlays began to rise rapidly in 1955, and this transformed recovery into boom. The sharp increase in business capital expenditures, coming at a time when manpower and material resources were already intensively utilized in meeting other demands, generated inflationary pressures. Rising prices, which appeared at the wholesale industrial level in mid-1955 and at the consumer level in March 1956, engendered a psychology of creeping inflation and in turn encouraged additional spending. In these circumstances, Federal Reserve policy shifted progressively from the objective of fostering recovery in 1953-54 to restraining inflationary pressures in 1956-57.

In the autumn of 1957 expansionary forces gave way to recession. The capital investment boom had been proceeding at an unsustainable rate. With their productive capacity expanding more rapidly than total demands and output, businesses cut back their investment plans. Defense orders also were declining as a result of Government efforts to avoid exceeding budget estimates and the debt ceiling. At the same time consumers failed to respond to the new model automobiles and apparently were reluctant to add further to their debts. Thus there was no possibility this time of a rolling adjustment. The general change in the economic climate left business stocks in an exposed position and businesses proceeded to reduce them rapidly.

In the past nine months, most of the reduction in total output and employment has been accounted for by inventory liquidation, falling business outlays for plant and equipment, and reductions in consumer spending for durable goods, especially automobiles. Industrial production has declined 13% and nonfarm employment by about 4%.

Into the early autumn of 1957 monetary policy had remained restrictive in the face of rising prices and a spreading sentiment of creeping inflation. In view of developing uncertainties in the economic picture, open market operations began to ease bank reserve positions slightly in the latter part of October. In mid-November, Reserve Bank discount rates were reduced from $3\frac{1}{2}$ to 3%, signaling a decisive change in System policy. From this point on, restraints on bank credit expansion were progressively relaxed.

Used Three Instruments of Policy

In its effort to mitigate the downward movement in output and employment and to encourage early resumption of economic growth, the Federal Reserve System has utilized each of its three major instruments of policy: changes in reserve requirements, open market operations, and changes in discount rates.

Reserve requirements have been reduced on three occasions in 1958, freeing a total of almost $\$1\frac{1}{2}$ billion of reserves.

Open market operations were used to supply reserves to member banks in late 1957. In early 1958, when the seasonal return-flow of currency was adding substantially to bank reserves, only a part of this addition was offset by open market sales. Since February, Federal Reserve purchases of Government securities have amounted to about $700 million.

Following the initial reduction from $3\frac{1}{2}$ to 3% in November, Federal Reserve Bank discount rates were lowered again on three occasions, and they now stand at $1\frac{3}{4}$%—or just half of what they were in November.

As a result of these various measures, bank reserve positions have been eased substantially. Between September and May, member bank borrowings at Reserve Banks declined from about $1 billion to little more than $100 million. Excess reserves have increased and thus member banks have shifted from a net borrowed reserve position of about $500 million to a free reserve position of more than $500 million.

The shift in net reserve positions by more than $1 billion does not tell the whole story. The point to be noted is that in maintaining a free reserve position while member banks are expanding their assets and deposits, the System is pursuing an active policy. As banks have utilized the reserves provided by System operations, additional reserves have been made available.

Banks Are Using Available Reserves

That the banks have been using the reserves made available by the System is indicated by the fact that commercial bank loans and investments increased more than $8 billion in the seven months from the end of September, 1957 to the end of April. In the same period a year earlier, bank credit had increased only $3 billion.

The growth in bank credit has been mainly in the form of United States Government and other securities, and this has contributed significantly to an easing in the money and capital markets. Bank loans to businesses and consumers have declined with economic activity. On the other hand, mortgage holdings of banks have increased somewhat and loans on securities, which provide important support to the capital markets, have also risen.

The substantial increase in commercial bank credit in the period since last fall has been reflected on the deposit side primarily in a record growth in time and savings deposits. The active money supply, as represented by demand deposits and currency, has increased about $\$1\frac{1}{2}$ billion, or 1% since September. But time deposits at commercial banks have gone up almost $5 billion, or 9% as depositors have elected to transfer demand deposits to time accounts. Whether in time or demand form, the growth of bank deposits is serving to increase the liquidity of the economy and thus to provide the financial basis for renewed economic growth.

The transition from restraint to ease in monetary policy has produced a marked reaction in financial markets. Short-term interest rates have fallen sharply. For example, the rate on Treasury bills, an indicator of the availability of funds in the money market, has declined from over $3\frac{1}{2}$% in October to less than $\frac{3}{4}$% recently.

Longer term market yields have come down about $\frac{3}{4}$ of a percentage point from their peaks last autumn. But there has been a heavy volume of security flotations in these markets—and this, of course, is the desired objective of lowered interest rates. State and local governments, which in some cases postponed borrowings during the period of monetary restraint, have borrowed 30% more in the capital market this year than in the first five months of 1957. Corporate borrowing has so far been only slightly below the record volume of 1957. Foreign borrowers and international institutions have also borrowed more heavily in the United States capital market than last year.

Summarizes Accomplishments

Thus monetary policy has contributed to an increase in the availability and a reduction in the cost of borrowed funds. Commercial banks have reduced their lending rates and, with their reserve positions eased, they are in a condition to respond to increased loan demands. Meanwhile, their security purchases have provided a large flow of funds to the money and capital markets, thereby facilitating private and governmental borrowing in those markets.

I have given this review to point up the fact that, in the light of the economic situation, money and credit policy is fulfilling its function of providing a climate favorable for resumption of our economic progress so far as that can be done by actions in this field.

*An address by Mr. Szymczak before the Grocery Wheels of Washington, D. C., Bethesda, Md., June 10, 1958.

J. B. Higham V.-P. Of Robinson Co.

PHILADELPHIA, Pa.—The appointment of Joseph B. Higham as a Vice-President of Robinson & Co., Inc., 42 South 15th Street, members of the New York, American (Associate) and Philadelphia-Baltimore Stock Exchange, was announced today by Robert Robinson, President of the firm. At the same time, Mr. Robinson announced that the company has formed an Investment Planning Department with Mr. Higham in charge. The department will cover Philadelphia and the entire Delaware Valley area.

Joseph B. Higham

The Economics of Canadianism

By N. R. CRUMP*

President, Canadian Pacific Railway Company

Canadian rail head depicts the forces shaping the economics of Canadianism; reviews factors pushing Canada forward on the frontiers of technology which are said to make our northern neighbor one of the most technologically advanced countries in the world in transportation and other fields; and, after explaining how investments in transportation — rail, pipe, highway, air and St. Lawrence Seaway — have generated a chain reaction of growth, points out that Canada's transportation capital requirements in the future will, if anything, be even greater than in the past. To maintain a favorable investment climate, Mr. Crump warns how restrictions stemming from collective bargaining instigated by American labor leaders or outdated Canadian regulatory public policies can result in less efficient transportation services and add an unnecessary cost to Canadian economy.

The dynamics of growth and progress are governed not only by the circumstances of economics but also by the attitudes and behavior of people. Any consideration of the economics of Canadianism, therefore, to be meaningful and realistic, must be associated with an understanding of the traditions, achievements and aspirations of the Canadian people. The sturdy, confident spirit of Canadianism we share today derives its strength from three great traditions whose roots reach deep into our country's past.

N. R. Crump

Oldest of three traditions, heard no less clearly today than in the past, is our determination to preserve our national identity — political, cultural and economic—independent of the United States. From time immemorial this tradition has been shared by English-speaking and French-speaking Canadians alike. Our forefathers first made the great refusal when, in 1776, they declined to join the revolting American colonies. They made it again in 1812, when they fought side by side to repel American invasion of our country. They made it again in 1837, when they refused to rise in revolt in the name of republicanism. Responsible government was Canada's answer then to the taunts of the Jacksonian democrats south of the border. Confederation, and the building of the Canadian Pacific Railway, together with Sir John A. Macdonald's "National Policy," were the acts of faith in Canadianism which, in the first quarter century of our national existence, successfully thwarted American ambitions to gain control of the northern half of the continent. In 1891 and again in 1911 we rejected Reciprocity for the same reason.

The second great formative force which, until recently, occupied a foremost place in Canadian thought and tradition has been the recognition that our country's destiny lay outside the sphere of European-based 19th century imperialism. It was for this reason that Canadians—English-speaking and French-speaking alike—were persuaded that the alternative of imperial federation, which enjoyed some popularity at the turn of the century, held little promise for the deeper aspirations of Canadianism. Instead, we chose, with infinite wisdom, as subsequent events have shown, to reconcile our common loyalty to the Crown and our emotional ties with the New World in what, for a time, was known as "Dominion Status," and which today is recognized as national sovereignty under the Crown within the framework of the Commonwealth.

The third great factor which has shaped our country's destiny and hastened us on the path to nationhood is, I suggest, largely the contribution to Canadianism of the forbears of our French-speaking fellow-citizens. Abandoned to their fate by France in the 18th century, they were the first to call themselves *Canadien* and to identify themselves irrevocably with the northern half of the North American continent. Their sense of Canadianism was undoubtedly heightened by their subsequent decision to reject the disquieting and disruptive moral and political influences of the French Revolution, which was so at variance with their traditions and beliefs.

From these great formative traditions, as I see it, stems the vibrant, dynamic Canadianism of today. I venture to suggest that these same traditions will continue to shape the economic destiny of our country no less surely in the future than they have in the past.

Canadian Transportation Outlook

What, then, of Canada's tomorrow?

And what role is transportation destined to play in the economics of Canadianism in the years that lie ahead?

To the first question the Gordon Commission, in its Final Report, has rendered a verdict glowing with promise. It is a verdict of greater validity than ordinarily attaches to long-term economic forecasts because it is backed by the unswerving confidence of the Canadian people themselves in their country's economic destiny.

I am not unmindful of the fact that the glittering horizons of Canada's tomorrow are momentarily clouded by the mists of economic uncertainty. We all know that new investment in resource production which has been the motive power behind the phenomenal growth of the last decade has waned. We all know, too, that formidable problems have arisen on the trade front, adversely affecting many of our major exports. Disquieting manifestations of protectionism south of the border have already caused an appreciable falling of in the output of certain of our key resource industries.

Overseas, too, developments are taking place which seem certain to affect patterns of international trade and investment. I refer to the European Common Market and the proposed Anglo-European Free Trade Plan. No one can yet foretell what these developments imply for Canada's economic future.

Do these disquieting developments mean that the glowing promise of Canada's tomorrow will be unfilled? Are the foundations which past and present gen-

Continued on page 30

*An address by Mr. Crump before the Canadian Life Insurance Officers' Association, Montebello, Que.

What the Recession Means to Savings and Loan Associations

By KURT F. FLEXNER*

Professor of Finance, School of Commerce, Accounts and Finance
New York University, New York City

What savings and loan associations should consider in view of possible uncertainty of growth in next half year or more is presented by finance expert after analyzing the current recession. Professor Flexner foresees a drop in interest rates on savings in the New York City Metropolitan area in second half of 1958 and points out inadvisability of remaining "above the market" in an attempt to grow at prosperity pace in disregard of recession. He doubts Federal Reserve will initiate lower time deposit rates and expects, instead, that the private banking sector will initiate lower rates in line with money market's rate-structure. Prescribes conservative policy in attracting savings; investment in governments instead of second grade mortgages; and concentration on lower costs and increased efficiency.

The years since the war have been characterized by success and rapid growth for the savings and loan associations. They were on the whole years of great prosperity — years during which the return on investment was high enough to bring relief from keen competition and high operating costs. These years, during which managing an association or any other bank was relatively simple, are now in the past. The future, though it holds great promise will require an increasing amount of managerial skill from those rewarded with success.

Kurt Flexner

The current recession has already created some serious problems in respect to savings, investment and operating policies. Before I elaborate on these, I would like to analyze the recession and its prospects briefly.

Traces Recession's Genesis

The major cause of this recession was a decline in investment expenditures and consumer spending on durables, especially automobiles. In a number of basic industries production declined radically from all-time high capacities. There are quite a few theories offering explanations of recessions and the other phases of the business cycle. Classical economists and their more modern desciples see the recession as a maladjustment of prices and costs. Other economists see it resulting from a decline in profit expectations, independent of prices and costs. Still others see it as a result of an easy money policy followed by tight money.

The present administration and some of its most influential advisors have viewed this recession largely as a price-cost disturbance, much as the classical economists have done. As a result the administration was reluctant to interfere with the forces of the free market for fear that its interference would handicap the process of adjustment. An added factor in the administration's reluctance to take strong anti-recession measures was based on the assumption that such measures would turn the recession into a powerful inflation. In other words, that the cure would be worse than the disease.

A recession is characterized by a level of spending which is inadequate for maintaining full employment. Those who think of price-cost adjustments as the cure for a recession assume that as prices fall sales will increase and as wages fall employment will increase. This is part of the doctrine of economic equilibrium through market forces. The classical economists who developed this doctrine assumed a state of pure competition. That is, an economy in which wages and prices respond freely to market forces and are not subject to arbitrary decisions on the part of management or labor.

In a large sector of the American economy wages and prices, in spite of public sentiment and the anti-trust laws, do not respond to market forces in the sense in which the classical economists envisaged that term. There are, in other words, too many monopolistic rigidities in our economy for price adjustments to function and to restore full employment within a reasonable period of time.

Doubtful of Recovery in Near Future

I am, therefore, somewhat doubtful about the chances of a real economic recovery in the near future. This doubt is not based on pessimism for neither pessimism nor optimism have a place in objective economic analysis aimed at realism.

The theory of price-cost adjustments as a cure for recessions is as I have pointed out based on the assumption that markets operate under pure competition. In such a market prices and wages fall together when employment reduces demand. At the lower price and wage levels production and employment are assumed to increase.

In the absence of effective competition prices and wages do not fall together in the proper proportions. They may not fall at all until production and employment have greatly declined. If prices fell but wages did not fall simultaneously, profit margins would decline. This would further discourage investment and employment would as a result fall off even more. If wages fell while prices did not come down, purchasing power would decline, which would lead to more unemployment.

If the proper price and cost adjustments are not forthcoming the economy is incapable of restoring full employment through its market mechanism. Under those conditions only monetary policy, budgetary policy and deficit spending remain as anti-recession tools. Of these, monetary policy is least effective as Woodlief Thomas recently pointed out in a Washington address before the New York State League. In fact he thinks monetary policy can do very little at present to stimulate economic activity. With this I thoroughly agree. Interest rates are not very powerful factors when demand and profit anticipations are declining.

Budgetary or tax policy may prove more potent as an anti-recession remedy. It is expected that tax cuts will be announced sooner or later. Deficit spending is, of course, the strongest of the anti-recession measures. In time, I expect, that whatever measures are necessary to restore high levels of employment will be put to use. At this time, however, it is highly speculative to predict the extent to which anti-recession measures will in fact be employed, and how soon and to what extent their effects will be reflected in economic activity. It is also highly probable that when an upturn does occur the boom will not reach the proportions of the last one. It should be borne in mind that the postwar boom began at a time when industrial capacity had been fully utilized. Increases in demand, therefore, stimulated investment expenditures in plant and equipment. Currently, many industries are operating with considerable excess capacity so that production can be increased greatly without heavy investment expenditures.

Considering the uncertainty of the next six months or even a year or more, the savings associations should find this a good time for reorienting their thinking. During a period of economic expansion it was quite proper to attract savings and to invest these in home mortgages stimulated by economic and population growth. It was even proper to borrow when the flow of savings in a particular area was inadequate for financing a legitimate mortgage demand, while money in other areas was more plentiful. During such a time there is no reason for maintaining high liquidity ratios. The chief emphasis should be on maintaining the proper relationship between growth, reserves and investment quality.

Taking Changed Conditions Into Account

Today conditions are very different. The demand for prime mortgages is greatly off. Interest rates on savings are high and out of line with other money market rates. Mortgage rates are declining and the demand for housing is currently less than it was last year, in spite of a spurt in government guarantees. Operating costs are relatively high due to the fact that the savings and loan industry in its present form and significance is fairly young and its growth in recent years has been rapid.

This is in other words an ideal time to take stock and to consolidate the gains already made. If an association is determined to ignore the recession and attempts to grow at prosperity rates, it will find it increasingly difficult to invest its funds in good mortgages. Such a policy would eventually lead to asset deterioration.

It is very likely that interest rates on savings will fall during the second half of 1958 in this area. Elsewhere they have already gone down. It would be wise, I think, to pursue a conservative policy in respect to savings. I understand that the Federal Reserve System will not take the initiative in lowering the ceiling on the interest on time deposits. This means that the private section of the banking system will have to take the initiative in lowering such rates until they are more in line with the interest structure of the money market. When such rates begin to fall it would be unwise to remain "above the market" in an attempt to grow. The funds thus attracted would have to be invested. Considering the cost of attracting savings and the relatively high operating expenses inherited from the boom, an association would be compelled to invest in the kind of risk mortgages which exist when prime mortgages become scarce.

At present the best policy would appear to lie in the avoidance of conservative second grade mortgages. This can be done by pursuing a conservative policy in respect to savings, and by purchasing government bonds with funds which cannot be invested in good grade mortgages. This alternative, apart from being sound, has certain other attractions. With a decline in interest rates the price of bonds will undoubtedly rise. I expect that by the end of the year issues now selling below par should either reach par or come close to it. Assuming my expectations to be correct, this is not a bad alternative to risky mortgage.

It may be argued that the investment of funds in government bonds may effect reserves unfavorably. This is no doubt true. But it should be borne in mind that a small drop in reserves is far better than a policy which would lead to asset deterioration.

The time has come, while the emphasis is not on growth, to concentrate on efficiency and costs. This is a good time to lower costs if they can be lowered without sacrificing quality and service.

In summary I should like to say that while the recession lasts the future of an association can be made more secure if policies in regard to savings and investments are conservative rather than aggressive, and by making every effort to lower costs and to increase efficiency.

*An address by Dr. Flexner before the Metropolitan League of Savings Associations, New York City.

Richard D. Adams Withdraws From Sloan

PORTLAND, Oregon—Richard Adams has resigned as manager of the trading department of Donald C. Sloan & Co.

Gerhard Struckmann Wins Award

Gerhard Struckmann, Chase Manhattan Bank, riding "Frugal Pat," a horse belonging to Roel of Domenie, won the reserve championship and trophy awarded by Mr. and Mrs. Laurence S. Rockefeller at the Sleepy Hollow Country Club Horse Show, as well as other trophies.

Mr. Struckmann this past winter won the Grand Championship in the senior horsemanship classes of the Claremont Annual Horse Show in New York City, in which Mrs. Struckmann won the reserve grand championship.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks closed out a first half year on good gains that contrasted strangely with the recession atmosphere elsewhere and started off the second half this week by toying with the year's peaks for the averages.

* * *

Oils more times than not were able to offer some better-acting candidates for the side of strength but, like other major groups, weren't able to shake off an occasional contribution to the casualty lists. These included Union Oil which climaxed its recent march to new highs by slumping badly after the dividend was slashed a bit hard.

* * *

Rails, where hopes for extensive legislative relief simmered down merely to an end to the freight excise tax, were a bit chagrined, but it took the form of killing off any rally attempts without upsetting the individual issues unduly.

* * *

Steels and motors, where production declines were again the story in part because of the arrival of the slow summer season, were far from spectacular but were content most times to loll around without any particular pressure being exerted on them.

Dividend-Struck Laggards

The toll being taken in dividend payments — so far the reductions and omissions are already well ahead of the results for the full year of 1957 — produced some individual laggards, such as American Viscose, but they failed to spark any widespread market selloff.

* * *

On the other hand there was a rather widespread belief that the approach of the three-day weekend shutdown for the holiday was prompting some short-covering with the bolstering effect that it can have on issues where the short interest is concentrated. In short, it was hardly a week for any radical change in the nature of the market.

* * *

The big volume and good price action in the low-priced, speculative items simmered down to continued activity but irregular price action. An illustration of the type of volume leadership that had taken over the market recently were the half year tabulations showing that the best-acting issues for the six months were all in the low-priced category with the exception of Lorillard which was among a dozen issues that doubled in price between the end of 1957 and the end of June.

Volume Leaders

Others in this rather exclusive group included Artloom, B. T. Babbitt, Twin Coach, Checker Cab, Minute Maid, Parmelee Transportation, Eastern Corp., Congoleum, Penn Texas, Telautograph and Servel which is hardly a rundown of a conservative investment-grade portfolio.

* * *

If the trading activity remains concentrated in this area it will constitute a marked shift from the leadership that carried the bull market ahead steadily through 1955, 1956 and 1957. In those three years the demand only for the top grade items appeared insatiable and even the secondary issues that normally come into play in the later stages of a bull swing never really had their day in the limelight on anything approaching a general demand.

* * *

Through the last two months of market progress in the face of the recession, a good many of the market "bears" were converted to the bullish side, including a few that had maintained their skepticism right through the market's runup, and at the moment the betting is heavy that the usual summer rally will help the good work along. Throughout five dozen years of market history, July and August have conjured up more advances than any other month except December which is the beneficiary of the yearend cleaning up and reinvestment that traditionally gives the list a yearend rally. The chances on higher prices sometime in July or August than at the end of June are exceptionally good, consequently, illustrated by the fact that it has happened in 42 years out of 60.

Interesting Agricultural Equipment Issue

As far as individual groups are concerned, there was considerably more attention being given to the agricultural equipment shares than has been the case in a long while. Bad weather hampered operations in the first quarter throughout the country but some of the companies in the group, notably Deere, have made a strong comeback since then. Deere, as a matter of fact, is projected to a good increase in earnings this year over last year with the pattern sustained through 1959. The company seems to have reached its low point in 1954 when earnings were down to \$2.76 but they almost reached \$4 last year and are projected by some sources to \$4.50 this year which would make the stock a bit undervalued by some of the accepted yardsticks.

Interesting Utility

Utilities, which have had a long runup in tune with the easing money market, are generally considered as having gone a long way to discount their near-term good prospects. But there are always laggards in any group upturn and the search for such in this area seems pretty much to have settled on New England Electric.

* * *

So far this year New England has lolled in a range that has yet to stretch to four full points and its yield of past 5½% is considered ample in the group. In addition the payment is partially tax exempt with all the added attraction for income purposes that that provides. In part the lagging tendencies have concentrated more on the economic troubles in New England's service area than on the utility itself.

* * *

Nevertheless New England has made progress by acquisitions and consolidating some of its operating subsidiaries to effect economies. The company is actively exploring the promised benefits of atomic energy for power generation and pressing for rate relief where it is warranted. Despite its equity financing of earlier this year and the increase in common shares that that entails, projections indicate that earnings will be in the \$1.25-\$1.30 area for this year which would compare satisfactorily with the \$1.19 earned last year on smaller capitalization. And last year's results represented increases in a decade of 61% in revenue and 53% in net so while the system isn't usually listed in the growth category, it has nevertheless showed rather steady expansion.

* * *

A somewhat reverse situation that had its champions is National Cash Register which is not noted for its yield or its low times-earnings standing although in the office equipments a 20-times level, has prevailed in National, is not considered excessive either. A measure of what one new office machine can do, however, is its year-old bank posting machine which has racked up \$40 million in sales since it was introduced. And each installation paves the way for further sales of new improvements to arrive at a status of full automation in banking. In addition, National is developing a new type of paper copy process that could give smudging carbon paper its first worthwhile competition. It adds up to growth potential.

[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.]

Bartow, Lee, Partners In Drexel & Co.

PHILADELPHIA, Pa. — Drexel & Co. announce the admission of Philip K. Bartow and Philip L. Lee as general partners in the

Philip K. Bartow Philip L. Lee

firm, effective July 1, 1958. Mr. Bartow will be resident in the New York office, 30 Wall Street, and Mr. Lee resident in the Philadelphia office of the firm, 1500 Walnut Street.

Mr. Bartow has been associated with the New York office of Wood, Struthers & Co. since 1949 and has been in the investment securities business since 1936 with the exception of a period of five years during World War Two when he served in the United States Navy.

Mr. Lee, who has been associated with the investment securities business since 1921, was formerly Senior Vice-President and Secretary of Janney, Dulles & Battles, Inc.

George W. Ferrick Opens

EGGERTSVILLE, New York—George W. Ferrick is engaging in a securities business from offices at 224 Maynard Drive.

Continued from page 4

Observations . . .

stock market averages fell 22%, and remained down until 1949, a period in which business enjoyed its remarkable postwar boom.

* * *

GARBAGE TO DIAMONDS

"Here we are—Americans are apt to feel—acting like a Romeo beneath the balcony of the world, tossing bouquets of reciprocal trade and technical assistance at those we woo, and suddenly some ingrate Juliet dumps the garbage down on top of us."

Thus are the hurt feelings of Americans, wanting to be loved after a decade of enormous giving of billions in non-military assistance and military aid, including the techniques of the Marshall Plan and Point Four, described by William P. Gray, Editor, "Life International Editions," in a special report, "The Shock Waves of Anti-Americanism." This report, which appeared in the June 23 issue of the "International Edition," contains a most valuable account of how the Latin American Communists organized and led the anti-Nixon rioters.

While the worldwide problem of anti-American feeling of course cannot be written off, either as to degree or because of the difficulties obstructing a democratic government in waging a propaganda war, authentic testimony has come to this column indicating that in Latin America some of the "Garbage" can still be turned to diamonds. Carlos Sanguinetti, President of the Chamber of Commerce of Uruguay and her longtime representative on the International Monetary Fund, was chairman of the committee taking care of Mr. Nixon during his visit to his country. Mr. Sanguinetti informs us that whereas our commercial policies and attitudes toward his neighbors' dictators had been intensifying Uruguayans' anti-United States feeling steadily during the past two years, this has been drastically reversed to a major pro-U. S. trend as the net result of the Vice-President's visit.

Certainly, hard-and-fast conclusions concerning propaganda warfare, are dubious.

Now With Mitchum, Jones

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Herbert M. Hanson is now with Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Dean Witter & Co.

With Powell, Johnson

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — James D. Dopson has become associated with Powell, Johnson & Powell, Inc., Security Building. He was formerly with the Fresno office of Walston & Co., Inc.

Two With Republic

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Kenneth O. Breidenfeld and Ralph G. Orkin have become connected with Republic Securities Company, 252 South Lake Avenue. Mr. Orkin was formerly with Daniel D. Weston & Company, Inc.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.— Nelson G. Mathews has been added to the staff of First California Company Incorporated, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

More Gradual Business Improvement Observed by Purchasing Agents

Business improvement at a more gradual pace is reported by purchasing agents, though most see no major upturn burst from current lull before year's end or early 1959.

June reports of Purchasing Executives indicate the continuing improvement in their production and new order position, but at a more gradual pace. This month, 39% of the purchasing agents who comprise the N.A.P.A. Business Survey Committee, whose Chairman is Chester F. Ogden, Vice-President, The Detroit Edison Company, Detroit, Mich., report their new order position is better, 46% say no change and 15% show a decrease. These figures reflect the improvement that has been indicated over the past three months.

In keeping with more new business, 34% list higher production, against 29% in May; no change is reported by 55%, and only 11% mark any decrease.

Although the statistics are brighter, none of the reporting members expresses any extreme optimism over the immediate term. The majority look for no major break through the current business lull before the year-end or early 1959. Many see inventories as a lessening problem, as well as an important factor in holding the price line.

Despite certain published price advances, the Committee believes the soft trend is not being reversed and that, in general, hard selling is the order of the day.

While employment remains stable for incumbents, there are no possibilities expressed toward creation of openings for the unemployed.

To determine a psychological factor bearing on improved business, the Committee was asked if they felt consumer spending attitudes were improving. The results show 48% sensing improvement, 34% the same, and 18% believing that buying attitudes were worse.

Commodity Prices

Our reporting members indicate prices to be in a rather fluid state, with the trend toward softness being extended. In most categories, hard selling is the current pattern. Statistically, but 5% list prices as up, 82% report unchanged, and 13% say prices are lower.

Inventories

This month's reports show a slight inclination on the part of buyers to increase inventories. Those reporting a desire to reduce further their stocks on hand dropped from 52% in May to 47% in June. Those indicating higher stocks rose from 7% to 10%. With some optimism being shown in general business conditions this month, buyers may want to be in a position to step up production immediately to meet any increase in new orders.

Employment

A continuing trend towards a more stable picture is reflected for employment in June. The reports of greater employment rose to 24%, compared with 14% a month ago. Fewer employed is shown by only 23%, against 31% in May.

Summer workers are finding it all but impossible to get on a pay roll, despite the fact that many labor contracts contain provisions for liberalized vacation periods.

Buying Policy

With the advent of Summer and the still indefinite labor settlements in the auto industry, purchasing executives are not yet willing to extend their materials commitments beyond the pattern established for the past several months.

	Per Cent Reporting				
	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. to 1 Yr.
JUNE—					
Production Materials	9	43	38	8	2
MRO Supplies	34	42	18	6	--
Capital Expenditures	17	9	14	22	38
MAY—					
Production Materials	13	44	34	7	2
MRO Supplies	13	43	17	4	--
Capital Expenditures	17	8	17	26	32

Specific Commodity Changes

There is not much price activity of any kind reported this month. A price rise in copper by one major producer is the most significant change noted.

On the **up** side are: Copper, brass, steel scrap, raw sugar, and electrical equipment.

On the **down** side are: Lead, kraft papers, fuel oil, methanol, and formaldehyde.

In **short** supply: Only helium is reported for June.

E. F. Hutton Installs TV Circuit in L. A.

LOS ANGELES, Cal.—The first closed-circuit television installation authorized by the New York Stock Exchange to a member firm was unveiled in the main Los Angeles office of the nationwide investment brokerage firm of E. F. Hutton & Company.

With the new TV installation, described as an electronic "eye on the market," second-by-second changes in the market are instantaneously visible in the offices of Hutton executives located on the floors above the company's Spring Street boardroom.

Under the Exchange authorization, the camera chains are used only in individual brokerage firms and do not inter-connect with other branches.

Now With Toboco

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Dale B. Fleischmann is now with Toboco & Co., Inc., 9235 Wilshire Boulevard. Mr. Fleischmann was previously with McCormick & Co.

Joins Witter Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Richard D. Heise has become affiliated with Dean Witter & Co., 9474 Santa Monica Boulevard. He was formerly with E. F. Hutton & Company.

What About Gold and Gold Stocks?

By ROGER W. BABSON

Well known financial reporter favors holding "a few good gold stocks—not for profits, but for security," and queries: (1) possibility of internationally and acceptably traded Russian gold ruble, and (2) whether Americans can store raw gold in other nations. Contends interfering with price of gold would certainly cause more inflation.

As I have already expressed myself in these columns, I do not expect any shooting war to be started by Russia, and probably no chemical war. I do expect an intensified economic war and believe we are now in such an economic war, started by Russia some months ago. One of the weapons Russia will use is Gold.

Russia's Gold Supply

Roger W. Babson

Although over 50% of the free world's annual production of gold comes from South Africa, Russia is now reported to be producing five hundred million dollars' worth a year; to have on hand eight billion dollars' worth to use as a weapon against us. This gold could be a real factor in breaking commodity prices and prolonging our business depression.

Probably Russia has in mind establishing a gold ruble which would have a constant value in foreign trade all over the world. This could make a great impression on both our allies and the backward nations. It should be an important weapon for Russia in the economic war in which we are now engaged. It seems, however, that as the next step in making a Russian ruble universal for trade, Russia must agree to the British insistence on mutual freedom of travel and communications and cease radio-jamming anything related to business or finance.

Value of the Dollar

Previous to 1934 the American dollar was based on gold at a price of $20.67 per ounce. Under the Roosevelt Administration, the price was increased and the dollar diluted. It is said that Mr. Macmillan and President Eisenhower discussed the problem at their recent conference. They agreed that it should also be discussed with friendly nations; but this might cause them to become frightened and lead them to withdraw gold from the United States, which American investors do not want done.

Interfering with the price of gold would certainly cause more inflation. Many people think inflation is a bullish argument in the stock market; but it may not be so. If foreign nations withdraw very much gold, the bearish factors could offset the bullish.

The True Statistics

Since 1950 Europe has increased its gold holdings to $8 billion, some from mining and purchasing in the open market and some by withdrawals from other countries. This especially applies to West Germany, the Netherlands, and Belgium. The latter country has also benefitted from its large uranium holdings in Africa. During the last few months, our gold supply has been reduced $1¼ billion. At this rate we would lose over $3½ billion worth during 1958.

A statistical analysis of this loss shows that it has been due to a change in our foreign trade situation. Up until recently, our exports exceeded our imports, and our stock of gold increased. Now this tide has turned and our imports of raw materials and manufactured goods exceed our exports.

What About Gold Shares?

Naturally, there has been an increase in the price of gold shares which are traded largely on the London Stock Exchange and in Toronto. There are two reasons for this increase: (1) When business is in a recession, as at present, the cost of mining gold decreases. Since the price of gold after it is mined does not decline, this increases the profits of good gold mines. These profits have not been very satisfactory during the past few years and the prices of gold shares have been abnormally low. (2) The current talk about devaluation of the dollar has also been a factor, but this is a very speculative factor.

It seems to me, however, that aside from the above two reasons, readers are justified in holding a few good gold stocks—not for profits, but for security. While I see reasons why many stocks should decline in the next year, I see no reason why many good gold stocks should sell lower than they did a year ago.

It is illegal for American investors to store any raw gold in safe-deposit boxes in the United States or its possessions. I am, however, seeking a government ruling as to whether or not investors may store such gold in other nations. When I receive a copy of said ruling, I will freely send it to any reader on request.

Poole & Co. Opens In Philadelphia

PHILADELPHIA, Pa.—Announcement is made of the formation of the investment securities firm of Poole & Co. with Donald W. Poole and William T. Poole as partners.

The new firm, with offices at 123 South Broad Street, Philadelphia, will act as underwriters, dealers and distributors of municipal and corporate securities.

Donald W. Poole has been active in the investment securities business for the past 33 years.

William T. Poole has been active in the investment securities business for the past 20 years.

Now With Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Delard M. Brazeau is now associated with Hemphill, Noyes & Co., 9478 Santa Monica Boulevard. He was formerly in the trading department of Daniel Reeves & Co.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The promotion of Donald C. Norton to Vice-President in the trust department of the **Chase Manhattan Bank, New York** was announced July 1 by George Champion, President. Assigned to the trust department when he joined the Chase National Bank in 1928, Mr. Norton was appointed an Assistant Personal Trust Officer in 1944, Personal Trust Officer in 1945 and Assistant Vice-President in 1953.

Fred N. Garrett, Jr., Harry M. Lyter and J. Stanley Parkin, Former Personal Trust Officers, were named Assistant Vice-Presidents.

* * *

The appointment of Harold W. Smith as Assistant Treasurer of **Manufacturers Trust Company, New York** is announced by Horace C. Flanigan, Chairman of the Board.

Formerly an Assistant Secretary in the International Banking Department, Mr. Smith recently departed on assignment as Deputy Far Eastern Representative in the bank's representative office in Tokyo, Japan.

* * *

MANUFACTURERS TRUST CO., N. Y.

	June 30, '58	Mar. 31, '58
	$	$
Total resources	3,479,602,031	3,392,797,468
Deposits	3,085,092,424	2,986,295,456
Cash and due from banks	811,773,366	917,560,412
U. S. Govt. security holdgs.	881,730,311	754,691,849
Loans & discts.	1,346,429,346	1,256,271,260
Undivid. profits	65,781,116	63,258,234

* * *

Rudolphe Berdac, formerly Assistant Vice-President in charge of **Chemical Corn Exchange Bank's** foreign exchange department, has been elected a Vice-President of **American Trust Company, New York,** according to Harvey L. Schwamm, Chairman. Mr. Berdac will be in charge of the foreign department of the trust company.

He held the same post from 1944 to 1951 with **National Safety Bank and Trust Company, New York.** His career in international banking included service with such European banking and financial institutions as **Credit Lyonnais, Paris, France; Credit Lyonnais, St. Petersbourg, Russia; Hungarian Commercial Bank of Pest-Budapest, Hungary; Mendelssohn & Co., Berlin, Germany.**

* * *

CHEMICAL CORN EXCHANGE BANK OF NEW YORK

	June 30, '58	Mar. 31, '58
	$	$
Total resources	3,493,520,161	3,221,144,079
Deposits	3,086,154,226	2,823,406,092
Cash and due from banks	785,702,794	799,334,196
U. S. Govt. security holdgs.	655,794,931	542,445,194
Loans & discts.	1,527,904,212	1,411,123,436
Undivid. profits	41,527,218	39,514,523

* * *

Lysle E. Pritchard has been appointed a member of the Advisory Committee for Queens branches of **the Chase Manhattan Bank, New York,** it was announced on July 2 by George Champion, President of the bank.

* * *

The Chase Manhattan Bank, New York, opened a new branch July 1, its 100th office in the metropolitan area, at East End Avenue and 83rd Street in Manhattan. Howard A. Hassard is Manager and George R. Belle, Assistant Manager of the branch. Both are Assistant Treasurers of the bank.

* * *

Edward F. Barrett, Trustee and Vice-President of the **East River Savings Bank, New York,** died June 30. He was 70 years old.

He entered the banking business with the **National City Company of New York** in 1918 and in 1926 was elected a Vice-President of National City Bank of New York.

* * *

William H. Moore, Chairman of the Board of **Bankers Trust Company, New York** announced the election of Robert F. Ahlborn, Otis D. Brown, Hugh P. Conway, Thomas A. Herbert and Paul J. Muller to Assistant Vice-Presidents, June 25.

Coincident with the announcement, Mr. Moore made known the appointment of DeWitt C. Livingston to Assistant Treasurer in the Bank's division covering activities in the middle atlantic and New England areas.

Mr. Ahlborn, a member of the Bank's Personnel Relations Department, began his career with Bankers Trust Company in 1932. He was named to the official staff of the Bank in 1955, has been associated with personnel relations work since 1956.

Mr. Brown has been with Bankers Trust Company since 1952. Assigned to the Personnel Relations Department of the Bank, as its Training Director, Mr. Brown is in charge of the various staff training and development.

Mr. Conway began his career with the Bank in 1929. Prior to that date he was associated with the **National Bank of Commerce of New York** since 1918. A member of Bankers Trust Company's Foreign Division since joining the company, Mr. Conway was named to the official staff of the Bank in 1953.

Mr. Herbert who has been an Assistant Treasurer in the Investment Research Division of the Bank since 1956, joined Bankers Trust Company in 1954.

Mr. Muller, appointed an Assistant Treasurer in 1951, is a member of the Bank's Foreign Division, and veteran of more than 25 years service with the bank.

* * *

BANKERS TRUST CO., NEW YORK

	June 30, '58	Mar. 31, '58
	$	$
Total resources	3,178,557,919	3,006,901,024
Deposits	2,819,846,073	2,640,092,682
Cash and due from banks	813,768,636	809,014,059
U. S. Govt. security holdgs.	723,114,563	565,197,307
Loans & discts.	1,435,606,305	1,458,701,998
Undivid. profits	62,955,677	59,699,364

* * *

John T. Madden, Chairman of the Board of **Emigrant Industrial Savings Bank, New York,** announced that Stephen A. Ryan has been elected Comptroller of the bank.

* * *

The Grace National Bank of New York on June 26 announced appointment of Hector R. del Rio, John C. Fitzgerald and Franklin Thomas Smith, Jr. as Assistant Cashiers.

* * *

GRACE NATIONAL BANK OF NEW YORK

	June 30,'58	Mar. 31,'58
	$	$
Total resources	222,341,371	214,032,354
Deposits	186,516,921	182,156,413
Cash and due from banks	58,133,281	57,468,184
U. S. Govt. security holdings	52,872,477	49,933,297
Loans & discounts	88,165,736	88,119,836
Undivided profits	2,036,086	1,699,530

* * *

Plans for a merger of **Commercial State Bank and Trust Company of New York and Bank of North America, New York** were approved June 26 by the Boards of Directors of the institutions, it was announced jointly by Jacob Leichtman, President of Commercial State Bank, and Louis E. Goldstein, Board Chairman of Bank of North America.

Under terms of the proposed merger, the consolidated institution would be known as **Commercial Bank of North America.** It would have assets exceeding $150,000,000 and would operate 12 branches in Manhattan, Brooklyn, Queens and the Bronx.

Jacob Leichtman, President, and D. Mallory Stephens, Chairman of the Board of Commercial State Bank, would serve as President and Chairman respectively of the merged institution. Louis E. Goldstein, Board Chairman of Bank of North America, would be Vice-Chairman. Charles D. Runyan, President of Bank of North America, would be a director and Senior Vice-President of the consolidated institution. Sidney Friedman, chairman of the executive committee of Bank of North America would occupy the same position in Commercial Bank of North America.

Stockholders of the two banks will vote upon the plan of merger in meetings next month. The proposed merger is subject to the approval of the State Department of Banking.

Approved by the Directors is the proposed issuance of 470,563 shares of stock, par value $5 per share, by the consolidated institution.

Shareholders in Bank of North America would receive a total of 141,166 shares, or one share of Commercial Bank of North America for each share now held.

Shareholders in Commercial State Bank and Trust Company would receive 329,396 shares in the merged institution, or 3.617 shares for each share of Commercial State Bank stock now held.

Capital funds of the consolidated institution would be in excess of $11,000,000, not including reserves, it was reported by Mr. Leichtman. Commercial State Bank and Trust Company currently has total resources of over $120,000,000 and deposits in excess of $100,000,000. Bank of North America has total resources of more than $30,000,000 and deposits of $25,000,000.

* * *

On July 3, 1819, when **The Bank for Savings, New York,** opened for business in a basement room in the "Old Alms House" in City Hall Park 80 depositors banked a total of $2,807. That was the start of New York State's first mutual savings bank, a non-profit institution established entirely for the benefit of its depositors. The chief purpose of the bank was, and still is, to provide a safe place for the savings of the people and to see to it that their money earns steady interest.

Alfred S. Mills, new President of The Bank for Savings reports that since 1819 it has served over 2,000,000 people. During 139 years, uninterrupted dividends totaling $337,000,000 have been paid to depositors. Today, the bank's assets are over a half billion dollars.

* * *

Burr P. Cleveland, a former director of the **Federal Reserve Bank of New York,** died June 25, at the age of 61. Mr. Cleveland was President of the **First National Bank of Cortland, N. Y.,** and director of the New York Federal Reserve Bank from 1950 to 1953.

* * *

GUARANTY TRUST CO. OF NEW YORK

	June 30, '58	Mar. 31, '58
	$	$
Total resources	3,225,741,564	3,167,081,776
Deposits	2,685,890,156	2,558,572,900
Cash and due from banks	518,168,528	723,304,626
U. S. Govt. security holdgs.	880,512,700	539,143,178
Loans & discts.	1,583,717,086	1,581,703,109
Undivid. profits	99,344,009	96,680,562

* * *

IRVING TRUST CO., NEW YORK

	June 30, '58	Mar. 31, '58
	$	$
Total resources	2,069,523,134	1,912,952,751
Deposits	1,862,648,379	1,717,749,754
Cash and due from banks	482,534,142	496,646,788
U. S. Govt. security holdgs.	470,710,908	385,765,012
Loans & discts.	955,643,178	858,675,495
Undivid. profits	26,632,916	25,752,785

J. P. MORGAN & CO., INCORPORATED NEW YORK

	June 30, '58	Mar. 31, '58
	$	$
Total resources	1,075,917,654	920,956,147
Deposits	951,393,696	803,993,309
Cash and due from banks	309,299,943	233,401,541
U. S. Govt. security holdgs.	261,421,835	189,603,456
Loans & discts.	384,940,821	392,661,884
Undivid. profits	16,078,438	18,747,127

* * *

THE NEW YORK TRUST COMPANY NEW YORK

	June 30,'58	Mar. 31,'58
	$	$
Total resources	948,241,425	872,378,797
Deposits	842,184,737	764,059,787
Cash and due from banks	273,905,202	207,841,249
U. S. Govt. security holdings	169,357,309	173,676,498
Loans & discounts	436,275,258	423,811,136
Undivided profits	13,421,401	12,614,366

* * *

THE BANK OF NEW YORK

	June 30,'58	Mar. 31,'58
	$	$
Total resources	619,985,553	549,919,485
Deposits	554,705,110	480,396,672
Cash and due from banks	219,036,038	148,874,787
U. S. Govt. security holdings	101,758,167	92,840,060
Loans & discounts	255,110,437	257,706,844
Undivided profits	5,579,616	5,294,792

* * *

J. HENRY SCHRODER BANKING CORP. NEW YORK

	June 30,'58	Dec. 31,'57
	$	$
Total resources	136,795,394	133,181,654
Deposits	92,142,410	94,971,695
Cash and due from banks	18,689,956	18,021,249
U. S. Govt. security holdings	47,659,934	51,773,122
Loans & discounts	30,397,246	32,631,883
Surplus and undivided profits	5,700,000	5,600,000

* * *

SCHRODER TRUST CO., NEW YORK

	June 30,'58	Dec. 31,'57
Total resources	$89,088,277	$74,419,878
Deposits	81,468,468	66,655,058
Cash and due from banks	13,434,461	15,476,425
U. S. Govt. security holdings	48,083,694	38,161,962
Loans & discounts	20,434,527	19,666,769
Surplus and undivided profits	2,800,000	2,750,000

* * *

As of the close of business June 30, the unification of the **Vermont Savings Bank, Brattleboro, Vt.,** with the **Vermont-Peoples National Bank of Brattleboro, Vt.** was to be completed. This resulted in the largest commercial bank and oldest bank in Vermont. This unification is under the charter of the Vermont-Peoples National Bank of Brattleboro and the new name is **Vermont National and Savings Bank, Brattleboro, Vt.,** which will be a commercial and savings bank with resources of over $40,000,000, and capital funds of over $3,000,000.

This unification of a mutual savings bank with a national bank is a very unique operation and it is the first such unification to be completed in the United States. This merger has been brought about by the Vermont-Peoples National Bank of Brattleboro acquiring the assets and assuming the liabilities of the Vermont Savings Bank, raising $1,900,000 of additional capital to carry the enlarged bank and changing its name to **Vermont National and Savings Bank, Brattleboro.** This will give the bank the largest lending power of any commercial bank in Vermont.

Stockholders were offered rights to subscribe to preferred and common stock on June 9 and by June 23 when the rights expired on common stock, all stock had been sold and the common stock had been over-subscribed 25%.

William I. Tucker, the President of the Vermont-Peoples National Bank of Brattleboro, will continue as President of the enlarged unified bank, and Paul H. Ballou, President of the Vermont Savings Bank, will be Chairman of the Board.

* * *

Philip J. Stueck, President of the **City Savings Bank, Middletown, Conn.,** died June 24 at the age of 80. Mr. Stueck became President of the bank in 1926.

* * *

Frederick W. Shelley, Chairman of the **Morris County Savings Bank, Morristown, N. J.,** for more than 50 years, died June 23. His age was 75.

Henry Knepper, 58, Chairman of the **First Camden National Bank and Trust Company, New Jersey,** died June 23. Mr. Knepper had been with the bank since 1944, and was a director and former President.

* * *

Charles Raymond Cornell, Vice-President of the **Frankford Trust Company, Philadelphia, Pa.,** died June 22 at the age of 69.

* * *

The First National Bank of Trevorton, Pa., with common capital stock of $50,000, has gone into voluntary liquidation by a resolution of its shareholders dated May 28, effective at close of business May 29. Liquidating agents or committee: Messrs. Edward J. O'Rourke, Modes Foieri and Chester F. Yordy, care of the liquidating bank. Absorbed by: **National-Dime Bank of Shamokin, Pa.**

* * *

Following the regular monthly meeting of directors of the **Society National Bank, Cleveland, Ohio,** Mervin B. France, Chairman of the Board, announced the election and appointment of a new Assistant Vice-President.

On June 16, John K. "Barney" Burry joined Society National as an Assistant Vice-President, with duties in the commercial banking division.

He comes to Society with 10 years' experience in the commercial banking field. Previously, he was a Manufacturers Representative.

* * *

By a stock dividend, **The Cenmon capital stock of The Chicago Heights National Bank, Chicago Heights, Ill.,** was increased from $200,000 to $300,000, effective June 20. (Number of shares outstanding—15,000 shares, par value $20.)

* * *

By a stock dividend, **The Central National Bank of Carthage, Mo.,** increased its common capital stock from $150,000 to $300,000 effective June 17. (Number of shares outstanding — 12,000 shares, par value $25.)

* * *

Leonard G. Miller has been elected President of the **Mercantile National Bank of Miami Beach, Fla.,** according to an announcement by Joseph Weintraub, Chairman of the Board.

Mr. Miller, former President of the **Mutual Bank and Trust Co. of St. Louis, Mo.,** resigned his position with that bank on April 30. He assumes his duties at Mercantile on July 1.

The position of President as well as Chairman of the Board had been held by Mr. Weintraub since the death of previous President Gordon H. Robertson last year. Mr. Weintraub retains his position as Chairman.

Mr. Miller was one of the organizers of the Mutual Bank and Trust Co. of St. Louis in 1934, starting as an Assistant Cashier. He became its President in 1955.

He has had a long and varied career in banking, dating back to 1918. Through the years he has worked in all departments of banks, helped organize several banks, and served as a bank liquidator.

* * *

Hutchings-Sealy National Bank of Galveston, Tex., and The First National Bank of Galveston, Tex., consolidated on June 30, to form the **First Hutchings-Sealy National Bank of Galveston, Tex.**

* * *

The First National Bank of Everett, Wash., increased its common capital stock from $1,000,000 to $2,000,000 by a stock dividend, effective June 20. (Number of shares outstanding—80,000 shares, par value $25.)

* * *

The appointment of H. E. McClenaghan as a representative in the United States of **The Royal Bank of Canada, Montreal, Canada** with headquarters in Dallas, Tex., has been announced.

This is a new post which has been designed to place the Royal Bank's facilities in Canada, Latin America and elsewhere more closely at the disposal of banks, clients and prospective clients in the oil and gas producing centres of the mid-continent area of the United States.

Mr. McClenaghan has had over 20 years banking experience, including three years at the bank's Head Office in Montreal. Joining the "Royal" in 1937 in Saskatchewan, he has served at a number of points in Canada, including Prince Albert and Regina. Since 1951 he has been stationed in Calgary, Alberta where he has occupied senior positions associated with the bank's oil and gas financing operations.

The Royal Bank of Canada is Canada's largest bank and the fourth largest in North America, with assets now exceeding $3,750,000,000. Operating over 900 branches throughout Canada, the Caribbean area, Central and South America, and with offices in New York, London and Paris, the "Royal" was among the first to become conscious of Canada's oil and natural gas potentialities.

* * *

Francis Bowen was elected Senior Vice-President of the **Government Development Bank for Puerto Rico,** it was announced by Dr. Rafael Pico, President. Mr. Bowen had been Vice-President of the bank since 1954. Roberto Montalvo was elected Executive Vice-President. He joined the bank in 1949 and was elected Vice-President in 1956. Pedro Souss, Controller, was elected to the additional office of Vice-President and Arturo Gallardo was elected Vice-President in charge of loans.

Orange & Rockland Utilities, Inc. Bonds Offered to Investors

Halsey, Stuart & Co. Inc. and associates offered on July 1 an issue of $10,000,000 Orange and Rockland Utilities, Inc. first mortgage 4½% bonds, series F, due June 15, 1988, at 102.50% and accrued interest, to yield 4.35%. The group won award of the bonds at competitive sale on June 30 on a bid of 101.559%.

Net proceeds from the financing will be applied by the company toward the repayment of bank loans incurred in connection with the construction program and the retirement of preferred stock of The Orange and Rockland Electric Company.

The series F bonds will be redeemable at general redemption prices ranging from 107% to par, and at special redemption prices declining from 102½% to par, plus accrued interest in each case.

Orange and Rockland Utilities, Inc. and its subsidiaries are engaged in the generation, purchase, distribution and sale of electricity, and the purchase, distribution and sale of natural gas for heating, industrial and general utility purposes. Territory served has an estimated population of 294,000, covers about 1,350 square miles, embracing all of Rockland County, most of Orange County and part of Sullivan County, in New York State. In New Jersey, a subsidiary serves the northern parts of Bergen and Passaic Counties and small areas of Sussex County, and another subsidiary serves part of Pike County, Penn.

For the 12 months ended March 31, 1958, the company and its subsidiaries had consolidated operating revenues of $25,048,000 and consolidated net income of $2,588,000.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market appears to be recovering its equilibrium following the tossing around it took when the free riders, speculators and traders, were scared out of the market because of reports that the easy money policy would be changed due to improving economic conditions. It is the opinion of most money market followers that the Government market has been helped considerably by the recent shake-out, although more time will be needed before the improving positions of the 2⅝s of 1965, and the 3¼s of 1985 will be solid enough to consider these securities well distributed.

Demand for short-term Government issues continues to be sizable and it is evident that corporations are again building up their holdings in the most liquid Treasury obligations. The better tone in the Government market has also improved the demand for corporate and tax-exempt securities, especially the shorter-maturities of the latter.

Active Money Ease Policy Continues

In spite of reports to the contrary, the Federal Reserve Banks are continuing the policy of active ease in the money market. Purchases of Treasury bills by the Central Banks have tended to offset the money tightening forces, including the outflow of gold, so that the money market has been able to maintain its balance in face of the sharp shake-out which took place in the Government market about a fortnight ago. Excess reserves of the member banks are still being maintained at a high level and there are no indications yet that the $500 million or thereabouts of free reserves of the member banks of the system are going to be reduced very much, if any, in the immediate future.

Speculative Shake-Out Helps Market

The fast and severe reaction which took place in the Government market has had a favorable effect upon the technical position of many of the Treasury issues, since it has eliminated a large number of joy riders from these securities. The so-called free rides and speculative profits which have been taken in Government obligations since last November, when the easy money policy of the monetary authorities was started, appears to have ended. To be sure, some very sizable profits have been taken out of the Government market by traders, dealers and other professional operators, since the supposedly recession-stopping monetary policy was initiated by the powers that be. Yet, on the other hand, not a few of the Johnnys-come-lately have had their fingers burnt in the decline which took place recently. The fact that prices of Treasury obligations can go down as well as up is not considered to be an unfavorable development as far as the Government market is concerned.

"Bills Only" Policy Remains in Effect

The amount of bonds that will have to find a permanent home before the Government market is again on solid footing is subject to considerable conjecture, although it is the opinion of some money market specialists that the 2⅝s due 1965 are being taken out of the market in an important way by investors. It has been reported that this bond was being bought by the Federal Reserve Banks, but published figures show that the "bills only" policy of the monetary authorities is not being deviated from. If there have been purchases of the 2⅝s due 1965 and the 3¼s of 1985 by the Federal Reserve Banks, it was not for their own account, but most likely for the account of the various Government agencies.

Treasury to Rely on Commercial Banks for Funds

Even though the honeymoon appears to be over when it comes to making speculative profits in Government securities it does not seem as though there is going to be any abrupt change in the Government market in the foreseeable future. The Treasury has a large amount of new money to raise in order to take care of the deficit which is being born with the advent of the new fiscal year. In addition, there are refunding operations which will also have to be provided for. Although the way in which these undertakings of the Treasury are carried out will have a marked influence on the future course of the Government market, it appears to be the judgment of most money market followers that the bulk of these securities will have to go to the commercial banks. This means that the Federal Reserve Banks will have to provide the reserves for the member banks so that they will be able to buy these obligations.

The sale of large amounts of Government securities to the deposit institutions would seem to indicate that the maturities will not have too long to run. Bonds with a long maturity should be sold outside of the banking system.

Purvis & Company Formed in Denver

DENVER, Colo. — Purvis and Company has been formed at 1717 Stout Street.

The new firm will do a general investment, brokerage and securities business emphasizing western securities. With service available to both industrial and private investors, Purvis and Company will function in special situations, while speculative issues will be approached on a selective basis. The company has a direct wire connection to all major cities as well as leading brokers in Denver.

Head of the firm is Virgil J. Purvis, formerly Vice-President and General Manager of Publix Cab Co. until its merger with Yellow Cab.

Vice-President and Sales Manager of the new firm is Russell Slade, whose investment background dates back to 1925 when he was employed as a board marker for the original Denver Stock Exchange in the Albany Hotel. Since then Mr. Slade has headed his own investment securities house in Denver and has worked as Sales Manager for investment firms in Texas and Oklahoma City.

Vice-President and Manager of the Trading Department is John F. Tice, previously associated with Boettcher & Co.; Merrill Lynch, Pierce, Fenner and Smith and Carroll & Co.

Electronic Industry's Prospects Seen as Economy's White Hope

Stromberg-Carlson head depicts projections for electronics industry indicative of a "pretty fantastic rate of growth," and refers to the industry as this recession's "White Hope."

In an address before the 7th annual California Group Conference of the Investment Bankers Association of America, held at Santa Barbara, Calif., July 1, 1958, Mr. Robert C. Tait stated:

Robert C. Tait

"I know of no major industry in this country that is growing as fast as the electronics industry. From annual sales of a half billion dollars prior to the war it has mushroomed up to 15 times this size, with sales of $7.6 billion last year. Of that, approximately half, or $3.8 billion, was in military electronics. It is estimated that this portion of the electronics business, that is the military, will double again to around $7.6 or $7.7 billion in the next five years, through 1963; and that the other half, or nonmilitary electronics, will expand by some 50% over the same period.

Mr. Tait, who is President of Stromberg-Carlson Co., a division of General Dynamics Corp., stated that "this is a pretty fantastic rate of growth, and it is for this reason that I refer to the industry as perhaps the "White Hope" in this current slump.

"Opinions seem to be fairly general now," he added, "that although the recession is bottoming out it is not likely to spring back fast, and that we are in for a slow, gradual recovery that will constitute a period of slower than average growth, some say for as much as five years. I doubt this myself. As a matter of fact, many of the same people who recently expressed these opinions, not more than nine months ago—last September—looked on the balance of '57 and the first half of '58 with considerable optimism. I think they were too optimistic then and too pessimistic now, that if you cut these extremes down the middle you may come nearer to being right.

"The industry could, and I think will be the next great expansion industry in this country, big enough to lead the way into another boom, as other industries have in former recessions or depressions."

Peter Brochu & Son On European Tour

Peter Brochu, of Allen & Company, New York City, and his son James, are leaving July 3 for an extended tour of Europe by air. While abroad, in addition to attending the Brussels Fair, they will visit Ireland, England, France, Italy and Spain.

John R. Maher Opens Own Office

John R. Maher has formed John R. Maher Associates with offices at 32 Broadway, New York City, to engage in a securities business. Mr. Maher was formerly with Amos Treat & Co. and Stamrowe Trading Company.

Democracy Faces The Critical Test

By MALCOLM P. McNAIR*
Lincoln Filene Professor of Retailing
Harvard Graduate School of Business Administration

Decrying the apathy with which American people are said to be reacting to Soviet drive "for ultimate triumph in military, scientific and economic achievement," Professor McNair proposes we adopt drastic measures of self-discipline to meet this growing challenge to our way of life. After painting a dark picture which includes economic and non-economic problems we are found not to be handling well, the composition of the Soviet threat and what an adequate defense would entail, the well known retailing expert prescribes we change our scale of values so that we voluntarily fight for our freedom by: spending more on defense, increasing our taxes, working harder, curtailing special privileges, raising educational standards, and channeling our brains into more needful activities.

Since the middle of 1957, two events have shaken the complacency of our current American way of life. The Sputniks, as a symbol and portent of the age of push-button annihilation, have gone part way toward destroying the notion that our free enterprise system will automatically provide superiority in scientific achievement over the regimented efforts of the Soviet dictatorship. And now the sharp decline in business and the swift rise of unemployment have raised doubts as to whether the business cycle really has been tamed, as to how far our economy really is depression-proof.

Prof. M. P. McNair

How can democracy meet the crisis of our times?

There is one quotation that will serve as a signboard. These are the words spoken by a great American who was born 100 years ago this year:

"Americanism," wrote Theodore Roosevelt, "means the virtues of courage, honor, justice, truth, sincerity and hardihood—the virtues that made America. The things that will destroy America are prosperity-at-any-price, peace-at-any-price, safety-first instead of duty-first, the love of soft living and the get-rich-quick theory of life."

The sudden appearance of the first Sputnik last October undeniably scared us, but in my opinion it did not scare us half enough. We need a far greater sense of urgency than exists today. It is rather ironical that we panicked about Sputnik I when up to that time we had virtually ignored the menace of Russia's great supremacy in submarines and growing power in long-range bombers. Too many people have not yet accepted the basic reality of the Soviet drive for world dominion. We have been lulling ourselves to sleep with the illusion that time is on our side, but time is not on our side and is running out at a frightening rate.

Three-Way Threat

There are three phases of the Soviet threat which virtually concern all of us.

The first phase is the very real danger of attack within the next two or three years. In commenting on this crisis, J. Sterling Livingston has pointed out:

"Some military experts . . . believe that the Russians already possess the capability to destroy close to 100% of our strategic forces through a surprise combination attack by submarine-launched missiles, long-range aircraft, and nuclear sabotage. For example, Dr. Ellis A. Johnson, Head of Johns Hopkins University's Operations Analysis Office—which has been conducting tactical and strategic studies for the Army for ten years—believes that a Russian attack would be more than adequate right now to destroy our ability to retaliate effectively. Some military men in the North American Air Defense Command are reported to share this opinion concerning the vulnerability of our strategic forces.

"Allen Dulles, Director of Central Intelligence Agency, testified before the Senate Preparedness Subcommittee that almost all American air bases in Europe and Africa are now within range of Soviet operational and on-site ballistic missiles. Accordingly, the 'alert' time available to get bombers in the air from these bases has been reduced to a couple of minutes. . . . By late 1959 the Soviets could deploy enough intercontinental ballistic missiles to neutralize the Strategic Air Command's continental U. S. bases. . . .

"We do not now have an adequate means either of detecting or intercepting [the Soviet ICBM] missiles, and a workable missile defense system is not expected to exist before 1962 at the earliest. . . . Our vulnerability to attack during the 1959-62 period is apparent." [1]

The second phase is the threat over the next six to ten years of the steady march of Russian aggrandizement — piecemeal agression, infiltration, missile blackmail—designed to accomplish the complete isolation of our nation and its eventual surrender.

Then, even if we can successfully counter these first two phases of the Soviet threat, there is the long drawn-out phase of continuing cold war, which will increasingly become a race for economic and scientific supremacy. For the future of freedom it may be just as dangerous for us to lose this race as for us to be beaten in either of the earlier phases. If we do not begin to change our attitudes on the underlying problems of national safety and survival in the next two years, or even sooner, we are not going to have much chance even through we forestall attack in the meantime.

A Realistic Look at Our Problem

Let us look realistically at our opponents and for the moment ignore certain aspects which inevitably color our thinking about the USSR—the intrigue, knifing, and purges at the top; the cold brutality of control of conquered peoples so well demonstrated in Hungary; the nonsense of dialetical materialism; the utterly unscrupulous and Machiavellian foreign policy. Ignoring these things, what do we see?

Certainly the Russians are outstripping us in several branches of science, particularly in the development of rocket fuels and the guidance of missiles and satellites. They have confounded our experts with their timetable of weapons development, and now they are beginning to make pronounced economic strides, pushing their average rate of industrial growth at a pace distinctly faster than ours.

Let's not kid ourselves that the Russians are doing all this with mirrors, with clumsy imitations of Western products, with captured German scientists, and with propaganda stories in *Pravda*. We had better wake up to the fact that behind all the things that we rightly detest there are a lot of people working hard and intelligently. There are hard work, long hours, dedication to achievement of objectives, a tremendous desire on the part of individuals to excel. There is a will to succeed; there are rigorous standards of performance. There is concern with getting jobs done rather than with such things as inter-service rivalries and preoccupation with human relations. And inevitably there must have been the development of an administrative and educational "elite," leaders who have risen by merit. This is a people who have made education a weapon.

In spite of the excitement about the Sputniks, we have not yet really waked up from our comfortable dream. We are still loath to surrender the notion that the millions of centers of initiative in a free country will automatically provide superiority in all lines of endeavor over a controlled dictatorship. On a broad cultural front this concept might be true, but it is not automaticaly true as against planned and concentrated effort channeled down particular lines. And when those particular lines of endeavor threaten our national existence, it is immeasurably stupid to sit back in complacent contemplation of the alleged superiority of the American way of life for producing a high standard of living and a well-rounded cultural development.

Furthermore, the notions that sooner or later the Soviet dictatorship will fall apart of its own weight and inefficiency and that it will be unable to provide its people with an acceptable standard of living must also be abandoned. Russian achievement will not wane; on the contrary, it will grow.

Need for Adequate Defense Expenditure

How can we successfully counter this Soviet drive for superiority and ultimate triumph in military, scientific, and economic achievement?

We ought to recognize that we cannot do it merely by spending dollars; and yet, paradoxically, in the years ut ahead we undoubtedly must spend many more dollars for defense purposes than we are now doing. As I see it, our defense expenditures must be adequate for five purposes:

(1) Today's weapons must provide a deterrent to immediate attack. Right now that means more bombers, more crews, and more bases.

(2) Tomorrow's weapons must be far enough along to provide assurance that we shall have a deterrent tomorrow.

(3) Basic research must be adequate to ensure that the day after tomorrow's deterrent also will be effective.

(4) In the meantime certain civilian defense measures to ensure survival are important, especialy psychologically.

(5) We must be prepared (which we are not today) both physically and psychologically to fight smaller wars, wars of containment, with conventional weapons.

This fifth purpose is especially important. I believe we have completely failed to realize how a continued stalemate in nuclear weapons (which we are anxiously trying to achieve) frees Russia for a program of world conquest by piecemeal aggression, infiltration, and so on. This is a threat that must be countered unless the West is going to continue to retreat into surrender. Our dilemma is this: we have steadily claimed that we will not start a nuclear war, but at present we have no other means of countering piecemeal aggression.

Undoubtedly we should be spending much more money for all these defense purposes, probably on the order of at least 50% to 75% more. Not only must we spend more, but we undoubtedly can spend more if we will face up to the true urgency of the situation. For one thing, we can divert several billions of spending from such wasteful nonessentials as the farm subsidy program. Furthermore, we could take 5% out of present consumer spending for goods and services by increased taxes on individuals, and with that \$14 billion we could increase defense spending by more than one-third. During this present period, when business expenditures for plant and equipment are falling off by some 13% from the high level reached in 1957, the economy could afford to divert some of that slack to defense spending.

Such shifts in consumer and business spending, of course, would have to be considered temporary. For the longer run the more significant answer is that we can increase our total output, our Gross National Product, sufficiently not only to cover substantially higher defense expenditures but probably at the same time to maintain the current rate of consumption. This can be done by a moderate increase in hours worked; by a moderate increase in the size of the work force, perhaps drawing in more older people and more women; and particularly by increasing efficiency through inducing labor to forego featherbedding practices.

By these means, I am convinced that we could double our national defense expenditures without hurting ourselves economically and without unbalancing the budget, except perhaps in short-run periods. It all depends on our system of values. How much is national survival worth to us? Harder work? Restraint in wage demands? Perhaps even some of the kinds of controls we previously experienced in wartime? It will not be easy to make such sacrifices, but it will be far easier than coming out second in the race.

Government Should Do What Private Enterprise Cannot

In emphasizing the need for greater defense expenditures I do not want to associate myself with those who view increased government spending (in proportion to the total Gross National Product) with equanimity. I fully recognize legitimate reasons for increased government spending on national defense and necessary services which only government can provide—highways, airways, traffic control, and so on. But I still stick to the old concept that government should do only what is needful and what private enterprise cannot do, or what private enterprise cannot do as well as government can do.

The reasons, to my mind, are very simple:

(1) Lack of the pressure to make profits makes government more inefficient than private enterprise.

(2) As a corollary, Parkinson's Law applies more obviously to government activity than to private enterprise.

(3) Pork-barreling and boondoggling activities are impossible to eliminate. (For example, on the list of free government publications are such titles as: "Ornamental Woody Vines for the Southern Great Plains"; "Chiggers, How to Fight Them"; "Cooking with Dried Egg"; and "Apples in Appealing Ways.")

(4) Government is definitely less honest than business. Consider what government did to a lot of defense contractors and subcontractors in the economy drive of 1957 (a procedure, incidentally, which was clearly one of the precipitating factors in the present business recession).

Obviously, our democracy can meet the Soviet drive for superiority only if all 170 million of us as individuals are willing to work at it, only if we are prepared to change some of our attitudes, to alter some of our present values, to take a point of view a little longer than today or tomorrow, to forego the fast buck now and then, and to recognize that freedom can be retained only if we are quite literally willing to fight for it. Thus, increased defense spending is only the surface aspect. The real question is whether we, as individual Americans, have what it takes. Have we got the guts to come through?

Problems We Are Not Handling Well

There are many problems which our democracy today is not handling well. For example:

(1) Our democracy's greatest failure today is in education. Here the indictment is becoming quite clear. There is an intellectual Gresham's Law in operation in our schools. Free high school electives; courses in social aptitudes and life adjustment, cooking, love and marriage, first aid, automobile driving, and so on; little or no homework; no competitive pressures; automatic promotion; grading on progress rather than standards; and all the rest of the claptrap of alleged modern progressive pragmatic education have largely driven out courses calling for serious intellectual endeavor.

We have forgotten that the proper task of education is training the mind. According to Sloan Wilson, only 12% of high school students are taking any mathematics more advanced than algebra, only 25% are studying physics, and fewer than 15% are studying a foreign language. There are 10 million Russians studying English, but only 8,000 Americans studying Russian.[2]

Partly as a consequence of all this insidious nurture of intellectual flabbiness, our current younger generation has no strong motivation to excel. In place of the goal of doing a good job we seem to have substituted the goal of being a good guy. Thus we in this country are no longer producing in sufficient numbers the necessary "elite" groups for leadership. In the words of William Mentor Graham, the man who was primarily responsible for the education of Abraham Lincoln, "Lazy minds make a dying nation."

(2) Another problem, closely related to education, which we are obviously handling badly today is juvenile delinquency.

(3) The problem of desegregation is another of our failures.

(4) We are bungling the task of agricultural readjustment. The enormous waste of taxpayers' money in price supports increases rather than reduces agricultural surpluses, adds to the inflated cost of living, bids fair to destroy the world market for our products,

*An address by Prof. McNair before the 4th Management Development Workshop, National Retail Merchants Association at Harvard Business School, Boston, Mass., June 19, 1958.

1 From a speech given before the Ninth Annual Midwest Regional Conference of the Harvard Business School Alumni Club, Detroit, March 29, 1958.

2 "It's Time to Close Our Carnival," *Life*, March 24, 1958, p. 36.

and in the case of cotton, for instance, is gradually throttling an entire industry of great importance to our national economy.

(5) Increasingly evident is our failure to deal effectively with the problem of labor monopolies. In the public interest the monopoly power of labor must be curbed, just as the monopoly power of business enterprise has been curbed. Here again we are making no progress. The unchecked pressure of organized labor for wage advances is an important ingredient of our present economic weakness. Unless suitable restraints are developed — and there is no sign of these on the horizon—we shall find it increasingly difficult to preserve any semblance of economic equilibrium. The wage advances seemingly on the cards for 1958 are particularly disquieting.

(6) Closely related is the highly disturbing problem of inflation. The latest report of the United States Bureau of Labor Statistics shows another advance in the cost of living index; the 17th one in 19 months, bringing the cost of living some 23% higher than it was only 10 years ago, in 1948. This rise in the cost of living, coming when business output and employment are declining, suggests a serious dis-equilibrium which we have so far failed to deal with.

(7) Obviously this dis-equilibrium is part of the general business cycle problem, and here I apprehend that we shall shortly have to admit failure to deal effectively with the problem of recurring booms and depressions. During the latter part of the post-war period the demise of the business cycle was announced with increasing frequency. It now begins to appear that such reports were, to say the least, premature. There is substantial evidence that the current business downturn is going well beyond the recessions of either 1948-1949 or 1953-1954.

It is increasingly difficult to characterize this as a rolling readjustment. This time there are many of the classic signs of the old business cycle—overexpansion of capital goods, high debt levels, a severe cost squeeze on profits, high prices of finished goods in contrast to pronounced weakness in the world price of raw materials, with serious repercussions on world trade and exchange—all accompanied by a distinct waning of boom psychology and a growth of business pessimism. What this all adds up to is essentially the consequence of too much boom, of trying to do too many things too fast, of trying to borrow too much from the future.

In spite of all our undeniable improvements in the business and financial structure since the 1930's, we apparently have not yet learned how to keep business booms from getting out of hand, nor have we learned how to time control measures.

And, on the other side of the coin, in seeking to check the downturn there is a current disposition to apply political remedies which may well prolong the depression (as happened in the 1930's, when the United States was slower than any other nation in recovering from the world depression) and at the same time set the stage for a later massive inflation.

The vulnerability of capitalism to periodic deperssion is. of course, a major tenet of the Marxist philosophy, and I am sure that the ruling circles in Moscow will make the most of the current business downturn in the United States. To take the most pessimistic view, our preoccupation with economic problems on the domestic front could give Russia a good opportunity to strike.

But more probable, in my opinion, would be Soviet utilization of our economic difficulties to bore from within, fomenting dissention among our NATO allies, indulging in piecemeal aggression in various parts of the globe, endeavoring to pressure us into withdrawing from overseas bases, and so on. Our dilemma today is that for the short run we cannot afford to have an economic depression in the United States, and for the long run we cannot afford to patch up our economy with political shin plasters.

(8) To add one more to our list of failures, the world trade problem is certainly not approaching solution. This is becoming an increasingly critical matter, affecting relations with the European economic community, relations with our NATO allies, and, indeed, our ability to retain our foreign bases.

I have cited these instances of the failure of our democracy to deal effectively with critical problems not from any utopian desire for perfection in the management of human affairs but to emphasize how seriously we are jeopardizing the future of our free institutions. We are fighting a determined, ruthless society which has a completely different set of values from those of Western civilization. Many philosophers, political theorists, and students of government from the early Greeks down to the present have expressed doubts as to the ultimate outcome of democracy. Are we on our way to confirming these doubts? These are the critical years that will decide.

How Will Issue Be Resolved?

How will this issue be decided? Quite frankly, the testimony of history is against us. It is an old story, often enacted on the stage of history. While the nice soft little boys, well-mannered, all dressed up in their Sunday best, and scrupulously considerate, are engaged in refining the niceties and improving the rules of gentlemanly conduct, the tough hard boys climb over the fence and take away the marbles.

Pre-Sputnik America, fat, dumb, and happy, was the greatest sitting duck in history. With our end objectives of prosperity, a high standard of living, economic security, short hours, expanded leisure, agreeable life adjustment, and so on, we were not and are not keeping pace with our enemies' dedicated drive for superiority in knowledge, superiority in achievement, and superiority in power.

Are we as yet sufficiently scared? I do not think so. Even if attack does not eventuate in the near future, the present signs all point to a continuous retreat of the Western world from "summit" to "summit" and from "Munich" to "Munich" until we find ourselves in the pit. At Yalta, Stalin is reported to have said something like this to Franklin D. Roosevelt: "Your people fear war. My people fear war. But our great strength and your great weakness is that we do not fear war as much as you do."

I don't think it requires any great stretch of the imagination to visualize a sequence something like this:

A "summit" conference, with the immediate objective of securing recognition of Russia's interest" in the Middle East, and for the underlying purposes of confusing and weakening public opinion in the West and at the same time convincing the Russian people that the Kremlin is peace-loving while the West is bent on war.

Further thinly disguised intervention in the Middle East involving the overthrow of governments still friendly to the West, the break-up of the Baghdad Pact, and the support of the Egyptian-Syrian quarrel with Israel.

Establishment of virtual Russian control of the Middle East, with power to close both the Suez Canal and the Red Sea and to shut off the flow of oil to Mediterrean ports.

Exploitation of this control of the Middle East by thinly disguised intervention in North Africa, accompanied by "oil blackmail" pressure against Europe and England.

Rapid growth of the "peace-at-any-price" movement in Great Britain and France.

Overwhelming defeat of the Conservative Party in Great Britain and rise to power of the Bevan wing of the Socialist Party.

Dissolution of the NATO alliance.

Abandonment by the French of their North African empire, and the rise to power in those regions of pro-Soviet governments.

Evacuation by the United States of its overseas bases in Africa, Europe, and Britain, under pressure from the governments concerned.

A sharp step-up of Soviet demands on the United States.

The rapid growth of a "peace-at-any-price" movement in the United States and the winning of an election by whichever party bids for the support of that group.

No doubt along the line there will be other steps in this sequence, such as the resumption of aggression in Korea, Formosa, or elsewhere in the Far East, at times calculated to yield the greatest strategic advantage on the world chessboard. The beginning can well be right now, this summer, and the consummation can occur within as near a period as six to ten years. As the climax nears, the tempo will be accelerated.

Conclusion

I have deliberately painted a dark picture. What is the alternative? Must we become a regimented garrison state? To take that course is an admission that the USSR has already won the intellectual victory; and so we instinctively reject that answer. But we are at a critical turning point. As individuals we shall have to change our scale of values so that we do, voluntarily and with a sense of mission, some of the things that regimentation might require, such things as spending more on defense, taxing ourselves more, working harder, sacrificing something from our standard of living, discipling ourselves more, curtailing special and costly benefits to privileged economic groups, developing rigorous standards and competitive excellence in education, and channeling our best brains into needful activities for national survival.

Can we do these things? Personally, I believe there are some hopeful signs. It looks as if the tide has started to turn in education; and it may not be too much to hope that a changed sense of values will emerge from the present recession, marking the end of the postwar boom era and a setting of sights on new objectives for the years ahead. But the task will be anything but easy, and the need for leaders of the moral stature and evangelistic fervor of Theodore Roosevelt's overwhelmingly great.

Cosby & Co. Formed

CLEARWATER, Fla.—Cosby & Co. has been formed with offices at 1985 Drew Street to engage in a securities business. Officers are Pryor E. Cosby, President; Furman J. Baker, Jr., Vice-President, and M. S. Cosby, Secretary-Treasurer. Mr. Cosby was formerly with Beil & Hough, Inc.

Wallace E. Maclaskey has also joined the firm's staff. He was previously with Beil & Hough, Inc.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

There has been some excessive optimism about concerning the market outlook and earnings of the fire-casualty insurance stocks; hopefulness that this department doesn't share. This is not to say that individual stocks may not show some improvement, both price-wise and in underwriting results. But we are of the opinion that, while investment income may be slightly better for 1958 than it was last year, underwriting results are not likely to be enough better than to compensate for the rise that the fire and casualty stocks had from their lows of around last November.

There have been numerous corporation dividend reductions since the present business recession developed; and this fact will tend to dampen any uptrend in investment income. Probably it is not far from the mark to say that whatever betterment in earnings these insurance stocks register for 1958 will have been largely the result of what investment income increases are registered. Traditionally insurance stock markets tend more to follow underwriting results than they do either investment income trends or portfolio gains or losses.

Many commentators who are depending upon rate increases to justify higher market prices for the industry appear to be somewhat premature. In the first place, not all States are allowing rate changes by any means. In New York State the former superintendent turned down a request for a sizable increase, and the case is now getting into the courts for a decision. When we look back at the painfully slow progress that rate cases make, either in the departments themselves or in the courts, it seems improbable that this one will be rushed through. Besides, delays in such cases are welcomed by the department, as during them the old, low rates continue in effect. Another point in this particular case is that New York State supplies more premium volume than any other State, and hence it is looked upon somewhat as a leader.

And, what if rate increases are granted? In the case of fire and extended coverage policies they are written for three to five years, and, of course, the outstanding contracts on the carriers' books do not have to pay the higher rates until their old policies run off and are renewed. In most casualty lines the contracts run for only one year; but even so, there is the lag between the granting of rates and the full benefit of them by the insurance company.

Fire losses continue heavy. For several months they abated somewhat, but the latest month shows them again on the advance. And the automobile lines continue in most lines to give trouble; jury verdicts are excessive, repair costs increase, and where insurance companies are involved they are often "taken." Package policies, while introduced as a smart selling idea, are nevertheless somewhat costly for the companies as some of the lines of coverage are thrown in to sell the policy and to place the other lines; but the gratis coverages can lead to costly claims.

Probably what the hard-shell State supervisory authorities look at as an excuse to turn down rate changes is the course of the ratio of underwriting results to earned premiums. Since 1930 there have been only seven years showing loss ratios; 20 years in which there were profits. Nineteen forty-six showed the biggest loss ratio at 5.78%, while four plus years either equalled or exceeded that figure. The theory is that the investment end of the business gives the shareholder his dividends; the underwriting gives the company its growth. So it is not at all unreasonable to expect few loss-ratio years; otherwise the company will not attain the growth that protects the policyholder. But do the supervisory overseers accept that?

The insurance companies will emerge from this slough in which they find their underwriting, but not abruptly; it will take some time. Let it not be overlooked that, according to the Alfred M. Best Co. data, on the basis of the ratio of underwriting losses or profits to earned premiums, there were seven profitable years, ended with 1955. Nineteen forty-seven and 1946 showed losses; and then came a string of 13 fat years—not a bad performance.

M. T. Ijams Partner In W. C. Langley

Maitland T. Ijams has been admitted to general partnership in W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange. Mr. Ijams is a former President of the Investment Association of New York.

Maitland Ijams

Joins Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Paul H. Desbrow is now affiliated with Walston & Co., Inc., 550 South Spring Street. He was formerly with Lester, Ryons & Co. and Morgan & Co.

The Role of Banking in The Great American Dream

By DR. EARL L. BUTZ*
Dean of Agriculture, Purdue University, Lafayette, Ind.
Former Assistant Secretary of Agriculture

Former agriculture official, recapitulating the phenomenal pace of agricultural productivity, points out we are on the threshold of our most challenging and prosperous decade providing: (1) our economy successfully keeps itself free of excessive governmental restrictions and regulation, and (2) we direct our energies toward channeling rather than resisting inevitable change in this scientific technological age wherein the geographic frontier has been replaced by a scientific frontier barely scratched. Dean Butz opines it is preferable to cope with the problems of plenty rather than the struggle of not enough and, in depicting the growing area for service and expansion ahead for banking, sees banking institutions playing the central role during the next decade in this unfolding drama called The American Dream.

The American economic and political system has brought living standards for all our people unparalleled in any other country on face of the earth. One need only go abroad for a short time to any part of the globe to see convincing proof that this is true.


Earl L. Butz

With only 7% of the world's population, we have about half of the world's automobiles; half of the world's electric power production; over half of the world's telephones, two-fifths of the world's steel production capacity; a proportion of our young people in high schools and colleges that far outstrips any other nation; over 95% of our farms electrified; radios, TVs, refrigerators, deep freezes commonplace in nearly all of our homes; new home construction passing the 1-million mark again this year; every community busy with construction of new schools, new churches, and new business buildings; and a food production and processing industry so efficient that our growing population is one of the best fed on the earth, and yet we have sufficient food surpluses for substantial distribution overseas.

Truly this is convincing evidence that "The Great American Dream" of yesterday is constantly translated into better living today.

The economic growth of our nation over the past couple of decades has been truly phenomenal. Our economy has doubled in size in less than 20 years. Reliable predictions are that it will double again in the next 20 years. Real income per person in America has increased by about 50% in the last 20 years. Indications are that this likewise will increase about 50% in the next 20 years. This is a phenomenal rate of increase in the economic well-being of our nation.

If you think for a moment that our people aren't 50% better off, on the average, than they were 20 years ago, just drive 100 miles down any road in your home state and look at the new homes, new factories, new schools, new highway, families with two automobiles, TV antennas from the roof, larger shares of youngsters in college, new churches going up all over the place, vast amounts of money spent for vacations and recreation, and a score of other evidences of economic well-being.

Yet today we are experiencing a mild recession. This is but a temporary interruption in our long-time upward growth curve. Its magnitude is not great, in spite of the woeful wails put up by some politicians and calamity howlers.

Nineteen hundred fifty-seven was the biggest economic year in the history of America, with a gross national product of $434 billion. The level of economic activity in 1958 may slightly below that figure but 1958 will still be the second biggest economic year in the history of America; and in my book, the second biggest economic year in our history is not bad! Indeed, it's pretty good. In any event, it's no time to do foolish economic things in the short run that may tend to stifle our continued economic growth in the long-run.

A Great Future Lies Ahead

When the current recession is reversed sometime in the last half of 1958, our economy will again resume its upward trend, with a real opportunity ahead for anybody who has imagination enough to participate in the Great American Dream.

America is on the threshold of its most challenging and most prosperous decade.

This is the age of science and technology based on research. The frontiers of the mind have replaced the frontiers of geography. A thrilling experience awaits every citizen in this great land who has the capacity and the imagination to "dream constructively."

The scientific and technological advances we will experience in the next decade will be unparalleled in American agriculture and industry.

The geographic frontier in America is gone. No longer can a young man "Go West" and stake out his claim. But the scientific frontier in America is barely scratched, and the scientific frontier has no effective limit. It is limited only by the mind and the imagination of man. Its horizons are vertical, not horizontal.

Organized and imaginative research is the vehicle which will push the scientific frontier beyond limits we scarcely dare dream of today. It follows logically, therefore, that if we can keep our economy free and preserve an environment in which individual producers and scientists are free to dream a little about new techniques and new ideas, and to enjoy the fruits of their dreams, we shall experience phenomenal progress in the next generation.

This is a thrilling time to be permitted to live in this great land we call America. Yours is a wonderful opportunity to occupy a front-row seat for the scientific advances occurring in our colleges and universities, in our research foundations and laboratories, and in our business and financial institutions.

Consider with me for a moment our total agricultural plant in this country, which affords an excellent illustration of an industry in the very middle of a far-reaching scientific and technological revolution.

Changes which have occurred in production and marketing during the past 10 years have been phenominal. Still greater changes lie ahead.

American agriculture is now feeding our growing population on science and technology. Today the average farm worker in the United States produces enough food and fiber for himself and 20 others. A generation ago, in 1930, he produced enough for himself and only nine others. A century previously, in 1830, one farm worker produced enough for himself and three others.

Technological changes have resulted in startling increases in output per acre, per animal, and in total farm output. The physical volume of output of U. S. farm products in 1957 was about 50% above a quarter of a century ago. The larger output was produced with about a third fewer farm workers. This means that the output per worker in American agriculture has more than doubled in the last quarter century. This is a record of increased efficiency that can be matched in very few places in the American economy. This has resulted in a higher level of living for farm families, and cheaper food for urban families.

Indeed, the productivity of the American farm worker is so high that our problem in America is to learn how to live with plenty, rather than to struggle along with abortive attempts to restrict farm output the way we've been doing.

It is not necessary to travel very far among the world's food deficit nations to realize what a blessing we have in our American food surpluses. If one must choose between the problem of too much food and the problem of not enough food, I'll always choose the problem of too much. It's a blessed problem.

Our modern scientific agriculture based on research and technology, is so efficient that we now feed and clothe our entire population with only 12% of our people on farms. The first claim of any society upon its total production resources is to get enough food to keep the population alive. This is true in primitive societies, and in highly developed societies. We do this so efficiently in this country that almost 9/10 of our population is available to produce the wide variety of goods and services that make up the American standard of living. On top of this, in the last generation we've fought one major war, did another minor war in Korea, and have tooled up for a third war which we hope won't occur. While we've been doing all of this, our real standard of living per person has increased some 50%.

By way of contrast, the Russian agriculture is so inefficient that some 40% of their workers are required to produce enough food to keep the population going at a subsistence level. As a consequence, there just isn't enough manpower (or womanpower) left to produce things to make life very pleasant in that country. So long as our output per worker remains three times above theirs, there can be little doubt concerning the ultimate outcome of the struggle between our two systems.

It would be possible to fill these pages with specific illustrations, from dozens of vocational areas in this country, of research that has returned its cost a hundredfold. But our interest is in the future. Let's dream a little about that.

Am I Changing With the Times?

The most constant thing about our society is change. Ours is a dynamic economy. This is especially true of the kind of programs and institutions with which you and I deal. It must also be true of our trade association programs, our college research programs; and it ought to be true of our governmental programs involving agriculture, business, and commerce.

We must always ask ourselves, "Am I changing and is my organization changing so as to make a maximum contribution to the changing environment in which I and my organization must operate? Or do I cling to an obsolete set of standards, worn out methods of doing business, an antiquated model of operation?"

These are days when research and industry leaders need greater vision than ever before. They need to spend more time in constructive dreaming than many of us have the inclination or time to do.

Never before in history has the future been so near to us as now. Research and education are shortening the time span of progress. We shall occupy ringside seats in scientific and technological developments during the next 10 years equivalent to changes which our fathers took a generation to accomplish.

This prospect was pretty well summed up a while back by a Washington taxi driver. As he drove down Pennsylvania Avenue, his passenger read aloud the inscription on the face of the National Archives Building: "What is past is prologue." He inquired of the cab driver what that meant. Back came the reply: "That means you ain't seen nothing yet."

So it will be with your work and mine in the next decade.

Technological changes of the kind and rapidity we envision here can mean only an accelerated rate of social and economic adjustment in our rural communities. This will be neither easy nor painless. The best leadership among you will be challenged to guide these adjustments along constructive and beneficial pathways.

Some who worship at the shrine of "status quo" will seek to thwart adjustments which are inevitable in a dynamic and growing society. They will impede progress, and sometimes make the adjustment more painful when it does become inevitable.

Others, with limited vision, will follow the adjustments blindly. They will neither help nor hinder.

I am confident that the leaders of American banking will have the breadth of imagination and the clarity of vision to direct our modern technological revolution down the pathway of a progressive and prosperous industry in a growing, dynamic, and free America.

Our Growth Potential Is Great

In the short span of 10 years, our population has increased by about 25 million to the current figure of 173 million persons. By 1975 it is estimated that the number will be over 225 million. Equally significant, it is estimated that by 1975 the national economy will have about doubled in size, and that per capita real income will be around 50 to 60% higher than at present. Such a rise will bring about a substantial increase in the demand for all kinds of goods and services, including many kinds that we don't even dream of today. That branch of American industry and commerce that keeps up with the march of progress through research will capture more than its pro rata share of this growing market.

There is a growing area for service and expansion ahead for an industry like yours, which accepts the responsibility for its own welfare and its own future, rather than sitting back and waiting for somebody else to do the job for it. Our banking institutions will play a central role during the next decade in this unfolding drama we call The American Dream.

Free Men With Vision Will Do the Job Best

In recent years, a great many sectors of American agriculture and industry have fallen under governmental controls and restrictions. In the case of agriculture, these controls have followed in the wake of price supports at uneconomic levels.

When a commodity gets itself into the fix of producing for the government rather than producing for a growing market, it almost inevitably finds a ceiling placed on opportunity.

Government production and marketing controls are essentially backward looking — not forward looking. Under these circumstances, producers with above-average managerial capacity and ambition are severely limited in what they can do. They suffer, consumers suffer, and all America suffers.

The future of practically all of our business, industry, and commerce is closely tied in with increased efficiency of production, processing, and distribution, through which we can reach an ever growing circle of consumers in the market place, here and abroad. Private enterprise must exercise the initiative in getting this job done.

We must strive ever to preserve a proper relationship between industry and government. We must always keep private enterprise the senior partner, and government the junior partner. It would be easy to reverse this relationship. There are many who would change it. We must be ever vigilant that industry assumes the responsibilities put upon it by our private enterprise system. Otherwise government will become the senior partner. This is inherent in the very nature of government.

We must constantly remind ourselves that the advances of science can be applied most effectively by individual managers in a free industry, unhampered by excessive governmental regulation and restriction.

We must keep before us always the concept that the fruits of our toil are produced to be consumed in useful outlets, and not diverted into purposeless storage or uneconomic uses through politically inspired governmental price and income support programs.

We must all work together to preserve an atmosphere in which freedom of choice remains one of the basic pillars of our economic system. Under such a system, individual producers and individual processors can grow and prosper as far as their ambition and their ability will take them. The right to succeed will be open to everyone. Conversely, the right to fail will also be present.

In our free society, the right to succeed carries with it the right to fail. If, through legislative action of one kind or another, we remove the right to fail, we ultimately will also remove the right to succeed beyond mediocrity. Men of vision and ambition do not want that. They know their future is most secure in an environment which guarantees freedom to choose, freedom to experiment, freedom to become more efficient, freedom to seek and develop new markets, freedom to dream, and freedom to enjoy economic rewards if their dream is successful.

One of the great challenges facing all of us is to see that our economy is not dominated by government—that government helps rather than displaces private enterprise. We can do this only if we are willing to throw our influence on the side of keeping government the servant of all of us—not our master.

The Job Ahead

The American Dream is emerging with breathtaking rapidity. The transformation is taking place so quickly that we are experienc-

*An address by Dr. Butz at the Graduate School of Banking, Rutgers-The State University, New Brunswick, N. J., June 18, 1958.

ing great difficulty in adjusting to it economically, sociologically, and politically.

In this setting, it is particularly important that we give every emphasis to the development of competent leadership among both our young people and our adults.

Responsible leadership and trained minds represent the most powerful resource at our disposal in America today. Yet we seldom regard these items as one of our main resources.

The typical person, when thinking of the nation's resources, thinks of soil, minerals, petroleum, forests, water and the like. However, all of these are exhaustible resources. We currently spend tremendous sums of money and energy in efforts to conserve these resources, recognizing that their supply is limited and that they are irreplaceable.

The resource of trained leadership and intelligent minds is not exhaustible. Indeed, it increases with use. It wastes from nonuse. The more you use it, the more you have of it. There more you share it, the more there is to share. In this respect, it is truly a unique resource.

In this scientific and technological age in which we live, with far reaching economic and sociological adjustments taxing our very imagination, leadership and brainpower will be the critical factor undergirding further growth of our economy.

From another point of view, "The American Formula" can be reduced to five simple terms. They are: (1) abundant and varied natural resources; (2) a population of 173 million persons with a great deal of hybrid vigor in it; (3) a democratic form of government in which every individual has an opportunity to go just as far as he wants to; (4) a code of ethics based on the Judaeo-Christian tradition; and (5) a program of universal education and personal development.

The first four of these items are relatively fixed. They can't be changed very much or very fast. The fifth one — the development of education and leadership — is the only really expandable term in "The American Formula." It is the development of this area that undergirds our whole adult educational program in America.

We talk a lot in America about horsepower. However, our greatest national resource today is brainpower. This complex scientific and social environment in which we live demands increasingly competent men and women to manage it effectively. We must develop the brainpower of young America in such way that the generation ahead can enjoy fully the technological and social developments which await us. Not to train to its highest capacity the brainpower of our young men and women in America is just as wasteful of one of our great natural resources as not to exploit a new pit of iron ore, a new bed of uranium, or our fertile fields.

Those of us in adult educational work must not be frightened by the economic and sociological changes which agriculture is undergoing.

Change is the law of progress. The challenge which faces us is to direct the change along constructive and beneficial channels.

Our problem, therefore, becomes one of intelligent analysis and direction of the future—not cowering fear of it.

None of us would want to live under the economic institutions which prevailed just a short 20 years ago. Yet I am confident that some of us 20 years ago vigorously resisted changes which were then occurring in the patterns of production, processing, and distribution. As we look back now, we wonder why.

Likewise, 20 years from now we'll look back on 1958 and be a little amused that we were so fearful of change, rather than directing our energies toward channeling change down beneficial pathways.

It has been said that the proponents of the "status quo" are often the villains of history.

Those who resist inevitable change frequently perish in the process.

Those who manage our agricultural production, processing, and distribution firms are challenged to give intelligent direction to the changes ahead, so that our great food and fiber industry will function even better than now.

The future belongs to those who prepare for it.

Continued from page 11

National Legislative Developments Affecting Real Estate Industry

have the right to supervise the management and operation of these projects. In other words, the Public Housing Administration will become a check-writing agency with the local housing authorities having complete management of the projects.

The local housing authorities would have complete discretion in determining rent levels and setting income limits for admission and continued occupancy. The purpose, of course, is to reorient public housing to accommodate more and more higher-income families. The public housers are very candid in their admission that the public housing program foisted on the American people in 1937 and again in 1949 is not accomplishing its purpose.

They have discovered that the problem of the slums is not solved by moving a family from a slum dwelling into a new house. On the contrary, the problem is aggravated by concentrating problem families in so-called economic ghettos. Because the public housers do not want to contend with the sociological problems implicit in public housing, they have shifted to a new target—the higher-income families of America, the great middle class, as the more respectable beneficiaries of their socialized product.

I make this charge with ample evidence that this is the intention of the public housers and the pro-public housing members of the Senate Banking and Currency Committee — and here is the amendment approved by the Committee which makes this so clear.

"Windfall" Amendment

The amendment I refer to is described in Washington circles as the "windfall" amendment. Under this amendment all existing subsidy contracts would be changed to include, and all new subsidy contracts would contain, a provision giving the local public housing authority one-third of the money it saves from the Federal subsidy.

In other words, the annual subsidy would be a fixed amount. This money would be appropriated and disbursed to the local public housing authorities regardless of need. This means that as the rental income of the public housing projects is increased the total Federal subsidy would not be decreased.

Under existing law the Congress appropriates only the subsidy that is actually required. For example, in the State of Texas, the contract subsidy for the more than 30,000 public housing units in the State was approximately $7 million in 1957. The subsidy required to meet the debt servicing on these units was $6 million with a resultant so-called "savings" of $1 million. Under this "windfall" amendment the local housing authorities in the State of Texas would be able to keep one-third of this $1 million and utilize the other two-thirds for advance amortization. Under this amendment, therefore, the 113 local public housing authorities would be able to divide the $333,000 kitty which they could use for any purpose they so desired. Let me emphasize that this "windfall" will be an annual bonanza and that it very likely will increase each year.

The Senate Banking and Currency Housing Subcommittee in its report on this amendment, in amazingly candid language, stated that this amendment would provide an incentive to local housing authorities to rent to higher-income families. In other words, the pockets of the local public housing authorities in the State of Texas would be fattened if more of the public housing units serve higher-income families.

This, we submit, is as great a debasement of a welfare function as it is possible to conceive. One would think that the Congress, which now spends more than $100 million every year for public housing, would provide an incentive for public housing to serve the lowest income people. By some twisted logic the Senate Banking and Currency Committee on June 11 approved an amendment which will cost the taxpayers more money and will shift public housing to higher income families.

An attempt will be made on the Senate floor to strike this "windfall" provision from the bill. These efforts will be successful only if a conservative coalition in the Senate asserts itself against the pro-public housing bloc.

We believe that if these public housing provisions remain in the housing bill the President will veto the bill, because at least this year the FHA is not dependent on a housing bill. However, if the proponents of private enterprise are successful in eliminating these public housing provisions, there is a chance that a housing bill will be approved containing amendments which will enhance the effectiveness of FHA and FNMA and widen home ownership opportunities for the American people.

Federal Taxation

I now want to briefly discuss our current efforts in the field of Federal taxation. The importance of this area of legislative activity increases every year, and this year for the first time the Realtors' Washington Committee organized a subcommittee on Federal taxation which is probably the most active of our subcommittee. In addition, the NARED Directors approved the formation of a Tax Advisory Council to the National Association of Real Estate Boards to consist of several eminent tax lawyers to advise the Realtors' Washington Committee on tax legislation.

In addition, we are very fortunate in having as Secretary-Counsel of the Realtors' Washington Committee Jack Williamson. Our Secretary-Counsel is an active member of the American Bar Association and he was recently appointed to the Subcommittee on Definition of Capital Assets and Real Property Sales of the Tax Section of the American Bar Association. He recently advised me that his subcommittee had undertaken as a project the problem of the real estate dealer in obtaining capital gains tax treatment on property held for investment purposes. I cite all of this to emphasize our increased role in this very important area.

Now as to some specific examples of current legislative activity in the tax field. One of our principal objectives is to obtain tax exemption for real estate investment trusts. This would equalize the tax treatment of real estate investment trusts with that of the regulated investment trusts which hold stocks and bonds. In other words, if our proposal is enacted, a real estate investment trust which is truly passive and which distributes annually 90% of its income to its beneficiaries will be tax-exempt and will thus be able to pass on to the beneficiaries a greater return on their equity investment.

Real Estate Investment Trust

In 1956 legislation on this subject was vetoed by the President. The staff of the RWC has been working since then to overcome the Treasury's objections. We believe we have made substantial progress. The House Ways and Means Committee has again approved the bill and it is pending on the House Calendar. Over on the Senate side we were able to obtain approval of the real estate investment trust bill as an amendment to a technical tax bill which is pending before the Senate Finance Committee. We are confident that when this technical tax bill goes to the White House, and we are certain that it will, the bill will be signed into law, thereby accomplishing one of our major legislative objectives.

This real estate investment trusts bill has important implications for the economy and for our industry in the commercial and industrial fields as well as residential.

We have also been working on a change in the involuntary conversion provisions of the Tax Code. Condemnation of properties for highways and as a result of urban renewal are increasing considerably. Unfortunately, a property owner whose property is condemned must pay the tax on the gain unless he invests the proceeds in property similar or related in use to the condemned property. This we believe is inequitable. The tax deferment should be available if the property owner invests the proceeds in any type of real estate. We were very fortunate in obtaining a sympathetic reaction to this problem in the person of Congressman Frank Ikard of the 13th Texas Congressional District. Mr. Ikard introduced several bills on this and conferred with officials of the Treasury Department. We have reason to believe that the Treasury has concurred in Congressman Ikard's views, and we are hopeful that the principle of the Ikard bill will become part of one of the tax bills now working its way through the Congress.

Small Business Tax Reform

We are also interested in current legislation to provide tax relief for small business. Most real estate brokers are of course engaged in small business and would certainly be affected by any tax relief directed toward this end. In addition, the commercial and industrial phases of our industry would be affected by any tax adjustments relating to investments in depreciable assets. For example, there is one proposal which has prominent support that would provide a deduction from taxable income up to $20,000 or $30,000 for investment by small business in depreciable assets. If enacted, this would encourage small business to expand their physical plants because such property is a depreciable asset. The Congress is also considering accelerated depreciation for existing structures as well as new construction. This, of course, will help our business because it would hasten the recapture of capital invested in real estate.

The pending amendments with respect to involuntary conversion and depreciation underscore the growing need for tax reform. By requiring an owner of condemned property to invest in property similar or related in use we are clinging to an outmoded concept. Surely technological advances have been such as to warrant consideration of an undeniable fact that businesses become archaic and uneconomic, and investment should therefore be encouraged in newer and different business where prudence so dictates.

Also, we ought to get away from the concept that the purpose of depreciation deductions is to acquire capital for replacement of property or equipment when its useful life expires. Investment in real estate does not come from such reserves and it is not unreasonable to find income-producing property more valuable and in better condition after its so-called useful life has expired. We ought therefore to treat depreciation as a recapture or return of business investment. Thus by adopting a new and more realistic concept, we see the merit in shorter depreciation periods for income-producing real estate.

We are also very active in an attempt to obtain equitable tax treatment for self-employed persons. This legislation is known as the Jenkins-Keogh bill and would permit a self-employed person such as a Realtor, lawyer, engineer, etc., to deduct a certain portion of his income which would be invested in a retirement fund.

I say this would remove an inequity because corporations today are able to take such tax deductions for contributions made to retirement funds for their employees. We are frank to say that there are many obstacles to approval of this bill this year. We had hoped that this year tax relief on a broader basis would be enacted by the Congress, and we were confident that any bill providing for tax relief on a broad basis would include the principle of the Jenkins-Keogh bill because the Treasury has admitted that a tax inequity against the self-employed does in fact exist.

Now we are reconciled to the fact that there will be no tax relief on a broad basis. Consequently, we are directing our efforts to having the principle of the Jenkins - Keogh legislation approved as part of the small business tax relief measure taking shape in the Congress. There is of course opposition to this, but we are working every day in conjunction with many other trade associations of self-employed persons to convince the Congress that at least the principle of the Jenkins-Keogh bill with some tax deduction should be enacted.

2 With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold H. Hoge and James A. Strunk are now connected with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Hoge was previously with Fewel & Co. Mr. Strunk was with Marache, Dofflemyre & Co.

With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas B. Drummond has joined the staff of Kidder, Peabody & Co., 210 West Seventh Street. He was formerly with Paine, Webber, Jackson & Curtis.

Cantor, Fitzgerald Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Masaru Murakami has been added to the staff of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Joins E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald O. Looper has joined the staff of E. F. Hutton & Company, 623 South Spring Street.

Continued from first page

As We See It

of spotlight that is now so uncomfortable to Mr. Adams and others. Nor are we unfamiliar with broadly similar behavior by members of Congress or the "junkets" which so often are enjoyed by national legislators in Washington. Of course, wrong-doing—so far as there has been any—in the present Administration is in no way excused by the misbehavior of others, either contemporaneously or in the past, but one must wonder whether a mere change in the political affiliations of those who govern us is very likely to bring any basic change in a situation which, obviously, needs changing.

But there is another and far more important aspect of this situation which the public should not for a moment overlook or ignore. Of course, there have always been those who took pains to win friends among Mammon, and from the very beginning of the nation there have been individuals who were willing to be won. From the beginning—as the President was careful to bring to the attention of the press the other day—there have been presents to Presidents and to various other "heroes" in Washington, a good many of which were inspired by no unworthy motive. The problem not only of gifts to public figures, but all sorts of other efforts to win favor from them is an old, old one, but the practice could hardly have failed to become very much more extensive in recent years, and today without doubt is a matter of first rate importance.

Why?

Why? To thoughtful observers the answer is obvious; to others it may be surprising. In Washington's day and for a century or more thereafter, efforts to influence the course of events — lobbying as it was called — centered chiefly about Congress and its activities. To be sure, there were times when it appeared worth while to certain individuals to try to influence some of the administrative forces of the Federal Government, but it may be said without much exaggeration that these were the exception rather than the rule. The contacts of the administrative machinery with business were relatively infrequent and these offices did not have anything in the way of life and death powers over business enterprises. Temptation to spend large sums or much time in winning friends among the officials of that day was comparatively small.

What a startling contrast the situation today offers! Of course, Congress is still—and in point of fact in much larger degree — dealing daily with matters that vitally affect all manner of businesses. Those who have undertaken the responsibility of managing enterprises, can not afford to ignore what is taking place in Congress—and since the stakes are so much larger the temptation to employ whatever methods are most likely to succeed is greater than ever before. But besides Congress we have a startling proliferation of offices, bureaus, commissions and the like, many of which by their administrative acts within the discretion left to them by law hold life and death power over large sections if not all of American enterprise. Probably the ordinary man who has little occasion to keep in touch with what is going on in Washington has little conception of the huge army—or should we say armies—now charged with regulating, and in other ways controlling what business may or may not do.

Three Among Many

The Federal Communications Commission, the Federal Trade Commission, and the Securities and Exchange Commission have had their names in the headlines of late, with what justice we have no way of knowing, but these are but three of the long list of agencies—to say nothing of the White House itself—which now wield enormous power over business enterprises, and hence often over the lives and affairs of individuals. Any one of the three in many instances decide whether a given enterprise or business venture may live or be born. The list of similar agencies is a long one. On almost every hand in Washington are offices whose acts or whose decisions mean a great deal to individuals and groups of individuals. Permit such a situation to come into being in a capital where traditions of public service such as existed at one time in some of the European countries do not exist, and a state of affairs which breeds all sorts of favor seeking by many sorts of people may be expected.

Another notable example of this sort of a situation is found in our individual and corporate income tax systems. It was long understood and accepted that income tax rates should remain low if incentive to all sorts of chicanery, legal and otherwise, was not to be provided. That idea has gone with the wind. Present day philosophy makes it a fundamental proposition that the rich must be soaked. The main effort for years has been, not to devise a more desirable tax system, but to make it more difficult to develop means of evasion and, of course, any objective determination of income in the strictly economic sense is often at best a complex task.

To us the wonder is that there is not more influence peddling, and to us the pity is that the true inwardness of the situation is so seldom fully understood.

Continued from first page

Reaping Inflation's Harvest

a toddler whose speed is clocked at 3 or even 4%. Such rates, however, would, obviously, erode the dollar just that much faster—presumably even at a geometric rate.

Now, of course, moving to a new postwar price level in the latter '40s was both necessary in the train of wartime developments and salutary in a free enterprise economy. But slipping into inflation as a way of life was neither necessary nor compatible with the long-run health of the economy. Needlessly undermining the value of the dollar jeopardizes the sustained growth of production and real consumer purchasing power. For myself, I still stand firmly with that school of professional economists (and it appears to me to be now the majority group) who take inflation seriously as both an insidious and a persistent threat to a dependable pattern of long-run prosperity and national growth. Hence, my remarks will be in the nature of a sequel to last year's paper. It behooves us now to move on from consideration of the way in which seeds of inflation have been sown to examination, in the light of unfolding events, of what manner of harvest these seeds are producing.

The Recession Dilemma

The current recession is making ever clearer and clearer the nature of the harvest that grows from the bad seed of inflation doctrines and practices. It is showing how inflation overstrains a boom and aggravates the ensuing recession. We are learning that the great fiscal and monetary powers of government which might have been used to prevent a cyclical downturn are not cures in time of recession but merely palliatives — and dangerous ones at that.

Last June, 1957, the general public was pretty complacent about the question of inflation. It was hard to arouse them to action or even to a sense of prudent concern for the future. The country was still zipping along on a pleasant highway of apparently invulnerable prosperity: why worry? This *insouciance* was fortified by assurances from the highest quarters that, if some downturn should appear, the government had at its disposal the means of checking or reversing it and that it possessed the skill and the determination to use these weapons decisively and at the proper time.

But in June, 1958, both this promise of the Administration and the premise on which it rested are being put to a searching test. The economy is now tasting the realities of a recession which brought the index of industrial production down from its peak of 147 (December 1956) to 126 (in April 1958)—almost 15%, of which 12½% has occurred since last August. Unemployment is up from its 1953 average of 1,870,000 to 5.1 million — or 7%. The labor unions, the ADA, the most vocal of the Democrats, and a good many worried businessmen are calling on the government "to do something" to end the recession or, if their real wish were fulfilled, to restore the boom.

To Spend or Not to Spend Dilemma

This presents a cruel dilemma both to an Administration in power (if any) and to a loyal opposition desirous of consummating a position of unequivocal authority (and responsibility) in 1960. Shall we move vigorously to activate thee conomy—"damn the torpedoes and full steam ahead" with massive government spending for intercontinental missiles, space ships, large helpings of local "pork," and an adequate catching-up program on roads, schools, and slum clearance? Shall we lower taxes in such ways as to give relief primarily to low-income people and take three or four million of them off the tax rolls and make their eventual return to participation in the cost of preparedness and foreign aid as well as domestic welfare the occasion for a political battle of dubious outcome? Shall we, on the other hand, grant multi-billion dollar tax relief primarily in the form of investment incentives to corporations and high-bracket income receivers? Turning to monetary powers, shall we "flush the market with liquid funds" in the belief that this will start a tidal wave of inventory building and consumer buying — particularly of still bigger, more garish, and more expensive automobiles?

The use of these fiscal and monetary weapons in some reasonably sensible combination to combat recession would, no doubt, whip up the lagging economy back to a faster, possibly even a generally satisfactory, pace. It would get us off the unemployment horn of the economic dilemma. But it would impale us solidly on the inflation horn of this same dilemma of a free enterprise economy seeking to maintain full employment.

It would enable the labor unions to win larger increases in basic wage rates as well as more liberal fringe benefits. It would enable management to raise prices to offset labor cost increases; upgrade the elaborateness as well as the utility of their products; and enlarge profits, plow-back, and dividend disbursements. The government, of course, would then have to raise civilian and military pay further and appropriate an extra million or so for each ballistic missile and, say, an extra billion for industrial subsidies and farm parity.

The boy called Cost Push would meet the girl called Demand Pull, and they would demonstrate anew the monetary fecundity of institutionalized inflation. It would be a confession of defeat to our hope of demonstrating to the Kremlin that under our free enterprise system employment and consistent economic growth can be linked to a stable dollar.

This recession or inflation alternative presents a dilemma not merely for the government or the economy as a whole but, in specific terms, for business executives and for labor leaders. As for management, it is faced by the dilemma of reducing prices and profit margins vs. curtailing operations and facing the wrath of consumers and workers as well as stockholders. It may be faced even with anti-trust suits or Congressional investigations. Labor leaders are confronted with the question: shall we try to protect members' purchasing power by forcing wage raises to offset cost of living increases and shorter hours, only to find ourselves impaled on rising unemployment, smaller receipts from union dues, and loss of union membership?

The Parable of the Tares Amid the Wheat

Reaping the harvest of inflation is a modern illustration of the parable of the tares as told in the Gospel According to St. Matthew, Chapter 13. "While men slept an enemy came and sowed tares among the wheat," and the problem was presented of how to eradicate the weeds without destroying the good grain. The simple solution of letting both grow and be harvested together and the weeds then separated and burned does not, however, meet our present dilemma. We cannot enjoy the full stimulating effects of universal price and income boosting and then neatly eliminate the deleterious fruits of inflation. In fact, our problem is much more subtle and difficult than separating things unequivocally good from others that are palpably bad. It is rather an issue of degree and differentiation.

Some prices should go up and some go down even when the general price index remains practically stable. Incomes should rise and fall in differing degrees and with changing conditions, not be frozen in a fixed uptrend. Price rises to spur production at points of scarce supply are good, but they need to be followed by letting competition lower prices as the scarcity disappears and even threatens a glutted market. Wage rises are good when they keep step with rising efficiency and give purchasing power to take enlarging product off the market. But they need to be limited to actual advances in labor productivity, not cause labor costs to eat up profits or a rising flood of dollars to outrun a slower flow of new goods. The rigidities of price maintenance and formula wage increases is what causes a harvest of inflation to grow out of a belief that raising aggregate money demand is the way to produce a bumper crop of prosperity under any and all circumstances. In fact, counting on government to invoke money magic to make employment full enough to satisfy everyone and the dollar so steady that no one is discommoded is the most dangerous aspect of popular thinking today. To rely on inflation is like living on "dope."

Business Expectations

It is a widely accepted saying that men live by faith. This might be paraphrased to read: The economic man lives by business expectations. That is to say, he embarks on enterprises, commit himself for investments, enters into wage contracts, arranges his financing, and shapes his price policies according to his best judgment of the future behavior of the price system. Now these calculating businessmen (and the more intuitive consumer too) have read the handwriting on the wall since World War II and particularly since the Korean War as proclaiming that we have accepted inflation as a way of life. Naturally, they try to adapt their operations to that fact. That is, they try to protect themselves from being harmed by inflation or, if possible, turn it to their personal advantage.

Institutionalization of Inflation

There have been several steps to the process by which inflation has become a premise of business administration. First, there was considerable suspicion that the Employment Act of 1946 implied it. Second, in the late 40's and early 50's, the public discerned a marked tendency of the Congress to respond to special pressures and general cravings to keep spending up and taxes down to where life would be easy for their constituents. Third, it was observed that the Federal Reserve System conceived its function and measured its powers in terms of keeping commercial credit orderly at any given level of prices rather than dictating the price level. Fourth, employers learned that wage raises and fringe benefits were the price of labor peace and high morale for workers. Fifth, they found that under an elastic money system and full employment conditions it was possible to pass on cost increases and even fatten the mark-up without loss of volume—indeed with the over-capacity operation that made further expansion look attractive and safe.

In a word, the expectation of continuing inflation became a major factor in the planning and operation of industrial, commercial, and financial business executives. This breeds confidence which, up to a point, is an needed stimulant for a progressive enterprise economy. But confidence based on inflation prospects breeds an over-confidence which dulls the edge of managerial efficiency and leads to speculative excess. If the purchasing agent is convinced that prices are in a persistent uptrend, he will keep inventories fat rather than lean. The more apprehensive of price rises he becomes, the more his buying contributes to their continued rise. The same tendency shows up in plant building. Executives who see construction costs mounting tend to make expansion and improvement plans that anticipate a considerable period of future growth.

The automobile industry built capacity for eight million cars, the steel industry leaped ahead to 141 million annual ingot tons, and aluminum, paper, and chemicals did something similar. Now the automobile companies are reaping the harvest of inflated capacity and inflated prices on a 4.5 to 5 million car sale, and the steel companies are looking to another price increase to enable them to break even on about 50% operation. These boom-built plants are not "excess capacity" so much as they are capacity built prematurely because inflation was written into the business expectations of industrial executives. But it should be noted that the pressure this new construction put on the steel and other supply markets and on the labor force was a significant factor in creating the inflation they were trying to evade.

A Third Bad Harvest

A third illustration of how the settled expectation of inflation leads to a harvest of speculation is found in the stock market. How often has the uprush of common stock prices been explained or fostered by the argument that common stocks are a good hedge against inflation. During the market bulge of last summer, even as the production and employment indicators were beginning to signal a downturn, I got market letter after market letter recommending the purchase of "equities" as the best way to protect oneself against a declining dollar. Again, after the lull in business of this first half-year, talk of government's recovery measures brought a new boom in common stocks. One so-called "security analyst" gave the public this advice a few weeks ago: "The basic risk of being caught in an inflationary spiral with too few stocks is probably weightier than that of enduring a temporary dip with too many. If the spiral develops and you have too few, you will then buy in at too high a price and be in a position to be really hurt." Another stock market dopester puts the same idea this way: "Government spending is heading upward. There are indications of easier money and subsequent inflationary implications." This sort of inflation thinking seems clearly to be back of the expanded volume and soaring prices on the New York Stock Exchange last week and this. For a look at earnings-price ratios shows common stocks already selling at a near-record low in proportion to earnings and earnings prospects.

Similarly, land is being promoted as a hedge against inflation. Inflated land values yield a new harvest of troubles for agriculture and also for the housing industry, where the prospective home builder or area developer must compete with the speculative buyer or holder of land as a hedge against inflation. Here it should be remembered that, while the smart individual or the informed groups can protect themselves for a time against inflation in its early stages, and even scalp a short-run profit by converting eroding dollars into land titles or share certificates, this soon defeats its own purpose. When the general public gets the signal and starts mass hedging a "flight from the dollar" will have begun and creeping inflation turns into runaway inflation.

The Answer to Dangers Besetting Us

We have already seen signs of two of the dangers that beset the path of them who dally with mild inflation as a way of economic life. We have witnessed periods of outflow of our gold reserves and have heard the siren song of our free-world allies urging us to devalue the dollar—or raise the price of gold. Thus far we have escaped these dangers, but if we are to make our position secure we must show our ability to make self-sustaining adjustments in the price-income structure of the market place.

Last fall Richard Gray of the Building Trades told his people: "We have pushed wages up to where houses cost so much that other workers cannot buy enough houses to keep us employed. Let's not aggravate this situation by boosting our rates still more in the coming year." He did not dare suggest a roll-back—just a standstill agreement. But he was howled down by the unions of his group and publicly repudiated by George Meany for the whole labor movement. Management in the automobile industry has already expressed willingness to agree to two more years of double-barrelled wage escalation and some "fringe" concessions. At the same time, the auto companies cannot see anything besides higher-priced and more glamorous cars as their contribution to the restoration of prosperity and economic stability. According to the latest indications, the steel industry's contribution in this direction is to be a price increase of some $6 a ton, with the non-ferrous metals counting on further stockpiling to buttress their prices.

I believe the President has acted wisely in defence of our private enterprise system in declining to enter into even stalemated situations between the manufacturer and the consumer or between management and labor. But the public will not tolerate any very deep or long-continued general unemployment as the consequence of our substitution of inflation for sound market adjustments. What will happen then?

A Bitter Harvest—Economic Controls

This brings us to consideration of still another alternative—and in my judgment a grim one for free America. When the seeds of inflation sown in union wage policy and corporation price policy and finance policy, fertilized by soft money and deficit spending in prosperous times as well as recession, produce the weeds of an unstable economy instead of the nourishing grain of prosperity, specific or selective price and wage controls are sure to be proposed. This is one of those things that looks awfully simple in theory but proves simply awful in practice. Our whole price system constitutes a delicate, interrelated set of trading relationships. Change one price or income situation and a chain reaction is immediately set up that produces demands for compensating adjustments at myriad other places. OPA and OPS demonstrated to any reasonable man's satisfaction that even in the emergency of war such a control system very soon bogs down.

It is the rigidities of prices and wages "adminstered" at large private centers of economic power that are largely responsible for the built-in inflationary bias of our present economy. Probably a government price-control system would soon prove not to be serving its avowed anti-inflation mission but would actually aggravate the inflationary trend—that being the line of political least resistance.

If I may return to the parable of the tares, the servants proposed to go into the growing field and pull out the weeds. But the householder replied: "Nay, lest while ye gather up the tares, ye root up also the wheat with them." A government price and wage-control agency as a remedy for inflation would not merely demoralize the processes of the contemporary market; it would impair the very system of free competitive enterprise on which we must ultimately rely for sustained growth and stability of the economy.

Now this is no fanciful danger in our present situation. President Eisenhower, only a few weeks ago said during a press conference:

"I would deplore any attempt to fix—in times of peace—wages and prices. I believe we are, to that extent, deserting some very long-term principles that are good for this country. But when you get up against people like this, they begin to believe it is an emergency, then something might have to be done, but I am certainly not ready to predict it now."

I was astonished during the recent hearings of the Joint Economic Committee to note the number of witnesses who, after recognizing the threat to sustained full employment which stems from inflation, proposed the setting up of one sort or another of wage, price, or investment stabilization commission or authority. Is it possible that the harvest of inflation will be economic authoritarianism?

In a word, then, the harvests an economy reaps when it persists in sowing the seeds of inflation are easy overconfidence, loose management, perpetuation of business cycles, increasing reliance on central government to activate business, increasing temptation to resort to direct controls.

Harris, Upham Appoints

Hamilton Allen, Jr. and Arthur J. Hansen, have been appointed Assistant Managers of Harris, Upham & Co., 99 Park Avenue office, New York City. Mr. Allen, a registered representative with the firm for ten years, was previously associated with the 120 Broadway headquarters until the opening of 99 Park Avenue facilities in January, 1955. Mr. Hansen, a registered representative for 32 years, joined Harris, Upham & Co. in 1955 and has since been associated with its 99 Park Avenue office.

With Montgomery, Scott

(Special to THE FINANCIAL CHRONICLE)

GREENWICH, Conn.—Bradford L. Tobey is with Montgomery, Scott & Co., 52 Mason Street.

Securities Salesman's Corner

By JOHN DUTTON

There Are Two Kinds of Dividends

Over the years I have known many successful investment men who seem to have one thing in common. It is their concern for the other fellow. If there is any one virtue that has lifted these men above the ordinary run of the mill salesmen that predominate in this, as well as many other endeavors, it is the friendships and the loyalty they have established among their clients. Give a man a good understanding of human nature, the will to work, and the knowledge of his business; and if you add to that the indefinable gift of "taking an interest in others," the result has to be success with a capital "S."

Mr. "T" Was Always Available

One of the best illustrations of the way this law of spreading your bread upon the waters can benefit a man, brings to mind the history of one of my friends who came to this city to live about seven years ago. Although he was comparatively young, he had been told by his doctors to take things easy for a few years. He had been engaged in a very competitive and exhausting business for many years in another area of the country and, although financially successful, his health demanded a complete change of pace. He moved his family 1,500 miles to an entirely new community and he proceeded to relax.

Before very long he became a pillar in his church, he headed up the Sunday School and every Sunday you would see him there taking an interest in the children of his congregation. He worked on community drives and he gave his time to more worthwhile causes than most men who would consider themselves in excellent health would ever think of supporting.

Six years passed swiftly and finally the doctors told him that he was as good as new. Once again this man looked around and said to himself, "What do I do now?" In this growing city where he had lived for these six years he had made friendships with some of the most influential men in his community. He came to the realization that a bank was needed in an area that was growing rapidly and, within a few months time, he organized a group of friends and associates, and a National Bank charter was secured. He opened his bank with the largest paid in capital and surplus of any banking institution that has been started in his community in its entire history. Hundreds of people wanted to invest in the capital stock of this new bank. His friendships over the years were so well established, and he was so highly regarded, the successful opening of his bank was assured.

Never Too Busy

Almost two years have passed and this bank is one of the fastest growing organizations in this city. Knowing him well I have been in his home on weekends, evenings, and at other times when telephone calls have come to him from people who wanted advice about personal matters, and many other things besides banking, and he always had time for them. I have seen him in his bank and there too he has unselfishly given of his time and effort to help those who did not know what to do concerning business problems and where his advice was helpful.

One morning he met me at eight o'clock and introduced me to two young men who had established a growing young business and who were beginning to think of future public financing. Over our breakfast coffee we talked for about ten minutes, then he excused himself and back he went across the street to his bank. Basically, I believe that his interest lies in *people*, and in doing creative and helpful things that directly benefit those with whom he associates. His first dividend is the satisfaction that comes from being a friend and in helping others—the business rewards follow naturally.

* * *

I have helped elderly people replace lost securities, find a reliable attorney who could advise them in legal matters and who would not overcharge them. I have recommended doctors and dentists, and I have spent many hours servicing accounts that quite frankly I do not believe could have paid me directly for the time and effort expended. Why do this? Quite frankly I believe there is no more satisfying thing a man can do than to render helpful service to those who need it. There are exceptions, of course; no one should be taken in by professional malingerers; but by and large, I would say that the friendships I have made by helping some of my clients with their problems has repaid me many times more in referred business than any direct fee I could have charged them even if I had been so inclined.

Shields & Co. Opens Buffalo Inv. Center

BUFFALO, N. Y. — Shields & Company has formally opened a new investment center on the main floor at 120 Delaware Avenue.

The Buffalo office of Shields & Company has been situated since 1949 in the Rand Building. The firm, founded in New York 35 years ago, holds memberships in the New York Stock Exchange and other principal securities and commodities exchanges.

Henry H. Harper, who has been in the investment business for the past 25 years and is a well known business and civic leader in Buffalo, will continue to be Shields' resident manager.

The new investment center is in enlarged quarters, has an expanded staff and features several new facilities and innovations, including a Teleregister Board and Buffalo's first brokerage Executone system.

In addition, the office will have New York Stock Exchange, American Stock Exchange and Dow-Jones Trans Lux stock quotations screens and direct wires to the 44 Wall Street office. An investment library will be available for the convenience of interested investors.

Colombia Bond Exchange Offer Extended to July, 1959

Holders of various issues of Colombia Mortgage bank bonds are being advised that the time to exchange these bonds for Republic of Colombia, 3% External Sinking Fund Dollar Bonds, due Oct. 1, 1970, has been extended to July 1, 1959. The period for exchange of convertible certificates for 3% External Sinking Fund Dollar Bonds of the Republic due Oct. 1, 1970 in multiples of $500 principal amount has been extended to Jan. 1, 1960.

Continued from page 5

Some Present Banking Problems

recently published staff report of the Joint Economic Committee states:

"It seems unrealistic . . . to assume that total demand will begin to rise any earlier than the fourth quarter of 1958 or that a recovery to full employment of labor and capital will be completed before mid-1959. Unemployment, therefore is likely this year to average at least 7% of the civilian labor force, or about five million persons. On optimistic assumptions, unemployment in the first quarter of 1959 still might be about 5-5.5 million, or 7-8%. A less rapid recovery could be accompanied by as many as seven million unemployed, or over 10% of the civilian labor force, in the first quarter of next year."

A forthcoming report by Geoffrey H. Moore of the National Bureau of Economic Research, *Measuring Recessions*, finds that if the current contraction follows the courses of the contractions since 1920 and remains intermediate in severity, the economy may not regain the July, 1957, level of general business activity until some time in 1959 or even early 1960.

The prospects of an early upturn must be weighed against the fact that business capital investment plans have been revised downward during recent months. The latest surveys indicate that spending on plant and equipment will continue to decline into 1959.

According to the latest SEC-Department of Commerce survey of business and equipment expenditures (released June 9), the 1958 expenditures will amount to $31 billion, which is 4% less than the amount anticipated in the preceding survey three months ago and is 17% below the record $37 billion outlay in 1957. Moreover, the survey indicates that the decline will continue through the fourth quarter of 1958 dropping by about $1 billion per quarter at annual rates.

The downward revision in business spending plans is attributable to (1) The growth in idle productive capacity which now averages about 30%; and (2) to the shrinkage in business profits which, according to the Federal Reserve, declined in the first quarter by 20% below the level of the third quarter of 1957, with 200 large manufacturing corporations showing a 41% drop.

Those who anticipate an early upturn see a continued rise in government spending; they believe that the rapid liquidation that has occurred in business and consumer inventories has brought them into better balance with consumption; and they hope that residential housing starts will continue to rise and that the earlier than normal introduction of new auto models will stimulate sales. None of these factors except government spending promises to have a substantial stimulating impact this year. In any case, considering the fundamental nature of the adjustments, it does not appear likely that the recovery, when it occurs, will be either sharp or rapid. In the meanwhile and until the evidence is convincing that recovery is firmly under way, the Federal Reserve will adhere to a basic policy of monetary ease even though its efforts in this direction may be less active than during the past winter.

There are three important respects in which banks will be affected by the prolongation of the business recession and the maintenance of easy money conditions:

(1) A further rapid growth in deposits.

(2) A shortage of suitable loans and investments.

(3) Declining yields on new loans and investments.

Impact Upon Commercial Banks

As a result of the recession, business loans at commercial banks have fallen by about 6.7% since the end of October 1957. There has been a moderate rise in loans on securities but little net change in either real estate or consumer loans. At the same time that loans have been falling, the banks have been investing heavily in United States Government and to a lesser extent in municipal securities. The gain in deposits of the banking system is the direct result, of course, of the purchases by commercial banks of these government securities facilitated as it was by the Federal Reserve's easy money policy.

Since the adoption of an easy money policy in November 1957, the Federal Reserve has furnished the member banks with large amounts of new reserves. Between mid-November, 1957 and June 11, 1958, the Federal Reserve purchased $899 million of government securities and released $1,450 million of reserves by lowering legal requirements; a contraction in currency in circulation added an additional $235 million and miscellaneous factors $70 million, a grand total of more than $2,600 million. These funds were partly needed to offset a gold outflow of $1,137 million but were largely used by member banks to reduce their indebtedness to the Federal Reserve Bank by $727 million, and to cover $840 million required to be held against the rise in their deposits. It is the latter figure which is the really significant index of the Federal Reserve's actions in creating an easy money environment.

The expansion in deposit liabilities at all commercial banks in the last seven months was roughly $9 billion on a gross basis and about $7 billion when adjusted for float, interbank and government deposits. This expansion was generated by commercial bank purchases of Federal Government and municipal securities amounting to about $8 billion. Here we have a classic illustration of how commercial banks as a system, given an initial quota of excess reserves, can create deposits through the purchase of securities.

As long as net free reserves (excess reserves minus borrowings) are maintained at a level of $500 million, commercial bank deposits will continue to expand. To maintain a fixed target such as $500 million of net free reserves, the Federal Reserve must not only offset any contractive influences on reserves such as gold outflow or currency demands but also must create the new reserves that are needed to cover the legal requirements against the additional deposits being created through commercial bank purchase of securities. These added free reserves will continue to be provided through Federal Reserve open market purchases or through lowering of legal reserve requirements.

The deposit expansion of commercial banks since the start of easy money last November has been mainly in the form of time deposits. Until recently privately-held demand deposits had shown hardly any net change. This is a rather surprising result. The explanation lies only partly in a shift earlier this year by foreign accounts into time deposits from Treasury bills which were sold via the market to the commercial banking system. Possibly a number of corporations have also succeeded in persuading banks to accept time deposits; but corporations have been more inclined to pay off debts than build up cash balances, while the new demand deposits being created by bank purchases of securities have tended to flow partly into personal ownership and to be switched from demand to savings accounts on which a 3% rate is still being paid by many commercial banks.

Hereafter, the expansion in deposits seems bound to proceed at an accelerated pace and it is likely to take the form increasingly of demand rather than time deposits.

Continued growth in the money supply is assured by the prospective Treasury deficit which for the next 12 months was recently estimated at $11.1 billion by the Joint Committee on Internal Revenue Taxation. Although the Treasury may endeavor sporadically to lengthen the maturity of its debt, by offering long-term bonds, the bulk of the funds will be raised by the sale of short and intermediate term securities to the commercial banks since to do otherwise would preempt savings which are needed to finance building and capital investment.

Impact on Mutual Savings Banks

Mutual savings banks have also been affected by the decline in the demand of funds and by the Federal Reserve's easy money policy.

Monetary controls are sometimes discussed only in terms of their direct quantitative effects upon commercial banks. However, monetary policies also affect savings banks in various ways: (1) by changing the market value of their investments in securities, mortgages and other assets; (2) by changing their expectations about the future of interest rates and, consequently, their willingness to make forward mortgage loans and other commitments; and (3) by affecting their competitive status, and, hence, their rate of deposit gain.

Savings banks, in contrast to commercial banks, can not create new deposits by lending and investing. Commercial banks are able to create new deposits because the proceeds of a loan by or from the sale of securities to commercial banks are redeposited in other commercial banks and are reloaned or reinvested. In contrast the borrowers from savings banks and the sellers of securities to savings banks do not, in practice, redeposit the proceeds with savings banks. Once funds are loaned or invested by a savings bank, they are removed from savings bank channels. There is no circulatory reflux of funds within the savings bank system which permits the funds to be reloaned.

The flow of funds through the savings banks is in one direction only. It begins with the receipt of deposits which normally represent new savings, and runs to the investment of funds in high grade mortgages and securities.

The deposits of savings banks can expand only if people save more out of income or if savings banks are able to attract to themselves a larger share of current savings.

During the first four months of 1958 deposits at all mutual savings banks increased by $811 million compared to only $441 million in the same period of 1957. This gain was at an annual rate of about 7.6% compared to a 5½% growth in the calendar year of 1957.

The recent increase in savings deposits is attributable to two factors: (1) a more cautious attitude of some consumers towards postponable expenditures; and (2) a shift from other types of financial assets such as demand deposits. The latter factor appears to have been the more important one.

The increase that has occurred in mutual savings bank deposits and in other liquid forms of savings runs counter to the reported decline in total personal saving. Personal savings as reported by the Department of Commerce declined in the first quarter of 1958 to $18.9 billion from $19.8 billion, in the fourth quarter of 1957, a drop of $0.9 billion at annual rates.

The thesis that savings deposits have increased because consumers have cut expenditures is open to possible doubt considering that consumer expenditures declined in this period by only $1.2 billion and that this was more than accounted for by declines in credit financed expenditures. Cash expenditures actually rose.

However, it should be noted that the statistical aggregates used in this analysis are subject to big margins of error. Moreover, personal savings, as measured by the Department of Commerce includes the investments in plant and equipment and inventories of the owners of unincorporated businesses. Declines in these investments have undoubtedly occurred and could well explain why personal savings as measured by the Department of Commerce, declined.

The Federal Reserve's easy money policy, as already noted, has stimulated the growth in deposits of commercial banks and some of these funds have tended to spill over into savings accounts. This shifting of funds appears much more likely to occur in a period of recession and monetary ease, such as we have experienced, than during a period of boom and tight money, the arguments of certain contemporary economists notwithstanding.

During the remainder of this year savings bank deposits are likely to continue their rapid growth. The expected expansion of commercial bank deposits together with the high costs being incurred by commercial banks on time deposits is likely to induce many commercial banks to lessen the emphasis on savings account promotion. Some banks have already announced cuts in interest rates on savings deposits effective July 1. More will follow. As a result some funds may shift to mutual savings banks.

Personal liquid savings also appear likely to be maintained at a high level in view of the slowing down of the business recession and the possibility of some improvement even though temporary in the fall. Personal income has held up well in the recession and will be supported by such things as pay increases of Federal employees and unemployment compensation. At the same time consumers do not appear to be in any haste to spend either for houses or automobiles.

With a continued influx of deposits, savings banks, like commercial banks will experience increasing difficulty in finding suitable investment outlets at remunerative yields.

When the Federal Reserve reversed its policy last November, savings banks moved promptly to protect themselves against declining rates of interest by increasing forward mortgage commitments. These increased by about 33% between Sept. 30, 1957 and March 31, 1958. Also, the rise in bond prices following the adoption of an easy money policy last November has largely restored book values of securities and increased the flexibility of bank investment policies.

It does not appear that the supply of suitable investments will keep pace with the growth in deposits except for new United States Treasury security offerings.

The supply of home mortgages shows signs of increasing but is not likely to experience a really large gain in 1958. Housing starts improved in May to an annual rate of 1,010,000 as compared with a low of 880,000 in March. Easier credit terms under the Housing Act of 1958 on insured and guaranteed mortgages appear to be having a stimulating effect upon residential construction, but any marked increase in outlays is probably dependent upon a more certain economic outlook than now exists. Housing demand has been dulled by high prices, by people's uncertainty over their employment and income and their reluctance to incur indebtedness.

Further liquidation of business inventories and retrenchment of outlays for plant and equipment are certain to result in a smaller volume of corporate issues during the remainder of the year.

Thus far, in the recession, the volume of corporate and municipal offerings has been very large. From October 1957 through May 1958 corporate bond offerings amounted to $5.5 billion which was $0.3 billion more than in the same period a year earlier. Part of this was raised to pay off bank loans. With a declining rate of investment in plant and equipment, new offerings (exclusive of refunding offerings) will shrink.

The investing of new deposit gains and of replacing maturing investments in a period of declining interest rates will remain a problem. The Federal Reserve is bound to maintain easy money conditions so long as there is any doubt about the business and employment outlook. Future expansion in the money supply that will result from financing the Treasury deficit via the commercial banks will keep money easy.

Although savings banks being long-term investors are much more strongly insulated than commercial banks against declining rates of interest, they are not immune. Declining yields on mortgages and on new corporate issues at a time of rapid deposit gain would necessitate careful review of interest-dividend policies.

Bache & Co. Installs Closed Circuit TV

Desk television screens are now noiselessly flashing market quotations directly to a broker's office.

Installation of a closed circuit television system for the dissemination of stock market quotations directly to a broker's desk was made at the 36 Wall Street, New York, headquarters of Bache & Co., members of the New York Stock Exchange.

This new, more economical transmitting method marks the first time a Wall Street registered representative has been able to view current stock activities within the confines of his office just as he might watch his own favorite TV program in the comfort of his home.

Receiver sets have been installed in various areas of the Bache offices: in the customers' rooms, the foreign department, the margin department and in the offices of company partners.

Fed. Land Banks Offer $164,000,000 Bonds

The 12 Federal Land Banks offered publicly on July 1 an issue of $164,000,000 of 1¾% bonds dated July 15, 1958, and due Oct. 20, 1959, at a price of 99.8125%, to yield 1.90%.

Offering is being made through the banks' Fiscal Agent, John T. Knox, 130 William Street, New York City, with the assistance of a nationwide dealer and banker group. Proceeds will be used to redeem $123 million of bonds maturing July 15, 1958, to repay short-term borrowings, and for lending operations.

Continued from page 6

Supporting NATO in this Era of Confidence But Not Composure

the alliances became less personal and more political. The rules of the game—the treaties, the understandings—became more elaborate. But the formula was basically the same—finding a means to preserve the balance of power.

Men have had visions of something better—a league of nations within which all could live in peace, and disputes would be settled by arbitration. President Wilson established such a league after World War I, but the United States stayed out of it, and others flouted its rules. So although much was accomplished by the League of Nations, it failed in its great purpose of outlawing war.

After World War II, the vision reappeared and took shape in the United Nations. But again one group of nations flouts the rules and refuses to cooperate.

We must keep on trying to use this machinery, but for present effectiveness in keeping the peace we are forced back to the old formula—an alliance and a balance of power.

That is the reason for NATO. There is no other assurance of peace. The vast Soviet power, with its announced aim of bringing the world under communist control, can be met only by a united opposing force. The old motto, "United we stand, divided we fall," is as true of NATO as of the original 13 states.

The NATO alliance is flanked by the Bagdad Pact and by SEATO, but it is NATO which most directly faces the Russian threat. It is the most effective deterrent.

Some NATO Achievements

How has NATO performed in its nine years of existence? We must think back to the time after the Second World War when the armies of the West were disbanding and remember that Russia, up to then our ally, did not disband her armies. It takes an effort of memory to tabulate the westward progression of Soviet imperialism which followed so swiftly, and had to be stopped at all costs. Action was necessary—fast action—or the ideal of freedom, the hope of the West was doomed.

Action was taken; and from the time NATO was formed, the Soviet has made no further progress westward.

A few illustrations will show how the NATO countries learned to work together. When NATO came into being, there were less than 20 airfields assigned to NATO which could be used by jet aircraft in Western Europe. Yet, military strategy called for a highly mobile air force as one of the principal elements of defense and counterattack for the NATO shield. Today, there are over 160 such airfields and another 60 under construction scattered throughout the countries of NATO, on guard against any attack.

The story of the building of these airfields demonstrates one way in which the countries of NATO have learned to work together. After a committee of experts decided that it was strategically necessary to build an airfield in country X, bids were invited from qualified firms in the member countries for its construction. When the bid was accepted, and the contract awarded, the cost of construction was apportioned among all the governments of NATO. This fact is one of the most electrifying episodes in Atlantic history. I can think of no parallel for this voluntary cost-sharing from which the sinews of NATO have been built.

By the same process, literally thousands of miles of communication wire and radio circuits have been developed to hold NATO, north and south, east and west, in the closely woven web made possible by modern communication.

To take another example, it was decided some time ago that a new type of aircraft should be developed for support of NATO ground troops. The military planners insisted that it must be a jet for speed, but that it must be able to land and take off in a cow pasture. Furthermore, they insisted that it must carry the kind of armament which would make it a formidable weapon. Aviators and engineers laughed at the seeming contradiction in these demands, but they went to their drawing boards. The plane was developed, and met all the requirements. The design was a combination of the talents of several countries. The first plane which is being supplied to NATO in this series is a combination of British jet motor and Italian airframe design, coupled with several parts and equipment of French design. There is also a French airframe which interests the planners, too.

The Dutch have developed an aerial camera which some people say is better than anything so far produced. The French have developed a type of anti-tank weapon of deadly accuracy and power which any foot soldier can use. Without more details, I can tell you that our allies, with our help, are doing things in the fields of anti-submarine warfare and radar and many other fields which are truly exciting in terms of our common defense.

But at NATO we are not completely preoccupied with the business of war. We are still more deeply concerned about negotiating a peace which we can trust, and which will permit a general reduction of armaments.

Last summer, NATO spent weeks developing a disarmament program for discussion with the Soviet Union — unfortunately, to no avail because, reasonable as it was, the Soviet turned it down flat.

Then last December, as you all remember, the Soviet started talking about a "Summit Meeting" for the purpose of discussing a disarmament program. NATO has worked unceasingly for the past five months analyzing the Soviet proposals and making our own counter-proposals, in the effort to explore every possibility of relaxing the tension between East and West and bringing about a state of affairs in which the peoples of this world need devote less of their effort to preparing for war and more of it to improving the standards of living.

All of the answers which 15 member countries of NATO have made to the flood of Bulganin letters have been cleared through the NATO Council; and all members, including the United States, have repeatedly accepted suggestions from the Council for improving and coordinating their replies. So the West has been able to present a united front to Russia and her satellites.

This is an important fact, apparently little understood in our own countries, but, I assure you, fully understood in Moscow. The immediate result is that the Soviet intensifies its efforts to weaken NATO, usually through attempts to make trouble between the members, or through skillful press propaganda throughout the world aimed to create the utterly false impression that NATO is "tottering" or "crumbling"—you can find these words any day in the papers you read.

It is a long and often discouraging road toward peace and disarmament, but the Western powers will explore every reasonable possibility which might lead even one step away from wars, both hot and cold, toward peace. Conversations, as you know, are going on today in Moscow between the Soviet Foreign Minister and the Ambassadors of France, the United Kingdom, and the United States.

Members of NATO would be happy indeed if the Alliance could devote less of its efforts to military preparedness and more to those many other problems on which the NATO organization has proved so effective an instrument. But under anything like present conditions, we cannot let down our guard and must keep pace with every improvement in military capacity wherever and whenever it appears.

The Future of NATO

Many have questioned the enduring strength of our alliance. Russia has long believed that an alliance built on free enterprise sows the seeds of its own destruction. Others have wondered if our faith in democracy had become so jaded and enfeebled that it could not stand firm against the fresh and sweeping tide of totalitarian dogma. Many doubt that the diverse interests of 15 nations with varied political pressures can be held in the needed unison, under the constant blare of adverse Russian propaganda.

My experiences at the Council tables of NATO and OEEC have renewed my faith in the effectiveness of such international cooperation.

The reasons are fundamentally rather simple, because they are based upon the strongest and most elementary instincts of mankind.

The first reason is self-preservation. The NATO countries know that only through mutual strength can they offer adequate resistence to the overwhelming power of the Soviet.

The second is a common heritage. NATO countries can get on together, because their ideals, their principles, are similar. They share a great spiritual and ethical wisdom to which many generations have contributed.

Third, NATO countries have learned the techniques of working together. I want to stress particularly this very important point, for most people do not realize how very far we have come along this road.

Background of OEEC

The process by which these 15 nations have learned to work in harmony is worth tracing. Banking had a share in it, as I know from personal experience. After World War I, Benjamin Strong, Governor of the Federal Reserve Bank of New York, working with Montague Norman, Governor of the Bank of England, began a movement for cooperation among the central banks of the Western countries. During the decade of the 20's, personal relations were established among the heads of these banks. In addition, these banks joined in extending credits to the central banks of various countries to support programs of financial and economic recovery. The Finance Committee of the League of Nations was a partner in these undertakings.

Central banking cooperation was formalized in the establishment in 1929 of the Bank for International Settlements in Basle, Switzerland. Here, for 29 years, central bankers have been learning to work together and to consult on international problems.

The end of World War II saw the creation of a whole series of training grounds for international cooperation: the United Nations, the International Monetary Fund, and the International Bank. In Europe, particularly, the Marshall Plan gave rise to the OEEC—the Organization for European Economic Cooperation — and out of that sprang the Coal and Steel Community; the Common Market; Euratom; and, we hope, the Free Trade Area.

These activities have bred a group of men who understand international problems, who think in international terms, and most important, are dedicated to the principal of international cooperation.

The strong rock upon which NATO is founded can be said to be made up of these elements: dedication to a common objective—peace with freedom—plus techniques and understanding developed through successful cooperative experience.

What then do we see as to the future of NATO? With these great elements of strength, can we look forward with confidence and serenity? We can, I believe, have confidence but not composure. In this dynamic world, all history and today's turbulence and clash of opposing forces teach us that there is no room for complacency or relaxation. The future will be what we make it.

The Russian Sputniks have shown us that in military science we can no longer take for granted our leadership in the race. Just to retain our present military balance of power, we must constantly renew the arsenal of the NATO countries with more modern weapons. The science and the industry devising and producing those weapons must move continually forward.

But the contest between East and West is not military alone. Economic power is increasingly a political tool. Russia as we have seen does not hesitate to use attractive economic offers to beguile potentially explosive areas like the Middle East. The recent cancellation by the Soviet of loan commitments made to Yugoslavia shows that these Russian offers can't always be trusted. But they are tempting bait, and we cannot afford to ignore them or their possible results.

Sometimes we can find ways of debunking the Russian proposals when they are unsound and obviously political. But the Western countries need to devote more attention to strengthening their own economic programs for the less developed areas. Already we are doing a great deal through existing institutions such as the International Bank and Monetary Fund, the Export Import Bank, and our foreign aid programs. We are doing well, but not quite well enough to be sure of winning this economic contest. Of course you will understand that I am not advocating just a "Keep up with the Joneses" economic aid program. You well know my opinion in regard to unnecessary government spending! It is not so much a question of the amounts as of the skill and wisdom in administering economic aid.

In many other and more subtle ways, the Soviet is seeking to win men's minds to their twisted philosophy of life. To understand this, one has only to look at the exhibits in the Soviet and particularly in the Czechoslovakian buildings at the Brussels' Exposition—and then at our own. Here is a challenge of salesmanship to which we have not yet found the convincing answer, and it is not just a question of "hard" or "soft" selling.

The fourth of these challenges I have already discussed: finding the way to lasting peace. Today we have peace because we have a balance of power. This breathing spell we must use to try to find the way to a firmer and better peace to replace the cold war. I have told you how NATO is working on this. It is a long and exasperating job but we shall keep at it.

So on these four fronts there is no room for complacency nor for slacking off. NATO, with nearly 10 years of experience, and with the gradual broadening over these years of its field of operations, has here a great opportunity and responsibility for leadership.

So my prediction for NATO is one of optimism for a useful and even a brilliant future—subject to one condition.

That one condition is an informed public opinion in the NATO countries, which will give its purposes constant and vigorous support.

No free nation willingly assumes great expenses involving sacrifice on the part of the taxpayers unless there is real assurance that the public good demands it—nor will such sacrifices be continued unless there is strong evidence that the benefits thereof are of present value and future promise.

This evidence for NATO exists abundantly. I hope that I have been able to reinforce your realization of it. It is the best and the strongest life insurance currently available to us here in the United States, as it is to our partners of the Western world.

Support is not purely a matter of dollars and cents. It is even more a question of understanding and militant faith.

That is what NATO needs to fulfill its difficult tasks. That is what I hope and believe you will give us.

Join Marvin C. Yerke

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Godfrey Horst, Linn Hurd and Ralph Trachsel have become connected with Marvin C. Yerke and Associates, 40 West Broad Street.

Morgan Davis

Morgan Davis, formerly head of Morgan Davis & Co. and at one time a member of the New York Stock Exchange, passed away June 24 at the age of 83.

Continued from page 13

Three Legged Stool Supports Private Utility Industry

particularly as it relates to the public power program. I am no expert in evaluating advertising but what I have seen of this program to date strikes me as similar to an attempt to sell oranges by stating what is wrong with apples. A negative approach represents wasted effort. It is my firm belief that the investor-owned electric industry has the same friends and supporters it had before this advertising program began — and few, if any more, as a result of this program. The ads refer to the fact that you pay taxes which in turn are used to support and expand your competitors. Who cares?

Unless the consumer is made aware that by this he is adversely affected and further that investor-owned utilities perform a better service for the same or lesser charge, the advertising program can do no more than anger the supporters of REA and other public power project supporters. You should sell **your** advantages, not the other fellow's faults. An affirmative factual program to educate the public to the value and advantages of investor-owned utilities is a legitimate business object and should be so treated. A negative attack on a competitor does not warrant the same consideration.

While utility management must answer to the investor, utility regulation is required to answer to the consumer. If we could establish an optimum rate of return for every company, I am sure we would find that management would seek more and that regulation would provide less in nearly every case. This is altogether natural because of the relationships involved.

It seems to me there is a further natural desire on the part of the utility investor to combine the protection of a monopoly with the income of a successful speculative enterprise under supervision of benevolent regulation. Where the rate of return is good, many investors want further improvement. This is not going to happen. Electric utilities cannot expect to earn profits on the same basis as other commercial ventures under existing regulatory philosophies.

Returns to Investors and Consumers

Efficient management and cost saving practices are expected of the utilities. Savings derived must be passed back to the consumer rather than to the investor. All sound and reasonable rates of return allowed by reglatory agencies provide for adequate dividends on equity capital with additional sums for transfer to surplus. These stable earnings are the most that can be anticipated by the investor.

It is my belief that efficient management should be well and liberally rewarded by the utility owners and such rewards approved by regulation. There should be some incentive to cut costs other than merely being able to retain a job. The fact that good management is rewarded can be used as an inducement in recruiting programs.

The ability to employ not just well qualified but outstanding young men for executive training is of vital importance to the utility industry. Regulation must realize this and cooperate wholeheartedly by allowing the utilities free rein in setting attractive salaries and providing liberal fringe benefits. If the electric power industry is to remain in large part investor-owned, the best brains available must be brought into the industry.

So far we have discussed what should be expected of the investor interests in the utility industry. The problems of the industry are many.

Ex Post Factor Regulation

I recognize one of the problems of the utility industry is that regulatory agencies are by their nature "second guessers." The utility never knows whether it has hit a home run or has struck out on a specific matter until the regulatory agency rules *ex post facto*. This type of regulation is far from satisfactory.

The regulatory agencies must become more of a positive force by anticipating problems and providing policy solutions so as to establish guideposts for the industry before it makes a wrong turn.

This does not mean that regulation should either abdicate or issue a blank check to the industry. So long as the utilities are operated by fellow human beings, there will be those who are guilty of excesses and abuses unless curbed. But, enlightened regulation can in many instances point the direction and give utilities to understand they are safe so long as they remain headed in that direction.

Sound regulation is of real benefit to the industry as well as the consumer. Through the prevention or correction of excesses it can in effect save the industry from itself. Regulation can also serve to bridge the gap of misunderstanding and misinformation between the public and the consumer provided the regulatory agency is one in which the public can have confidence. Here let me say that the industry has a very large stake in the creation of well respected regulatory agencies in each state. Such an agency can, where the facts dictate, grant necessary rate increases without drawing the wrath of the public on the utility or fear of political reprisal on the agency.

The need of regulation to be able to recruit men of oustanding ability with inquiring minds is of no less importance than the same requirement of the utility industry. Regulation cannot fulfill this need without the active support of the investor-owned utilities. This problem touches the regulatory philosophy of the investor and management.

Denies Full Disclosure Harms Investors

It is patent that some investors and some members of the utility management fraternity feel that that regulation is best which regulates least. In those circles the belief is that regulatory agency orders are a good thing to hide behind when rates are increased or service unavailable, but it is preferable for the agency to be unable to obtain too much knowledge about the utility. These people operate on the theory that a **lot** of knowledge can be a dangerous thing.

I do not think this feeling is representative of even a majority of the people who comprise the investor-owned electric industry. But if you are candid about it, you will admit that this view is shared by some and no doubt considered by others. In my opinion, this view, this approach to regulation, is all wrong. It is based on the erroneous premise that if regulation knows the full facts of the utility operation such regulation will automatically be unfair to the investor. With only rare exceptions, it has been my experience that the regulatory personnel I know want to do equity to the utility and will, if properly informed, protect the interest of the investors.

The natural conclusion is that those who fear too much regulation either have skeletons in the closet of else consider that regulatory personnel are not capable of understanding the import of the full facts.

Now if there are skeletons, those who have them are indeed foolish not to dispose of the skeletons voluntarily. Skeletons have the bad habit of emerging at inopportune times.

The consuming public is not composed of morons. As a matter of fact, a lot of you people will be retiring in the future and moving to areas served by other companies. When you live on retirement income not only does the utility bill become important but, in addition, electricity is your field and you will have a natural curiosity about the local utility operation. This has happened in Florida. Let me add that we have not been confronted in Florida with any of these skeletons. My point is that the facts will ultimately come to the surface.

The feeling about the inability of regulatory personnel to understand, if true, goes right back to my statement that we can have good sound regulation only with the help of the utilities. We obtain our technical staff on the same basis as private enterprise —on the basis of compensation. Utilities as well as customers should share the responsibility of seeing that state regulatory agencies have the necessary funds for informed and fair regulation at all times.

I refer to the technical staff rather than the elected or appointed Commissioners. With a well qualified staff, I believe that there will be sound and equitable regulations; without such a staff, the utilities and the public are both going to suffer.

We say in regulation we are aware of the fact that the electric industry is experiencing a tremendous growth. We say we realize that adequate financing for this growth must be provided. If we are to implement this realization, we must take a new look at regulation.

Purchasing Property for Future Use

One instance is that of property held for future use. Once regulation can concede that our economy is in a normal state of continuing inflation, the conclusion is inescapable that prudent management must invest in land today for the construction of facilities years hence. Such land should be included in the rate base. This does not indicate any intention to permit the utility to buy land for speculative gains in the sale of real estate.

The benefit of such farsighted action to the consumer is obvious once we assume that a substantial portion of the consumers will be the same when the property is purchased and when the new facilities do come into operation. With the rate of growth predicted for the electrical industry for the next 20 years, I believe this assumption to be valid.

Inflation, Investors and Rate Making

Inflation seems to me to be a normal attribute of our economy. The only change we encounter is one of degree. Regulation must come to grips with this problem. Where I previously referred to stable earnings for the investor the stability, to my mind, must be based on present purchasing power of the dollar. Attrition, economic depreciation or whatever term is utilized to define the effect of inflation on the purchasing power of the dollar must be considered in rate making if we are to be equitable in our treatment of the investor.

So far we have no final answer on the treatment of the problem. It seems that solution must come through the rate base valuation or through the rate of return. The problem can be simplified if we acknowledge that inflation is here to stay rather than attempting to find solutions based on the theory that inflation represents a temporary maladjustment in our economy.

The privately-owned electric industry does indeed rest on the support of the investor, the consumer and regulation. Without the combined support of these groups, the structure will immediately collapse. The utility industry as a public service enterprise must play the game with all the cards on top of the table. The privately-owned electric industry has up to the present done a truly magnificent job in meeting the needs of the nation during a rapidly expanding economy.

The job is not yet done, the race is not over. Now is not the time to admire your laurels. It is a time for greater endeavor, more foresight in future planning to assimilate nuclear energy and a time to educate the public to the contributions made for their benefit by free enterprise intelligently managed. It is a time to realize that only with the support of an informed public and of sound, well qualified regulation can the predicted gains of the industry become reality.

Continued from page 3

The Price of Gold and the Devaluation of the Dollar

give Russia completely free of charge, a very large increase of purchasing power in the U. S. and in the rest of the world. This is the very last thing that the American government could wish and if there were no other objection to an increase of the price of gold this one would be strong enough to deter the U. S. Government from ever undertaking such a venture.

Dollar Devaluation Starting World Chaos

Most of the time, a devaluation is intended to stimulate foreign trade and to improve the balance of payments. As the balance of payments of the U. S. is active and since the U. S. gold stock is the largest in the world, a devaluation of the dollar would not increase the amount of foreign money that could be invested in the U. S. On the other hand a devaluation would decrease the gold value of American investments abroad (as well as the purchasing value of foreign aid since its amount in dollars would remain unchanged).

No major advantage would be gained in foreign trade either, as exports constitute only 7% of the total of all business operations.

Moreover, imports expressed in American dollars would become more expensive. This could hardly contribute to an increase in volume of commodities imported. As the U. S. purchase more than 50% of all commodities consumed in the world, a devaluation of the dollar would bring a sharp deflation among the world producers of commodities. Since most of these countries belong to the sterling zone, a devaluation of the dollar would bring a devaluation of all the currencies attached to the pound sterling. This would be unavoidably followed by devaluation of European currencies finally producing world chaos. In this case again, Russia would be the only beneficiary. One may recall that Lenin wrote that **"the debasement of currencies is one of the surest ways of bringing Communism."**

Inflation: A Permanent Danger

The American government is certainly aware of this danger. This is the reason why it is always considering inflation as the Public Enemey No. 1; the present recession being considered as a transitory phenomenon which should disappear within one or two years, as soon as the necessary corrections have been brought to prices, inventories, salaries and installment debts.

In intervening too early or unnecessarily, the government is afraid of bringing about a rekindling of inflation which would carry the economy into a state of fever impossible to maintain on a permanent basis and which would ultimately produce another recession more severe and more difficult to cure than the present one.

Most people have mistaken ideas about government intervention. They believe that without government intervention, a recession will last forever, which is not correct; in the past, many recessions have come and gone without any intervention. They also believe that government moves will stop a recession; this it not correct either in a free economy. Official intervention in the past very often has been "too little and too late."

Government Intervention

The size of the currently mentioned governmental initiative is not as big as it looks: a reduction of five billion in taxes and an increase of seven billion for public works make a total of 12 billion which is only 5% of the entire Public Debt. It would create a deficit in the budget of about 20% which, of course, is not negligible, but which would be considerably less than the deficit incurred during World War II. This deficit would only last a couple of years and would disappear with the economic recovery of the country.

It is only in the extreme case of a depression lasting several years that this deficit could become a permanent feature and would have to be financed by a permanent monetary inflation. Assuming this situation would arise, an official devaluation of the dollar could still be avoided as long as the Public Debt is increased in proportion to the needs of the government. Because of the international political implications, outlined at the beginning of this article, Congress would accept successive increases of the Public Debt—an internal measure —with less reluctance than a devaluation of the dollar—an international measure. (From 1939 to 1958 the Public Dept has increased from $40 billion to $280 billion.)

The Level of Prices

A monetary inflation in a more or less closed economy such as the economy of the U. S. could very well take place since its citizens are not well acquainted with currency problems and have neither the wish nor a strong desire for the exportation of funds abroad. The situation would be somewhat similar to the one existing during World War II: a large deficit of the budget, a period of underconsumption, an important increase in the Public Debt covered by government loans, subscribed by banks and by the public. At that time, there was no devaluation of the dollar but a slow increase of prices and in the cost of living.

The impact on prices, this time, may be less than it was during the war since the productive capacity of the U. S. would be used only for peaceful means. At present, only 80% of the total production is utilized and this percentage could very well decrease further in case of a deeper recession.

Furthermore, consumers are well provided with goods. The low birth rate in the 30's will slow the growth of the economy during the next few years until we reach the "golden 60's." **Price rises are restrained in an economy which has spent over $270 billion for expansion during the last 10 years** and can easily increase further its productive facilities. In fact, for the near future, price declines are to be expected and surprisingly enough, several years may elapse before prices will rise above their recent peak. Everybody remembers that during the Roosevelt New Deal prices did not go up very much. Why? Because it is monetary inflation which pushes prices up, not devaluation. If during the New Deal, prices did not go up as much as expected, it is because the monetary inflation was too small, notwithstanding the devaluation which was probably too deep.

Depreciation of the Dollar

A large monetary inflation could affect the external value of the dollar. Foreign currencies, such as the Canadian dollar or the Swiss franc, could then sell at a premium over the U. S. dollar, as was the case for a time after World War II. But, if Canada and Switzerland would adopt the same policy of monetary intervention, it would also affect their currencies and prevent them from selling at a premium over the U. S. dollar.

Only in case of a long and deep depression fought with exceptionally large monetary measures, would there be an internal depreciation of the dollar through a rise in domestic prices and possibly an external depreciation abroad, but there would never be a legal devaluation of the dollar, nor an increase in the price of gold.

Denver Analysts Elect Officers

DENVER, Colo. — William S. Jackson, Jr., Hamilton Management Corporation, has been elected President of the Denver Society of Security Analysts, succeeding Martin G. Decker, United States National Bank.

Other officers chosen were Robert I. St. Clair, International Trust Company, Vice-President; Robert F. Archibold III, Peters Writer & Christensen, Treasurer; Willard H. Marsh, U. S. National Bank, Secretary; and Mrs. Betty M. Little, Colorado National Bank, recording Secretary.

Mr. Decker was also chosen as a director of the National Federation of Financial Analysts Societies, for a three-year term. Milton N. Hart, International Trust Company, was named Vice-President of the National Federation.

Herman G. Ferse With R. L. Colburn Company

(Special to THE FINANCIAL CHRONICLE)

SAN CARLOS, Calif.—Herman G. Frese has become associated with R. L. Colburn & Co. of Los Angeles. Mr. Frese formerly conducted his own investment business in San Carlos.

With Robert Ferman

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Robert M. Bressler is now affiliated with Robert L. Ferman & Company, Ainsley Building.

Grand Union Co. Fixes Terms on Rights Offering

Morgan Stanley-W. E. Hutton Group to underwrite transaction

The Grand Union Company is issuing to the holders of its common stock rights to subscribe for $10,426,700 of 4⅛% subordinated debentures due 1978. The company is the second oldest and one of the largest retail food chains in the United States.

Common stockholders may subscribe at the rate of $100 principal amount of debentures for each 23 shares of common stock held of record on July 1, 1958. The subscription offer will expire at 3:30 p.m., New York time, on July 21, 1958.

Morgan Stanley & Co. and W. E. Hutton & Co. will jointly head a group of investment firms which will underwrite the offering.

The debentures, unless previously redeemed, are convertible into common stock on or before July 15, 1968, at $46 principal amount of debentures for each share of common stock.

A sinking fund provides for annual payments in each of the years 1969-77 calculated to retire prior to maturity 75% of the debentures outstanding at the expiration of the conversion period on July 15, 1968. The sinking fund redemption price is 100%. Optional redemption prices range from 104% if redeemed prior to July 15, 1959, to the principal amount on and after July 15, 1975.

A portion of the net proceeds from the sale of the debentures will be used to retire all outstanding short-term bank borrowings, including those incurred in connection with the acquisition last month of 41 "Empire Stores" of Schaffer Stores Company, Inc. and seven "Mohican Stores," to replenish cash already expended in these acquisitions, and to pay the unpaid balance of the purchase price. The aggregate purchase price was $8,000,000, of which $5,000,000 has been paid. The balance of proceeds will be added to the company's general funds and will be used for working capital and other general corporate purposes, including the anticipated installations during the current fiscal year, at an estimated total cost of $7,500,000, of fixtures and other equipment in new stores opened by the company.

The company operates a chain of retail food and grocery stores and one-stop shopping centers located in 11 eastern states, the District of Columbia and Ontario, Canada, 426 stores being in operation on June 10, 1958.

Giving effect to this financing, Grand Union will have a total long-term debt of approximately $28,504,000. Also outstanding at June 30, 1958, were 110,988 shares of preferred stock of $50 par value and 2,398,138 shares of common stock at $5 par value.

During the past five years the company's sales have increased from $201,793,000 for the 52 weeks ended Feb. 27, 1954, to $427,871,000 for the similar period ended March 1, 1958. For the latest year income before interest and other deductions was $12,419,000 compared with $10,853,000 for the 52 weeks ended March 2, 1957. Earnings per share of common stock for the year ended March 1, 1958 were $2.55 and dividends were 69 cents a share compared with earnings of $2.31 and dividends of 57 cents in the year ended March 2, 1957, based on the shares outstanding at the end of each period, adjusted for stock dividends, except for the 5% stock dividend paid on May 29, 1958.

Rental Housing "Boomlet" Forecast

Quarterly newsletter of U. S. Savings and Loan League depicts possible oncoming "boomlet" in construction of rental units. Noting the stimulus in one unit home building and rise in vacancy rates, the *Letter* wonders, however, whether initial sales spurt may be sustainable.

A "boomlet" in the building of rental housing may be in the offing, the "Quarterly Letter" of the United States Savings and Loan League said recently.

Noting that multiple family apartment construction now accounts for a larger proportion (20%) of housing starts than at any time since 1952, the League publication said:

"It may well be that we are now on the threshold of a boomlet in the construction of rental units."

The League is the national trade organization for more than 4,400 savings and loan institutions. Its "Quarter Letter" is written by Norman Strunk, Executive Vice-President, and Leon T. Kendall, staff economist.

In discussing the prospects for an increase in apartment building, Strunk and Kendall said that although the single-family house has received virtually all the emphasis since World War II, some of the "basic factors" underlying that demand may be changing.

They pointed out that couples forming new households in the years immediately ahead will be somewhat younger than the returning veteran of World War II and his wife, and probably will have somewhat less substantial means and incomes.

"These youngsters may find the living quarters most attractive to them in apartment-type rental units," said the League's publication. "Thus, the much-heralded 'war babies' may make their housing demands felt first in the multi-unit sector of the market."

Reviewing the home building picture, Strunk and Kendall said that home construction has picked up recently—in part because of the increasing availability of the low down payment plans of the VA and FHA programs.

"The re-entry of government mortgages into the residential market has caused builders in many parts of the country to offer 'no money down financing again'," they continued. First reports indicate that sales of houses on such terms are proving satisfactory."

But, the League officials cautioned, whether sales will continue to be satisfactory "is another question."

They suggested that it is possible that sales completed now may be creating a "vacuum" in the housing market, which may soon prove difficult to cope with during the present recession, "when the typical community is not adding new jobs to its employment structure."

"Vacancy rates rose during the first quarter over both the preceding quarter and the first quarter of 1957," said Strunk and Kendall. "Thus, this initial sales spurt may not be sustainable."

Form Helmac Funds

Helmac Funds Corporation has been formed with offices at 60 John Street, New York City, to engage in a securities business. Officers are Max Angstreich, President and Treasurer, and Martin Feinman, Secretary. Mr. Angstreich formerly conducted his own investment business as a dealer in mutual funds. Mr. Feinman has been associated with him.

Railroad Securities

Western Maryland Railroad

Western Maryland Railroad's traffic has been particularly depressed this year because of the drop in activity of heavy industry. Over 60% of freight revenues are derived from bituminous coal, iron ore and other raw materials used in the iron and steel industries.

Carloadings thus far in 1958 are running around 24% under those of a year ago, while aided to some extent by higher freight rates, gross revenues in the first four months of this year were down $4,438,000 or 22.5% from the like 1957 period. The road has been able to keep expenses under good control. The property is considered to be in excellent physical condition which has aided reduction in expenses in line with the current volume of business. Federal tax accruals also are down and this enabled the Western Maryland to offset all but $1,651,000 of the loss in revenues for the period. Net income for the first four months of this year amounted to $1,404,000, equal to $1.83 a share on the common stock as compared with a net income of $3,061,000, or $4.35 a common share in the like period of last year.

Much earnings-wise depends in coming months on the activity in the steel industry. There has been some pickup in recent weeks but traffic in July and August is expected to continue at fairly low levels due to plant closings for vacations. A good recovery could occur this Fall and with expenses under control, any rise in revenues should be quickly reflected in rising net income.

The road has added considerable new equipment to its fleet and needs only additional traffic to again show good earnings. Last year, it reported net income equivalent to $12.20 a common share and if there is any improvement in general business conditions it should be able to earn close to $8 a share this year. This would cover the $3 annual common dividend by a comfortable margin.

Further control over expenses should be accomplished this year due to expected fall maintenance mechanization and the virtual elimination of all passenger service and the losses attributable to this business. The road also has a program of developing new coal mines which is important to meet the requirements of the growing utility industry and the steel mills. It might be noted demand for steam coal for the utilities has held up despite the drop in general business.

Despite the acquisition of new equipment and other capital improvements, finances remain strong. On March 31, 1958, cash items aggregated $7,411,000 and current liabilities were $11,604,000, with net working capital of $6,985,000 as compared with $6,018,000 at the end of 1957. It is estimated that the cash flow from depreciation will fall somewhat short of 1958 equipment maturities of $4,072,000. Because of this, and cash requirements for further capital improvements, plus large sinking funds on bonded indebtedness, it is probable the Western Maryland will follow a conservative financial policy until such time as traffic and earnings show gains over current levels.

The road has benefited from the growth of the Port of Baltimore and adjacent territory and is in a position to expand further along with the gains in the service territory.

Federal Home Loan Banks Offering $116,000,000 Notes

Public offering of $116,000,000 Federal Home Loan Banks 1.60% series B-1959, non-callable consolidated notes dated July 15, 1958 and due Feb. 16, 1959, was made July 1 by the Federal Home Loan Board through Everett Smith, Fiscal Agent of the banks, and a nationwide group of securities dealers. The notes were priced at 100%.

Net proceeds from the sale of the notes will be used to retire $86,000,000 of 3.30% series F-1958 consolidated notes on their due date, July 15, 1958, and for lending operations.

Upon retirement of the maturing issue, outstanding indebtedness of the banks will aggregate $486 million, consisting of $196 million of short-term non-callable notes and $290 million of non-callable five-year bonds due April 15, 1963.

Form Vestron Corp.

Vestron Corporation is engaging in a securities business from offices at 521 Fifth Avenue, New York City. Officers are Saul Knazick, President; Stanley Green, Vice-President; Harvey Farber, Treasurer, and William Souweine, Secretary.

Sauce for the Goose, but—

"These aggressive new merchandisers (discount houses) represent a type of selling that has revolutionized the distribution system. The discount house operation has been able successfully and profitably to distribute immense amounts of consumer wares . . . to the buying public at prices significantly below those charged by established retail institutions.

* * *

"Old institutions and ways of doing business have been challenged through price competition. The resulting changes—the lowering of the costs of distribution and the corresponding rise in efficiency—are precisely that economic result which effective competition, the goal of the antitrust laws, envision."—Robert A. Bicks, Department of Justice.

It is strange that no politician talks in this way when farmers or wage earners are the subjects of conversation.

Continued from page 14

The Economics of Canadianism

erations of Canadians have laid to remain as nothing more than mute evidence of the folly of our dreams? To such questions the answer must be a resounding "No"! It will take more than uncertainty to block the aspirations of Canadianism because of the heritage of courage which is ours.

Our forbears knew uncertainty. They knew the uncertainty borne of the formidable barriers of nature. They knew the threat of nationalistic expansionist ambitions south of the border—ambitions which, at the turn of the century, refused to acknowledge that Canada and Canadianism were here to stay.

Uncertainty has never caused Canadians to be frozen in the paralyzing grip of fear. We have never deluded ourselves with the notion that our economy was either fully inflation-proof or fully recession-proof. It will take more than the short-term swing of the economic pendulum we call the "business cycle" to undermine the foundations of confidence laid down in more than 90 years of nationhood.

Foundations of Confidence

Examine the foundations of that confidence and I think you will agree that what I say is so. One of those foundations lies in the sturdy character of our people. Another is found in the hard facts which underlie our economic relations with the United States. We know that the surface of those relations are ruffled today by developments south of the border which can best be described as economic nationalism. Yet Americans themselves are keenly aware that economic nationalism is incompatible, over the long haul, with their country's role as the economic and political leader of the free world. And Americans know, too, that theirs is a deficit economy in terms of resources, incapable of sustaining indefinitely the voracious demands of industrial production—demands which Canada for reasons that are obvious is best suited to supply.

Let us remember that the United States is also experiencing a downswing of the economic pendulum. It is the short-term anxieties occasioned by this downward swing, I believe, that have given rise to what we call American resource protectionism. When the pendulum swings upward again in the United States, as it must, I am confident that these manifestations of resource protectionism will vanish and with them the uncertainties which now cloud our economic outlook. The hard facts of economics dictate that this must be so. The Canadian-American partnership, I am sure, will never degenerate to the point where our respective countries are reduced to two economic solitudes, isolated and alone. Were that to happen, not only prosperity and progress, but the security of the entire free world, would be in deadly peril.

Transportation's Progress and Canada's Growth

This brings me to my second point—transportation's role in the economics of Canadianism. From earliest time the frontiers of geography have challenged the architects of Canadian nationhood. Not until men of action met geography's challenge by spanning the continent with ribbons of steel were the economic foundations of nationhood firmly established.

Transportation's role in the conquest of the frontier lands and the opening up of the Canadian West is rightly regarded as a momentous occasion in our country's history.

No less surely, I suggest, is the surge of resource development of the last decade — development in which the railways, highways, aircraft and pipelines have all played a notable part—one of the great epics of Canadian transportation progress. Both of these episodes in our history have marked Canada in the eyes of the world as a land of unparalleled opportunity. Both have had an enormous impact upon national growth and material progress. Today transportation is playing a vital role in the conquest of the new resource frontiers of the North, just as it did in earlier years in opening up the Canadian West.

Increased Technological Tempo

It is on the frontiers of technological advance, however, that transportation's impact on the economics of Canadianism is greatest. Technology, to be sure, is no stranger to Canadian transportation. In fact, in terms of achievement in the realm of mass transportation we must acknowledge that no technological advance can yet rival the economies inherent in the low friction of the flanged wheel rolling on steel rails. And nobody who possesses those steel ribbons, the land across which they run, and the imagination, knowledge, money and opportunity necessary to improve efficiency of operation, need have anything to fear from competition.

The striking thing about the impact of technological advance in Canadian transportation today, however, is its swiftly accelerating tempo. Diesel motive power will soon entirely replace the century-old steam locomotive. The efficiency and comfort of the stainless steel dome-equipped streamliner, "The Canadian," has revolutionized transcontinental rail travel. Sturdy self-propelled "Dayliners" are technology's answer to inter-city and short-haul passenger travel. Piggyback is bringing to shippers the economy of rail transport coupled with the flexibility of highway trucking.

Technology has brought the pipeline to Canada's transportation scene, moving the West's wealth of oil and natural gas to the marketplace.

Technology has brought highway and superhighways to meet Canada's growing transportation needs.

The St. Lawrence Seaway promises to stimulate our trade with other countries by bringing deep-sea shipping to Canada's industrial heartland.

The civil aviation, international and domestic, technological frontiers are being pushed back, putting Canada in the very forefront of air transport.

I have mentioned but a few of the more obvious ways in which the transportation industry is pushing forward on the frontiers of technology. There are many others, less obvious perhaps, but no less significant in terms of making Canada, transportation-wise, one of the most technologically-advanced countries in the world.

As an engineer, I know you'll forgive me for dwelling as long as I have on how Canadian transportation is pressing forward upon the frontiers of technology. The impact of technological advance upon the economics of Canadianism, however, goes far deeper than this.

Not only in transportation, but in other fields as well, technology creates opportunities for progress which, I firmly believe, promise to rival even the opportunities which came with the opening up of the West and the successive conquests of our resource frontiers.

You and I know the opportunities which technology offers in terms of productivity gains which make for a more efficient, economical output of goods and services.

In transportation, as in other fields, technology is a creator of opportunity because it constantly compels older industries to devise new and better ways of doing things in order to survive and prosper.

Favorable Investment Climate

Transportation's advance upon the frontiers of technology and the contribution it can make to Canada's economic progress depends, however, in the final analysis, upon maintaining a climate favorable to investment. For the application of scientific genius and engineering "know-how" to industrial progress, whether it be in transportation or in some other field, calls for vast outlays of capital.

In recent years hundreds of millions of dollars annually have been invested in the improvement and expansion of Canada's transportation facilities. This new investment in transportation has generated a chain reaction of employment opportunities throughout the entire industrial fabric of our country. Capital requirements of Canada's transportation industry in the future will, if anything, be even greater than in the past.

These capital needs, I hardly need to remind you, will not be met if organized labor, either through outmoded "make-work" rules or excessive wage demands, denies the investor the prospect of earning a reasonable return on his money. Nor will the money be forthcoming if restrictive regulation prevents any segment of the transportation industry from pricing its services according to the dictates of competition. Resistance to change and progress in transportation, whether it manifests itself in the realm of collective bargaining or in the perpetuation of outdated restrictive regulation in the realm of public policy, can result only in less efficient transportation services, thus imposing an unnecessary cost burden on the Canadian public.

It has long been an axiom of public policy in this country to seek to reconcile the interests of Canada's far-flung regions through measures designed to compensate some areas for the inherent economic disadvantages of their geographic location. This axiom of public policy is part of the price Canadians have, from Confederation onward, been willing to pay to maintain their national economic integrity. I do not think exception can be taken to this, provided the economic burden is evenly distributed and does not fall exclusively upon a particular industry.

Power of U. S. A. Labor Leader

I cannot help wondering whether the time may not be at hand for us to devise a similar axiom to reconcile in some way the imbalance of power which today characterizes the relationship between various economic groups in the country. In particular I have in mind the vital importance for Canada's economic well-being of reconciling in some way the preponderant economic strength of organized labor with the public interest in job-generating new investment in industry. A sense of urgency attaches to this problem, as I see it, because of the influence exerted by union leaders in the United States, through international unionism, upon the lives and jobs of Canadian workers.

For Canada's national economic integrity to be placed in jeopardy at the whim, and to serve the special interest of some union leader in the United States, does violence, I suggest, to the very spirit of Canadianism.

The consequences, in terms of the freedom and well-being of Canadian labor, of American-based "international unionism," it seems to me, is one item of unfinished business of paramount importance in any consideration of the economics of Canadianism. I am confident that its solution is not beyond the capacities for statesmanship of Canada's trade union movement.

I hope that I have been able to express the true sense of that abiding faith in Canadianism which all of us share.

It is a faith that rests, first and foremost, on the heritage of courage handed down to us by our forbears — a heritage that has been strengthened and enriched by the presence in our midst of those who have come from across the seas and from the United States to share with us in the great Canadian Adventure.

It is a faith based on the knowledge that Canada is one of the resource treasure-houses of the free world.

It is a faith based on the conviction that the tempo of technological advance—aptly called the industry of discovery—will help us build on the foundations of the past a greater Canada that will stand as a noble monument to mankind's achievements, both social and material.

It is a faith which says that Canadians, in the future, as in the past, will respond to challenge in such a manner that obstacles to progress will be turned into opportunities.

If we are to prosper, if we are to grow, if we are to be strong and free, then we must take a long, hard look at policies advanced in the name of expediency which might divide us into conflicting economic groups bent on imposing man-made bounds on the golden opportunities which all of us can glimpse.

Let us ever be on guard against conduct which calls into question the very essence of economic freedom upon which true Canadianism rests.

Continued from first page

Member Bank Borrowings From Federal Reserve Bank

describe briefly some of the economic developments and bank lending and investing policies that may lead to it.

The ebb and flow in the demand for loans at commercial banks is a reflection of the ebb and flow in economic activity itself. In periods of rising business and inflation, the demand for loans increases and the commercial banker wonders where to get the funds to lend, how to keep customers content with less money than they wish, and how to maintain good will while denying some applicants altogether. In periods of declining business, on the other hand, the banker seeks customers who will borrow as well as do business in other ways to employ idle funds.

These alterations in demand and supply would, of themselves, produce corresponding alterations in interest rates. Action of the monetary authorities who are pursuing a flexible policy adjusted to current conditions reinforces such changes in interest rates.

When demand for loans is slack a banker prefers to invest his excess funds in short-term securities so that the early maturities will provide the funds to meet his needs when loan demand again picks up. The same is true of bankers generally and of other lenders. As a consequence, short-term rates usually move down much more than long-term rates, and the structure of interest rates takes on an upward slope. This slope is confirmed when the market anticipates that rates will rise. The reason is that anyone who wishes to borrow or lend for a long period can do so either by means of a single contract for the entire term or by means of a series of short-term contracts. If the market anticipates a rise in rates, borrowers will prefer the long contract to beat the rise and lenders will prefer the short contracts so as to secure funds from maturities for reinvestment when the rise occurs. In other words, the supply of funds will concentrate in the short market and the demand for funds in the long market, thus confirming the upward slope in rates.

That is not the whole story, however. Slack loan demand and low rates of interest put pressure on bank earnings. There is, therefore, a strong temptation to meet the immediate problem of earnings by reaching out for longer maturities because of the relatively higher yields even though prices are high. At such times it is not always recognized adequately that any investor assumes a risk when he buys the longer bond. It is the possibility that yields may go higher with a consequent loss of capital value. Even a relatively small change in yield will mean a relatively large change in the market value of a long-term bond. Although an investor is more likely to remember this when the time for liquidation comes it is more profitable to remember it when the initial investment decision is made.

The prices of long-term bonds, bought to secure income in a period of weak loan demand and easy money conditions, decline as money tightens. And, just when money tightens in response to economic expansion, the problem of the banker shifts from trying to find profitable outlets for excess funds to finding funds with which to meet expanding demands. The risk that was assumed when the long bonds were bought becomes a loss on the books. In seeking funds to meet expanding demands it is understandable that the banker might prefer not to sell the bonds because this would convert the book loss into an actual loss.

At this point hope often enters the picture—hope that the tightness will be only temporary. And, of course, experience shows that although the decline in prices continues as money tightens, *eventually* a peak in yields or a trough in bond prices is reached from which they move in the opposite directions.

Why not, therefore, tide over this period by borrowing? If the cost of borrowing is not too great, this might appear to be a method of having one's cake, the higher yield, and eating it too, not incurring a capital loss.

Member Bank Recourse to Federal Reserve

I want to indicate why member banks should not seek funds for this purpose from the Federal Reserve Bank. Suppose we look at the responsibilities of the Federal Reserve System under the conditions that have been described. It is the central bank which must adjust its monetary policy to economic developments. It tightens expansion. One evidence of tighter money is the higher interest rates that have been mentioned and the higher discount rates that the Reserve Banks themselves would charge under the circumstances.

Another is a reduced availability of reserves.

The effectiveness of the System's efforts to restrain would be blunted if reserves were made available freely, if member banks had no hesitancy in borrowing, and the Reserve Banks never asked any questions about continuous borrowing.

As an economist, I appreciate that the Reserve Banks probably could discourage, even to the point of preventing, such borrowing by charging a high enough rate. But that is not the kind of rate policy on which the Federal Reserve Act is based. The Act provides specifically:

"Each Federal Reserve Bank shall keep itself informed of the general character and amount of the loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit . . . or for any . . . purpose inconsistent with the maintenance of sound credit conditions; and, in determining whether to grant or refuse advances, rediscounts or other credit accommodations, the Federal Reserve Bank shall give consideration to such information."

One reason for not relying on the rate exclusively is that the appropriate rate would have to be comparatively high. The same rate would have to be charged to all members; yet the primary purpose would be to discourage the relatively small number of banks that tend to borrow excessively. This is not to say that the discount rate is unimportant. On the contrary, it is an indispensable tool of monetary policy. Its level and changes in it influence the tone of the market, including market rates. I do not, however, have time to discuss it adequately in this paper.

The discount window of the Federal Reserve Bank is like a safety valve that enables a member to secure funds temporarily to meet needs that could not reasonably be anticipated. It should not be necessary to charge a member that finds itself in such a condition the high rates that would be necessary to discourage the complacent borrower.

Criteria Governing Loans

The principles and rules that govern loans to member banks are published as Regulation A of the Board of Governors. I would like to read from the foreword to that Regulation:

"Federal Reserve credit is generally extended on a short-term basis to a member bank in order to enable it to adjust its asset position when necessary because of developments such as a sudden withdrawal of deposits or seasonal requirements for credit beyond those which can reasonably be met by use of the bank's own resources. Federal Reserve credit is also available for longer periods when necessary in order to assist member banks in meeting unusual situations, such as may result from national, regional, or local difficulties or from exceptional circumstances involving only particular member banks. Under ordinary conditions, the continuous use of Federal Reserve credit by a member bank over a considerable period of time is not regarded as appropriate.

"In considering a request for credit accommodation, each Federal Reserve Bank gives due regard to the purpose of the credit and to its probable effects upon the maintenance of sound credit conditions, both as to the individual institution and the economy generally. It keeps informed of and takes into account the general character and amount of the loans and investments of the member bank. It considers whether the bank is borrowing principally for the purpose of obtaining a tax advantage or profiting from rate differentials and whether the bank is extending an undue amount of credit for the speculative carrying of or trading in securities, real estate, or commodities, or otherwise."

Borrowing at the Reserve Bank is significant to the member bank and to the Reserve Bank. To the member it is a privilege of obtaining additional reserves to meet unexpected needs. Ordinarily such needs would be for short periods though in exceptional cases they may be more extended. In any event, borrowing gives the bank time to make orderly adjustments in its assets should that become necessary. To the Reserve Bank appropriate borrowing has the advantages of supplying additional reserves directly to the banks that need them and of attaching a string to withdraw the reserves when the loan is repaid.

Clears Up Misunderstandings

I would like now to try to clear up a few misunderstandings that I have heard about the administration of our discount policy. One of these is belief and repetition of an occasional rumor that I have heard phrased in these words: "Boy, the Fed sure is tough." It is difficult to trace such rumors to their source. On occasion we have found that they begin with a banker whose borrowing record in terms of frequency, amount, and duration concerned us sufficiently to warrant a discussion. We do not, in these discussions, tell the banker how he should manage his own institution. We do point out that we have a responsibility to manage the Federal Reserve Bank in accordance with the law and that he should take into account that frequent or continuous borrowing is not appropriate except in unusual circumstances. I mention this because unfounded rumors may have kept some members from applying for advances for legitimate purposes. My suggestion is that when you hear such a rumor either ignore it altogether or investigate it until you have ascertained all relevant facts in the case. When the relevant facts are known, I would leave to your judgment whether we acted tough and capriciously or responsibly.

There has been some misunderstanding concerning the distinction I have drawn between managing our own Reserve Bank and managing the member bank. As a result, we have at times received unmerited praise and blame. Usually the praise is some variant of the following observation: "Thanks a lot for forcing me to sell those bonds to repay our debt to you. The bonds have since gone down several more points." The blame is some variant of these statements: "Your attitude cost my bank plenty. Those bonds you made me sell have since recovered several points." Actually, we do not tell a banker how to adjust his position so that he can repay. That is his problem. The nature of that problem will vary among banks, depending in part on earlier investment decisions. The results of action taken will also vary, depending on subsequent developments that cannot be foreseen.

Another misunderstanding is that the administration of discounting varies over time. I can appreciate how this misunderstanding arises. In a period of easy money most banks will be seeking ways to employ idle funds, relatively few will be borrowing at all, and very few, if any, may be borrowing inappropriately. In a period of tight money, on the other hand, few banks will have idle funds, relatively more will be borrowing, and some may be complacent about their borrowing.

In other words the discount department of the Reserve Bank will usually be busier in a period of tight money than in a period of easy money. More banks may approach the continuous borrower category as sanguine expectations do not materialize. And so we have to make more telephone calls. This results, however, from maintenance of standards by the Reserve Bank and not from a change in standards or administration. An indication of uniformity of standards is the fact that occasionally we do find inappropriate borrowing even in recessions.

Factors Governing Loans

Now, every real craftsman in the field knows that credit cannot be administered according to mechanical rules. Among the important factors that are considered in evaluating the position of a particular bank are the following:

(1) What is the nature and extent of its loan expansion?

(2) Is it confronted with seasonal requirements for credit beyond those which could reasonably be anticipated?

(3) To what extent has it liquidated other assets to meet the loan expansion?

(4) Has it been subjected to unusual withdrawals of deposits?

(5) Has the community in which the bank is located experienced economic adversity or other unusual developments that require time for solution or adjustment?

Officers of the Federal Reserve Bank are generally familiar with the managements and policies of most of the member banks in the District. Nevertheless, our discount officers find it desirable from time to time to supplement our knowledge by means of direct inquiry. Raising questions is at times a necessary part of proper administration of discounting. It is not the questions but the answers that influence our judgment. You appreciate that I cannot cite specific cases but I know of instances in which the facts demonstrated that even extended borrowing was appropriate.

Investment Policies of Commercial Banks

I move now to the reasoning that leads some observers to very different conclusions with respect to the investment policies of commercial banks, especially in recessions. Since many of the ingredients are the same as those I have mentioned, I can be brief.

Most analysts of business fluctuations would agree that lower long-term interest rates contribute to economic recovery from recession by stimulating construction of public works, of houses, and of plant and equipment. Since a rising demand for long-term bonds would tend to pull down long-term rates, some analysts would encourage all investors, including commercial banks, to purchase such bonds. A few observers, if I understand their reasoning, would even single out commercial banks particularly for such encouragement. They reason that such action by the commercial banks would contribute not only to the recovery but also to restraining later possible inflationary developments. It would help restrain inflation because the losses in capital values that accompany inflation would tend to freeze the bonds into the banks.

The logic behind this view has cogency. Nevertheless, I am not convinced that commercial banks should be encouraged to ignore their internal liquidity positions even in recessions. Their essential role differs from the role of those whose essential function is long-term investment. The genuine long-term investor can ride out a temporary loss in capital values. The commercial banker on the other hand is always faced with the possible demand for deposit withdrawal and with prospective demands from his borrowing customers. Particularly these latter demands — and for individual banks the former as well, as we have learned in the Third Federal Reserve District—are apt to come precisely when long-term bond prices are depressed.

This does not disturb the analyst I have mentioned. On the contrary, they see it as a great advantage; because it would make a restrictive monetary policy more effective by putting greater pressure on banks. I have a hunch, however, that they are more expert at constructing economic models than at managing either commercial or central banks.

I have no desire to tell you how to run your institutions. That is your responsibility. On the other hand, I do have a responsibility with respect to the Federal Reserve Bank. In the nature of the case there is a reciprocal relationship between our operations. When you borrow from the Federal Reserve, the Federal Reserve lends to you. That is why it seemed appropriate to discuss Federal Reserve Bank lending policy at a time when loans are few and we can be most objective.

I cannot close without expressing what we all know and feel. We share a common goal of reasonably full use of our resources and a reasonably stable level of prices. The banking system alone cannot achieve this goal. Much else is needed in many areas. Nevertheless, appropriate monetary policy by the Federal Reserve System and appropriate policies of the commercial banks are indispensable parts of the common effort.

Geary & Geary Opens

GRAYSLAKE, Ill. — Geary & Geary has been formed with offices at 125 Center Street, to engage in a securities business. Partners are Norman C. Geary and Adelbert W. Geary.

Public Utility Securities

By OWEN ELY

Middle South Utilities, Inc.

Middle South Utilities is the second largest of the southern holding companies with annual revenues of $175 million. It controls Arkansas Power & Light, Louisiana Power & Light, Mississippi Power & Light and (except for about 5% of the stock) New Orleans Public Service. These subsidiaries furnish electric service to more than 1,700 communities, including Little Rock, Pine Bluff, New Orleans, Jackson and Vicksburg. Gas service is rendered in 50 communities in Louisiana and transportation service in New Orleans and the adjacent area. Population of the area is about 3.9 million.

While the area was originally agricultural, this activity has been over-shadowed in the postwar period by oil, minerals and manufacturing developments. Principal industries include building materials, ice, cold storage and packing plants, cotton gins and mills, pulp and paper plants, oil production and refining, textiles, mining and aluminum processing.

During 1954-6 Arkansas was the number one state in the "gains in value" added by manufacturing, and in manufacturing employment. Louisiana was first among the southeastern states in 1957 in new plant investments, which amounted to $237 million; and continuing this trend despite the recession, $161 million was spent in the first quarter of 1958 alone. Mississippi is not far behind: in the first quarter of this year 18 new industries located in the state and 16 existing industries announced their plans for expansion. Manufacturing employment in the three states in March this year averaged only about 2% under last year compared with 9% for the U. S.

This expansion is partially explained by the rapid development of oil, gas and minerals. Petroleum refineries, chemical and petro-chemical industries along with primary metals have been the area's fastest growing industries. In the middle south area last year almost $1.75 billion of oil, gas and minerals were produced, exceeding the value of farm crops by $400 million. Minerals (including oil and gas) have more than tripled in value in the decade, and last year accounted for nearly 10% of the U. S. total. The three states account for 96% of the U. S. bauxite, 40% of the sulphur, 20% of the natural gas, 15% of the oil, 15% of the salt, etc. Many other minerals are produced in commercial quantities and uranium ore deposits were recently discovered in Arkansas.

Middle South's revenues are about 85% electric, 10% natural gas and 5% transit and miscellaneous. Electric revenues are 37% residential and rural, 26% commercial, 28% industrial and 9% miscellaneous.

The share earnings record has been somewhat irregular, the declines in 1954-5 being due to regulatory difficulties in Arkansas. When these were finally resolved in 1956, earnings increased rapidly from $1.93 to $2.18 in 1956, $2.41 in 1957 and an estimated $2.65 for calendar 1958. Latest interim figures were $2.57 for the 12 months ended May 31 compared with $2.32 in the previous period. For the first five months of 1958 earnings were 91c vs. 80c.

The company is planning for continued rapid growth, as indicated by the following projections or forecasts:

	Peak Load (Mill. Kwh.)	Construction Expenditures (Mill.)	Net Additions to Capacity (000 Kw.)
1957	1.9	$61	124
1958	2.2	71	210
1959	2.4	78	230
1960	2.5	101	---
1961	2.7	77	548

Sales and revenues are expected to increase at the average rate of about 8% per annum.

The system now uses natural gas as its principal fuel, with oil as a stand-by fuel. However, the economies in the use of natural gas and its availability have been changing over the past several years. As a result, the system is now contemplating the use of coal-fired generating units in some areas.

Middle South Utilities is currently selling around $43 and pays $1.80 to yield 4.2%. Based on estimated earnings for calendar 1958, this represents a payout of 68%, and if earnings maintain an uptrend next year an increase in the dividend rate might well be forthcoming. Dividend payments have increased in each year since 1950 excepting in 1956. At the current price the stock is selling at about 16.7 times the earnings for the 12 months ended May, and 16.2 times estimated earnings for the year. A recent average for all electric utilities was a little under 16.

Joins Josephthal

Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have announced that Peter Nemerov is now associated with the firm as a registered representative.

Form Reuben Rose Co.

On July 14 Reuben Rose & Co., members of the New York Stock Exchange, will be formed with offices at 25 Broad Street. Partners will be Reuben Rose, member of the Exchange, Richard E. Quintal, and Edward G. Kean. Mr. Quintal will make his headquarters in Liberty, N. Y.

A. F. Nottoli Opens

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Albert F. Nottoli is conducting a securities business from offices at 3635 Fifth Avenue.

Continued from page 4

The State of Trade and Industry

in, the price boost will average out to about 5.50 per ton, roughly half the direct and indirect cost boosts incurred by steel firms as a result of the July 1 wage rise and cost-of-living increases.

David J. McDonald, head of the United Steelworkers, has again indicated that he will not forego the wage and fringe gains due him under his contract with steel firms. These automatic improvements, together with cost-of-living increases of nine cents an hour since last Jan. 1, bring the total cost to steel companies this year to about 26 cents an hour.

This trade weekly stated that most major steel firms have made it clear they will wait for United States Steel to set the pattern on prices. But there is a possibility that some will take a chance and announce price boosts on individual products in the hope that United States Steel will follow suit. If things do not work out that way, these firms will bring their prices back down to United States Steel's level.

Meanwhile, the steel market outlook is still pretty much up in the air. Although there was a market bulge in June, due in part to steel price hedging, the consensus of sales people is that July will be a slow month. It may not set a new low for the year, but with some firms it may come dangerously close. The mills are hoping for a late-month surge to offset effects of the July 4 holiday slump.

Apparently some customers, including the big auto firms, are still living hand-to-mouth on steel inventories. At least one of the Big Three automakers is specifying delivery of some products almost on an hourly basis. One steel sales official said, "We're doing more expediting than selling these days." Nearly 80% of his company's shipments are going by truck due to demand for quick delivery.

"The Iron Age" reports that no one is looking for a real pickup in steel demand until late August or September. Even then, the improvement is expected to be gradual rather than abrupt. Part of the pickup will be due to increased buying by auto companies for new model output. Steel men get the word that the auto firms will not go overboard on new model production until they see how sales are going.

Business conditions continued to improve in June, "but at a more gradual pace" than in May, the National Association of Purchasing Agents reported.

The survey showed increasing numbers of concerns were improving their new order and production situations, "although none of the reporting members expresses any extreme optimism over the immediate term," the group noted.

"The majority of executives look for no major break through the current business lull before the year-end or early 1959," the report added.

The problem of excessive inventories is lessening and small inventories are an important factor in holding prices stable, the agents stated. However, the trend to softer prices is not being reversed, despite certain published price advances.

In the automotive industry passenger car production in United States plants scored a 9.6% increase last week as Ford Motor Co. factories returned to full operation, "Ward's Automotive Reports" noted on Friday last.

The statistical service counted 92,538 auto assemblies for the week compared with 84,396 in the previous week when four Ford plants were idle all week and five others worked a short week due to inventory adjustments.

In the like period a year ago the industry built 125,900 passenger cars. At the same time, "Ward's" reported other optimistic developments. For the June 11-20 period new car sales posted a 6.8% increase in daily rate over that of June 1-10, maintaining the record 1958 selling pace set in May. Further, a reported lack of immediate concern among the Big Three auto makers over the possibilities of a strike was noted, brightening prospects for peaceful contract settlement and steady Detroit-area auto production during July.

Chrysler Corp., which with a 13% production increase is the only Big Three producer to boost its operations in June over May and it expects to continue operating at that level during July.

The Chrysler Division begins its shut down for model changeover the later part of July, but Plymouth will not follow suit until early August. Ford Motor Co., the other Detroit-area producer, does not begin its shutdown until September, "Ward's" declared.

Elsewhere, according to this reporting service, the industry's model changeover shutdowns got underway the past Friday as Buick halted its operations for approximately six weeks. Down all of last week for inventory adjustment was Pontiac car building at Pontiac, Mich. Resumption is scheduled for July 7.

Thus, virtually all of the industry's car assembly plants worked last week to record one of the steadiest production periods of the year.

Truck erecting "Ward's" added, was off slightly for the week as Willys made a downward adjustment in its export shipments. Willys is the industry's only volume producer to show a production increase of 7.9% over the year-to-date 1957 period. Diamond T also is showing a slight gain.

Government defense contracts totaling about $124,000,000 were announced by various Federal departments and agencies.

The Army, in formally awarding a $72,839,536 contract for 900 Patton II medium tanks to Chrysler Corp., said deliveries would start in January, 1959. Army Secretary Brucker disclosed the order in May.

The service gave General Motors Corp. a $6,536,600 contract for transmissions for tanks, and awarded Continental Motors, Muskegon, Mich., an $8,065,500 contract for engines for the vehicles.

The Navy in Washington announced award of a $10,300,000 contract to the Sperry Gyroscope Co. division of Sperry Rand Corp. for production of weapon direction equipment for ships armed with the Talos anti-aircraft missile. Contracts of a lesser amount were awarded to other companies.

Construction contracts in May rose to a monthly record of $3,402,575,000, F. W. Dodge Corp. reported.

The May total slightly exceeded the previous high set in May, 1957, and was 5% above the third highest month, June, 1957.

Responsible for much of the increase in building activity last month were higher housing contract awards and a sharp rise in publicly financed projects ranging from highways to hospitals.

But major types of privately financed building, such as commercial and industrial structures and utilities, fell in May.

May contracts brought the dollar volume for the first five months of 1958 to $12,983,524,000, or 5% below the similar period last year. The year-to-year lag has been narrowed considerably from a decline of 11% at the end of the first quarter as a result of an upturn in April and May.

Steel Operations Expected to Decline to 52.7% of Ingot Capacity This Week

Metalworking will feel recession pains the rest of this year, but recovery is in sight. That is the belief of metalworking managers participating in "Steel" magazine's midyear survey which was sent to 5,000 plant managers and released on Monday last.

These managers predicted that metalworking will sell 4.4% more dollars worth of goods in 1958's second half than it did in the first half. Dollar volume for 1958 will be only 5.6% less than the 1957 record year of $140,000,000,000.

Plant managers also expect a relapse in net profits after taxes in the second half. They look for them to be 8.6% below what they were in the last half of 1957.

Other expectations are that employment will rise an average of 2.2% in last half of 1958. Transportation equipment plants plan to expand employment by 9.4% and unit cost of manufacturing will climb 1.4%, hitting a new high. Manufacturing capacity will be boosted 1.7%, with one out of five manufacturing plants planning to take on more capacity.

Shackled by a buyer's market, three of four managers figure they will have to sell their products at or below present prices. The main exceptions are makers of instruments and related products and steelmakers.

Taking the initiative last week in forcing the steel price issue was Alan Wood Steel Co., which announced it would raise its quotations an average of $6 a ton, effective July 7. The increase will compensate the company only for "our own increased labor costs and will not cover any other increased costs."

Only ten days ago, Clifford Hood, President of the United States Steel Corp., issued a statement that left doubt about the timing of any increase. Some observers interpreted it as a plea that some other company should take the pricing initiative.

The firmness of Alan Wood's new prices depends on action by competitors. It intends to remain competitive in case other steelmakers do not take similar action.

With consumers no longer hedging, demand for steel has eased considerably. Plant vacations and model changeovers in the automotive industry will cause further deterioration of the market in July, so producers are curtailing output.

After eight straight weeks of improvement, steelmaking operations fell 1.5 points last week to 63% of capacity. Production was about 1,700,000 net tons of steel for ingots and castings. June's output was about 7,300,000 tons, the highest of any month this year. District rates last week were: St. Louis at 85.5% of capacity, down 0.5 points from the previous week; the Far West at 74%, up 2 points; Wheeling at 70, no change; Detroit at 68, down 1 point; Birmingham at 68, up 2 points; Chicago at 66.5, down 4.5 points; Cincinnati 63.5, down 0.5 point; Mid-Atlantic at 62, no change; Pittsburgh at 60, no change; Cleveland 50, up 1 point; Youngstown 49, down 4 points; Buffalo 44, down 9.5 points and New England at 39, without change.

Steel's composite on the prime grade of steelmaking scrap held at $35 a gross ton last week, but a decline is anticipated over the vacation period.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *88.6% of steel capacity for the week beginning June 30, 1958, equivalent to 1,423,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *103.7% of capacity, and 1,666,000 tons a week ago.

Output for the week beginning June 30, 1958 is equal to about 52.7% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 61.7% the week before.

For the like week a month ago the rate was *104.9% and production 1,685,000 tons. A year ago, the actual weekly production was placed at 2,009,000 tons, or 125.1%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Held to Its Lower Trend the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 28, 1958, was estimated at 11,757,000,000 kwh., according to the Edison Electric Institute. Output continued its downward course the past week.

For the week ended June 28, 1958, output decreased by 184,000,000 kwh. below that of the previous week, and 354,000,000 kwh. under that of the comparable 1957 week but showed an increase of 259,000,000 kwh. above that of the week ended June 30, 1956.

Car Loadings in Latest Week Advanced 0.9% Above the Preceding Period but Were 15.9% Under a Year Ago

Loadings of revenue freight for the week ended June 21, 1958, were 5,456 cars or 0.9% above the preceding week.

Loadings for the week ended June 21, 1958, totaled 627,677 cars, a decrease of 119,087 cars, or 15.9% below the corresponding

1957 week, and a decrease of 171,915 cars, or 21.5% below the corresponding week in 1956.

Passenger Car Output Scored a 9.6% Increase in the Week Ended June 27

Automotive production for the week ended June 27, 1958, according to "Ward's Automotive Reports," rose by 9.6% as Ford Motor Co. factories returned to full operation.

Last week's car output totalled 92,538 units and compared with 84,396 (revised) in the previous week. The past week's production total of cars and trucks amounted to 108,860 units, or an increase of 7,354 units above that of the previous week's output, states "Ward's."

Last week's car output increased above that of the previous week by 8,142 units while truck output declined by 788 vehicles during the week. In the corresponding week last year 125,909 cars and 24,091 trucks were assembled.

Last week the agency reported there were 16,322 trucks made in the United States. This compared with 17,110 in the previous week and 24,091 a year ago.

Lumber Shipments Were 3.1% Above Output in the Week Ended June 21, 1958

Lumber shipments of 476 reporting mills in the week ended June 21, 1958, were 3.1% above production, according to the National Lumber Trade Barometer. In the same period new orders were 10.5% above production. Unfilled orders amounted to 35% of stocks. Production was 0.9% below; shipments 1.3% below and new orders were 12.2% above the previous week and 0.2% below the like week in 1957.

Business Failures Continued to Rise Last Week

Commercial and industrial failures rose to 335 in the week ended June 26 from 290 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level in five weeks, casualties exceeded considerably the 271 a year ago and the 249 in 1956. Some 27% more concerns failed than in the comparable week of prewar 1939 when 264 occurred.

Liabilities of $5,000 or more were involved in 296 of the week's casualties as against 261 in the previous week and 226 last year. Small failures under $5,000, increased to 39 from 29 but did not reach the 45 of this size recorded in the similar week of 1957. Thirty-seven businesses succumbed with liabilities in excess of $100,000 as compared with 30 in the preceding week.

All industry and trade groups suffered higher tolls. The most noticeable week-to-week increases occurred in retailing, up to 163 from 143 and in construction, up to 58 from 44. Meanwhile, manufacturing casualties edged to 61 from 58, wholesaling to 29 from 26 and commercial service to 24 from 19. Failures ran above their 1957 levels in all groups except service. The total among manufacturers climbed 50% above a year ago.

Seven of the nine major geographic regions reported higher failures during the week. While casualties in the Middle Atlantic States edged to 107 from 103, sharper upturns lifted the total in the Pacific States to 73 from 54 and in the South Atlantic States to 43 from 30. The week's only declines appeared in the Mountain States and in the East North Central States, where the toll dipped to 54 from 55. All of the rise from last year was concentrated in five regions; in three—the East and West North Central and South Atlantic States—over twice as many businesses failed as a year ago. In contrast, declines from 1957 were noted in four regions.

Wholesale Food Price Index Edged Upward for Four Consecutive Weeks

The Dun & Bradstreet wholesale food price index for June 24 registered $6.64, for the fourth consecutive increase. This was 0.2% higher than the $6.63 of a week earlier and 7.1% above the $6.20 of the similar date a year ago.

Commodities quoted higher last week were oats, eggs, potatoes, raisins, steers and hogs. Lower in cost were flour, rye, barley, beef, hams, lard, sugar, cottonseed oil, cocoa and milk.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Edged Upward A Week Ago

Slight price increases in flour, some grains, lard, some livestock and steel scrap helped boost the general commodity price level last week. The daily wholesale commodity price index edged up to 279.90 on June 23 from 279.63 a week earlier, Dun & Bradstreet, Inc., disclosed. On the corresponding date a year ago the index stood at 291.74.

Influenced by dwindling commercial stocks and increased trading, corn futures prices advanced moderately during the week. Corn recepits in Chicago were light. There was a fractional gain in the buying of rye and oats, and prices moved up somewhat.

Reports of favorable weather conditions in growing areas discouraged trading in wheat, and prices slipped slightly. Interest in soybeans slackened resulting in a fractional dip in futures prices from the prior week. Soybeans inspected for overseas export for the week ended June 13 totaled 682,487 bushels, compared with 1,450,627 bushels in the preceding week and 145,932 in the comparable week a year ago. The principal countries involved were Belgium, Formosa, and The Netherlands.

Wholesalers reported a substantial rise in the buying of flour, and prices rose moderately. Commercial sales of flour for export totaled 58.0 million bushels in grain equivalent so far this season compared with 45.2 million during the same period last season.

A private trade forecast of a sharp drop in world cocoa consumption this year and expectations of a large crop discouraged cocoa buying at the end of the week, and prices fell below those of a week earlier. Coffee trading was steady, and prices were close to those of the previous week.

Despite a slight rise in export buying, rice prices were steady this week. Sugar trading was sluggish again, but raw sugar futures prices rose fractionally; costs of refined sugar were unchanged in most markets.

Hog prices in Chicago rose noticeably at the beginning of the week, but eased somewhat at the end of the period. Hog receipts were slightly below those of a week earlier and the similar period last year. Trading in steers improved moderately with a slight rise in prices. The salable supply of lambs in Chicago was down sharply from the prior week and prices were up appreciably.

Generally favorable crop reports somewhat curtailed cotton trading, resulting in slight price declines. Domestic consumption of cotton in May amounted to 599,000 bales, compared with 670,000 bales in the comparable month last year, according to the United States Bureau of the Census. United States exports of cotton in the week ended last Tuesday totaled about 104,000 bales, compared with 108,000 bales a week earlier and 172,000 bales in the similar week last year, according to the Exchange Service Bureau. For the current season through June 17 exports totaled about 5,163,000 bales, as against 6,968,000 bales in the comparable period last season.

Trade Volume Declined Both for the Week and Like Period a Year Ago

Unseasonably cold and rainy weather discouraged consumer buying last week and as a consequence, total retail trade slipped below that of a year ago. The most noticeable declines from the similar 1957 week were in summer apparel, outdoor furniture and air conditioners. Scattered reports indicate that sales of new passenger cars were close to those of a week earlier, but down considerably from a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 4% below to the same as a year ago, spot estimates collected by Dun & Bradstreet, Inc., show. Regional estimates varied from the comparable 1957 levels by the following percentages: East South Central States 0 to +4%; West South Central and Pacific Coast —2 to +2; New England, South Atlantic and Mountain —3 to +1; West North Central —4 to 0; Middle Atlantic —5 to —1 and East North Central States —6 to —2%.

Apparel stores reported appreciable year-to-year declines in sales of women's beachwear and sportswear, while interest in dresses and some accessories equalled that of a year ago. Sluggish volume in furnishings and sportswear held over-all trade in men's apparel slightly below that of the similar 1957 week. Purchases of men's lightweight suits and sports jackets were close to those of both the prior week and a year ago.

Although the buying of air conditioners, fans and refrigerators fell noticeably from the preceding week, volume in television sets, lamps and laundry equipment improved. Declines in summer outdoor tables and chairs offset slight gains in upholstered lines and case goods. While purchases of draperies and floor coverings slipped below a year ago, interest in linens equalled that of the like 1957 week.

Grocers again reported the most significant gains from the prior week in sales of picnic food specialties, baked goods and ice cream. Interest in fresh produce, fresh meat and dairy products was sustained at a high level.

The newspaper strike and cold weather again curtailed consumer buying in Philadelphia last week. Household goods were particularly sluggish in St. Louis, Minneapolis, and Atlanta.

Buyers noticeably expanded their orders for women's Fall dresses, suits, coats and sportswear during the week and volume held close to that of a year ago. An upsurge in fill-in orders for women's summer merchandise occurred as many retailers attempted to replenish depleted stocks. Orders for men's Fall apparel improved in some markets, but volume in children's back-to-school clothing was sluggish. Bookings in both men's and women's beachwear was noticeably below a year ago.

There was a substantial gain in trading in industrial fabrics and man-made fibers the past week. Wholesalers of heavy cotton cloth reported a noticeable rise in orders from automobile manufacturers. While transactions in woolens and worsteds expanded, the call for most lines of cotton gray goods lagged. There was a moderate rise in incoming orders at mid-Atlantic and New England dyeing and finishing plants during the week.

Following a week of high activity, wholesale purchases of furniture slackened last week, but orders in many markets equalled those of a year ago. There were some scattered re-orders for summer outdoor furniture. Volume in aid conditioners and lamps improved, while interest in refrigerators and laundry equipment remained close to that of the previous week. Sales of draperies, linens and floor coverings continued below a year ago.

After several weeks of lagging orders, frozen foods improved at the wholesale level, especially vegetables and juice concentrates. The call for canned goods and dairy products slackened, but volume in fresh meat, fresh produce and baked goods was sustained at a high level. Trading in flour, sugar and coffee continued at the prior week's level.

Although the consumers price index rose 0.1% to 123.6 (1947-49=100) in May to reach another record, the increase was the smallest since December, the United States Bureau of Labor Statistics reports. Higher costs for medical service and transportation were responsible for the increase.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended June 21, 1958, declined 9% below the like period last year. In the preceding week, June 14, 1958, a decrease of 1% was reported. For the four weeks ended June 21, 1958, a loss of 2% was recorded. For the period Jan. 1, 1958 to June 21, 1958, a decrease of 3% was reported below that of 1957.

Retail trade sales volume in New York City the past week showed gains of 2% to 3% above the level of the like period a year ago, trade observers estimated.

The weather last week was practically normal for the season and encouraged shoppers to take care of their summer needs.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 21, 1958, dropped 7% under that of the like period last year. In the preceding week, June 14, 1958, a gain of 3% was reported. For the four weeks ended June 21, 1958, no change was reported. For the period Jan. 1, 1958 to June 21, 1958, no change occurred from that of the corresponding period in 1957.

Winners at Outing of N. Y. Inv. Association

The Investment Association of New York reports that their 1958 outing was a spectacular success.

The major attraction this year was the tennis exhibition by William "Billy" Talbert of Security-Columbian Bank Note and Vic Seixas of Goldman, Sachs & Co. Mr. Talbert is one of our country's great tennis players and has been Captain of the Davis Cup Team. Vic Seixas has won everything there is to win in tennis, including the National Singles Champion.

Henry C. Clifford, Jr. of White, Weld & Co. and Ellis D. Klingeman of Dillon, Read won the tennis tournament. Charles H. Mott, Baker, Weeks & Co. and Charles H. Symington, Jr., G. H. Walker & Co. were runners-up.

John Bryan, Reynolds & Co., won the golf tourney with a 76. Andrew Peck of Clark, Dodge & Co. was runner-up with a 77. Bill Gallagher, Vance, Sanders & Co., President of the Association, held the Low Net honors in his family as his brother won it last year. Charles "Bish" McDonnell, McDonnell & Co., won the Match Play V. Par. Best Ball honors went to Kenneth F. Mountcastle, Jr., Reynolds & Co. and Robert G. Howard, Reynolds & Co. The fewest putt award went to Dean Woodman.

About 250 members attended the outing, with over 180 staying for dinner (the largest number ever), 130 played golf.

Also featured at the outing were golf clinic, a bridge tournament, and Ben Cutler's famous Dixieland Jazz band.

Pictures taken at the outing will appear in the "Financial Chronicle" of July 10.

On Dec. 9 the association will have its annual dinner at the Waldorf-Astoria.

Brimberg Co. to Admit

On July 15, Louis Brimberg will become a partner in Brimberg & Co., 26 Broadway, New York City, members of the New York Stock Exchange. On the same date Philip R. Herzig will withdraw from partnership in the firm.

Goodbody Co. Will Admit Winterhbotham as Partner

HOUSTON, Tex.—Goodbody & Co., Bank of the Southwest Building, will admit John M. Winterhbotham to partnership on Aug. 1.

Putnam & Co. to Admit Stockwell to Firm

HARTFORD, Conn.—On July 10 Leo W. Stockwell will be admitted to partnership in Putnam & Co., 6 Central Row, members of the New York Stock Exchange.

Verace & Co. Partner

Verace & Co., 52 Broadway, New York City, members of the American Stock Exchange, have admitted Alexander Benisatto to partnership as of July 1.

Henry G. Riter, 3rd

Henry G. Riter, 3rd passed away June 30 at the age of 65. Mr. Riter, a former President of the National Association of Manufacturers, was director of corporate relations for the McGraw-Edison Co. Mr. Riter in the past was a partner in Dillon, Read & Co., with which he became associated in 1919. In 1933 he formed Riter & Co.

Two With A. Chevrier

(Special to The Financial Chronicle)

HOLLYWOOD, Cal.—Melvin K. Abrahams and Leonard Geller have become affiliated with Archie H. Chevrier, 1737 North Ivar. Both were previously with H. Carroll & Co.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

ABC Vending Corp. (7/16)
June 24 filed 150,000 shares of common stock (par $1). Price—To be supplied by amendment. Proceeds — To selling stockholders. Underwriter—Reynolds & Co. Inc., New York.

★ Acme United Life Insurance Co., Atlanta, Ga.
June 30 filed 315,000 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of three new shares for each two shares held of record June 30, 1958. Price—$6.25 per share to shareholders, and $7.50 for any unsubscribed shares. Proceeds—For working capital and general corporate purposes. Underwriter—None.

Aelus Wing Co., Inc.
June 16 (letter of notification) 3,500 units, each composed of 10 shares of common stock (par $1) and five shares of 7% cumulative participating preferred stock (par $1). Price—$15 per unit. Proceeds—For completion of plant and general corporate purposes. Office—346 South Broad St., Trenton 10, N. J. Underwriter—None.

Air Craft Marine Engineering Corp.
May 28 (letter of notification) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds—For operating expenses for one year; manufacturing expenses; expenses for materials and retirement of loans and balance for general funds of the company. Office—15759 Strathern St., Van Nuys, Calif. Underwriter—None.

Allied Laboratories, Inc.
June 6 filed 65,000 shares of common stock to be offered in exchange for all the outstanding shares of common stock of Campana Sales Co.

Aluminum Top Shingle Corp.
June 9 (letter of notification) 150,000 voting shares of common stock. Price—At par ($1 per share). Proceeds—For inventory, improvements to buildings and working capital. Office—245 S. W. 133rd St., Beaverton, Ore. 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 Houses, Inc.
June 3 (letter of notification) 27,575 shares of 5% cumulative convertible preferred stock. Price—At par ($10 per share). Proceeds—To improve the company's net current asset position. Office—South Aubrey & East South Streets, Allentown, Pa. Underwriter—None.

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.

Arden Farms Co., Los Angeles, Calif.
June 4 filed $3,000,000 of 5% subordinated debentures, second series, due July 1, 1986 (convertible until July 1, 1968), together with 172,162 shares of the company's common stock (par $1) to be offered for subscription by holders of outstanding common stock at the rate of one new share for each five shares held on the effective date of this registration statement. Price—To be supplied by amendment. Proceeds—To pay off an equivalent portion of the company's current bank loans which, at May 15, 1958, amounted to $8,450,000.

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 Grocers, Inc., Seattle, Wash.
June 30 filed 4,788 shares of common capital stock (par $50) and $1,500,000 of 5% subordinated registered debenture notes, second series, and $606,000 of 5% coupon bearer debentures. To be offered to members of the association. Proceeds — For working capital. Underwriter—None.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. Price—To public, $6 per share. Proceeds—For expansion and other corporate purposes. Office — Atlanta, Ga. Underwriter—None.

● Bankers Management Corp. (7/28)
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.

Barton Distilling Co., Chicago, Ill. (7/10)
June 20 filed $300,000 of 6% secured notes, due July 1, 1963, and $1,000,000 of 6% secured notes, due July 1, 1964. The $300,000 of notes are direct obligations of the company secured by whiskey warehouse receipts for not less than 375,000 original proof gallons of Kentucky bourbon whiskey produced by the company not earlier than Jan. 1, 1957. The $1,000,000 of notes are direct obligations of the company secured by whiskey warehouse receipts for not less than 1,250,000 original proof gallons of Kentucky bourbon whiskey produced by the company not later than Jan. 1, 1958. Price—To be supplied by amendment. Proceeds—For the repayment of short-term loans from banks and others; and the balance will be added to the general funds of the company and will be available for financing inventories of aging whiskey. Underwriter—Fulton Reid & Co., Inc., Cleveland, Ohio.

Billups Eastern Petroleum Co. (7/21-22)
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. Office—Jacksonville, Fla. Underwriter — The Johnson, Lane, Space Corp., Savannah, Ga.

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.

● Boeing Airplane Co. (7/16)
June 25 filed $30,597,600 convertible subordinated debentures due July 1, 1980, and $60,000,000 sinking fund debentures, due Aug. 1, 1978. The convertible subordinated debentures are to be offered to the company's stockholders for subscription at the rate of $100 principal amount of debentures for every 23 shares of capital stock held on the offering date. Record date is July 15 and rights expire on July 29. The sinking fund debentures will be offered for sale directly to the public. Proceeds—To pay $115,000,000 of bank loans outstanding at June 16, 1958, with the balance, together with retained earnings, to be used for work in process inventories and receivables. Price—To be supplied by amendment. Underwriter—Each issue will be underwritten by Harriman Ripley & Co., Inc., and Blyth & Co., Inc.

★ Bondstock Corp., Tacoma, Wash.
June 23 filed (by amendment an additional 180,000 shares of common stock (par $1). Price—At par. Proceeds—For investment.

Boston Edison Co. (7/10)
June 20 filed 250,000 shares of cumulative preferred stock (par $100). Price—To be supplied by amendment. Proceeds—To repay short-term bank loans which were incurred in connection with the company's construction program. Underwriter—First Boston Corp., New York.

Budget Finance Plan, Los Angeles, Calif. (9/3)
June 10 filed $1,320,000 6% serial preferred shares ($10 par). Price—To be supplied by amendment. Proceeds—To be used in conjunction with proposed merger of company and Signature Loan Co., Inc. Stockholders of Budget Finance will vote on proposal Aug. 5, 1958. Underwriter—Shearson, Hammill & Co., New York. Offering—Expected in September.

★ Burroughs Corp. (7/16)
June 27 filed $25,000,000 of sinking fund debentures, due July 1, 1983 and 550,000 shares of common stock (par $5) to be offered for subscription by holders of the company's outstanding stock at the rate of one additional share for each 11 shares held. Price—To be supplied by amendment. Proceeds—For the retirement of $18,074,000 of installment notes and payment of bank loans. Underwriter—Lehman Brothers, New York.

Calidyne Co., Inc., Winchester, Mass.
June 4 filed 230,875 shares of common stock (par $1). These shares are issuable upon conversion of an aggregate principal amount of $923,500 of 10-year 3% convertible subordinated income notes of the Calidyne Co., a limited partnership, which notes were assumed by the company Dec. 31, 1957. The notes are convertible at any time after July 1, 1958, until the maturity or prior redemption of the notes at a conversion price of $4 per share. Underwriter—None.

California Water & Telephone Co. (7/10)
June 19 filed 200,000 shares of $1.24 dividend convertible preferred stock (par $25). Convertible into common stock at $23.8095 until Aug. 1, 1963, and at $25 thereafter. Price—To be supplied by amendment. Proceeds—To reimburse the company treasury for expenses in connection with construction, extension and improvement of facilities. Underwriter—Blyth & Co., Inc., New York and San Francisco.

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.

★ Carver Loan & Investment Co.
June 25 (letter of notification) 10,000 shares of cumulative preferred stock and 20,000 units of 5-year 8% subordinated renewable debentures payable upon demand July 15, 1968. Price—Both at par; preferred stock, $10 per share; debentures, $10 per unit. Proceeds—For working capital. Office—1910 West Columbia Ave., Philadelphia, Pa. Underwriter—None.

Central Cooperatives, Inc.
May 26 (letter of notification) $250,000 promissory notes consisting of $100,000 principal amount 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.

★ Challenge Stables, Inc.
June 26 (letter of notification) 150,000 shares of common stock (par 50 cents). Price—$1 per share. Proceeds—To purchase and train thoroughbred horses and other corporate expenses. Office—3820 East 29th Ave., Denver, Colo. Underwriter—None.

● Chesapeake Utilities Corp. (7/8)
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.

★ Coleman Realty Co., Inc., Exeter, N. H.
June 23 (letter of notification) 3,107 shares of common stock (no par). Price—$10 per share. Proceeds — To renovate an office building owned by the company. Underwriter—None.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. Price—To be supplied by amendment. Proceeds — To construct refinery. Underwriter—Lehman Brothers, New York. Offering—Indefinite.

★ Consolidated Cuban Petroleum Corp.
July 1 filed 419,000 outstanding shares of common stock (par 20 cents). Price—Related to the current market price on the American Stock Exchange. Proceeds—To selling stockholders. Underwriter—None.

Cooperative Grange League Federation Exchange, Inc.
June 20 filed $400,000 of 4% subordinated debentures, 10,000 shares of 4% cumulative preferred stock (par $100) and 200,000 shares of common stock (par $5). Price—At par. Proceeds—To be added to working capital. Office—Ithaca, N. Y. Underwriter—None.

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.

Dairy Fresh Foods, Inc.
June 16 (letter of notification) 59,950 shares of common stock (par $1). Price—$5 per share. Proceeds—To repay advances, complete construction of a plant and other working capital. Office—1507 Mile High Center, Denver 2, Colo. Underwriter—None.

Dale Bros., Inc.
June 18 (letter of notification) 898 shares of Class A 6% cumulative preferred stock (par $50), to be exchanged on share-for-share basis for outstanding 6% preferred, and 2,102 shares of class A preferred stock. Latter will be sold publicly at par ($50) for an aggregate offering price of $105.100. Proceeds—From new issue to retire debt and for working capital. Office—1420 H St., Fresno, Calif. Underwriter—None.

Davis Brothers, Inc.
June 5 (letter of notification) 1,400 shares of $6 cumulative preferred stock. Price—At par ($100 per share). Proceeds—For working capital. Office—501 West 44th Ave., Denver, Colo. 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. (7/10)
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.

DeKalb-Ogle Telephone Co.
May 29 (letter of notification) 22,024 shares of common stock to be offered to stockholders of record June 16, 1958 on the basis of one share for each eight shares now held. Rights expire July 16, 1958. **Price**—At par ($10 per share). **Proceeds**—For a construction program. **Office**—112 West Elm St., Sycamore, Ill. **Underwriter**—None.

De Lys Threatre Associates, Inc.
June 20 (letter of notification) 120,000 shares of preferred stock (par $1) and 600,000 shares of common stock (par one cent) to be offered in 12,000 units, each consisting of 10 shares of preferred and 50 shares of common stock. **Price**—$10.50 per unit. **Proceeds**—For production of plays. **Office**—133 W. 72nd St., New York 23, N. Y. **Underwriter**—None.

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.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

Dieterich Field, Inc.
June 2 (letter of notification) 500 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—923 Farnam St., Omaha, Neb. **Underwriter**—None.

Diketan Laboratories, Inc.
June 10 (letter of notification) 43,336 shares of common stock (par $1) to be offered to stockholders on the basis of one share for each 10 shares held until the close of business on June 20, 1958. Offer expires on July 11, 1958. **Price**—$1.10 per share. **Proceeds**—For the general fund of the company. **Office**—5837 W. Adams Blvd., Culver City, Calif. **Underwriter**—Lloyd Arnold & Co., Beverly Hills, Calif.

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.

★ (R. R.) Donnelley & Sons Co. (7/17)
June 27 filed 172,710 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Harriman Ripley & Co., Inc., New York.

★ Ebsco Industries, Inc.
June 27 (letter of notification) 108,964 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For working capital. **Office**—First Avenue North at 13th St., Birmingham 3, Ala. **Underwriter**—None.

★ El Paso Electric Co. (7/22)
June 25 filed $6,500,000 of first mortgage bonds due 1988, and $3,000,000 of debentures due July 1, 1978. **Proceeds**—To refund all of the outstanding 4¾% first mortgage bonds due 1987, in the amount of $6,500,000 including the payment of duplicate interest of approximately $25,700 and a redemption premium of $351,000, to pay off outstanding bank loans, the proceeds of which were used for construction purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., White, Weld & Co. and Shields & Co. (jointly); Equitable Securities Corp. and R. W. Pressprich & Co. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on July 22 at 90 Broad St., 19th Floor, New York City.

Etnodont 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.

Evergreen Gas & Oil Co.
June 2 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For working capital. **Office**—E. 12707 Valleyway, Opportunity, Spokane, Wash. **Underwriter**—Pennaluna & Co., Spokane, Wash.

★ Farm & Home Loan & Discount Co.
June 19 (letter of notification) 125,000 shares Class A voting common stock (par 25 cents); 100,000 shares Class B common voting stock (par 35 cents); and 100,000 shares Class C non-voting common stock (par 50 cents), all to be offered at par, as follows: The class C stock is made only to persons who, at the date of the offering, were policyholders of the company; Class A stock only to persons who were policyholders before Feb. 25, 1952, and to certain officers, directors and employees; Class B stock only to policyholders on Feb. 25, 1952. **Proceeds**—To be added to company's cash balances. **Underwriters**—None.

Fargo-Moorhead Baseball Club, Fargo, N. D.
June 12 (letter of notification)) $50,000 of 3% debenture bonds to be offered in denominations of $100. **Price**—At par. **Proceeds**—To retire outstanding obligations and for current and future operating expenses. **Underwriter**—None.

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.

★ Forest Grove Homebuilders & Investors, Inc.
June 23 (letter of notification) 250 shares of class B preferred cumulative stock and 128 shares of class B common stock. **Price**—At par ($100 per share). **Proceeds**—For working capital and general corporate purposes. **Office** — 1930 Council St., Forest Grove, Ore. **Underwriter**—None.

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**—Statement to be amended.

Fort Pierce Port & Terminal Co.
May 23 filed 2,138,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay some $174,000 of outstanding indebtedness and to complete phase one of the port development plan, at a cost of $1,425,248, and the balance will be added to working capital. **Office**—Fort Pierce, Fla. **Underwriter**—Atwill & Co., Inc., of Miami Beach, Fla., on a best efforts basis.

(The) Friars National Association, Inc.
June 19 (letter of notification) $100,000 of 10-year 3% registered second mortgage bonds due July 1, 1967 to be offered in denominations of $100. **Proceeds**—For construction of two-story wing and gymnasium and other improvements. **Office**—57 E. 55th St., New York, N. Y. **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 Capital Corp.
June 16 (letter of notification) 60,000 shares of 7% cumulative preferred stock. **Price** — At par ($5 per share). **Proceeds**—To finance new business of the company. **Office**—4309 N. W. 36th St., Miami Springs, Fla. **Underwriter**—None.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. **Price**—$3.50 per share. **Proceeds**—For

Continued on page 36

NEW ISSUE CALENDAR

July 7 (Monday)

Laclede Gas Co.________Preferred
(Lehman Brothers and Merrill Lynch, Pierce, Fenner & Smith) $8,000,000

July 8 (Tuesday)

Chesapeake Utilities Corp.______Common & Debs.
Harrison & Co.

Laclede Gas Co.________Bonds
(Bids to be invited) $10,000,000

Northern States Power Co. (Minn.)________Bonds
(Bids 11 a.m. EDT) $30,000,000

July 9 (Wednesday)

Haratine Gas & Oil Co., Inc.________Common
(Herbert Perry & Co., Inc.) $299,850

Mead Corp.________Debentures
(Drexel & Co. and Harriman Ripley & Co. Inc.) $25,000,000

Missiles-Jets & Automation Fund, Inc.____Common
(Ira Haupt & Co.) $5,000,000

New York Telephone Corp.________Bonds
(Bids 11 a.m. EDT) $65,000,000

Northwestern Public Service Co.________Common
(Offering to stockholders—underwritten by A. C. Allyn & Co.) 59,532 shares

Salem-Brosius, Inc.________Debentures
(Blair & Co., Inc.) $2,000,000

Salem-Brosius, Inc.________Common
(Blair & Co., Inc.) $281,250

July 10 (Thursday)

Barton Distilling Co.________Notes
(Fulton Reid & Co., Inc.) $1,300,000

Boston Edison Co.________Preferred
(The First Boston Corp.) $25,000,000

California Water & Telephone Corp.____Preferred
(Blyth & Co., Inc.) 200,000 shares

Dayton Aviation Radio & Equipment Corp.__Com.
(McDonald, Holman & Co.) $500,000

Southern Natural Gas Co.________Debentures
(Bids 10:30 a.m. EDT) $30,000,000

July 11 (Friday)

Marsh Foodliners, Inc.________Common
(Blyth & Co., Inc.) $299,987

July 15 (Tuesday)

Southern Railway Co.________Bonds
(Bids noon EDT) $22,000,000

July 16 (Wednesday)

ABC Vending Corp.________Common
(Reynolds & Co. Inc.) 150,000 shares

Boeing Airplane Co.________Debentures
(Harriman Ripley & Co., Inc. and Blyth & Co., Inc.) $90,597,600

Burroughs Corp.________Debentures
(Lehman Brothers) $25,000,000

Burroughs Corp.________Common
(Lehman Brothers) 550,000 shares

Pacific Lighting Corp.________Common
(Blyth & Co., Inc.) 980,000 shares

San Diego Imperial Corp.________Preferred
(J. A. Hogle & Co.) $700,000

United States Steel Corp.________Debentures
(Morgan Stanley & Co.) $300,000,000

July 17 (Thursday)

(R. R.) Donnelley & Sons Co.________Common
(Harriman Ripley & Co., Inc.) 172,710 shares

Tampa Electric Co.________Bonds
(Bids 11 a.m. EDT) $25,000,000

United Artists Corp.________Common
(F. Eberstadt & Co.) 300,000 shares

July 18 (Friday)

Jetronic Industries Inc.________Common
(Charles Plohn & Co. and Mortimer B. Burnside & Co., Inc.) $487,500

July 21 (Monday)

Billups Eastern Petroleum Co.______Com. & Debs.
(The Johnson, Lane, Space Corp.) $2,500,000

Textron, Inc.________Common
(Offering to stockholders—underwritten by Blair & Co., Inc. and Scherck, Richter Co.) 389,577 shares

(July 22 (Tuesday)

El Paso Electric Co.________Debentures
(Bids 11 a.m. EDT) $3,000,000

El Paso Electric Co.________Bonds
(Bids 11 a.m. EDT) $6,500,000

General Transistor Corp.________Common
(Hayden, Stone & Co.) 100,000 shares

July 23 (Wednesday)

Otter Tail Power Co.________Bonds
(Bids 10 a.m. CDST) $9,000,000

Washington Water Power Co.________Common
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co., and Laurence M. Marks & Co.) 200,000 shares

Washington Water Power Co.________Bonds
(Kidder, Peabody & Co., Inc.; Blyth & Co., Inc.; White, Weld & Co., and Laurence M. Marks & Co.) $15,000,000

July 24 (Thursday)

Tennessee Gas Transmission Co.________Common
(Dillon, Read & Co., Inc.) 1,084,054 shares

July 28 (Monday)

Bankers Management Co.________Common
(McDonald, Holman & Co., Inc.) $400,000

August 11 (Monday)

Utah Power & Light Co.________Bonds
(Bids noon EDT) $20,000,000

August 12 (Tuesday)

Montana Power Co.________Bonds
(Bids to be invited) $20,000,000

August 13 (Wednesday)

Consolidated Natural Gas Co.________Debentures
(Bids to be invited) $45,000,000

August 20 (Wednesday)

Norfolk & Western Ry.________Equip. Trust Ctfs.
(Bids to be invited) $2,340,000

August 26 (Tuesday)

New England Telephone & Telegraph Co.__Debens.
(Bids to be invited) $40,000,000

September 3 (Wednesday)

Budget Finance Plan________Preferred
(Shearson, Hammill & Co.) $1,320,000

September 23 (Tuesday)

Southwestern Bell Telephone Co.______Debentures
(Bids to be invited) $110,000,000

October 1 (Wednesday)

Rassco Financial Corp.________Debentures
(Rassco Israel Corp.) $1,000,000

Continued from page 35

expansion, equipment and working capital. **Underwriter**—None.

★ General Securities Inc., Minneapolis, Minn.
June 25 filed (by amendment) an additional 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

★ General Transistor Corp. (7/22)
June 27 filed 100,000 shares of common stock (par 25c). **Price**—To be related to the then current market for the stock on the American Stock Exchange. **Proceeds**—To selling stockholders. **Underwriter**—Hayden, Stone & Co., New York.

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.

Glassheat Corp.
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.

Graphic Controls Corp.
June 20 (letter of notification) 7,400 shares of class A stock (par $5) to be offered to employees of the subsidiary corporations and others. **Price**—$6.75 per share. **Proceeds**—To be added to working capital. **Office**—189 Rensselaer St., Buffalo 10, N. Y. **Underwriter**—None.

Grand Union Co.
June 12 filed 10,450,000 of subordinated debentures, due 1978, to be offered to common shareholders in the ratio of $100 debentures for each 23 shares of stock held on July 1. Rights to expire on July 21. Debentures to be convertible into common stock until July 15, 1968. **Proceeds**—To be used in part to retire all outstanding short-term bank borrowings, including those incurred in connection with the recent acquisitions of the 41 "Empire Stores" and 7 "Mohican Stores," the aggregate purchase price being approximately $8,000,000, to replenish cash expended in these acquisitions, and to pay the unpaid balance of the purchase price. The remainder will be added to the company's general funds and will be available for working capital and installation of fixtures for new stores. **Underwriter** — Morgan Stanley & Co. and W. E. Hutton & Co., both of New York.

Guaranty Trust Co. of N. Y.
June 10 filed 50,000 American Depositary Receipts for bearer shares of Compagnie D'Outremer Pour L'Industrie Et La Finance ("The Overseas Company for Industry and Finance"). A Belgian Investment Co.

H.W.I. Building Corp., Ft. Wayne, Ind.
June 2 (letter of notification) $180,000 principal amount of 5% first mortgage bonds series C in units of $500 each. **Price**—Par per unit. **Proceeds**—To be used to pay cost of constructing an addition to warehouse. **Underwriter**—None.

★ Haratine Gas & Oil Co., Inc. (7/9)
June 23 (letter of notification) 199,900 shares of common stock (par five cents). **Price**—$1.50 per share. **Proceeds**—For development of oil and gas properties. **Office**—24181 Effingham Blvd., Euclid 17, Ohio. **Underwriter**—Herbert Perry & Co., Inc., New York, N. Y.

Hawkes Cage System, Inc., Rockville, Md.
June 11 (letter of notification) 15,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For inventory and working capital. **Underwriter**—None.

Hoagland & Dodge Drilling Co., Inc., Tucson, Ariz.
June 12 filed 27,000 shares of capital stock. **Price**—$10 per share. **Proceeds**—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. **Underwriter**—None.

Houston Chemical Manufacturing Co.
May 26 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For supplies, advertising, furniture and working capital. **Office**—710 South Fourth St., Las Vegas, Nev. **Underwriter**—None.

★ Hussman Refrigerator Co., St. Louis, Mo.
June 27 filed 31,584 shares of common stock (par $5) to be offered in exchange for the issued and outstanding shares of common stock (par $5) of Duro-Consolidated, Inc., and for the shares of Duro common which may be issued upon conversion of Duro's $200,000 subordinated convertible debentures, series of 1956.

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.

Industro Transistor Corp. (N. Y.)
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. **Offering**—Being held in abeyance.

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 Variable Payment Fund, Inc.
June 26 filed (by amendment) an additional 5,000,000 shares of common stock (par $1). **Price**—At par. **Proceeds**—For investment.

● Jetronic Industries, Inc., Philadelphia, Pa. (7/18)
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**—Charles Plohn & Co., and Mortimer B. Burnside & Co., Inc., both of New York, on a best efforts basis.

★ Johns-Manville Corp.
June 30 filed 300,000 shares of common stock (par $5) to be offered to certain officers and key employees of the company pursuant to its Employees' Stock Purchase Plan 1958.

L & L Scrap Iron Corp.
June 13 (letter of notification) 300,000 shares of common stock. **Price**—At par. **Proceeds**—For working capital and other corporate purposes. **Office**—Chency Bldg., 139 N. Virginia St., Reno, Nev. **Underwriter**—None.

Laclede Gas Co. (7/7)
June 18 filed 320,000 shares of cumulative preferred stock, Series B (par $25). **Proceeds**—To retire bank loans and for construction program. **Price**—To be supplied by amendment. **Underwriters** — Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith, both of New York, and Reinholdt & Gardner, St. Louis.

Laclede Gas Co. (7/8)
June 18 filed $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 8.

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. Record date: June 9, 1958; rights expire July 11, 1958. **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.

Laughlin Alloy Steel Co., Inc., Las Vegas, Nev.
June 13 filed $500,000 of 6% unsecured convertible debentures due June 30, 1968 and 150,000 shares of common stock (par 10 cents). These securities are to be offered in 5,000 units, each consisting of $100 of debentures and 30 common shares. **Price**—$100 per unit. **Proceeds**—Together with the $175,000 mortgage loan of the American Brake Shoe Co., will be used to meet expenditures in acquiring latter company's South San Francisco foundry and for working capital. **Underwriter**—Sam Watson Co., Inc., Little Rock, Ark.

Life Insurance Securities Corp.
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.

Longren Aircraft Co., Inc.
June 18 (letter of notification) 34,000 shares of common stock (par $1). **Price**—From 80 cents to $1.40 per share. **Proceeds**—To go to selling stockholders. **Office**—24751 Crenshaw Blvd., Torrance, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

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. Statement to be amended.

★ Marsh Foodliners, Inc., Yorktown, Ind.
June 12 (letter of notification) 18,181 shares of common stock (no par), of which 10,000 shares will be offered to stockholders and 8,181 shares to employees. **Price**—$16.50 per share. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—Blyth & Co., Inc., New York and Chicago.

● Martin Co., Baltimore, Md.
June 11 filed $25,000,000 of sinking fund debentures, due July 1, 1978. **Proceeds** — Working capital and general corporate purposes. **Price**—To be supplied by amendment. **Underwriter**—Smith, Barney & Co., N. Y. **Offering**, which was expected on July 2, has been postponed. Issue to remain in registration.

Mead Corp. (7/9)
~~June 19 filed $25,000,000 of debentures due July 1, 1983.~~
Price—To be supplied by amendment. **Proceeds** — To retire $16,820,000 principal amount of outstanding debt of the corporation and a subsidiary and the balance will be available for general corporate use including capital improvements. **Underwriters** — Drexel & Co., Philadelphia, Pa. and Harriman Ripley & Co. Inc., New York. **Offering**—Expected on July 9.

★ Mechanics Finance Co.
June 27 (letter of notification) $250,000 of 20-year subordinated and unsecured 7% debentures due July 10, 1978. **Price**—$10 per debenture. **Proceeds**—For purchase of notes and general corporate purposes. **Office** — 586 Newark Ave., Jersey City, N. J. **Underwriter**—None.

Mengel Co.
June 11 (letter of notification) an undetermined number of shares of common stock not to exceed $50,000 (par $1) to be sold by Concura Foundation, Chicago, Ill. **Price**—At the market. **Office**—4th & Colorado Sts., Louisville, Ky. **Underwriter**—None.

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.

★ Miller Airlines, Inc.
June 20 (letter of notification) 75,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds**—For working capital and other corporate purposes. **Address**—Allegheny County Airport, Pittsburgh, Pa. **Underwriter**—None.

● Missiles-Jets & Automation Fund, Inc. (7/9)
May 8 filed 500,000 shares of capital stock (par $1). **Price**—$10 per share. **Proceeds**—For investment. **Underwriter**—Ira Haupt & Co., New York.

★ Missile Oil Corp.
June 23 (letter of notification) 300,000 shares of common non-assessable stock (par 10 cents). **Price**—$1 per share. **Proceeds** — For working capital. **Office** — 1435 S. La Cienaga Blvd., Los Angeles, Calif. **Underwriter**—None.

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.

★ Montana Power Co. (8/12)
July 1 filed $20,000,000 of first mortgage bonds due 1988 and 100,000 shares of common stock (no par). The stock will only be sold to bona fide residents of Montana. **Price**—For stock, on the then current market price on the New York Stock Exchange. **Proceeds** — Together with internally general funds, will be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—For bonds. 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 Aug. 12.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

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.

National Educators Finance Corp.
June 4 (letter of notification) 50,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—To train and procure persons to implement and carry out the projected plan of development and operation. **Office**—1406 Pearl St., Boulder, Colo. **Underwriter**—Western Securities Co., Boulder, 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**—To be made in July.

★ National Gypsum Co.
June 25 filed 298,000 shares of common stock to be offered in exchange for all but not less than 90% of the outstanding shares of common stock of American Encaustic Tiling Co. Inc., in the ratio of one share of

National Gypsum common for each 2-4/10ths of American Encaustic common. National Gypsum shall have the right, at its election, to accept less than 90% but in no event less than 81% of the American Encaustic common.

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 Telephone & Telegraph Co.
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. (7/9)
June 17 filed amended statement covering $65,000,000 Series K refunding mortgage bonds due July 1, 1993. **Proceeds**—To repay bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—To be received until 11 a.m. (EDT) on July 9 at 140 West Street, N. Y.

Nichols, Inc., Exeter, N. H.
May 13 (letter of notification) 11,111 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—For expansion and working capital. **Underwriter**—None.

North Carolina Telephone Co.
June 19 (letter of notification) 207,143 shares of common stock to be offered to common stockholders at the ratio of one share for each six shares held. **Price**—At par ($1 per share). **Proceeds**—To pay off obligations and for telephone plant construction. **Underwriter**—None.

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**—$40.50 per share. **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.

Northwestern Public Service Co. (7/9)
June 6 filed 59,532 shares of common stock (par $3) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held. **Record Date**—July 8, 1958; rights expire July 24, 1958. **Price**—To be supplied by amendment. **Proceeds**—To be applied to the payment of $900,000 of short term bank notes, the funds from which were used for the 1957 construction program, and the balance if any, will be applied to the company's 1958 construction program. **Underwriter** — A. C. Allyn & Co., Chicago, Ill.

★ **Nucleonics, Chemistry & Electronics Shares, Inc.**
June 27 filed (by amendment) an additional $2,000,000 Monthly Investment Plans with and without insurance and Single Investment Plans. **Price**—At par. **Proceeds**—For investment.

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.

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.

Otter Tail Power Co. (7/23)
June 20 filed $9,000,000 of first mortgage bonds due 1988. **Proceeds**—For the purpose of retiring existing bank loans and to supply cash for further construction expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kalman & Co., Inc.; Glore, Forgan & Co.; and Blyth & Co., Inc. **Bids**—To be received until 10 a.m. (CDST) on July 23 at 11 South La Salle St., Chicago, Ill.

★ **Pacific Lighting Corp. (7/16)**
June 26 filed 980,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—Will be used to finance, in part, the cost of the construction and expansion program of the company's subsidiaries, through loans on open accounts to the subsidiaries and by purchasing new issues of common stock of the subsidiaries. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Palestine Economics 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. Offering being made.

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. Statement effective June 5.

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 Life Insurance Co.**
July 1 filed 41,823 shares of the company's outstanding common stock (par $5). **Price**—$42.25 per share. **Proceeds**—To selling stockholders. **Underwriter**—None.

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.

Pioneer Finance Co.
June 17 (letter of notification) 32,500 shares of common stock (par $1). **Price**—$8 per share. **Proceeds**—To go to selling stockholders. **Office**—1400 National Bank Bldg., Detroit 26, Mich. **Underwriter**—Watling, Lerchen & Co., Detroit, Mich.

★ **Pittsburgh Music Theater, Inc.**
June 23 (letter of notification) $150,000 6% debentures due in 10 years, to be offered in denominations of $500 each; 750 shares of preferred stock and 450 shares of common stock (no par). Interest on debentures will be 6% and will mature in 10 years. **Price**—Debentures, at par; preferred stock, at par ($100 per share), and common stock $1 per share. **Proceeds**—For working capital and for construction of a theater. **Office**—1202 Frick Bldg., Pittsburgh 19, Pa. **Underwriter**—None.

Potomac Plastic Co.
March 31 (letter of notification) $57,500 of 6% subordinated convertible debentures and 57,500 shares of class A common stock (par one cent) to be offered in units of 500 shares of stock and $500 of debentures. **Price**—$1,000 per unit. **Proceeds** — For equipment and working capital. **Office**—1550 Rockville Pike, Rockville, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Prairie Fibreboard Ltd.
Feb. 28 filed 210,000 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $2.50 per share. **Proceeds** — For construction purpose. **Office** — Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., Saskatoon, Canada.

Printing Machinery Co.
June 4 (letter of notification) 20,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For the purchase of the manufacturing assets of another company. **Office**—436 Commercial Square, Cincinnati, Ohio. **Underwriter**—None.

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.

Rapid-American Corp., New York
June 19 filed $1,504,000 of 7% sinking fund debentures, due Nov. 15, 1967, together with 105,000 shares of common stock (par $1). **Proceeds**—The debentures are already outstanding having been issued in payment of 47,000 shares of common stock of Butler Brothers which were acquired by Rapid American from 19 persons, including three directors of the corporation. The debentures are being registered against the possibility that they may be sold by present owners. Of the 105,000 common shares, 75,000 are issuable under the company's Restricted Stock Option Plan for officers and key employees, and 30,000 under the Employees' Stock Purchase Plan. **Underwriter**—None.

★ **Rassco Financial Corp. (10/1)**
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York, on a "best efforts" basis.

★ **Richwell Petroleum Ltd., Alberta, Canada**
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter**—Pacific Securities Ltd., Vancouver, Canada.

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.

Robosonic National Industries Corp., N. Y.
June 12 filed 500,000 shares of common stock, class B. **Price**—$3 per share. **Proceeds**—To manufacture on a contract basis an automatic telephone answering instrument; the enlargement of the research and development facilities of the company; patent and patent applications; public relations, and for working capital. **Underwriter**—None.

Rockcote Paint Co.
March 21 (letter of notification) 14,250 shares of 7% cumulative preferred stock (par $10) and 10,000 shares of common stock (par $1). **Price**—For preferred stock, $10.25 per share; for common stock, $8 per share. **Proceeds**—For working capital. **Office**—200 Sayre St., Rockford, Ill. **Underwriter** — The Milwaukee Co., Milwaukee, Wis.

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.

● **Salem-Brosius, Inc., Pittsburgh, Pa. (7/9)**
June 10 filed $2,000,000 of convertible subordinated debentures, due July 1, 1973, and 112,500 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—To be used in connection with the proposed acquisition of Alloy Manufacturing Co., Inc., and to retire indebtedness and working capital. **Underwriter**—Blair & Co., Inc., New York.

San Diego Imperial Corp., San Diego, Calif. (7/16)
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.

★ **Shelby Electric, Inc., Shelbyville, Ind.**
June 25 (letter of notification) 5,834 shares of common stock (no par). **Price** — $6 per share. **Proceeds** — For working capital. **Underwriter**—None.

Southeastern Mines, Inc.
May 28 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Address**—P. O. Box 3034, 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 Natural Gas Co. (7/10)
June 12 filed $30,000,000 of sinking fund debentures, due July 1, 1978. **Proceeds**—To be added to the company's general funds and will be available for its construction program and reduction of outstanding loans under a revolving credit agreement providing for a maximum of $25,000,000 at any one time outstanding. **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**—To be received until 10:30 a.m. (EDT) on July 10, in Room 1130, 90 Broad St., New York, N. Y.

Standard Oil Co. (Calif.)
June 4 filed $150,000,000 of sinking fund debentures due July 1, 1983. **Price**—To be supplied by amendment. **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**—Postponed from June 25 by

Continued on page 38

Continued from page 37

the company "due to market conditions." Issue to remain in registration.

Standard Packaging Corp., New York
June 4 filed 225,385 shares of the company's common stock (par $1), such shares are to be issued to Johnston Foil Manufacturing Co., a New Jersey corporation, under an agreement pursuant to which Standard acquired substantially all of the assets of Johnston.

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.

Sugarbush Valley Corp., Warren, Vt.
June 25 filed $392,800 of 20-year 6% subordinated debentures and 12.766 shares of common stock to be offered in units consisting of $800 principal amount of debentures and 26 shares of stock. **Price** — $1,200 per unit. **Proceeds**—For payment of short-term bank loan and working capital. **Underwriter**—None.

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.

Surety Oil Co.
May 28 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For development of oil and gas properties. **Office**—290 North University Ave., Provo, Utah. **Underwriter**—None.

Systron Corp., Concord, Calif.
June 10 (letter of notification) 24,475 shares of capital stock (par $5) to be offered to stockholders on the basis of one share for each share held on June 10, 1958. **Price**—$12.25 per share. **Proceeds**—For working capital. **Underwriter**—None.

Tampa Electric Co. (7/17)
June 13 filed $25,000,000 first mortgage bonds due 1988. **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** — To be received at 90 Broad St., New York, up to 11 a.m. (DST) on July 17, 1958.

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.

Tennessee Gas Transmission Co. (7/24)
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. Offer expires July 24. **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.

Textron Inc. (7/21)
June 20 filed 389,577 shares of common stock (par 50 cents), to be offered for subscription by holders of outstanding common of record on July 14, 1958, at the rate of one new share for each 10 shares then held. Rights expire July 30, 1958. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank borrowings incurred in financing the acquisition by Textron on June 28, 1958, of the assets, properties and business of The Waterbury Farrel Foundry & Machine Co. **Underwriter**—Blair & Co., Inc., New York, and Scherck, Richter Co., St. Louis, Mo.

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**—$80 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.

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.

Twentieth Century Investors, Inc., Kansas City, Mo.
June 20 filed 2,000,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

Twentieth Century Investors Plan, Kansas City, Mo.
June 20 filed $10,000,000 of plans for the accumulation of shares of Twentieth Century Investors, Inc. **Price**—At market. **Proceeds** — For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

★ **United Artists Corp. (7/17)**
June 27 filed 200,000 shares of common stock (par $1) for the corporation's account, and 100,000 shares for certain selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—To provide funds to finance an expanded program of motion picture production and to broaden U.A.'s activities in the television, recording and music publishing fields. **Underwriter**—F. Eberstadt & Co., New York.

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 States Steel Corp. (7/16)
June 25 filed $300,000,000 sinking fund debentures due 1983. **Proceeds**—To restore in part working capital expended in corporation's expansion and modernization program and for corporate purposes, including future outlays for property additions or replacements. **Price**—To be supplied by amendment. **Underwriter**—Morgan Stanley & Co., New York.

● **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. Statement effective June 23.

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, East-point, Ga. **Underwriter**—None.

Universal Oil Recovery Corp., Chicago, Ill.
June 4 filed 37,500 shares of class A common stock. **Price**—$4 per share. **Proceeds**—For exploration and development of properties, and the balance for other corporate purposes. **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.

★ **Utah Power & Light Co. (8/11)**
June 26 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem $15,000,000 of first mortgage bonds, 5¼% series due 1987, to repay $4,000,000 of bank borrowings, and the balance together with further borrowings under a bank agreement and cash generated in the business will be used to carry forward the construction program of the company and its subsidiaries amounting to approximately $43,000,000 for the period 1958-1960. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Blyth & Co. Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids**—Expected to be received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Aug. 11, 1958.

W. J. Management Co.
June 13 (letter of notification) 10,000 shares of common stock (par $10) to be offered to certain employees of Wilson-Jones Co. and its subsidiaries. **Price**—$18.50 per share. **Proceeds**—To reduce outstanding loans and the purchase of common stock of Wilson-Jones Co. **Office**—209 South Jefferson St., Chicago 6, Ill. **Underwriter**—None.

Walnut Grove Products Co., Inc.
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.

● **Washington Gas Light Co. (7/23)**
June 25 filed 60,000 shares of serial cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To be added to the company's general funds to be available for the current construction program, which is expected to cost about $11,250,000 during 1958. **Underwriters**—First Boston Corp., New York, and Johnston, Lemon & Co., Washington, D. C.

● **Washington Investment Co., Tacoma, Wash.**
Report in June 26 issue that this company had filed June 23 (by amendment) an additional 180,000 shares of common stock was in error.

★ **Washington Water Power Co. (7/23)**
June 26 filed $15,000,000 of first mortgage bonds due 1988, and 200,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To be applied in part to the repayment of $15,500,000 of outstanding notes, the proceeds of which were used for property additions and improvements. The balance of the proceeds will be used to meet construction requirements. **Underwriters**—Kidder, Peabody & Co., Blyth & Co., Inc., White, Weld & Co. and Laurence M. Marks & Co., all of New York.

Western Carolina Telephone Co., Weaverville, N. Car.
June 6 filed 89,391 shares of common stock to be offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held. The record date is to be supplied by amendment. **Price**—At par ($5 per share). **Proceeds**—To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. **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.

White Caps Gold Mining Co.
June 16 (letter of notification) exchange of 1,100,510 shares of company's stock (par 10 cents) for a like number of shares of stock of International Copper & Cobalt Mines, Ltd. on a share-for-share basis. **Office**—Suite 317, Clay Peters Bldg., 140 North Virginia St., Reno, Nev. **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.

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.

American-South African Investment Co.
June 13 filed for permission to become registered as an investment company of the closed-end type under the Investment Company Act of 1940. **Business**—The trust, incorporated under the laws of the Union of Africa, has been organized to provide a medium for investment in the common shares of companies engaged in business in South Africa, with particular emphasis on those engaged in mining gold. The trust may also invest to a certain extent in gold bullion. **Underwriter**—Dillon, Read & Co. Inc., New York.

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.

B.S.F. Co., Birdsboro, Pa.
June 23 it was reported the company plans to issue $1,500,000 of 10-year subordinated debentures, with detachable warrants to subscribe to capital stock for a 10-year period at not less than $11 per share. Each $1,000 debenture to carry warrants to subscribe for 100 shares of capital stock.

C.G.S. Laboratories
June 23 it was reported the company plans the issuance of 60,000 shares of common stock. **Proceeds**—Working capital. **Business**—Electronics. **Office**—391 Ludlow St., Stamford, Conn. **Underwriter**—Hayden, Stone & Co., New York. **Registration**—Expected about July 9.

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. (7/10)
The company has applied to the California Public Utility Commission for permission to sell an issue of 200,000 of $1.24 dividend convertible preferred stock (par $25) Convertible into common stock at $23.8095 until Aug. 1, 1963, and at $25 a share thereafter. **Proceeds**—Will be used to reimburse the company treasury for expenses in connection with construction, extension and improvement of facilities. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

★ **Central Hadley Corp.**
The shareholders of the company at a special meeting held on June 25, approved an amendment to the certificate of incorporation authorizing an issue of 200,000 shares of 5% cumulative convertible preferred stock (par $10). Convertible into common stock at the rate of $2.86 per share. **Proceeds**—To retire outstanding notes of a subsidiary in the amount of $768,000.

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.

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. (8/13)**
Company plans to issue and sell $45,000,000 30-year sinking fund debentures. **Proceeds**—New construction. **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). **Bids**—To be received on Aug. 13.

Consumers Power Co.
Feb. 21 Dan E. Karn, President, announced that $100,600,000 has been budgeted for expansion and improvement of service facilities during 1958. Indications are that $60,000,000 of senior securities may be involved **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). An offering of $35,156,700 of 4⅝% convertible debentures, offered to stockholders, was underwritten in October, 1957, by Morgan Stanley & Co.

Dixon Chemical Industries, Inc.
March 10 it was reported company plans to do some financing, the type of securities to be announced later **Proceeds**—For expansion. **Underwriter**—Harriman Ripley & Co. Inc., New York

Equitable Gas Co.
April 7 it was reported that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White Weld & Co., all of New York.

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.

● **Grace Line Inc.**
Company plans to issue approximately $18,000,000 of government insured bonds secured by a first preferred ship mortgage on the new "Santa Rosa" and "Santa Paula." The financing will comprise two issues of $9,000,000 each. **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**—Expected at end of July.

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.

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.
June 16 company stated it will sell bonds and/or common stock in the last quarter of 1958. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

MacMillan & Bloedel, Ltd.
Stockholders will vote at a special meeting June 17 on a proposed issue of $32,500,000 of sinking fund debentures of which $10,000,000 would be sold in the United States, bearing 4⅞% interest and due in 20 years.

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.

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. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering**—Expected this Summer.

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.

Norfolk & Western Ry. (8/20)
Bids are expected to be received by the company on Aug. 20 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.
June 10 it was announced company will sell this September $20,000,000 mortgage bonds providing new gas supply from Northern Natural Gas Co. is approved by Federal Power Commission. In event this project has to be deferred, company will likely issue $10,000,000 bonds later in the year. Company's 5-year construction program calls for $90,000,000 outlay. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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 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.

St. Joseph Light & Power Co.
April 15 it was announced that the company plans to market $6,500,000 in bonds or preferred stock "sometime this summer." The stockholders on May 21 voted on authorizing an increase in bonded indebtedness of $6,500,000, and an increase in preferred stock from 25,000 shares to 50,000 shares. **Proceeds** — For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

South Carolina Electric & Gas Co.
April 7 it was announced by the company that it plans to sell some additional bonds during the latter part of the year. **Proceeds** — Together with bank loans, to be used for $16,000,000 construction program. Bonds may be placed privately through Kidder, Peabody & Co.

Southern California Edison Co.
June 16 it was reported that the company contemplates the sale of about $50,000,000 of bonds in the latter part of this year. **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; First Boston Corp., and Dean Witter & Co. (jointly); Blyth & Co., Inc.

Southern Colorado Power Co.
May 9 stockholders authorized an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis.

● **Southern Railway Co. (7/15)**
Company plans to issue $22,000,000 of 30-year 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). **Bids**—Expected to be received at noon (EDT) on July 15.

Southwestern Bell Telephone Co. (9/23)
The company has asked the Public Service Commission of Missouri for the right to issue $110,000,000 of debentures. **Proceeds**—To refund outstanding issue. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Offering** — It is believed that the issue will be marketed in late September.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

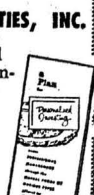
★ **Venezuela (Government of)**
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Rejoins Fairman Co.

(Special to THE FINANCIAL CHRONICLE)

SANTA MONICA, Calif.—Clarence D. Hague has rejoined Fairman & Co., Bay Cities Building. Mr. Hague has recently been with the First California Company.



Mutual Funds

By ROBERT R. RICH

The Packaging Industry's Outstanding Growth

One of the most noteworthy growth records of the last two decades has been that of the packaging industry, according to the June issue of "Perspective," published by the investment management department of Calvin Bullock, Ltd., managers of mutual funds with assets in excess of $450,000,000.

Although complete statistics are not available for all phases of the industry, the report said, the best estimates are that total annual sales volume exceeds $10 billion, and the inclusion of closures, packaging machinery, and accessories would probably bring the total to the range of $12-14 billion.

The basic reason for the above average growth of this industry, "Perspective" said, is the great increase in emphasis on the package or container on the part of both manufacturers and distributors. In the early stages of the movement away from "cracker barrel" retailing, packaging was promoted by legislation, such as the Pure Food and Drug laws. Subsequently, a much more compelling stimulus was the discovery that the package sells the product—or at least greatly helps its sale. The rapid growth of the self-service super-market and the trend toward convenience foods have been equally stimulating factors.

Stein Roe and Farnham Stock Fund Shares Marketed

Initial public offering of shares of its new mutual investment fund was announced July 1st by Stein Roe & Farnham, Chicago investment counsel firm which organized and will manage the fund. Designated the Stein Roe & Farnham Stock Fund, Inc., it will invest primarily in common stocks.

Harry H. Hagey, Jr.

Harry H. Hagey, Jr., President of the new fund, said that it differs from other recently established investment funds in that the fund will receive and invest the full price paid by purchasers for their shares without deductions for any selling costs. The fund is of the open-end type and shares are offered continuously at the current net asset value. Stein Roe & Farnham now manage the Stein Roe & Farnham Fund Incorporated established in 1949 as a balanced fund to invest in a balanced portfolio of bonds, preferred stocks and common stocks. It now has more than 2,700 stockholders and total assets of approximately $26 million. This growth has been achieved without the payment of any underwriting fees or selling commissions.

In its investment policy, according to Mr. Hagey, the new fund differs from the Stein Roe & Farnham Fund Incorporated. "We have always advocated a balanced investment program to protect against deflation as well as inflation," Mr. Hagey said. "Our balanced fund constitutes in itself a complete program for this purpose. In many cases, however, the investor has other fixed-dollar income or assets, such as life insurance annuities, pensions and social security benefits which provide necessary protection. In such cases, any additional funds should be invested largely in common stocks. Our new common stock fund provides a medium for such investment, with the advantage of diversification and continuing supervision by professional management.

The balanced fund, Mr. Hagey said, was organized in response to requests of clients of Stein Roe & Farnham's investment counsel service. The firm began this service in 1932 to manage the funds of large individual investors, personal trusts, pension and profit-sharing funds, institutions and corporations. Many clients also sought investment programs for relatives and friends whose assets were insufficient for effective diversification or to warrant an individually supervised account. The balanced fund provides such a program.

"The new stock fund," he said, "meets a further problem referred to us by some of our clients, as well as the additional requirements of some of the shareholders in the balanced fund. By using varying combinations of the two funds it will now be possible to meet the particular requirements of any small investor, an advantage that has usually been reserved for the large investor."

He explained that while the balanced fund varies from time to time in its percentage of common stocks, depending on the business outlook, and at times will hold a portion of its assets in cash, the common stock fund will almost always remain fully invested in equities selected largely for long-term growth.

Lazard Fund Issue Of 8,500,000 Shares Oversubscribed

Tangible evidence of the widespread investor interest in the shares of the newly created Lazard Fund, Inc. was reflected in the quick oversubscription of the final total of 8,500,000 shares which were formally offered on June 30 at a price of $15 per share. Lazard Freres & Co., New York, which headed the underwriting syndicate, made the all-sold announcement.

The extent of the demand for the shares was pointed up by Richard H. Mansfield, President of the fund, who noted that the pre-offering interest in the issue had necessitated successive increases in the size of the offering from the initial filing of 2,500,000 shares to the final total of 8,500,000.

The aggregate funds at the disposal of the fund will be in the neighborhood of $117,000,000 concerning which investment decision will be necessary. Mr. Mansfield said that while adhering to the stated objectives of the fund, the primary one of which is capital appreciation, the management will of course move cautiously in the initial investment of the funds.

Lazard Fund will be a closed-end fund until offering is formally completed, at which date it will become an open-end mutual fund because it will then redeem its shares at net asset value, minus a 1% redemption charge. There will not be continuous offering of additional shares as with many other funds, thus it is expected that Lazard Fund will trade at a premium over asset value.

The new fund will distribute substantially all of its earnings and will qualify as a regulated investment company for tax purposes and will pay no corporate income tax on earnings distributed.

Near-Million Dollar Sales Day Recorded

Group Securities, Inc., enjoyed a record sales day on Friday, June 20, with investor purchases totaling $959,651, according to John L. Ahbe, Vice-President and Director of Sales.

Noting that Group's 1958 sales are more than double their 1957 rate, he said, "In line with this trend, the June 20 sales figure is almost exactly double our record day of 1957 — Oct. 23, which marked a recovery from record market lows of the previous day, Oct. 22."

Formation of New Special Situation Fund Announced

The formation of Townsend U. S. and International Growth Fund, Inc., described as a non-diversified special situation "fund," with leverage potential, was announced July 1 by its officers and directors. The new fund is headed by Clinton Davidson, Chairman of the Board, Raymond E. Hartz, Chairman of Executive Committee, and Morris M. Townsend, President. It is sponsored by Townsend Management Company.

Morris M. Townsend

Directors of the fund include Col. Willard F. Rockwell, Chairman of Rockwell Manufacturing Co.; Gen. Albert C. Wedemeyer, retired four-star General of U. S. Army; Murray Shields, Trustee of Bowery Savings Bank; Charles F. Smith, President of Financial Industrial Fund; Gilbert Ott, Executive Vice-President and Treasurer of Fiduciary Counsel; and Herbert A. Johnson, Vice-President and Treasurer of FIF Investing Associates, Inc.

The fund is registering 1,000,000 shares, some of which will be offered privately at $5 per share during the closed-end period. The fund will become open-end shortly after the initial offering. It will be sold through the existing sales organization of FIF Management Corp., and FIF Associates, Inc. When the fund becomes open-end, the price will be based upon the net asset value of securities then owned, plus a sales charge.

Members of the fund's Advisory Board, who will provide the board of directors with valuable and specialized information and advice, are the following: George S. Eccles, President of First Security Corp. of Utah, N. A. and director of Union Pacific Railroad; Robert E. Gross, Chairman, Lockheed Aircraft Corp.; Kenneth S. Keyes, President, Keyes Co., realtors, and President (1957) National Association of Real Estate Boards; Stanley Sebastian Kresge, Vice-President S. S. Kresge Co.; Charles Hook, Chairman, Armco Steel Corp.; Aksel Nielsen, President, Title Guaranty Co.; Kent H. Smith, Chairman, Lubrizol Corp.; and General Thomas B. Wilson, Chairman, Johnson Motor Lines and Resort Airlines, Inc.

The objective of the fund is to concentrate on long-term growth of principal, both in terms of dollars and purchasing power, with relatively less interest in current income. Its assets will be invested in securities of domestic corporations and also companies which are either incorporated abroad or are international in scope and particularly those with tax advantages.

Capital appreciation will be sought primarily through "special situations." The fund may invest

up to 50% of its assets for the purpose of exercising control. The remaining 50% will be limited to 5% of its total assets per corporation and none with over 10% of voting control.

This fund was formed to aid investors seeking long-term capital growth while taking calculated risks. It is intended to serve those who believe that the long-range economic outlook indicates a continuing inflation, where equity securities and carefully selected real estate are desirable investments.

To minimize taxes, incurred by both the fund and its investors, the fund currently intends to qualify under the Internal Revenue Code of 1954 as a "regulated investment company." By this action it will be able to accumulate 75% of any long-term capital gain realized from year to year. The shareholders will be able to increase by that amount, the Federal tax basis of their shares to lessen capital gain taxes payable at the time of redemption.

As a "regulated investment company," it will be necessary to distribute to shareholders each year at least 90% of the income (not including long-term capital gain) earned by the fund during that year. Such dividends will be paid wholly or partly in stock.

As investment advisers, the fund has access to companies and services of long established reputation.

Townsend Management has been retained as investment adviser of the fund. However, final approval of all investments lies with the board of directors. This company has associate advisory contracts with its subsidiary Fiduciary Counsel, Inc. and with FIF Management Corp. of Denver, Colo. These two corporations now provide research and investment advice to clients with assets of over $600,000,000.

Fiduciary Counsel, Inc. was organized in 1931 to provide investment advice to wealthy individuals for the primary purpose of protecting their capital and its purchasing power. It now supervises investments of families whose wealth exceeds $500,000,000 and whose average wealth is about $5,000,000. Its extensive research, investment, tax, and estate planning staffs are available to the fund.

FIF Management Corp. was organized in 1932 and is the manager and underwriter of Financial Industry Fund, Inc. of Denver, Colo. (a fully managed fund), which has assets in excess of $90,000,000 and contractual purchase plans providing for potential investment of over $185,000,000.

Nation-Wide Fund Reports Broad Gains

Total net assets of Nation-Wide Securities Co., Inc., a mutual fund managed by Calvin Bullock, were $29,102,372 at the close of business on May 31, 1958, a new high for the reporting period, according to Hugh Bullock, President.

This figure compares with the tital net assets of $25,335,354 at the end of the last fiscal year ended Sept. 30, 1957.

Net asset value per share was $19.26 at May 31, 1958, an 11.9% increase from the $17.20 per share value reported at Sept. 30, 1957, the end of fiscal 1957, Mr. Bullock said. He also noted a marked rise in sales of new shares during the first half of 1958 as compared with the same periods of 1957 and 1956.

Mr. Bullock pointed out that the objective of Nation-Wide is to provide relative stability for principal together with reasonable income and protection of purchasing power through diversification in bonds, preferred and common stocks.

Kimball, Former Secretary of Navy, Head of Consumers Fund

Shares in the Consumers Investment Fund, a new mutual fund are now being offered through securities dealers.

Dan A. Kimball, formerly Secretary of the Navy and now President of the Aerojet-General Corporation, is President of the fund. Other officers are Gregory Hankin of Washington, D. C., Executive Vice-President; Joel D. Wolfsohn of Washington, D. C., Vice-President and Secretary; and Edward P. Eardley of Falls Church, Va., Treasurer.

The directors, in addition to the officers, are George M. Bunker, President of the Martin Company, Baltimore; Dr. Arthur E. Burns, Dean of the Graduate Council of George Washington University; Hal Noflet Carr, President of North Central Airlines, Minneapolis; Robert A. Waidner, President of Standard Railway Fussee Corporation, Baltimore; and Ashler L. Wheeler, General Counsel of North Central Airlines.

The objective of the new open-end fund is to promote the interests of the consumer as an investor, President Kimball stated.

"We believe that the consumer can better meet the steadily rising cost of living by investing, through Consumers Investment Fund, in various industries in proportion to their outputs generated by consumer demand," he added.

Mr. Hankin explained that two studies prepared by the Department of Labor enabled CIF to determine the output of each industry in terms of the percentage of each dollar of consumer demand.

One is the multi-million dollar "Input-Output Study," which shows how much each industry puts into any one industry for each dollar of the latter's output. The second gives the production of each industry in response to consumer demand, as distinguished from government, industry and export demands.

"CIF's investment approach is concerned entirely with the industrial output in response to each dollar the consumer spends, and not with the consumer's expenditures for goods and services," Mr. Hankin stated.

For investment purposes, CIF has divided the nation's economy into 12 industrial categories. These are: Food and Tobacco; Clothing; Housing and Household Operation; Personal Welfare (which includes health, education, recreation and amusements); Transportation and Travel; Public Utilities; Finance, Insurance and Business Services, Chemicals, Coal and Oil; Minerals, Metals and their products; Machinery; Trade; and Miscellaneous.

Members of the Fund's Investment Committee are: Dr. Arthur E. Burns, chairman; Louis H. Bean, consulting economist and statistician; James C. Dockeray, professor of finance, George Washington University; Thomas C. Fichandler, research associate, Twentieth Century Fund; Robinson Newcomb, economic consultant; and Irving G. Rudd, economist and investment analyst, of Rudd and Co., members of the New York Stock Exchange.

Oil & Chemical Shs. Feature Purchases By Bullock Ltd.

Certain indications of a slowing down in the rate of business decline and other encouraging signs of improvement in commodity prices and inventories have been noted recently, Hugh Bullock, President of Bullock Fund, Ltd., told shareholders in a report covering the six months ended May 31, 1958.

Consumer income and retail sales volume also appear satisfactory, he said, noting, however, that it seems prudent to retain reserves of buying power (currently about 18% of net assets) to take advantage of temporary price weaknesses as further readjustments take place.

Bullock Fund's investments have been responsive to interim market rises, and income is being maintained at close to the levels for the same 1957 period, Mr. Bullock reported. The value of total net assets at May 31, 1958, partly as a result of increased purchases by investors and partly reflecting the recent rise in prices of securities owned by Bullock Fund, rose to $35,861,941. This figure compared with total net assets on Nov. 30, 1957 of $31,784,253.

Net asset value per share at May 31, 1958 rose to $11.74 as against the $11.04 reported at Nov. 30, 1957, an increase of 6.3%, Mr. Bullock told the shareholders. The number of shares outstanding also climbed to 3,054,762 at the end of the first half as against 2,877,863 reported at the end of last November.

Bullock Fund continues to invest in common stocks believed to have attractive long-term growth and appreciation prospects, he said. However, he pointed out that a somewhat more conservative position was maintained both as to the types of industries represented in the fund's portfolio and the amounts held in government bonds and cash, constituting buying reserves.

"The principal purchases made in the period were in the petroleum and chemical fields, replacing issues of a more cyclical nature," Mr. Bullock said. "As a result, on May 31, 1958, drugs and medical supplies, petroleum and chemical stocks comprised more than one-third of the fund's assets. It will be noted that, in addition to these growth industries, stocks of companies engaged in aircraft and missiles, automation and electronics continue to be included."

Investment Trust Of Boston Resumes Buying Policy

Investment Trust of Boston's annual report shows total assets on May 31, 1958 of $40,855,636, equal to $9.16 per share on 4,459,648 shares outstanding. Dividends of 36 cents per share were paid from net investment income for the year, and a distribution of 20 cents per share was paid from net realized capital gains.

During the past two years the Trust has departed from its normal policy of full investment in common stocks and the exercise of its borrowing power. The extent to which it has done so is shown in a table in the President's letter, which goes on to point out that initial steps to return to the more normal position were taken during the last quarter.

Jas. S. Baker in Yarmouth

(Special to THE FINANCIAL CHRONICLE)

YARMOUTH, Mass.—James S. Baker & Co. is now doing business from offices at 425 Main Street. The firm was formerly in business in New York City acting as dealers in U. S. Government, state and municipal bonds.

Canada General Value Per Share Increases 12.7%

Canada General Fund Ltd., a mutual fund investing exclusively in common stocks of Canadian business corporations, reports that the net asset value of the fund's shares increased by 12.7% to $12.15 from $10.78 in the third quarter of the present fiscal year ended May 31.

During the period, total net assets rose to $78,321,770 from $70,195,430 three months earlier on Feb. 28. Net investment income for the quarter, which is reinvested for shareholders, amounted to approximately six cents per share.

Henry T. Vance, President of the large American-sponsored mutual fund, in his letter to shareholders notes that there is positive evidence, particularly when comparing the Canadian and U. S. economies, that Canada may be moving toward a resumption of the strong upward pattern of its economy.

"Of particular interest," he said, "is the fact that while Canadian business trends have been substantially better than in the U. S., the stock market has not done as well." A conclusion to be drawn from this, Mr. Vance added, is that stocks are more favorably priced in relation to business in Canada than in the U. S.

The quarterly report revealed the elimination from the fund's portfolio of British Columbia Electric, 4% preferred, and McColl-Frontenac Oil, 4% preferred, and substantial increases in the holdings of Simpsons, Limited, Supertest Petroleum Corp., Ltd., Royal Bank of Canada, Quebec Natural Gas Corp., North Star Oil Limited, Great Lakes Power Corp., Ltd., Canadian Oil Companies, Limited and British Columbia Power Corp.

"Careful Growth During a Difficult Market Period"

Shares of The Fully Administered Fund of Group Securities, Inc. appreciated 12% in the fiscal six months ended May 31, as compared to a rise of 2.9% in the Dow-Jones Industrial Average.

Herbert R. Anderson, Group's President, called this "careful growth during a difficult market period." Relating performance to the market high of July 12, 1957, he noted that this balanced fund was 4.4% above its price at that time with the 1957 year-end capital gains reinvested, while general market averages were lower by more than 10%.

The May 31 portfolio shows 26.65% of assets in corporate bonds, government bonds and cash; 73.35% in common stocks with the emphasis on tobacco, utilities, merchandising and food stocks providing a defensive characteristic to the portfolio.

Mr. Anderson likened the investment policy of The Fully Administered Fund to the attitude of a careful driver who proceeds to his destination with the least possible risk. "We are watching the economic road ahead for signs that would lead us to change our current defensive emphasis," he said.

A folder containing the latest portfolio and investment results of The Fully Administered Fund of Group Securities, Inc. may be obtained from Distributors Group, Inc., 63 Wall Street, New York 5, New York.

Sutro Bros. Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—John J. Gleeson is with Sutro Bros. & Co., 1048 Kane Concourse, Bay Harbor Islands.

Two I. D. S. Funds Report

Total net assets of Investors Selective Fund, Inc., mutual fund affiliate managed by Investors Diversifed Services, Inc., rose to a record high of $22,790,737 as of May 31, 1958 compared with $19,335,035 on Nov. 30, 1957, up $3,455,702 for the first half of the current fiscal year, Joseph M. Fitzsimmons, Chairman of the Board and President, announced in the fund's semi-annual report.

Net asset value per share increased to $9.66 at the 1958 fiscal half-year-end from $9 per share six months previously.

Dividends declared during the six months reviewed amounted to 22 cents per share compared with 21 cents per share during the first half of the preceding fiscal year. In both periods, dividends were derived entirely from investment income.

Investors Selective Fund, which invests solely in fixed-income securities, increased its investments in preferred stocks during the period. Proportional holdings of long-term bonds remained relatively unchanged. At the close of the half year preferred stocks composed 78.91% of total investments taken at market values and long-term bonds composed 21.09%.

Total net assets of Investors Variable Payment Fund, Inc., mutual fund affiliate managed by Investors Diversified Services, Inc., stated at market value of securities investments, rose from $13,005,542 as of Nov. 30, 1957, to $25,657,068 as of May 31, 1958, up $12,561,526 for the first half of the fund's second fiscal year, Joseph M. Fitzsimmons, Chairman of the Board and President, announced in the semi-annual report.

The initial public offering of shares was made on June 24, 1957, consequently the first fiscal year ended Nov. 30, 1957 covered a period of approximately five months of operation, Mr. Fitzsimmons reminded the fund's shareholders.

Net asset value per share of the fund was $4.32 on May 31, 1958 compared with $4.01 on Nov. 10, 1957.

These figures include accumulated net income. In accordance with its stated objectives, the fund requires that all dividends from investment income and from any realized capital gains be reinvested automatically in additional shares. It is contemplated that such dividends will be declared at the end of each fiscal year, the report states.

Shares outstanding increased during the period from 3,242,719 at the end of the fiscal year to 5,940,440 at the close of the current half year.

Number of shareholders also increased from 14,630 at the close of the fiscal year to 23,766 on May 31, 1958.

Common stocks and equivalent equities composed 95.75% of the fund's investments at the end of the period under review and short-term notes composed 4.25%. The larger common stock investments were in the following industry groups: petroleum and natural gas, insurance, paper and pulp, banks, and chemicals.

Founder's Reports All-Time Record Shareholder Total

It was announced by L. O. Collins, President of Founder's Mutual Depositor Corporation, that the number of investors has increased by 5,728 to a new total high of 37,484 as of May 29, 1958.

The asset value of Founder's Mutual Fund is now approximately $28,500,000 and the paid-in value of active systematic accounts as of May 29, 1958, was $149,696,250.

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)	July 6	§52.7	61.7	62.4	78.5
Equivalent to—					
Steel ingots and castings (net tons)	July 6	§1,423,000	*1,666,000	1,685,000	2,009,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 20	6,345,385	6,334,885	6,256,485	7,237,965
Crude runs to stills—daily average (bbls.)	June 20	¶7,522,000	7,659,000	7,487,000	7,859,000
Gasoline output (bbls.)	June 20	26,843,000	26,960,000	26,438,000	27,313,000
Kerosene output (bbls.)	June 20	1,851,000	1,867,000	1,569,000	1,895,000
Distillate fuel oil output (bbls.)	June 20	11,317,000	11,613,000	11,964,000	11,751,000
Residual fuel oil output (bbls.)	June 20	6,575,000	6,459,000	6,857,000	7,716,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 20	187,973,000	190,241,000	193,355,000	189,225,000
Kerosene (bbls.) at	June 20	23,738,000	22,959,000	21,469,000	27,975,000
Distillate fuel oil (bbls.) at	June 20	99,883,000	96,694,000	87,858,000	110,282,000
Residual fuel oil (bbls.) at	June 20	63,596,000	63,393,000	61,383,000	43,885,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 21	627,677	622,221	570,670	746,764
Revenue freight received from connections (no. of cars)	June 21	529,767	518,611	503,096	621,518
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 26	$483,128,000	$429,875,000	$423,990,000	$330,135,000
Private construction	June 26	126,297,000	135,188,000	155,564,000	136,239,000
Public construction	June 26	356,831,000	294,687,000	268,426,000	193,896,000
State and municipal	June 26	233,969,000	220,379,000	178,108,000	155,184,000
Federal	June 26	122,862,000	74,308,000	90,318,000	38,712,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 21	8,770,000	*8,300,000	7,220,000	10,180,000
Pennsylvania anthracite (tons)	June 21	544,000	475,000	395,000	639,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 21	117	138	128	128
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 28	11,757,000	11,941,000	11,155,000	12,111,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 26	335	290	278	271
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 24	5.967c	5.967c	5.967c	5.670c
Pig iron (per gross ton)	June 24	$66.49	$66.49	$66.49	$64.56
Scrap steel (per gross ton)	June 24	$35.17	$35.17	$35.33	$54.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 25	24.700c	24.775c	24.400c	28.825c
Export refinery at	June 25	23.850c	25.125c	21.925c	27.350c
Lead (New York) at	June 25	11.500c	11.110c	11.500c	14.000c
Lead (St. Louis) at	June 25	11.300c	10.910c	11.300c	13.800c
‡Zinc (delivered) at	June 25	10.500c	10.500c	10.500c	11.000c
Zinc (East St. Louis) at	June 25	10.000c	10.000c	10.000c	10.500c
Aluminum (primary pig, 99%) at	June 25	24.000c	24.000c	24.000c	25.000c
Straits tin (New York) at	June 25	94.750c	94.750c	94.500c	97.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 1	93.84	93.88	96.06	86.54
Average corporate	July 1	96.23	96.38	96.23	92.50
Aaa	July 1	102.13	102.46	102.96	96.07
Aa	July 1	99.36	99.52	99.36	94.86
A	July 1	95.92	96.07	95.77	93.67
Baa	July 1	88.54	88.27	87.72	86.11
Railroad Group	July 1	91.91	92.06	91.62	90.77
Public Utilities Group	July 1	97.78	97.62	97.94	93.97
Industrials Group	July 1	99.36	99.52	99.36	93.08
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 1	3.04	3.04	2.84	3.67
Average corporate	July 1	3.99	3.98	3.99	4.24
Aaa	July 1	3.62	3.60	3.57	4.00
Aa	July 1	3.79	3.78	3.79	4.08
A	July 1	4.01	4.00	4.02	4.16
Baa	July 1	4.52	4.54	4.58	4.70
Railroad Group	July 1	4.28	4.27	4.30	4.36
Public Utilities Group	July 1	3.89	3.90	3.88	4.14
Industrials Group	July 1	3.79	3.78	3.79	4.20
MOODY'S COMMODITY INDEX	July 1	399.6	398.5	402.7	424.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 21	253,065	271,307	242,408	230,949
Production (tons)	June 21	270,117	290,704	259,071	275,348
Percentage of activity	June 21	88	90	85	93
Unfilled orders (tons) at end of period	June 21	366,756	384,471	333,870	372,551
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 27	109.85	109.81	109.82	110.15
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 7	1,688,870	1,193,750	1,711,330	1,466,910
Short sales	June 7	397,700	219,490	389,200	270,220
Other sales	June 7	1,324,530	913,150	1,269,700	1,134,610
Total sales	June 7	1,722,230	1,132,640	1,658,900	1,404,830
Other transactions initiated on the floor—					
Total purchases	June 7	431,670	277,440	466,310	264,020
Short sales	June 7	39,130	28,650	40 400	19,400
Other sales	June 7	332,190	268,100	492,340	284,520
Total sales	June 7	371,320	296,750	532,740	303,920
Other transactions initiated off the floor—					
Total purchases	June 7	573,064	379,100	549,980	493,900
Short sales	June 7	165,060	98,480	195,630	124,700
Other sales	June 7	737,655	440,022	685,850	542,870
Total sales	June 7	902,715	538,502	881,480	667,570
Total round-lot transactions for account of members—					
Total purchases	June 7	2,693,604	1,850,290	2,727,620	2,224,830
Short sales	June 7	601,890	346,620	625,230	414,320
Other sales	June 7	2,394,375	1,621,272	2,447,890	1,962,000
Total sales	June 7	2,996,265	1,967,892	3,073,120	2,376,320
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	June 7	1,200,171	820,372	1,357,465	1,325,257
Dollar value	June 7	$55,372,289	$36,421,697	$57,441,121	$77,168,289
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 7	1,195,675	824,965	1,180,818	1,146,280
Customers' short sales	June 7	9,709	8,126	18,868	7,620
Customers' other sales	June 7	1,185,966	816,839	1,161,950	1,138,660
Dollar value	June 7	$50,269,197	$34,047,504	$48,156,212	$56,945,845
Round-lot sales by dealers—					
Number of shares—Total sales	June 7	387,660	284,680	327,950	298,100
Short sales	June 7				
Other sales	June 7	387,660	284,680	327,950	298,100
Round-lot purchases by dealers—					
Number of shares	June 7	405,740	276,310	501,140	471,220
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	June 7	814,810	501,060	953,240	504,630
Other sales	June 7	13,206,140	9,062,830	13,952,700	10,937,040
Total sales	June 7	14,020,950	9,563,890	14,905,940	11,441,670
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 24	119.1	119.0	119.3	117.1
Farm products	June 24	96.1	95.4	97.4	90.2
Processed foods	June 24	112.8	113.1	113.2	105.1
Meats	June 24	115.2	115.8	115.4	91.3
All commodities other than farm and foods	June 24	125.2	125.2	125.2	125.2

*Revised figure. ¶Includes 992,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE — Month of April (000's omitted)	$728,100	$1,682,800	$762,300
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of May:			
Weekly earnings—			
All manufacturing	$81.24	$80.81	$81.78
Durable goods	87.53	86.91	87.85
Nondurable goods	73.53	*73.14	73.13
Hours—			
All manufacturing	38.5	38.3	39.7
Durable goods	38.9	38.8	40.3
Nondurable goods	37.9	*37.7	38.9
Hourly earnings—			
All manufacturing	$2.11	$2.11	$2.08
Durable goods	2.25	2.24	2.18
Nondurable goods	1.94	1.94	1.88
INTERSTATE COMMERCE COMMISSION— Index of Railway Employment at middle of May (1947-49 = 100)	63.1	65.1	76.7
METAL OUTPUT (BUREAU OF MINES)— Month of March:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	120,345	*116,598	138,662
Silver (in fine ounces)	2,822,511	*2,842,685	3,437,273
Copper (in short tons)	86,974	*81,717	88,241
Lead (in short tons)	17,149	*23,632	30,865
Zinc (in short tons)	34,226	*33,545	51,057
METAL PRICES (E. & M. J. QUOTATIONS)— May:			
Copper—			
Domestic refinery (per pound)	24.298c	24.253c	31,288c
Export refinery (per pound)	21.944c	21.631c	29.448c
††London, prompt (per long ton)	£178.798	£175.600	£237.870
††Three months, London (per long ton)	£180.756	£176.925	£238.060
Lead—			
Common, New York (per pound)	11.712c	12.000c	15.385c
Common, East St. Louis (per pound)	11.512c	11.800c	15.185c
††London, prompt (per long ton)	£72.137	£72.869	£99.462
††Three months, London (per long ton)	£72.473	£73.016	£99.804
Zinc, (per pound)—East St. Louis	10.000c	10.000c	11.923c
§§Zinc, prime Western, delivered (per pound)	10.500c	10.500c	12.423c
††Zinc, London, prompt (per long ton)	£61.854	£62.375	£85.777
††Zinc, London, three months (per long ton)	£62.262	£62.578	£82.413
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.625c	88.625c	91.307c
Silver, London (per ounce)	76.101d	76.044d	79.223d
Sterling Exchange (check)	$2.81572	$2.81706	$2.79096
Tin, New York Straits	94.563c	92.957c	98.409c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$229.231	$231.077	$255.000
¶Antimony, New York boxed	32.590c	32.590c	36.590c
Antimony (per pound), bulk Laredo	29.000c	29.000c	33.000c
Antimony (per pound), boxed Laredo	29.500c	29.500c	33.500c
Platinum, refined (per ounce)	$68.154	$72.000	$92.000
†Cadmium, refined (per pound)	$1.55000	$1.55000	$1.70000
‡Cadmium (per pound)	$1.55000	$1.55000	$1.70000
§Cadmium (per pound)	$1.55000	$1.55000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.00000
Aluminum, 99% grade ingot weighted average (per pound)	26.100c	26.100c	27.100c
Aluminum, 99% grade primary pig	24.000c	24.000c	25.000c
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of May:			
Total number of vehicles	424,273	391,678	632,637
Number of passenger cars	349,802	316,911	531,727
Number of motor trucks	74,236	74,427	100.485
Number of motor coaches	235	340	425
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of May	£18,152,000	£30,242,000	£48,946,000
PORTLAND CEMENT (BUREAU OF MINES)— Month of April:			
Production (barrels)	24,011,000	17,856,000	23,967,000
Shipments from mills (barrels)	25,318,000	17,370,000	23,125,000
Stocks (at end of month—barrels)	35,179,000	36,668,000	34,893,000
Capacity used (per cent)	79	57	83
RYE CONDITION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of June 1	89%	92%	87%
U. S. GOVT. STATUTORY DEBT LIMITATION —As of May 31 (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	275,652,540	275,057,407	275,233,787
Guaranteed obligations not owned by the Treasury	96,756	93,879	103,223
Total gross public debt and guaranteed obligations	$275,749,296	$275,151,287	$275,337,011
Deduct—other outstanding public debt obligations not subject to debt limitation	431,923	433,318	447,594
Grand total outstanding	$275,317,373	$274,717,969	$274,889,417
Balance face amount of obligations, issuable under above authority	4,682,626	5,282,030	3,110,582
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of May 31	$275,749,296	$275,157,287	$275,337,011
General funds balance	6,129,890	6,487,218	5,839,874
Net debt	$269,619,406	$268,664,069	$269,497,137
Computed annual rate	2.658%	2.679%	2.746%
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of March (000's omitted):			
Exports	$1,556,800	$1,344,900	$2,150,800
Imports	1,085,500	961,500	1,152,500
WINTER WHEAT—U. S. DEPT. OF AGRICULTURE—As of June 1:			
Winter wheat—Production (000's omitted)	1,068,696	1,009,754	707,201
ZINC OXIDE (BUREAU OF MINES)—Month of April:			
Production (short tons)	11,632	12,951	14,747
Shipments (short tons)	13,782	11,426	15,914
Stocks at end of month (short tons)	30,429	32,579	28,710

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ‡‡Deficit.

Our Reporter's Report

The corporate new issue market appears to be still plagued by the touch of indigestion it developed a fortnight or so back. Even though seemingly unwarranted reports of a shift in Federal Reserve money policy have been pretty much disproved, buyers still do not show any disposition to snap up new offerings.

On the contrary, institutional investors seem satisfied to sit back and wait out developments. They are aware of unsold inventories in underwriters' and dealers' hands and also of the fairly busy calendar ahead for the next several weeks.

Not even a yield of close to 4% appeared sufficient to arouse the interest of buyers at the moment. Florida Power Corp., awarded its issue of $25 million bonds to bankers on a bid of 101.739 for a 4⅛% coupon. Bankers fixed a reoffering price to yield 3.98%, but even so demand was reported slow.

Naturally U. S. Steel Corp.'s plans for raising $300 million new capital, along with the realization that the U. S. Treasury has substantial maturities to provide for come Aug. 1, give ample reason, in the view of the investor, to stand aside for the moment.

Feeling in market circles is that it probably will take another month or six weeks to cleanup the overall situation and bring the secondary market back to a position of relative stability.

Federal Reserve

Whatever may have prompted the story of a shift in Federal Reserve position on credit its actions of the last fortnight could hardly be called indicative of any such intention.

Quite the reverse, the System poured funds into the market to offset a threatened squeeze, due to taxes and other conditions, including the loss of gold bullion.

As of now it still appears that the Reserve remains committed to the policy expounded by Chairman William M. Martin some months back when he said in effect that the aim of the Reserve was "to lean against the wind." In other words to keep things orderly.

Waiting for a Change

The Martin Co., plane builder, is the latest potential issuer to decide that the time is not right for seeking new capital at the moment. The company had plans set to market $25 million of sinking fund debentures.

The issue was slated to reach market yesterday, but the company decided at the last minute to defer the offering. It did not give any specific reason for the move, but it was indicated that the firm found the market not quite to its liking.

The registration statement will be kept on file with the Securities and Exchange Commission making quick action possible in the event that market conditions improve.

Big Week Ahead

Something over $200 million in new offerings is slated for the next week, with New York Telephone Co.'s $65 million of new bonds, due up for bids on Wednesday, topping the list.

Laclede Gas Co. will market $8 million preferred stock on Monday and open bids for $10 million of bonds the following day. The same day Northern States Power Co. of Minn. takes bids for $30 million bonds.

On Wednesday Mead Corp. has $25 million of debentures scheduled for market, while Thursday brings up $25 million preferred of Boston Edison Co., $30 million debentures of Southern Natural Gas Co. and 200,000 shares of preferred of California Water & Telephone Corp.

Limited Partnership Interest in Motors Bldg. Realty Co. Offered

Glickman Securities Corp., New York City, is presently offering $5,780,000 of limited partnership interests in the Motors Building Realty Co. to be sold in units of $5,000 each at par. Half units also available.

The company is a limited partnership organized in the State of New York. The partnership proposes to purchase for investment the lease of the land and the 25-story office building known as the General Motors Building, Broadway & 57th St., New York City. It is the financial headquarters for General Motors Corp. which now leases 84% of the building. Upon completion of the purchase, the property will be subleased to and will be operated by Glickman Corp. under a net sublease. A ruling has been obtained from the U. S. Treasury Department that the partnership will be taxable as a partnership and not as an association.

Peter Macpherson With Manley, Bennett & Co.

DETROIT, Mich.—Manley, Bennett & Company, Buhl Building, members of the New York and Detroit Stock Exchanges, have announced the association of Peter M. Macpherson with them. A youthful veteran of Griswold Street, Mr. Macpherson has been a member of the Detroit Stock Exchange for six years where he operates as a "floor-broker." In addition, he maintains offices with the Manley, Bennett firm at 1100 Buhl Building, where he services his personal clientele.

John G. Kinnard Adds

MINNEAPOLIS, Minn.—Russel K. Johnson has been added to the staff of John G. Kinnard & Co., 80 South Eighth Street.

Continued from page 2

The Security I Like Best

to yield 4.12% on its cash dividend of 25c per share quarterly. The company also paid 2% in stock on 10/22/57 and on 10/22/56. The high and low is 24¾-20⅝. It is rated B by Fitch, has paid a dividend since 1935, is held by 26 institutions and is selling 11.15 times 1957 earnings and paying out 48.8%.

On the balance sheet dated 12/31/57, adjusted to the recent issue of the 4¾% debentures, cash amounted to $61,760,091 current assets $306,033,718, current liabilities $51,776,508—a current ratio of 5.82 to 1, net working capital $254,257,210, equivalent to $1,878 per $1,720 of debt, and $243 per share of preferred stock.

The convertible preferred stock yields more in cash dividends than the common stock, yet it is senior to it, and it has a call on 2.88 shares of common stock for three and one-half years, which might prove very profitable. The purchase fund of up to $375,000 each six months has the advantage of tending to reduce the outstanding preferred shares and also steadying its market.

The common stock normally must advance 10 points before it would materially influence the market for the preferred stock. If a common stockholder cashes the 2% stock dividend, the total dividend would amount to about $1.45, thus producing an interesting yield of 6.00%. In August 1956 the company went on record as being in favor of stock dividends to supplement the cash dividend rate in order to conserve funds to finance the expansion program.

National has the elements of a growth situation, and is maintaining its pace. In the past five years net per share of common stock has increased by 79%. It does not seem prudent to attempt to actually predict the future earnings of National, especially beyond this current year. However, it does appear that this company is headed in the right direction in placing its capital expenditures, research, experience and hopes on industrial chemicals, plastics and metallurgy.

Form Consol. Securities

(Special to THE FINANCIAL CHRONICLE)

POMPANO BEACH, Fla.—Consolidated Securities Corp. has been formed with offices at 900 North Federal Highway, to engage in a securities business. Officers are N. P. Christos, President; R. S. Hurley, Vice-President; and C. R. Warner, Secretary-Treasurer.

DIVIDEND NOTICES

TITLE GUARANTEE and Trust Company

TG IC

DIVIDEND NOTICE

Trustees of Title Guarantee and Trust Company have declared a dividend of 31¼ cents per share designated as the third regular quarter-annual dividend for 1958, payable August 22, 1958 to stockholders of record on August 7, 1958.

WILLIAM H. DEATLY • *President*

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 207

A quarterly dividend of $.50 per share on the Common Stock has been declared, payable July 25, 1958, to stockholders of record at the close of business on July 7, 1958.

Checks will be mailed.

H. R. FARDWELL, *Treasurer*

New York, June 25, 1958.

pf PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

On June 26, 1958, the Board of Directors declared regular quarterly dividends on Preferred Stock of this corporation, payable to stockholders of record July 15, 1958, as follows:

	Date Payable	Rate Per Share
Preferred Stock, $100 par value 5% Series	8-1-58	$1.25
Preferred Stock, $25 par value 4¾% Sinking Fund Series	8-1-58	$0.29 11/16

B. C. REYNOLDS, *Secretary*

IBM

174TH CONSECUTIVE QUARTERLY DIVIDEND

The Board of Directors of International Business Machines Corporation has today declared a quarterly cash dividend of $.65 per share, payable Sept. 10, 1958, to stockholders of record at the close of business on Aug. 12, 1958.

C. V. BOULTON, Treasurer

590 Madison Avenue
New York 22, N. Y.
June 24, 1958

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

COMMON STOCK

On June 24, 1958 a quarterly dividend of fifty cents per share was declared on the Common Stock of this Company, payable August 15, 1958 to Stockholders of record at the close of business July 25, 1958. Transfer books will remain open. Checks will be mailed.

JOHN R. HENRY, *Secretary*

AMPHENOL

Amphenol Electronics Corp.

At a meeting of the Board of Directors of Amphenol Electronics Corporation held today a quarterly dividend of thirty cents per share was declared, payable July 25, 1958, to the shareholders of record at the close of business July 11, 1958. The transfer books will not be closed.

Dated at Chicago June 24, 1958.

FRED G. PACE,
Secretary & Treasurer

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., June 24, 1958.

The Board of Directors has this day declared a dividend of Thirty Cents (30c) per share, being Dividend No. 187, on the Common Capital Stock of this Company, payable September 2, 1958, to holders of said Common Capital Stock registered on the books of the Company at the close of business July 25, 1958.

R. M. SWEARINGEN,
Assistant Treasurer.
120 Broadway, New York 5, N. Y.

COMBUSTION ENGINEERING C-E

Dividend No. 219

A Quarterly Dividend of Twenty-Eight Cents (28¢) per share on all the outstanding stock of Combustion Engineering, Inc. has been declared, payable July 25, 1958, to stockholders of record at the close of business July 11, 1958.

OTTO W. STRAUSS
Vice-President and Treasurer

RG AND E

Rochester Gas and Electric Corporation

Common Stock Dividend No. 200

The Board of Directors has declared a quarterly dividend of 40 cents per share on the outstanding Common Stock, payable on July 25, 1958, to stockholders of record on July 10, 1958.

Dividends on Preferred Stock

A quarterly dividend of $1 per share on 4% Preferred Stock, Series F, quarterly dividends of $1.025 per share on 4.10% Preferred Stock, Series H and Series J, quarterly dividend of $1.1875 per share on 4¾% Preferred Stock, Series I, and a quarterly dividend of $1.2375 per share on 4.95% Preferred Stock, Series K, payable in each case on September 2, 1958, to stockholders of record on August 15, 1958, have also been declared.

H. W. NICHOLS, Treasurer

DIVIDEND NOTICE

WORLD-WIDE BANKING
CHASE MANHATTAN
CHARTERED 1799
THE CHASE MANHATTAN BANK

DIVIDEND NOTICE

The Chase Manhattan Bank has declared a dividend of 60c per share on the 13,090,000 shares of the capital stock of the Bank, payable August 15, 1958 to holders of record at the close of business July 15, 1958.

The transfer books will not be closed in connection with the payment of this dividend.

MORTIMER J. PALMER
Vice President and Secretary

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Secretary of the Treasury Robert B. Anderson is waiting to see how much money Congress is going to appropriate at this session before making his second trip to Capitol Hill since January to request the statutory national debt limit be raised.

Congress early in the session, on the recommendation of Secretary Anderson, increased the debt ceiling from $275 billion to $280 billion. Because of the record peacetime expenditures Congress is making, the cabinet officer of necessity must go back and ask that it be lifted again.

No one knows definitely at this time, but there is a possibility that the Treasury Department might make still another request at the 1959 session of Congress. Economic conditions of the country during the next six months will be a factor whether it will be necessary to raise it further toward the $300 billion mark.

All of this means the United States Government is going to have to go to the market to borrow a lot more money. The government not only is going to refund billions of securities falling due in the weeks and months ahead, but it is going to float some more bonds.

Therefore, it appears that the Federal Reserve System is going to keep the banks supplied with sufficient money to provide the necessary financing.

Impending Operations

On Aug. 1 the Treasury will have to refund a 4% certificate of $11½ billion. Of this amount, about $4.7 billion is held by the public, and the remainder by the Federal Reserve System.

On Sept. 15 two bonds totaling $4.7 billion are coming due and must be refinanced. Of the total, $4.3 billion is publicly held.

In December a certificate of $9.8 billion (only $1.8 billion is held by the public) must be refunded. Also in December there must be refunded $2.4 billion in publicly held bonds.

The refunding operations, plus the issuance of more securities, obviously is already affecting the market in government securities. Each financing step taken by the Treasury is of marked importance to the entire money and credit structure of the country.

With Congress appropriating several billions of dollars more this session than a year ago, the Treasury is going to need a substantial amount of additional cash during the next six months. The Administration believes that the deficit for the 1959 fiscal year will soar between $8 and $10 billion. Some fiscal observers contend the deficit is likely to reach much higher.

"Temporary" Taxes

Chance of a reduction in 1958 in the passenger transportation tax is in the extremely doubtful category. The tax of 10% on each ticket was passed in World War II in an effort to discourage traveling by civilians. This "temporary" tax is an example of how difficult it is to get an impost repealed once it gets on the statute books.

Should Congress repeal the passenger tax and the 3% tax on freight in an effort to aid the railroads it would leave a big money gap in the Treasury to fill. The passenger tax is currently yielding about $700,000,000 a year to the general fund.

The National Debt

The average interest rate on the national public debt today is 2⅝%. The national debt is equal to slightly more than $1,600 for every man, woman and child in the United States. It accounts for one-third of all public and private debt in the Nation.

Within the past year, the Treasury has sold seven issues of intermediate and long-term bonds totaling $17.6 billion. These sales were made following a two-year period when no bonds were issued at all. None was issued from July, 1955, to October, 1957.

Of course, the Treasury did issue notes and other short-term securities. For instance, some $2 billion of the notes, issued in August, 1957, bear 4% interest, and mature in August, 1962. They are now selling at a big premium and are regarded as "museum pieces." A feature of these notes, for example, is they may be redeemed at par at the end of two years. They were issued, of course, when money was extremely tight and the Treasury needed some cash in a hurry. Thus the higher interest rate.

Series E and H Bonds

About $42 billion Series E and H bonds are currently outstanding. This is an all-time high. For the first five months of 1958 sales are running slightly ahead of the corresponding period of 1957. Redemptions are less than last year. Whereas, redemptions were slightly greater than new purchases for the first five months of 1957, sales have exceeded redemptions three of the first five months of 1958.

People in this country have been buying about $5 billion in E and H bonds a year. The new purchases have been offsetting the redemptions. The Treasury's payroll savings plan has been responsible for literally millions of people saving for the first time since they started earning money. Approximately 40,000,000 are currently holding these

Treasury officials say that because of the market fluctuations in other United States Government securities, many people are buying the $10,000 maximum in any one year of E and H bonds which pay 3¼% when held to maturity.

Until the middle of last November interest rates on long term marketable bonds were higher than the E bonds. Since then, with the market rates going down, the 3¼% interest rates on E and H bonds have made these securities more attractive to the smaller investors.

Eight years ago there were $34.5 billion of E and H bonds outstanding, and the figure has grown to the current figure of $42 billion. While the growth has been regarded by Treasury officials as somewhat favorable, it has not kept pace with other forms of savings. Commercial banks savings and mutual savings banks deposits have climbed considerably faster. However, the most rapid advance of all has been in savings placed in savings and loan shares. In 1950 the total savings in these institutions amounted to $13.4 billion. Today it has soared past $41 billion.

Gauging the Market

Both the Treasury and the Federal Reserve realize that a major offering is of great importance to the financial circles of the Nation. The market must prepare for it in advance, and it must have sufficient periods afterwards for thorough absorption of those issues.

One reason bond prices have dropped during the past several weeks has been the settling down of prices after considerable speculation in the last couple of bond issues.

Treasury officials are now, as they have in the past, making a thorough study to find out what the market wants in the way of securities, and thus release issues to meet those demands as far as is possible within the overall fiscal policies of the Government.

[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

"It's the Flotsam Loan Company—THEY want a loan!"

COMING EVENTS

In Investment Field

July 11, 1958 (Detroit, Mich.)
Basis Club first annual summer outing at St. Clair Inn and Country Club, St. Clair, Mich.

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

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

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

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

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

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

Pressprich Albany Branch

ALBANY, N. Y.—R. W. Pressprich & Co., members of the New York Stock Exchange, announced the opening of an office at 75 State Street, under the management of Robert E. Fallon. Lawrence L. Everett will be associated with the new branch.

Business Man's Bookshelf

Problems of the Railroads—Part II: Testimony of Government witnesses, Economists, Shippers, and others in the hearings before the Subcommittee on Surface Transportation of the Committe on Interstate and Foreign Commerce of the United States Senate — U. S. Government Printing Office, Washington, D. C.

Ratemaking Rule: ICC Act—Hearings before the Committee on Interstate and Foreign Commerce of the United States Senate — United States Government Printing Office, Washington, D. C.

Sampling Opinions—Frederick F. Stephan and Philip J. McCarthy—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y.—$12.

Solving the Right Problem—Center for Research in Marketing, Inc., 40 East 49th Street, New York 17, N. Y. (paper), on request.

This Is the Challenge—William Benton — Associated College Presses, 32 Washington Place, New York 3, N. Y. (cloth), $3.95.

Trends in Consumer Behavior: The Next 10 Years—report of a seminar — Foundation for Research on Human Behavior, Ann Arbor, Mich., $3.

Yearbook of the American Bureau of Metal Statistics—37th annual issue for the year 1957—American Bureau of Metal Statistics, 50 Broadway, New York 4, N. Y.—paper $4; cloth $4.50.

Your Buying Guide to Mutual Funds and Investment Companies — Leo Barnes — American Research Council, Larchmont, N. Y.—paper—$3.95.

Your Operation—Robert M. Cunningham, Jr. — Public Affairs Committee, 22 East 38th Street, New York 16, N. Y.—paper—25 cents.

Francis I. Du Pont Absorbs Scott, Horner

Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, and Scott, Horner & Co. of Lynchburg, Va., announce a merger effective July 1. Hereafter the business will be conducted under the name of Francis I. du Pont & Co. The Lynchburg, Norfolk, Richmond, Roanoke and Danville, Va., and Bluefield, W. Va. offices will be under the general management of Edwin B. Horner.