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EDITORIAL

As We See It

The railroads are in trouble. They have been in trouble more or less for many years past—with short intervals of better times. They are now in difficulties of a more serious and urgent nature than for some years past. They, or some of them, are asking for remission, reduction or postponement of certain local taxes. The economic managers at Washington have recognized that something in the nature of a crisis is facing the carriers and are laying plans for financial assistance in the form of loans or endorsement of obligations. All of this is reminiscent of the early days of the New Deal, and bears certain resemblances to other periods when the companies were in deep trouble. It is typical of the attitude of mind now prevailing throughout the country that current thinking is in terms of palliatives rather than any effort to get at the real root of the long standing difficulty so that the companies can stand on their own feet and serve the country as they once did and as doubtless they would like to do again—without special help or consideration of any kind.

The trouble with the roads is in part a result of the workings of time and natural change, but it is also in very substantial degree an outcome of the public policies which during the past several decades have directly or indirectly undermined the position of the railroad companies. Their difficulties are real enough. As late as 1939 the railroads carried nearly 65% of all domestic intercity freight traffic. They now have less than half of it. Motor vehicles which had only about 9% in the earlier year, now carry double that proportion. Oil pipe lines, too, have come rapidly

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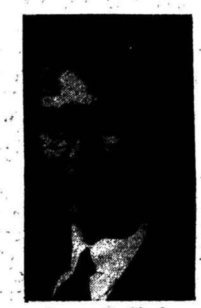
Canada's Postwar Growth And Economic Prospects

By JAMES R. CLARKE*

Vice-President, The Dominion Securities Corporation, New York City

Specialist in Canadian investments is concerned with certain aspects of post World War II Canadian development, current economic and business trends, private and public investment in and out of the country, more important growth industries, and highlights of Canada's Royal Commission report on economic prospects. Mr. Clarke discerns two significant differences in this recession compared to previous ones—i. e., exports remain at a high level and estimated new plant-equipment construction is only 2.3% lower than 1957 record high; sees strained Canadian-U. S. A. economic relations dissipating in time with future investment growth and more Canadian participation; and offers further evidence of growing prosperity the fact that Canadian tourists are spending more in the U. S. A. than *vice versa*.

Canada's Post-War Developments and Economic Prospects, the subject of my remarks, has been widely discussed in the press on both sides of the border, particularly since the publication of the preliminary report of the so-called "Gordon Commission's" on this subject in December 1956. Since this report took more than 18 months to prepare and covered all phases of Canada's economic development it must be apparent that only the highlights can be touched upon of this very comprehensive subject.



James R. Clarke

It is my objective not only to show the extent and characteristics of the Post-War development in Canada, but also to explain how this expansion has brought about in Canada a justifiable feeling of national pride in the results which have been accomplished. It is the misconception of this

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*From a talk by Mr. Clarke before Harvard Business School Club of New York, New York City.

Progress and Prospects of The St. Lawrence Seaway

By LEWIS G. CASTLE*

Administrator, St. Lawrence Seaway Development Corp., Washington, D. C.

Extent to which the St. Lawrence Seaway's potentialities may be utilized, particularly when its entire length will be open at a controlling depth of 27 feet next April, is surveyed by Seaway's Administrator. Mr. Castle also reviews highlights of Seaway Project, shows how substantial dollar savings in annual transportation costs can be achieved, and points out that this coordinated, but separate undertakings, totalling $450 million, will have estimated average annual expenses, etc., of less than $26 million to be met by toll revenue. Cites growth that already has taken place in answering charges of claimed inherent handicaps, and challenge all to reap the benefits of this new artery of water transportation.

It is hard to believe that with the opening of shallow-draft shipping on the St. Lawrence River in July, that it was only four years ago on May 13, 1954, President Eisenhower signed the Bill which created the Seaway Corporation. His constructive action at that time concluded the debate on Seaway legislation which had continued for so many years past. We are now on the threshold of the Seaway era which will commence in April of next year when the Seaway will be opened for deep draft navigation between the Great Lakes and Montreal.

Lewis G. Castle

Widespread preparations for the inauguration of our navigation facilities are in progress in various ports of the Great Lakes - St. Lawrence basin and adjacent areas, but there is still evidence of wait-and-see attitude in some quarters. Probably this attitude is due in part to doubts concerning

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*An address by Mr. Castle before Economic Club of Detroit, Detroit, Mich.

PICTURES IN THIS ISSUE: Candid pictures taken during the course of the recent outing of the Investment Association of New York appears in today's Pictorial Section.

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

Combustion Engineering, Inc.—George C. Astarita, of Boettcher & Co., Colorado Springs, Colo. (Page 2)

Lithium Corp. of America—Leonard O. Fischer, Partner, John H. Kaplan & Co., New York City. (Page 2)

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GEORGE C. ASTARITA

Boettcher & Co.
Colorado Springs, Colo.

Combustion Engineering, Inc.

A good policy at any time is to select for investment an industry possessing assured growth, both immediately and in the long range future. Particularly so at the moment when uncertainties are pronounced, it is even more important to choose such an industry. Almost every authority agrees that the public utility industry will double its kilowatt output during the next decade and double it again in the succeeding ten year period. There can be little question that suppliers of equipment to this industry will enjoy expanding sales for years to come.


George C. Astarita

Massive operations characterize the make-up of Combustion Engineering. Complete steam generating units of standard, special and package designs providing for capacity requirements from five thousand to two million or more pounds of steam per hour and for firing coal, oil or gas, separately or in combination, are manufactured for the utility industry and others. For the processing industries, the company produces mills, pulverizers, air separators and flash drying systems, along with other equipment. For pulp and paper mills, units for recovery of chemicals and waste heat and additional equipment for the processing of by-products are supplied. The company also furnishes equipment for railroads, municipalities and the home. Individual items are too numerous to mention but two-thirds of its business goes to the utility industry and 15% of all items are exported. So basic is the character of operations that Combustion has paid dividends continuously since 1911 and has always operated profitably.

Of more than passing interest is the company's entrance into the field of nuclear activity. Currently, a substantial volume of heavy component work is being designed and manufactured in this field and a contract for a submarine nuclear propulsion system has launched the company upon a long-term program for the development and manufacture of overall reactor systems for every power purpose. New nuclear facilities have been built at Chattanooga, Tennessee and at Windsor, Connecticut. Many millions of dollars have been spent in the nuclear field, which investment holds forth promise of substantial returns in the future.

Earnings for 1957 amounted to \$2.42 per share and were derived from sales in excess of \$286 million, a new all-time record. The year 1958 is expected to produce still higher sales and earnings because unfilled orders at the year-end amounted to a record figure of \$386 million and the company does not expect to encounter many factors which adversely affected 1957 results. In all likelihood losses will continue to be recorded in the nuclear energy field but at a much reduced figure. In time this segment of the company's business should produce large profits.

The current dividend of \$1.12 affords a return of about 4½% with the stock at 25 on the New York Stock Exchange. Admittedly, this is not a large return in today's market but the investor can probably look forward to higher dividends at a future date. This is all the more true in view of the fact that the company's heavy capital expenditure program is now largely completed.

Combustion Engineering is recommended for conservative accounts seeking stability and growth. The past record attests to the factor of stability and growth would seem assured as the result of the utility expansion scheduled by that industry. For these reasons this is the security I like best.

F. PALMER WEBER

Partner, Morris Cohon & Co.
New York City

Driver-Harris (Dividend Correction)

The article in the issue of June 26 referred to the company's \$2 basic dividend rate. This statement (despite the passing of this Spring's dividend to protect the current cash position) is based on the fact that in the past 18 years, 1940 through 1957, the company has never paid less than \$2 a year and in 15 of those years payments exceeded that amount. Actually, total cash payments in the 18-year period amounted to \$40.95 per share.

LEONARD O. FISCHER

Partner, John H. Kaplan & Co.
New York City
Members New York Stock Exchange

Lithium Corp. of America

Participation in only one of the great growth industries of our day—missiles, space travel, electronics, polymer chemistry, nuclear energy (including controlled fusion) — is usually sufficient to create keen investor interest in a company. Small wonder, then, that Lithium Corporation of America, which is sharing in the growth of all these industries, rates serious consideration. As the largest producer of lithium products, it stands to gain most as development continues of this lightest metal and third lightest element.


Leonard O. Fischer

An examination of Lithium Corporation's sales, earnings and cash flow for the past six years may give an indication of what is ahead. (See table below)

Both sales and earnings were well below expectations in 1957, with net only about 4% of sales, but are considered only temporary setbacks in the steady pattern of growth. Lowered earnings resulted from anticipatory budgets based on expected sales of \$15,000,000. Failure of high energy fuel orders to develop as rapidly as expected, a 10-weeks strike at the St. Louis Park plant, reductions in the price of several lithium products, and the elimination of a backlog in the AEC purchase program affected both sales and earnings for the year. A nonrecurring writeoff totaling \$276,000 taken during the year also entered the earnings picture. An economy program and other corrective action taken in late 1957 is expected to increase profit margins sharply during 1958. During the first quarter of the year profits were in excess of 6.5% of sales, with a high of about 7.5% reached in March. The company hopes to raise net to 10% of sales within the next few years.

Present or potential applications of lithium in the aircraft or missile field include its use as a propellent, as a component of lightweight airframes, as an intermediate in the high energy fuels program, and as an oxidizer. It is also a component of the brazing fluxes used to make stainless steel honeycomb for the Hustler and other advanced aircraft.

Lithium has important applications in nuclear energy, and is receiving great interest in connection with the controlled fusion program, since it provides a method of obtaining tritium for the fusion reaction. It has an exceedingly high heat transfer capacity and appears to be an extremely efficient coolant for nuclear power reactors, particularly in the fast neutron reactors where rapid removal of heat is essential.

Space is insufficient to detail the myriad uses to which lithium is put today. Suffice it to say that it is now widely used in absorption air conditioning, multi-purpose greases and lubricants, metallurgy, ceramics, organic chemistry, alkaline storage batteries, and many other ways. It is the consensus of scientists and engineers familiar with the picture that only the surface has been scratched to date in the development of lithium.

Lithium Corporation itself has taken major steps recently to assure itself of full participation in this expanding market. It has stepped up its research activities, and during 1957 it increased metal-producing capacity by 50%. Much of the growth potential is believed to be in the field of metals and metal derivatives, an area in which LCA is by far the largest producer in the country. LCA has recently entered into a working agreement with Brooks & Perkins to develop lightweight alloys containing lithium. Production of lithium perchlorate was begun in March. This material, of obvious interest in the solid-fueled missiles program, contains more available oxygen by volume than liquid oxygen itself!

LCA's large plant at Bessemer City, N. C., has performed in an outstanding manner. A certificate of necessity in connection with the Atomic Energy Commission purchase program permits 100% writeoff in five years, and the \$6,500,000 complex will be completely paid for by February, 1960. This plant performs equally well with run-of-mine ore, of which the company owns proved reserves sufficient to operate for 40 years at present maximum ca-

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	1952	1953	1954	1955	1956	1957
Sales	\$1,457,000	\$2,296,000	\$3,178,000	\$6,382,000	\$12,152,000	\$12,240,000
Earns. per share	0.01	0,19	0.30	0.22	1.03	0.56
Total cash	\$99,568	\$339,811	\$516,857	\$1,122,268	\$1,938,187	\$1,456,146
Cash flow per sh.	0.12	0.41	0.62	1.34	2.31	1.74

Forecasting Bond Prices

By DR. JULIAN G. BUCKLEY
Cold Spring Harbor, L. I., N. Y.

Dr. Buckley explains why he believes it is easier to foretell bond prices than stock prices, particularly by long-term bond investor than bond trader; offers his own prediction regarding future monetary policy and average yield of governments; and indicates on a chart long-term buy and sell signals. The key to successful foretelling is said to lie in Federal Reserve policies and the likelihood of their repetition under the reoccurrence of similar conditions. The author divides into six phases Federal Reserve policies from 1946 to date in which he outlines step by step tight and easy money policies pursued by Fed.

Every thoughtful individual realizes the hazards of forecasting the weather, the stock market or even business conditions. Nevertheless, it is a fascinating pastime to attempt to find some easy formula which will give an accurate prophecy of a future happening. Many have formulas for predicting stock market prices and business conditions. At best, these formulas are tools which are helpful in the hands of a skillful operator who in turn depends to a large extent on intuition and guesses. While some have been right a number of times, the woods are full of discredited prophets.

Julian G. Buckley

At the risk of joining this company, the writer would like to advance the theory that it is not only easier to forecast the bond prices but also that the assurance of success is much greater than for example, the forecasting of stock prices. The key, in a few words, lies in the policies of the Federal Reserve System. As many know, if the Federal Reserve authorities decide to make money easy over a period of time, bond prices will go up; if they decide to make money tight, bond prices will go down. It is recognized that it is difficult to forecast whether they will make money easy or tight since human actions are notoriously uncertain. Nevertheless, given a set of conditions, the Federal Reserve has taken certain steps in the past; and it is not an unreasonable assumption that if somewhat similar circumstances arise again, the Federal Reserve will take the same steps.

In addition, there is nothing secretive about their actions. The Federal Reserve indicates their credit policies in their weekly statement of condition, by their changes in discount rates, their changes in reserve balance requirements for member banks, and their changes in margin requirements for loans on securities to individuals, as well as by speeches. It is true that the Federal may shift suddenly from a tight money policy to one of active ease but only after they have been following one policy for a considerable period of time. In other words, the bond trader might well be seriously embarrassed by this quick change but the long-term bond investor would have ample warning and time to adjust his position and still make a substantial profit. The 12-year period from April, 1946 to the present (June, 1958) might be divided into six phases. During each of these phases the Federal Reserve seemed to cluster its actions about either a tight or an easy money policy.

First Phase April 1946 to December 1947

Shortly after the close of World War II, it became obvious that the Federal Reserve was becoming restive with the artificially low interest rates or high prices of bonds. In April the U. S. Treasury 2½% bond due in September, 1972, sold at its peak price of 109½ to yield 2.03%. The average yield on all long-term U. S. Treasury bonds also reached its low point in that month of 2.08% as may be seen from the chart below. Commonwealth Edison Co. bonds due in 1977 sold at 109¼ to yield 2.58%. The cost of living had risen over 33% since 1941 and it was clear that inflation was our number one problem.

To counteract this inflationary pressure, the Federal Reserve authorities seemed to be tending toward a tight money policy. In April, 1946, the preferential discount of ½ of 1% on advances to member banks secured by short-term Government securities was discontinued. In June, the commercial banks were warned by the Treasury that loans beyond the end of the six-month period for carrying subscriptions to Victory Bonds constituted an inflationary use of bank credit. In the year 1947, the Federal Reserve continued its restrictive credit policy with even greater vigor despite a declining government bond market. In July, 1947, the Federal Reserve Banks announced that henceforth they would not buy all Treasury bills offered to them at the fixed rate of ⅜ of 1% which had been in effect since 1942. In August the certificate rate of ⅞ of 1% was also unpegged and rose quickly to 1% and in December to 1¼%. Other evidence that the Federal Reserve was attempting to restrict credit was the consistent sale during 1947 of Government securities which declined from $23,350,000,000 at the start of the year to

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Phillips Petroleum Company

By DR. IRA U. COBLEIGH
Enterprise Economist

Pumping out some current comment about this billion dollar company, its unusual growth rate, and its extensive petroleum reserves all over this planet.

In 1956 Phillips grossed over $1 billion for the first time, and its gross property account stood at just above $1.8 billion on the last balance sheet. It is thus not only a billion dollar company on two counts, but, among the leading major integrated companies in the United States, it has recorded, in the past decade, the greatest percentage rise in both gross and net income. The key to this record has been amazing success in the location of crude oil—the foundation of most oil empires.


Ira U. Cobleigh

Since it started out with domestic production, we'll talk about that first. In the United States it holds about 9,300,000 net acres, plus 554,000 net acres in the 49th state, Alaska, where a recent discovery on the Kenai Peninsula has started what appears to be a major oil boom. Actual reserves in the U. S. (estimated in the autumn of 1956) were around 850 million barrels of crude oil and controlled 440 million; 12.8 trillion cubic feet of natural gas, plus an additional 4.4 trillion cubic feet controlled. Actual production in 1957 was at the daily rate of 132,000 barrels of crude and 87,800 of gas liquids, which meant that Phillips was supplying 92% of the raw material needed for its six domestic refineries.

Special attention should be given to the Phillips position in natural gas. Its present known domestic reserves rank among the very largest (equal to about 500 M.C.F. per share); and they are well located in relation to the future demands of major pipelines; and in a favorable economic position, since the long-term price trend for gas is definitely upward. Only the confusing legal decisions about the pricing of interstate gas have slowed down the conversion of this enormous invisible asset into earning power. Gas sales rose 17% in calendar 1957 alone. Natural gas is important not only as a fuel but in the petro-chemical industry in which Phillips is becoming increasingly a factor. Phillips will produce around 200 million pounds of ethylene from natural gas this year. This is the base material for certain plastics and is used by Phillips to produce its Marlex (polyethylene) and, for sale in quantity to other chemical companies.

In Canada, too, Phillips has attained an important position in natural gas through its 2,400,000 net acres in Alberta, British Columbia, Saskatchewan and Ontario, especially through its reserves in Savanna Creek and Dick Lake gas fields in Alberta, and its reserves at Peace River, B. C., which will start to feed into the Westcoast Transmission pipe line this fall.

The overseas holdings of Phillips are not to be sneezed at. In Venezuela they include net acreage of 325,000 acres, 50,000 of it in Lake Maracaibo, Blocks 10 and 17, and now delivering about 10,000 barrels a day of net crude production. In the Middle East, Phillips holds a 7,700,000 acre concession in Jordan; a 25% interest in a group holding exploration concession permits on over 800,000 acres of Sahara sands in Algeria. Finally P has a 33½% interest in American Independent Oil Company which participates in the international consortium developing oil in Iran; and owns, jointly with Getty Oil, a 2,600 square mile concession in the Kuwait Saudi-Arabian Neutral Zone wherein lies the Wafra field, producer of 80,000 barrels a day at the end of last year.

To these broad holdings of petroleum over a wide section of the earth's crust should be added Phillips' ownership of 5,000,000 tons of known uranium reserves on a 1,280-acre lease near Grants, New Mexico, and a 1,725 ton-a-day uranium processing mill at Ambrosia Lake which recently went into operation. Major nuclear research is also conducted by Phillips for the AEC at the National Reactor Testing Station in Idaho.

In another defense area Phillips has done notable research and development in solid propellants for rackets, and it shares, with North American Aviation, a half interest in Astrodyne, Inc., specializing in high energy solid fuels. As a matter of fact, Phillips is one of the most research minded of all major oil companies, and as a result owned, at the 1957 year-end, 2,925 United States Patents and 628 foreign ones.

The growth of Phillips and the sustained upward direction of earnings was uninterrupted from 1948 through 1957. This year net per share is expected to recede moderately from the $2.80 last year—perhaps to around $2.65. This is not a disturbing fact. Most oil companies, due to some slackening in demand and price shaving in certain areas, will earn less; and there is no question here about the dividend being in any jeopardy. The last half of 1958 should be considerably better than the first and Phillips will be spending this year about $65 million less on capital expenditures, due to completion of its major projects and slackening of drilling operations in many sectors.

The past year has not been a wonderful one for major American oil companies, and after the production bulge induced by the Nassar nastiness in stealing Suez in 1956, problems of price, production and proration arose. Texas, which annually produces some 15% of the world's oil, cut back production from 12 in January to eight days a month in April (it's back to nine days for July); imports were restricted to 10% below the 1954/6 average; and total demand for 1957 advanced but 1.6% against an average rise in the past decade of 4.8% a year. As a consequence of all this, many oil stocks receded between April 1957 and April 1958, 25% or more. Now the picture is getting brighter again with rising private auto usage (which accounts for 65% of gasoline sales) and stronger industrial oil demands.

In light of this more favorable oil climate, a considerable enthusiasm has arisen for Phillips which has already advanced from a 1958 low of 36⅜ to a current high of around 44¼. The stock pays a current dividend of $1.70 out of reported 1957 per share net of $2.80 (with $2.60 more in cash flow stemming from depreciation and depletion). While this present dividend affords a yield of only 3.85% on the current quotation, it should be noted that Phillips has increased its cash dividend nine times in the past 12 years. There have also, in this period, been a number of offerings of rights to buy either stock, or convertible debentures on quite attractive terms.

As a matter of fact, Phillips has been quite devoted to the convertible debenture, as a means of financing and of the company's $332.7 million in long-term debt now outstanding, $171.5 million consists of 4¼% debentures due 1987. These now sell on NYSE at 111 and are convertible into the common through 3/15/67 at $50 a share. This bond is an interesting hedge. It would probably be worth 102 as a straight debenture and thus you are really asked to pay only $90 for a 9⅔ year call on 20 shares of Phillips Pete at $50—about six points over the current market. For those who seek a quite protected entry into Phillips common, this "convert" appears attractive, and of course it is far sturdier collateral than the common, should you need to borrow funds.

Having touched upon some points favorable to Phillips, we ought, in fairness, to mention also a possible drawback. There's a lot of common outstanding—34,351,902 shares to be precise—and it does take quite a volume of buying (or selling) to create a big market swing in the issue. Moreover, ultimate conversion of the aforementioned debentures would, of course, further dilute the equity.

Assuming, however, that the equity (or convertible) capital requirements of the company are now taken care of for a few years, then a rising per share earnings trend should materialize. A postwar capital investment of $1¾ billion, a cost conscious management, a favorable outlook for expansion of reserves of both crude and natural gas, and a vast existing store of natural gas to be merchandised at higher prices in coming years—all these suggest that Phillips is a quite illogical candidate for a short sale.

United Investors Formed

DENVER, Colo. — United Investors, Inc. has been formed with offices at 2334 East Third Avenue, to engage in a securities business. Officers are A. Vaughn Ayers, president; James A. Matson, vice president; and H. E. Leidy, secretary-treasurer.

The State of Trade and Industry

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

New construction put in place rose seasonally in June to nearly $4,376,000,000, a joint report of the United States Departments of Labor and Commerce showed.

The gain brought the total dollar value of new, completed construction to $22,066,000,000 for the first half of 1958, or a slight gain from the $22,058,000,000 level a year earlier.

The June figure compared with $4,054,000,000 in May but was lower than the June, 1957 level of $4,425,000,000, the report noted.

These agencies attributed the slight gain in the six-month total mainly to expanded activity in highways and public housing. Private construction thus far in 1958 totaled $15,508,000,000, only a slight drop from the year-ago level of $15,720,000,000. The report commented that the decline was slight, despite a sharp drop in industrial construction spending.

The joint report observed that the total private construction in June totaled $2,974,000,000. This was a gain from May's $2,773,000,000 but a slight decrease from the $3,060,000,000 in June, 1957. Included in this figure was new industrial construction put in place, which totaled $193,000,000 in June, compared with $204,000,000 in May and $308,000,000 a year earlier.

Consumer instalment credit outstanding dropped $100,000,000 in May on a seasonally-adjusted basis to a level of $32,957,000,000 at the end of the month, the Federal Reserve Board stated the past week.

The decline was somewhat less than the drops registered in the previous three months, the board noted. It attributed the May decline to a slowdown in new auto loans, which fell short of car loans that were repaid during the month.

For all consumer items, consumers got new instalment loans totaling $3,252,000,000 in May, but repaid $3,352,000,000 during the month. In April, seasonally-adjusted new instalment credit totaled $3,278,000,000, which was $123,000,000 below repayments.

Although new instalment credit in May was only $26,000,000 under April, it was still considerably below the year-ago seasonally-adjusted level of $3,535,000,000. However, credit repaid in May registered an increase of $39,000,000 from a year earlier, the board declared.

Automobile credit outstanding at the end of the month declined by $183,000,000 from the end of April to $14,700,000,000, after seasonal adjustment, reflecting a decline in new auto loans during the month to $1,113,000,000 from $1,161,000,000 the month before and $1,363,000,000 a year earlier. It also reflected a decrease in auto credit repaid in May to $1,296,000,000 from $1,338,000,000 in April and $1,305,000,000 in May, 1957.

At the end of May, instalment credit in force for other consumer goods totaled $8,200,000,000, a $53,000,000 increase from the end of April, the report added. Repair and modernization loans increased $8,000,000 to a total of $1,900,000,000, while personal loans went up $22,000,000 to $8,200,000,000.

Total seasonally-adjusted non-instalment credit outstanding rose $150,000,000 during the month to $10,000,000,000 at the end of May, the board reported. This mainly reflected a $146,000,000 boost in charge accounts.

This more than offset the $100,000,000 decline in instalment credit, so total consumer credit in force rose $50,000,000 during the month to a new seasonally-adjusted level of $43,000,000,000 at the end of May, according to the report.

Stock Values Are Up $24.6 Billion in 1958

The well-known N. Y. Stock Exchange firm of Hemphill, Noyes & Co., this city, has recently issued a very interesting survey to the public which states that stock values had upped $24.6 billion in 1958, in spite of the fact that many corporations have had lower sales and earnings and many have reduced or omitted dividends. This interesting and timely survey shows that on average, stocks rose 17.5% in the first six months of 1958 and increased 14% in value. Other interesting deductions were that the short interest of more than 5,700,000 shares is the highest "short" record since the first figures were compiled in 1931. To some market observers, recovery in active trading represents a big vote of confidence in business outlook. For first half of 1958 volume on the N. Y. Stock Exchange rose to 297,846,276 shares from 266,734,754 in same six months period last year with a daily trading average of 2,363,859, according to the firm's study. There is a growing feeling that the recession is tapering off and that an upturn is almost in sight.

Government Reports Highest Jobless Record Since 1941 Due to Swelling of Labor Force by June Graduates

The Commerce & Labor Department announced last Tuesday that unemployment records reached a 17-year peak in the past month (June) largely due to the heavy influx of high school and college students to the labor market for temporary and permanent jobs. The Washington department reported, however, that employment increased by 920,000 workers from May to 64,981,000 persons in June this year which was about 1,500,000 lower than the June month figures last year. Unemployment increased by 533,000 to 5,437,000 or 2,100,000 more than a year ago. The department hinted that the recession may be waning.

Finished Steel Shipments Rose During May

Increased construction activity helped boost finished steel shipments during May, as compared to April, according to American Iron and Steel Institute. Steel mills shipped a total of 4,649,-

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Observations . . .

By A. WILFRED MAY

SOME STRAWS-IN-THE-SPECULATIVE-WIND (Before a Storm?)

STOCK MARKET CREDIT. In the face of continuing declines in industrial and consumer credit lending, credit extended for the purchase of securities has increased to record levels. The net debit balances of customers of member firms have risen to $3 billion as at the end of May, the highest total registered since these data were first compiled in 1931. Importantly attributable to the reduction in margin requirements from 70% to 50% at the turn of this year, the debit balances since the low of last December have risen by about $450 million, or 18%. Related to the total market value of listed issues, at 1.4% they now stand at the highest proportion since the 1955 peak of 1.5%, which was the maximum in the entire postwar period.

A. Wilfred May

However the significance of these data may be qualified, they nevertheless must at least cast some doubt on the current attribution of great built-in investment quality to the market from long-term institutional participation.

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STOCK VERSUS BOND YIELDS. The wide-open break, following persistent weaknesses, in Treasury issues, highlights the fall to a less favorable relationship in the yield obtainable on stocks to that on bonds; which ratio has served as a significant bellwether of the investment situation. The 170% rise in the stock market from 1950-1957 was accompanied by a decline in stock-bond yield ratio (based on the average yield of Standard & Poor's 50 industrial stocks related to the yield on their high-grade industrial bond index) from 2.92 all the way down to 0.94 last July—to which factor many observers (as Mr. Galbraith), attributed the eventual market break. Since last July the ratio rose to 1.27 at the end of December, but fell to 1.21 at the end of March and to 1.13 currently — a distinctly disadvantageous relationship contrasted with the historical norm of 1.60.

* * *

DETERIORATION OF MARKET LEADERSHIP. The good price action in the low-priced speculative issues, which are revealed by analyses to have dominated the market during the half year, is continuing.

* * *

THE SELECTIVE EMPHASIS ON BULLISH NEWS. Reversing the longstanding proclivity of market followers, as again practiced last year, of stressing the pessimistic outside factors to substantiate downward market action, now the bullish enthusiasts are selecting for emphasis the favorable external elements. They are also rationalizing the market's upswing with favorable interpretations of "neutral" economic factors.

In the broad economic area, much is made of our prospective future strides from a $400 billion-plus to a $600-$700 billion Gross National Product but the impact on the investor of accompanying increased competition and squeeze on profit margins from many directions are glossed over.

And in the immediate effort to envisage an early Recession via "bottoming-out" process, such unfavorable developments as the persistent slump of new orders with cumulative reductions in backlogs, are being ignored.

Exemplifying the investor's double standard is the sensational leadership of the de-flation benefited public utility sector along with the rise in the balance of the market so importantly ascribed to the prospects of in-flation.

A specific example of the market community's colored view is seen in its attitude toward the consumer credit company stocks, which have been boosted to record high prices with the stressing of current earnings from past bookings, with a total disregard of

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The End of the 1957-58 Recession

By HENRY H. CLIFFORD

Clifford Associates, Los Angeles, Calif.

Los Angeles investment counselor places emphasis upon role of mass psychology in his analysis of current recession, and believes the crisis is past and the patient should recover barring subsequent complications. Mr. Clifford is convinced the public would have reacted just as well if the government and both political parties reassured the people nothing was basically wrong and then let nature take its course instead of adopting anti-recessionary measures which are said to have accentuated the recession and added to inflationary pressures. Defines economic phenomena of 1949 and 1953 as "pauses," not recessions, and avers this recession similarly was a pause in our economic advance but accentuating developments so changed mass psychology that the pause turned into a recession. Sees further inflationary ahead with both political parties committed to cheaper money.

A recession is a moderate dip in our overall economic activity, is normally of rather short duration, and is not to be regarded too seriously. A recession is usually brought about by a natural reaction to unusual expansion, or by public fright at some untoward development, or by a combination of a variety of comparatively minor matters.

Henry H. Clifford

A *depression*, on the other hand, is a substantial decline in our economic activity, is normally rather lengthy, and can be very serious. A depression is usually brought about by serious maladjustments which have developed within our economy over several years, and which require considerable time and strain to correct.

Mass Psychology plays a major part in both recessions and depressions. In both it can frequently be one of the major causes, though in quite different ways. In the late 1920's, for example, the public's "New Era" enthusiasm for buying common stocks on borrowed money carried stocks to ludicrously high prices and was one of the major causes of the Great Depression of 1929-32. In 1937, by way of comparison, the decline in the stock market (from a rather full level) engendered fear of another depression on the part of a nation hardly recovered from the 1932 debacle—the resulting "fear psychosis" largely brought about the subsequent decline in general business, which proved to be of rather short duration.

This is perhaps a somewhat superficial comparison of recessions and depressions, which could be substantially enlarged upon; but it should prove sufficient for the scope of this paper.

The Postwar Years

In reviewing the course of our economy during the years since World War II, we fail to find any serious maladjustments sufficient to warrant a depression. Neither do we find a sufficient number of minor maladjustments to bring about such a downturn. There was no great speculation in the stock market on low margins, with correspondingly large brokers loans. Farm lands were not seriously over-valued and heavily mortgaged. Consumer debt and home mortgages were not generally on a fixed basis, but were being steadily amortized. Corporations in general were in a far more liquid position, and with far more conservative capital structures.

As a matter of fact, the postwar years seem to have been marked by a decided attitude of "caution." Perhaps that was because the government economists in the Fall of 1944 predicted a serious depression following the war. While those economists have been proved wrong by a dozen years of prosperity, yet they served to temper the enthusiasm of the public during the postwar years, and hence undoubtedly curtailed the development of excesses and maladjustments.

Just to avoid any misunderstanding, this writer is aware that there has been some mention in the press of two postwar "recessions": those of 1949 and 1953-54. The figures in the accompanying table rather speak for themselves.

Note that 1948 a peak year in our history, and that 1949 was the second-best year we had ever experienced. Similarly, 1953 was another peak year; and 1954 again the second-best year on record. I refuse to call those "recessions"—they were simply "pauses" in our economic advance.

The Present Recession

As seen from the previous tabulation, 1957 was actually the best year on record. The indicated 1958 decline, while less than 3%, represents rather more than a pause—and is probably entitled to be called a recession. It is not easy to pinpoint just when it began, though indications suggest the September quarter of 1957. During that quarter Gross National Product hit a peak of $440.0 billion, and Personal Income a peak of $346.9 billion. The stock market (Dow Jones Industrials) hit its peak of 520.77 on July 12th.

I am well aware that other business indicators had turned downward earlier in 1957. Steel Production began the year at 98% of capacity, and dropped below 90% in late April and early May. Freight Carloadings began easing off in May and June. Crude Oil Production reached its peak in March, and started to decline in April.

On the other hand, we have witnessed so many "rolling adjustments" in our economy during the postwar years, that it is quite hazardous to single out just a few industries as "bellwethers" of our economy. And besides, any given industry can be substantially affected by unusual developments: witness the abnormal increase in Crude Oil Production following the attack on the Suez Canal in late October 1956. So I am inclined to accept as more reliable the Federal Reserve Board's Industrial Production Index, Adjusted for Seasonal Variation, based upon 1947-49 — 100. That index reached a peak of 147 in December 1956, and was still at 145 for the months of June, July and August 1957 before beginning a steady decline.

Its Causes

It is my considered opinion that this recession started as simply another "pause" in our economic advance—you can't run uphill indefinitely without stopping to catch your breath. But then it became accentuated by various developments which had a depressing effect upon the public's confidence—and mass psychology converted the pause into a recession. Those developments, among others, would include the following:

(1) The long-term interest rate had steadily risen from 3.00% in February 1956 to 3.25% in April, 3.50% in August, and 3.80% in

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Year	Gross Natl. Product (billions of $)	Percent Decline	Personal Income (Billions of $)	Percent Decline
1948	$257.3	--	$208.7	--
1949	257.3	0%	206.8	0.9%
1950	285.1	--	227.1	--
1951	328.2	--	255.3	--
1952	345.4	--	271.8	--
1953	363.2	--	286.0	--
1954	361.2	0.6	287.4	(increase)
1955	391.7	--	305.9	--
1956	414.7	--	326.9	--
1957	434.4	--	343.4	--
1958 (1st quarter)	422.0	2.9	342.5	0.3

We Have in this Country, Serious But Surmountable Problems

By HON. NEIL McELROY*
Secretary of Defense, Washington, D. C.

Defense Secretary McElroy warns Americans they must be prepared for greater sacrifice in the "cold war" if we are to maintain leadership in face of continued USSR expansion of productivity bent on more materials for war and less for consumer goods. Mr. McElroy makes clear that drastic steps for us could mean "a more Spartan life for our people"; delineates significance to us of Soviet economic and military performance; and suggests we liberalize trade, better our education, and vest more powers in hands of the President to meet defense emergencies.

Ninety-two years ago this month, Harvard University conferred a degree of Doctor of Laws on one of its most illustrious sons—Ralph Waldo Emerson. The degree proclaimed him a delightful poet and man of letters. I am neither a poet nor a man of letters; yet I make bold to say that with respect to America, in common with Mr. Emerson, I share some firm beliefs, cherish many traditions, and harbor a few doubts.

Neil H. McElroy

The area of our common ground is found in our hopes and fears for the future of this country of ours as a competing social and political system.

He worried in his day—and I worry in mine. There is just one difference. Mr. Emerson worried in the abstract as a private citizen. He never was Secretary of Defense!

He did worry, though, and because he could express his thoughts so well, I would like to frame the theme of what I want to say today in his words. In one of his very last lectures delivered here in Boston in the Old South Church in the year 1878, he summed up his lifetime of concern for America's future with these words:

"At every moment some one country more than any other represents the sentiment and the future of mankind. None will doubt that (today) America occupies this place in the opinion of nations. . . ."

Having thus expressed his belief in the position of America in the eyes of the world, circa 1878—he then asked this question—a question as old as civilization.

Emerson wanted to know:

"Whether we (the United States) shall be the new nation, the guide and lawgiver of all nations, as having clearly chosen and firmly held the simplest and best rule of political society."

Today — as it always has — the world needs a guide and lawgiver. The world needs to look for example and pattern to a nation with the simplest and best rule of political society.

Explaining Democracy's Virtues

There was never a time in our history as a nation when it was more necessary to explain the virtues of our kind of democracy. New—fresh—appealing, it offers the kind of freedom and human dignity that peoples of the world have always stood in line to buy.

One of those who came to our country over a hundred years ago to analyze our fresh brand of democracy was the French scholar, Alexis de Tocqueville. He came to our shores in 1831—not to stay and become one of us — but to analyze our brand of democracy as a form of government, to compare it with other governments and social systems of the day, and, finally, to estimate its chances of survival in the long distance competition for man's mind.

De Tocqueville was the first to envisage the probability of a clash between the social system emerging in America and that already existent in Russia, which even then hung like a dark cloud over the world.

He was one of the first to compare the emerging social orders in Russia and our own United States. I don't believe I could improve on his description of the basic differences in our societies—even though his words were written a hundred and twenty-five years ago:

"The American," he wrote, "relies upon personal interest to accomplish his ends and gives free scope to the unguided strength and common sense of the people; the Russian centers all the authority of society in a single arm. The principal instrument of the former is freedom; of the latter, servitude.

"Their starting point is different and their courses are not the same; yet each of them seems marked out by the will of Heaven to sway the destinies of half the globe."

Russian Endeavors

Today, over a century later, Russia is straining every nerve to displace the United States as that "one nation" which best expresses "the sentiment and the future of mankind." She wants the world to adopt her social system and to see ours disappear from the face of the earth—taking with it freedom of the individual, belief in God, and the blessings of liberty as we understand and practice them.

What particularly interests me about de Tocqueville is not so much that he foresaw the inevitability of competition between our system and Russia's—remarkable as was his prescience—but that he probed so accurately, with the dispassion of a surgeon, to reveal what would be our great strength and weakness in any real struggle for survival. He recognized and, in fact, stated:

"It is incontestable that, in times of danger, a free people display far more energy than any other . . .", but he added:

"Democracy appears to me better adapted for the conduct of society in times of peace, or for a sudden effort of remarkable vigor, than for the prolonged endurance of the great storms that beset the political existence of nations. . . ."

"If a democratic country," he concluded, "remained during a whole century subject to a republican government, it would probably at the end of that period be richer, more populous, and more prosperous than the neighboring despotic states. But during that century it would often have incurred the risk of being conquered by them."

We are today rich and prosperous—by all odds, the most rich and prosperous nation on the face of the earth. Yet, we are incurring the risk of being defeated by Russia—perhaps without the firing of a shot.

Our first concern, of course, is to protect ourselves militarily. As Secretary of Defense, it is my personal concern to see that the risk of being conquered by force of arms is understood, met, and averted by our deterrent power.

I can assure you that our present defensive power is adequate to allay such a fear. I believe with the execution of our planned programs and the determined support of the people we can, for the foreseeable future, forestall military attack. But forestalling military attack does not insure our triumph in the struggle with Russia.

Historical Parallels

The fact of the matter is we find ourselves today in a situation which has many parallels in history. The world has two competing, if antithetical, methods of organizing a social system. Russian spokesmen for the Communist method are telling the world that the victory of their system is historically inevitable—and conversely, that the days of the Capitalist system are numbered. Could they say what they mean more plainly?

I know of no loyal American who wants to see his system of government and social structure become a part of ancient history. He has a selfish interest in survival, of course—but more important, he has a deep, abiding faith in his system of government and wants to see it live for the benefit of all mankind. It is really a manifestation of this faith that has brought about in this country the most searching and introspective analysis of our system of government—of industry—of military organization—of economic health—that we have ever witnessed.

Many people point to the launching of Sputnik as the motivating force which caused us to examine ourselves as never we have before. I think we have some reason to be grateful that Russia beat us to the punch in the satellite launchings.

As our friend de Tocqueville might express it—it is necessary in a democracy like ours "to arouse the whole community from its peaceful occupation and ruin some of the minor undertakings of the people" before they will turn their full attention from pursuit of their private affairs to meet a great public danger.

He believed that we might fail to rally to the public cause except under the obvious pressure of a war for survival. He had doubts that we as a people could, or would, react to danger in time of peace with the same degree of passion as in time of war.

We have—twice in our history—under the pressure of total war—rallied the strength of our nation to defeat the challenge to our social system, but we cannot again depend on the spur of war for one of those "efforts of remarkable vigor" of which we have been capable in the past.

We must be alert at all times to meet the new challenge of the Soviet system in the fields of

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*Commencement address by Mr. McElroy at Harvard University, Cambridge, Mass., June 12, 1958.

From Washington Ahead of the News

By CARLISLE BARGERON

One of the biggest pieces of propaganda under which the country is living is that the Democrats in Congress support the President more than the Republicans do, the implication being that these Democrats are better citizens, more capable of seeing what is best for the country, while among the Republicans there are a lot of Eisenhower haters and narrow-minded men who are willing to endanger the country's interest because of their hate.

Carlisle Bargeron

The fact is that on several major issues, notably in international affairs, the President has had to rely chiefly on the Democrats. But this is because in these instances he is carrying out Democratic policies. They can't do anything else but support him when he is up their alley. They don't do it because they are more patriotic, more statesmanlike than the Republicans. They do it because it is demanded by their constituents.

They won't give him support on his proposed labor legislation because here the President is getting away from them; they want to kowtow to the organized labor vote. They won't go along with the President on health and education measures. In this field, Eisenhower is being too conservative for them. They are spenders.

And, strangely enough, his Democratic friends are now falling down on him in the matter of foreign aid. The House Democratic controlled appropriations committee has lopped off around $800,000,000 from a near $4 billion request and the President and his aides have once aagin said that the free world is endangered, a statement I have heard so often that it falls upon deaf ears. My deaf ears are unimportant but apparently it is falling upon deaf ears in Congress.

But to get back to my original theme. It is not surprising that Eisenhower should get so much support from the Democrats since he is so often on their side, in appointments and in policy. This is what has demoralized the Republican party and there is no doubt that it is demoralized. Approximately 30 House Republican members, important ones, and six Republican senators have announced their retirement. Some of these members would have a hard time being re-elected but the others are just tired of serving in the minority with no hope of ever getting back in the majority.

In Washington the general expectation is that the November elections will reduce the Republicans to a corporal's guard, not only in the House and Senate but among the governors.

A majority of our voting citizens think this will be a very healthy thing but, assuming the Washington expectations hold good, we are in for one of the most radical eras this country has ever experienced, the New Deal not to the contrary. Not to harp on him too much but Walter Reuther will be one of the chief architects of policy, along with Dr. Schlessinger, Robert Nathan and the rest of the Americans for Democratic Action.

It seems to me that if the people only stopped to realize that it was Harry Truman who impetuously unleashed the atomic bomb on civilization, that the last two Democratic Administrations got us into world wars, they would have some more sobering thoughts before they go hell-bent into another spree. But these matters are never raised any more. Our eastern internationalist press sees to this. Such hardy Republicans as Senator Bill Jenner of Indiana, who dared to discuss them, are promptly denounced and smeared.

I suppose there is no use crying over spilled milk, but the Republicans had a great opportunity to restore the country's sanity when they came into power in 1952—had they elected a Republican President. But they didn't do this. Instead, they elected a man who only a few months after taking office was thinking of launching a party of his own. What vanity and what naivete.

It is a fact that Mr. Eisenhower upon every occasion now, tries to pep up Republican workers and to assure them he is one of them. But in the next breath he talks about "modern Republicanism" which means a giving in to the enemy, a bending in its direction. The fact is that Republican workers throughout the country are disheartened. In November they expect the worst and apparently are going to get it.

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The Security I Like Best

pacity, or with ore concentrates, which LCA currently purchases from Quebec Lithium Corporation. The plant was designed by LCA's own personnel and is a further indication of the company's know-how in its chosen field.

All of these factors serve to strengthen LCA's already powerful role in this growth industry among growth industries. The stock, now traded in the Over-the-Counter Market at a price of approximately 24, is expected to be listed on the American Stock Exchange toward the end of August.

Porges Admits

D. Paul Rittmaster has been admitted to partnership in Porges & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, effective July 3rd. As of the same date Arthur Rittmaster, Jr., a limited partner, became a general partner.

Join Ideal Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Charles A. Flinn and Bryce Morris have become affiliated with Ideal Securities Co., U. S. National Bank Building.

Two With Columbine

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Earl B. Martin and Jack W. Vanderpool have joined the staff of Columbine Securities Corp., 621 Seventeenth Street.

Dealer-Broker Investment Recommendations & Literature

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

Air Transport—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Atomic Letter No. 39 including chart of atomic energy and rocket fuel uses of various atomic metals—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.**

Business Opportunities in Latin America—Information—Area Development Department, American & Foreign Power Company Inc., 2 Rector Street, New York 6, N. Y.

Business and Securities—Review—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a report on **Tidewater Oil, Mission Development, Food Mart** and **Weyerhaeuser Timber.**

Canadian Market Trends—Analysis—E. M. Saunders Limited, Victory Building, Toronto 1, Ont., Canada.

Copper—Chart of U. S. and London copper prices 1953 to 1958—Draper Dobie & Company Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Foreign Exchanges—Review—Samuel Montague & Co., Ltd., 114 Old Broad Street, London, E. C. 2, England.

Japanese Corporate Earnings—Analysis—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.

Meat Packing Industry—With particular reference to **Swift & Company, Armour & Company, Wilson & Co., Inc., Cudahy Packing Company** and **John Morrell & Company**—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N.Y.

New York City Banks—Results for first half of 1958—The First Boston Corporation, 15 Broad Street, New York 5, N. Y.

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

Petrochemical Industry—Study—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **American Water Works Co.** and the current issue of **Market Review** with suggested lists of selected securities.

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

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

Role of the Business Airplane—In July issue of "The Exchange"—The Exchange, 11 Wall Street, New York 5, N. Y.—10c ($1 per year). Also in the same issue is an article on **Odd Lot Volume Leaders**; 10 Three-Stock Portfolios to give 12 dividend checks per year; some comparative figures on railroads, etc.

Steel Industry—Study—Hayden, Stone & Co., 25 Broad Street, New York 5, N. Y.

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

Tax Exempt Bond Market—Mid Year Survey—Halsey, Stuart & Co. Inc., 123 South La Salle Street, Chicago 90, Ill.

Variety Chains—Study with particular reference to **J. J. Newberry**—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. Also available is a report on **Northern Pacific.**

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Arkansas Missouri Power Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Frito Co.** and a tabulation of operating results as of Jun 30, 1958 for **New York City Bank Stocks.**

Basco Oil & Gas Co. Ltd.—Analysis—C. M. Oliver & Company Limited, 821 West Hastings Street, Vancouver 1, B. C., Canada. Also available is a bulletin on developments in the **Highland Valley Area.**

Borg Warner Corp.—Memorandum—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y. Also available is a memorandum on **Republic Steel Corp.**

Controls Co. of America—Memorandum—Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.

Electro Instruments Incorporation—Analysis—J. A. Hogle & Co., 40 Wall Street, New York 5, N. Y.

Firstamerica Corporation—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

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

Lockheed Aircraft—Report—Bache & Co., 36 Wall Street, New York 5, N. Y.

Marquette Cement Manufacturing Co.—Analysis—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Massachusetts Bonding and Insurance Company—Analysis—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Molybdenum Corporation of America—Analysis—Parrish & Co., 40 Wall Street, New York 5, N. Y.

Pacific Clay Products—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

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

Quaker City Life Insurance—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular is an analysis of **White Motor.**

Ralston Purina Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Robbins & Myers Inc.—Memorandum—Fulton Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

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

Southern Nevada Power Co.—Memorandum—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Transamerica Corporation—Analysis of the new stock—Sutro Bros & Co., 120 Broadway, New York 5, N. Y. Also available in the same investment letter is an analysis of **Bendix Aviation Corp.**

Warren Brothers Co.—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on the **Cigarette Industry** and **W. T. Grant Company.**

Yuba Consolidated Industries, Inc.—Analysis—Leason & Co. Incorporated, 39 South La Salle Street, Chicago 3, Ill.

Eric Johnston Notes Soviet Failures And Urges We Shape New Policies

Internationally known business leader opines USSR's abysmal failures on four major counts in past two years portends Kremlin drive on the West "no matter what new tactics and means it may adopt." Mr. Johnston recommends we formulate new dynamic independent policies that are not merely responses to Moscow world conquest goals so that we do not neglect our own objective of global freedom; and pays high tribute to this Administration's foreign policies.

"The Soviet foreign policy in the last two years has been such an abysmal failure that the Kremlin hierarchy is now engaged in a massive reconsideration of its future plans and programs," said Eric Johnston, President, Motion Picture Association of America in an address June 30, 1958, before the California Group, Investment Bankers Association of America.

Eric Johnston

Speaking before 300 delegates at the Santa Barbara Biltmore he said that twice within the past decade, Soviet Russia has embarked on policies of conquest which have crashed against the firmness and resistance of the United States and the West.

Mr. Johnston continued:

"In 1950, Soviet Russia and Red China tried by force in Korea to destroy the free world's alliance. That ended in costly and indelible failure.

"Two years ago, Khrushchev and Bulganin set out on a circus tour of the free world to spread Soviet-style good cheer and good will with the flabby handshake to cover up the advance of Soviet penetration and subversion.

"This has been a failure, too. Again, as in the case of Korea, the Kremlin program cracked against the firmness and resistance of the West.

"What a lasting tribute this is to the continuity and soundness of American foreign policy as carried out today under the direction of President Eisenhower and Secretary of State Dulles!"

Mr. Johnston declared there were these four major prongs to Soviet policy during the past two years;—

(1) To raise the standards of the Russian people.

(2) To bring Yugoslavia's Premier Tito back into the orthodox communist fold.

(3) To win the support of neutral nations in Asia, Africa and the Middle East.

(4) To break up the NATO alliance.

"In all four of these programs, the Kremlin has failed and its failure is now evident to the free world," Mr. Johnston observed.

Living Standards

"The first program was to raise the standard of thinking as well as living within the communist bloc.

"There is no doubt that the Soviet Union has somewhat raised the standard of living of its people.

"But, a year ago, Khrushchev cracked down on the intellectuals to whom he had earlier given some measure of freedom from the harsh disciplines of Stalin's day.

"At the same time, Red China cracked down on the intelligentsia. Mao Tze Tung had earlier spoken glowingly of 'letting a thousand flowers bloom'—of permitting a wider diversity of opinion among the intellectuals. He resolved his problem of 'the thousand flowers' by cutting off their heads.

"Today, in the Soviet Union, deviationism is permitted only to Khrushchev himself.

"In recent weeks, former Premier Bulganin has been further degraded in the Soviet hierarchy. Molotov's ambassadorial duties have ended and he is now virtually under house arrest in Moscow. And no one knows where Malenkov is except the Kremlin.

Yugoslavia

"Khrushchev's second program—to win and woo Yugoslavia's Premier Tito back to Kremlin orthodoxy—has also been a total and dismal failure. This was one of Khrushchev's highest Priorities—because the Soviet dictator fears any dissidence within the communist system as a fatal threat to Soviet control.

"But instead of bringing Marshal Tito to heel through pressures and blandishments, Khrushchev is now confronted by a highly independent and extremely outspoken critic of his policy. Tito, uncowed, registered one of the most telling and reverberating denunciations of Soviet deceit in the killing of Nagy.

"How did this come about? Khrushchev failed here in large part due to the farsighted support of an independent Yugoslavia by the United States. This support of a communist nation was both a difficult and controversial undertaking in our country. It succeeded against considerable public doubt and misunderstanding. And it succeeded, in my judgment, because of the firm and farsighted vision of President Eisenhower and Secretary Dulles.

Neutral Nations

"Khrushchev's third objective—to win the support of the neutral nations—has also run into very heavy weather," Johnston said. "In some of its principal target areas, the Kremlin's effort to penetrate and subvert through economic means is meeting increasing resistance. And if our own foreign development program grows in scope and concept and resources, this resistance will surely increase.

"The chief weapon in the Russian's recent massive program of economic rocketry was that their intentions were altogether peaceful, that they simply wanted to help other nations as friend to friend, that they had no strings attached to their benevolence, that they were interested only in the growth and independence of the recipient countries.

"For a time, Soviet Russia seemed to be making progress in deluding free neutral nations toward the communist camp. But it never succeeded to the point of

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End of the British Credit Squeeze

By PAUL EINZIG

Recent British action to relax the credit squeeze furnishes Dr. Einzig with such material for thought as that this will encourage increased wage demands and for a while result in inflation without business revival—leaving the British economy with the worst of both worlds. The well known economic writer finds that this step removes an effective method of inducing unions to moderate their demands. He praises, however, the accompanying announcement that in the future the Bank of England will employ the American technique of bank deposit reserve requirements to supplement the traditional use of the Bank rate.

LONDON, Eng.—It had been expected for some time that the Chancellor of the Exchequer, Mr. Heathcoat Amory, would soon relax the credit squeeze, following on the gradual reduction of the Bank rate from 7 to 5%. Nevertheless, the statement he made on July 3 took most people by complete surprise. Instead of merely raising the maximum limit of bank advances, he removed the limit altogether. At the same time, he relaxed considerably the regulations of capital issues control.

Dr. Paul Einzig

Coming as these measures did after the reduction of the Bank rate and after a major tax concession to encourage capital expenditure, they clearly indicated a fundamental change in the official policy. Until recently the Government held the view that inflation was still the graver danger. But now it has abandoned resistance to inflation and has turned the weapons of the official monetary policy against deflation. To justify this change, recent official statements claimed that inflation had been brought to a halt. In view of the continued rise in wages such statements indicate an overdose of wishful thinking, however.

Beyond doubt, the possibility of an autumn recession must have given the Chancellor many a sleepness night, as a result of which he has come to the conclusion that a reinforcement of the inflationary pressure would be a smaller evil than a sharp increase in unemployment. Resistance to inflation has not been abandoned altogether. No decision has yet been taken about the restoration of the capital investment programs of the Government and of nationalized industries to the level from which they were reduced in September last. But it seems probable that Opposition pressure to that end will induce the Government to act in that sense in the near future.

Inflation Without Prosperity

As a result of the change of policy at the present stage and in prevailing circumstances Britain is liable to get the worst of both worlds. The rising trend of wages is likely to become accentuated, but inflation will not be accompanied by a corresponding degree of business revival. The Government's gesture will provide the utmost encouragement to trade unions to press forward with their demands. It is not likely to encourage industries, however, to press forward with their capital development schemes. For amidst the prevailing economic atmosphere higher wages may mean narrower profit margins. Industrial firms have lost their previous assurance that they would always be able to add to their prices any increases in their costs. If in such circumstances they concede wage demands the prospects of higher costs and the uncertainty of higher prices is liable to discourage them from expanding their production.

It is true, since the output is now running considerably under maximum capacity, it would be possible to produce more without adding to capital equipment. But it would mean more overtime pay and renewed scarcity of labor. Gradually such increase in purchasing power, in addition to higher wages, would stimulate consumer demand and would encourage capital expenditure. But there is likely to be a long time lag during which Britain might experience inflation without trade revival.

Loss of Bargaining Weapon

Unfortunately the Government has given up hope to bring trade unions and organized labor to their senses. The only bargaining counter which had been in the Government's possesion was the existence of a credit squeeze. At any time since September the Government could and should have informed the trade unions that it was prepared to remove credit restrictions and resume an expansionist policy, provided that the unions accept some form of limitation to wage increases. Now that credit restrictions have been removed unconditionally there is now no way of inducing the unions to moderate their wage demands. It will take another credit squeeze following the next inflationary boom to provide the Government once more with the opportunity which they have just missed.

Praises New Use of Bank Reserves

On the other hand, commonsense has prevailed at last concerning the Government's future monetary technique. Mr. Amory has announced that the method of fixing a maximum limit to bank credit would never be resumed and that on future occasions when restraint becomes necessary the authorities would resort to a different method. The Bank of England will be authorized to call in from the banks "special deposits," as a result of which a proportion of their credit resources would become neutralized.

In substance this is a revival of the war-time system of Treasury Deposits, and the only substantial difference is that this time the mopping up of funds will be done by the Bank of England instead of the Treasury. Some such change of policy has long been overdue, but it was prevented until now by the highly developed ideological dogmatism that prevails in Britain politics and public administration.

The average Conservative politician or banker or financial writer in Britain considers the American device of changing reserve requirements instead of trying to run the money market entirely with the aid of Bank rate as sheer Socialism. During recent years the British taxpayer had to pay many hundreds of millions of pounds of additional interest charges which would not have arisen if the Bank rate method had been supplemented by some other method of neutralizing excessive credit resources. Apart from the higher interest rate on Treasury Bills resulting from the high Bank rate, the funding operations undertaken in order to keep down the volume of Treasury Bills have raised the cost of long- and medium-term Government issues. Private debtors, too, had to pay the price for ideological dogmatism in the form of unnecessarily high interest rates.

With Joe Matheson

(Special to The Financial Chronicle)

HICKORY, N. C.—Thomas M. Whitener, Jr., has become affiliated with Joe K. Matheson, 256 Third Avenue, Northwest.

With Merrill Lynch

(Special to The Financial Chronicle)

BOSTON, Mass. — Alice T. O'Loughlin has joined the staff of Merrill Lynch, Pierce, Fenner & Smith, 18 Milk Street.

With Bache & Co.

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—James A. Wheless is now affiliated with Bache & Co., Johnston Building. He was formerly with Reynolds & Co.

Joins Cherokee Secs.

(Special to The Financial Chronicle)

SOUTHERN PINES, N. C.—William H. Gaither has become connected with Cherokee Securities Corp., 118 Northwest Broad Street.

Reynolds Adds to Staff

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—William J. Stokes has been added to the staff of Reynolds & Co., 221 South Church Street.

Now With Wm. J. Mericka

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Cecil J. Walton has become associated with Wm. J. Mericka & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange. Mr. Walton was formerly with Bache & Co.

Joins Merrill Lynch

(Special to The Financial Chronicle)

AKRON, Ohio—James L. Shirk is now affiliated with Merrill Lynch, Pierce, Fenner & Smith, First National Tower.

With Commonwealth Secs.

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Robert E. S. Young is now connected with Commonwealth Securities Corporation, 150 East Broad Street.

Stock Market Outlook: 1958-1962

By ARTHUR WIESENBERGER*
Senior Partner, Arthur Wiesenberger & Company
New York City

Finance authority views without discouragement no sign of significant business revival on the grounds that what we are now experiencing is but a temporary readjustment preceding major rise in business and the market. Unless the market declines in next few weeks, Mr. Wiesenberger sees advance setting in until the fall and, if the relationships continue, with the ultimate top occurring around February, 1962. For the long-run, especially with cold war's demise, he anticipates stratospheric growth ahead.

During recent months, the monetary situation switched from a bearish one to a thoroughly bullish one. We have witnessed in the United States the sharpest drop in interest rates in history. The accompanying rise in bond prices since last fall broke all records. This dramatic change in the monetary situation has not yet found reflection in business activity nor in the stock market in important degree, but in the past it always has, and we think this time will prove no exception. The Market Price of $1 of Dividends declined to below $20 (which reflects a 5% yield) and recently was slightly above that level. Incidentally, $20 is the average price of dividends over a long period of time.

Arthur Wiesenberger

There is yet no sign of any significant revival of business activity in my country; inventories are still being liquidated, and activity in most producing lines is still rather quiescent; nevertheless, the degree of declines previously expected in over-all activity and earnings has occurred. Dividends are always late in reflecting their decline. We think they will move lower over the months ahead, but this should not be construed as a bearish factor.

A Temporary Readjustment

It has been our belief right along that we are experiencing a temporary period of readjustment prior to resumption of the major rise in business and the market, rather than anything truly serious; nothing has occurred to change that point of view. True, there are many *similarities* between 1929 and 1957, but the *differences* are far more significant and compelling.

As shown by the record of our Market Price of $1 of Dividends, stocks never became as high-priced in recent years as they did in 1929—and, in fact, at every major peak over a long period of years. Also, recent expansion of debt in the U. S. was importantly for government and mortgages; neither is susceptible to spiraling deflation, as are inventory and security loans. The stabilizers grafted into the U. S. economy with the growth of the Welfare State may eventually snap in reverse, but they promise to sustain that economy for quite a few more years.

Economists are prone to analyze the last depression just as generals always fight the last war, and although, as the Bible says, there may be "no new thing under the sun," there are no duplicates in nature. A bushel of acorns shows little in the way of differences, but each of the oaks they produce will be quite unique.

The Big Difference

The point is that there is always some big, new thing that confuses most observers and belies the look of any new economic situation. The great different new thing in the 1920's was the effect here and throughout the world of our central banking system, which permitted—in fact, aided and abetted—the erection of the sky-reaching credit-structure that eventually toppled into the morass of 1932.

A far bigger and far more important feature that distinguishes the current situation from any known for at least a couple of thousand years is the U. S. Welfare State and all it signifies for society, government and finance.

Each and every generation strives to better the conditions of the previous generation and usually succeeds but, in the process, gradually commits economic suicide, after which its creations are buried, only to be resurrected in better form by the next generation.

The railroads that were pushed westward after the Civil War with so much toil, effort and imagination virtually all ended in bankruptcy, but they were later reorganized and put back on the tracks better than ever.

The corporate and banking era put together in the early years of the century flowered in the 1920's and then was buried, but deep, in the early 1930's. Now we have a new arrangement, and who can say it is not good? Certainly more millions have more physical and creature comforts than ever before in history.

Analysis of the present situation and of the recent past in terms of history suggests that this particular Welfare State, despite our great boom, has not flowered and is not yet ready to be laid away. That lies in the future.

Two Down — One to Go.

Now we come to what is perhaps the crux of our long-term favorable view of the outlook. Every long bull market comprises three phases:

(1) Recovery from the fear and panic of the previous decline;

(2) A further recovery and extension of stock prices based upon solid business improvement and resultant earnings and dividend expansion;

(3) A great further rise that feeds upon inflation and a confident rosy view of the future. It is the last rise that sows the seeds of the subsequent inevitable whirlwind.

In the 1920's, we had the recovery of 1922-23 as the first phase; then the business improvement and second phase of 1924-1926; then came the year 1927, when business and earnings declined, as recently, but stocks refused to follow — they simply backed and filled, striving to go to new highs following each decline. Came the boom of 1928-1929 and the dizzy heights and subsequent crash. Many were the bears of 1928, and they were eventually right as could be, but their experience was a painful, costly one for many months.

This bull market is already the tallest and longest on record, but it shows no signs of having ended. We date the beginning of this market as of April 28, 1942. The 12 prior years witnessed the precipitous decline from 1929 to 1932, then the series of bounces that came to rest in early 1942 while the Welfare State was conceived and brought through infancy and adolescence.

The period of 1942-1946 was the first phase of recovery—the period of 1949-1956, the second phase of earnings and dividend recovery based upon solid business improvement. We have not yet seen the period of inflation and drastic over-valuation based upon wild and unrestrained imaginings of the future. This market may be truncated and omit phase three, but all history suggests that this will not be the case.

Mass Mind Consistent

It is to be realized that the great constant at work in the stock market is the consistency of human nature *en masse* in its reactions to stimuli. Stocks are high priced on a 3% basis not because of the 3% *per se*, but simply because people so think, as they did 25, 50 and 100 years ago. Inventories were built up and plants expanded as late as 1954 and 1955 and even into 1956, in defiance of logic, simply because it is human to expect that what is will continue to be in the future.

Current general misgivings regarding the business situation arise out of the simple fact that business has been poor. True, there is yet no sign that it will improve, but there never is in advance. The fact of the matter is, of course, that the worse it gets, the greater the chance for and probability of improvement.

It is this constant manifestation of human nature that causes periodic, cyclical type of motion in all things that depend upon mass emotion and so-called human judgment. The three phases of recovery, improvement and inflation simply result from the printing on the business and market situations of the contents of the negative of human mind *en masse*.

A Market in Slow Motion

It is interesting to observe that this is a market in "slow motion." Time consumed in progress is about 2.4 times that of the 1920's. If the relationship continues, and it has for years, the ultimate top should occur some time around February, 1962.

Much can and much will happen in the interim, of course, and there would seem to be no reason for hurried or urgent buying of securities. Nevertheless, in view of the risk reduction that already has taken place and is going on, the current period may be utilized to place portfolios in a position to take advantage of markets that should be aggressively advancing before too many months have passed.

Stock markets almost never decline in the summer months of July and August or in the winter period from mid-December to late-January. Spring and fall are the typical seasons of decline. Thus, unless this market declines immediately over the next few weeks the chances are it will advance into the fall. It is difficult to believe that business can show much in the way of true improvement until some time next fall or winter, but before 1959 has progressed very far we should have tangible evidence of distinct improvement in business.

Growth Ahead

I know it is fashionable to look around at the excess capacity in almost every field—in steel, in motors, in copper, aluminum and paper and say with resignation, "Well, we will have to wait until demand catches up with supply." Frankly, I think that is nonsense. It is normal to have excess capacity—abnormal to have demand exceed supply. Actually, businesses and industries operate far more efficiently at 85% or 90% of capacity than at 110% capacity.

Also, I will hazard the prediction that in the next few years the demand for all types of materials, goods, products and services will be greatly expanded by the addition of a few hundred million of new customers. World trade will open up one way or the other. Here we have the spectacle of Russia hungry for goods and ourselves anxious for customers, yet all sorts of trade barriers lie between.

If just a fraction of the world's effort in man-hours, money and substance currently going into armaments and non-productive military activities could be put to productive uses, the face of the world around us would be transformed. Whether this will occur rapidly or slowly will depend upon diplomatic and political attitudes and activities difficult to foretell and foresee at this time. But that eventually this will occur, there seems little doubt. That it can come quickly seems a reasonable probability.

In any case, the shackles that have held down this market for the better part of two years are rapidly being removed, and before too long we will probably be merrily on our way up toward levels that, if known to us now, might be regarded as truly stratospheric.

*From a talk by Mr. Wiesenberger at a luncheon tendered by Laing & Cruikshank at City of London Club, London, England, June 12, 1958.

B. J. Van Ingen Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edmund G. Anderson has been added to the staff of B. J. Van Ingen & Co., Inc., 31 Milk Street.

Joins H. P. Wood Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard E. McCowan has become affiliated with H. P. Wood & Company Inc., 75 Federal Street.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — David Sachsenmaier has been added to the staff of Merrill Lynch, Pierce, Fenner & Smith, 222 So. Church Street.

Joins Tucker, Anthony

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Gerard K. Stewart has joined the staff of Tucker, Anthony & R. L. Day, 37 Lewis Street.

With Hincks Bros.

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Charles W. Buehler is now with Hincks Bros. & Co., Inc., 157 Church St.

Towards a Better Understanding Of American Ideals and Desires

By HON. HERBERT HOOVER*
Special Envoy of the United States

Speaking candidly as a friend of over 44 years can, among friends, Mr. Hoover warns Europeans that the "danger signal" of a return to American isolationism is up. The former President has little fear of such a retreat today but, in expressing disbelief that people with a free press could accept and act upon false legends, misrepresentations and vicious propaganda about the U. S. A., points out why Americans have become more reluctant to support international defense and economic aid. The elder statesman pointedly answers unmerited constant criticism and attitudes held; undertakes to interpret the American way of life, actual performance, and elements of strength in our political system, and denies we have a monopoly on perfection in people or government.

One of the problems confronting all free peoples is enduring protection of the rights and liberties of men from destructive internal forces which they themselves create. During the last century, new and revolutionary discoveries in science, great inventions and the changes in social thought have brought many problems to free governments.

Herbert Hoover

I do not need to recall that we have two major methods of government among free peoples. The United States adopted a method where the executive is separated from the legislative powers, and the election of the individual executive and legislative officials is for fixed terms.

The British hold to the parliamentary method which combines the legislative and administrative powers, and their officials are periodically subject to election—all at the same time. That method has operated admirably where its base rests upon a majority political party.

But, especially since the First World War, the host of internal problems confronting parliamentary government on the European continent has resulted in the development of a multitude of factional political parties. Their inability to reach determined and constructive solutions of their national problems has brought a strangling chaos in government. Since the First World War 15 European nations, in despair, have turned to dictatorships. And it has been my fate to witness on the ground the forces which led to their collapse.

The American method is not perfect, but for 182 years it has sustained stability in our country through every crisis and, in the main, brought an orderly progress in the midst of new inventions and ideas.

Perhaps our experience in the separation of executive and legislative powers and the election of officials for fixed terms has uses for other free men.

The World Service of American Productivity

I have little reason to elaborate here upon the success of our system of regulated economic freedom. It has built-in impulses of initiative, energy, ambition, and opportunity. It has brought stupendous benefits to the American people.

But to relate the huge benefits my people have received is not my purpose here. The world's interest is that our productivity has created great margins which have enabled us to support the freedom of mankind, and to help lift the world's burdens of disaster and poverty.

At my time of life and because of my experience in many nations, I know that far more vital than even economic blessings are the spiritual and moral impulses and ideals which motivate the lives of peoples.

Compassion

In interpreting the ideals of my country, I must include the spirit of compassion towards suffering humanity. It spreads from every American home to all mankind. I need only to recall the great famines which have inevitably followed these two score years of world wars. The American people with other nations met these emergencies. But the United States carried the major burden. By longer hours of labor they stimulated production. They denied themselves food and clothing that more than one billion of peoples all over the world might have the margins on which to live and to hope for a better day.

This spirit of compassion has contributed also to the rehabilitation of many millions of children, diseased and debilitated by famine. Thereby, the world has been saved from the political and moral dangers of millions of distorted bodies and minds. And this compassion has also been extended to Communist Russia.

Sharing Scientific Discovery and Invention

One of the several tests of a nation's contributions to mankind is its scientific discoveries and the application of these discoveries to all human comfort and progress.

I could recite a long list of such discoveries and inventions that my countrymen have contributed to the world.

And my country in turn has benefitted by the application of the great scientific discoveries and inventions of many other nations.

But I am not as much concerned with which nation discovered or invented what as I am with wider distribution of each nation's discoveries and inventions over the world. Thereby sweat is taken from the brows of men and women. Their hours of labor are reduced. Their days of leisure are increased. Their opportunities for recreation and participation in the arts and intellectual life are expanded. And above all, scientific discovery lifts the burden of poverty everywhere.

No longer do these discoveries come only from a solitary scientist or inventor. They are now more often the product of teamwork by many skilled scientists and engineers.

There is now some cooperation in organization of world-wide research. My country desires to see such cooperation expanded. Thus the march of progress in the world would be faster.

The Atom — And Peace

There is one scientific discovery which deeply concerns every human being. The theoretical deductions of European scientists as to the constitution of the atom were harnessed in America into a gigantic source of power.

It can bring benefits to mankind, and it can be used to destroy civilization.

My countrymen pray daily alongside hundreds of millions of other peace-loving people that there should be a real disarmament, which will include disarming the atom.

The Need to Correct Some Misrepresentations

There can be no interpretation of the American way of life in its effect upon other nations without reference to the false legends, misrepresentations, and vicious propaganda which haunt the free world.

We are often depicted as living under the control of wicked men who exploit our economic life through gigantic trusts and huge corporations. They are supposed to grind the faces of the poor and to exploit other nations. All this ignores the fact that our laws for nearly seventy years have prohibited the existence of trusts and cartels. In few other nations have the fundamentals of fair and open competition been so zealously maintained.

This competition has spurred our industries to adopt every labor-saving device. And to create them, there are more than 5,000 industrial research laboratories that pour out new ideas which become open to all the world.

Insofar as large corporations are concerned, they are the property of millions of our people. The largest of them has more than 1,500,000 individual stockholders, not one of whom owns more than one-thirtieth of one percent of the corporation.

Another example of this propaganda is that we are infested with gigantic individual fortunes which dominate the life of our people.

Any regulated free economic system permits men of exceptional ability or luck to accumulate great property. We have had a few hundred such accumulations. But our graduated taxes rise to 90% of their yearly incomes. And up to 77% of their estates are taken by taxes when the owner passes on. Thus, most of these accumulations tend to fade away.

But these large fortuntes have been of profound importance to other nations. From them have come many of our great educational and scientific institutions, whose beneficent work has been extended to all the peoples of the world. One of these institutions, through organized research and its world-wide application, practically eliminated yellow fever from the whole earth.

There Is No American Imperialism

Probably the greatest misrepresentation of our ideals is that we are imperialistically-minded and that we daily practice imperialism. It would seem that the world might take account of the Monroe Doctrine, whereby we have aided our Latin-American neighbors to secure their freedoms. I could also recall our giving freedom to Cuba and the Philippines and our urging of independence for Puerto Rico.

Moreover, in the last 40 years, invariably at the request of nations struggling against oppression or military aggression, our sons have fought and died in three great wars. They died that more freedom would come to mankind and that the world might have a lasting peace.

Never after victory did we ask for an acre of territory, except a few military bases to protect the free nations. We have never asked

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*From a talk by Mr. Hoover delivered at the Brussels (Belgium) Exposition, July 4, 1958.

Today's Southern Economic Picture

By L. B. RAISTY*
Vice-President, Federal Reserve Bank of Atlanta, Atlanta, Ga.

Banker's banker brings the Southern economic picture into sharp focus in a state by state comparison with the national average and summary of gains since World War II for such indices as: manufacturing, population, personal income, agriculture and industrialization. Recalling the prophetic warning of Henry W. Grady, the Atlanta Federal Reserve banker shows extent to which the South has switched from one-crop system to rehabilitation of its agrarian and industrial life. Mr. Raisty points out, for example, that the South's rate of growth in financing resources since World War II has outstripped the nation, and share of the nation's manufacturing activity has sharply increased. He also cites deficiencies still to be overcome and predicts Mr. Grady's goal "seems now to be nearing achievement."

Any discussion of the Southern economic picture today, however, must necessarily be made with the consciousness that the course of the national economy will ultimately shape the course of any particular regional economy. I should like to say at the outset that I have the utmost confidence that the South faces a future of continued economic expansion and expanded economic opportunities. I say this because I have equal confidence that the outlook for the economic future of the nation is one of expansion.


L. B. Raisty

From a broad range point of view, I am not particularly disturbed about the downturn in many of our economic indexes. I see the downturn as being primarily the result of monetary and fiscal measures taken in 1955 through 1957 to restrain economic growth to sustainable proportions and to avoid the evils of inflation. Now that both monetary and fiscal policies have been shifted to the problem of avoiding a downturn below the stabilization range and of avoiding deflation, I am utterly confident that a resumption of economic expansion is merely a matter of time.

In view of the inherent strength of the economy and the stimulating measures taken, I suspect that the current quarter of the year will mark the end of the downward trend. But whether this turning point occurs in the second quarter this year or in the third quarter is not of too vital concern from the long-run point of view. The most important consideration is to recognize that the downturn cannot indefinitely withstand the stimulating effect of easier money, an enlarged flow of Government spending, and Federal deficit spending. It is with that conviction, therefore, that I present a review of the South's regional characteristics and a summary of its economic gains since World War II with the assurance that these gains will continue to be recorded in the immediate years ahead.

Inasmuch as the current recession has been most severe in durable goods, its impact has been the greatest in those areas in which heavy industry is an important economic factor. Regional characteristics, with respect to emphasis upon agriculture or manufacturing, light industry or heavy industry, and trade and manufacturing, become of prime importance in discussing the current economic picture.

Reviews National Economic Picture

The 12 Federal Reserve Districts in which the United States is divided represent a convenient means of distinguishing regional variations. The 12 Districts, in fact, were originally established on trade area lines. With heavy concentrations in automobiles, steel, and heavy equipment, the Federal Reserve Districts of Chicago, New York, Boston, Philadelphia, and Cleveland show the greatest declines in business activity. On the other hand, the Federal Reserve Districts of Minneapolis, Richmond, Atlanta, Dallas, St. Louis, Kansas City, and San Francisco show smaller declines in reflection of their greater emphasis upon agriculture, trade and distribution, diversified manufacturing, electric power production, and forest products.

Although by no means does the Sixth Federal Reserve District, served by Atlanta, compose the entire South, its individual states are representative of Southern economic achievement. The District includes all of Alabama, Florida, and Georgia, the lower halves of Louisiana and Mississippi, and the eastern two-thirds of Tennessee.

Reviews the Southern Sixth District

Alabama is identified with the great steel complex of industries centering around Birmingham. But it has vital port facilities at Mobile and, in addition to extensive cotton and livestock production, has emerged as an oil producing state. Its forest industries are also of much importance.

Florida, in addition to being one of the nation's favorite resort areas, is a leading citrus producer. Extensive timber resources are joined with livestock raising, and in recent years the state has become an important manufacturing area.

Georgia has long been one of the leading textile producers. Like the other states of the District, it is an important cotton, tobacco, poultry, and livestock producer. It has great timber resources, which feed new paper and pulp mills. It has also become a large producer of aircraft and automobiles.

Louisiana has cotton, rice, and timber products. It is also a major oil producer and is one of the leading states in the petrochemical field. Its manufacturing industries have especially flourished. Served by excellent port facilities, the state has always played an important part in the nation's commerce.

Mississippi is still primarily agricultural in character. Since World War II, however, it has made great strides in manufacturing and has also become an important oil producer.

Tennessee has a varied manufacturing output in addition to enjoying a highly diversified agriculture. The State is one of the major centers of hydro-electric power and has extensive natural resources.

Because of its extraordinary diversification and its achievement of a workable balance between agriculture and industry, the Sixth District has been relatively immune from the nation's current business recession.

Nonfarm employment in the District is down somewhat from last year but not nearly as much as for the United States as a whole. Using January, 1955, as a base, the index of nonfarm employment for the Sixth District States was 108 in February as against about 104 for the United States. The rate of insured unemployment in the Sixth District in February was about 1% less than for the United States for major types of manufacturing. Employment in the District's transportation equipment, primary metals and lumber and wood products and textiles is showing the greatest decline. In the fabricated metals, food, chemicals, apparel, and paper industries, employment totals although showing some decline are generally not far from the levels reached in 1957.

Farm cash receipts in early 1958 in the District have been about the same as for last year. Sixth District member bank loans through March this year have generally continued the upward trend that has been characteristic of the District since the mild downturn of 1954.

Refers to H. W. Grady's Prophetic Prediction

In reviewing the South's economic position today I think it might be well to call to mind the eminent Georgian Henry W. Grady and his parable of a Georgia funeral. I am reminded of Grady and the statue of him, towering above the figures of two women.

This is what Hal Steed in his "Georgia: Unfinished State," published in 1942, had to say about Grady: "Grady in his field was a unique figure of reconstruction. He lived for his generation and thought beyond it. He noted the beginning of the centralization of population and wealth in cities and the abandonment of farms. The South's problem, as he saw it, was rehabilitation of its agrarian and industrial life. He pleaded against Georgia's one-crop system, preached development of the State's resources and the encouragement of new business enterprises. Georgia, he maintained, bought too much from other states —it must produce more."

And then Steed gives the much quoted Grady parable of a Georgia funeral. "The corpse," he wrote, "was a poor, one-gallus fellow. They buried him in the midst of a marble quarry; they cut through marble to dig his grave; and yet a little tombstone they put above him was from Vermont. They buried him in a pine forest, yet the pine coffin was imported from Cincinnati. They buried him within touch of an iron mine, yet the nails in the coffin and the iron in the shovel that dug his grave were imported from Pittsburgh. They buried him by the side of the best sheep-grazing country on earth, yet the wool in the coffin bands and the bands themselves were brought from the North. They buried him in a New York coat and in Boston shoes, in a pair of breeches from Chicago and a shirt from Cincinnati. The South didn't furnish a thing for that funeral but the corpse and the hole in the ground."

I think we can all agree that we in the South have made much progress since Henry Grady's day in making our own things, in developing and using our own resources. To highlight this development, this progress that we have made, I have made certain statistical comparisons for the postwar period and made a series of observations concerning them.

Makes Statistical Comparison

First, in terms of population growth, the South, as represented by the Sixth Federal Reserve District, has slightly exceeded the rate of growth of the United States. From 1947 to 1957, the six-state area had a population gain of 19.0%, while that of the United States was 18.7%. It is true, of course, that this gain in the six states was primarily in Florida and Louisiana, which for the 10-year period had gains of 62.1% and 19.0%, respectively. Georgia had a gain of 15.5% and the states of Alabama, Mississippi, and Tennessee had gains of less than 10%.

During the 1940's, the six-state region, according to the 1950 Census, was still predominantly rural in character. Only Florida and Louisiana has more urban than rural residents. Declining dependence upon cotton, the development of beef-cattle raising and dairying, and the spread of mechanization in agriculture have compelled a large movement of population from the farm to the city. With the exception of Florida, where only one county showed a loss in population, the six states showed more counties with losses in population from 1940 to 1950 than counties with gains. Counties or parishes showing losses numbered 43 out of 67 in Alabama, 98 out of 159 in Georgia, 30 out of 64 in Louisiana, 59 out of 82 in Mississippi, and 37 out of 77 in Tennessee.

The adjustment that is going on in the South is to be anticipated in a region where agricultural employment is declining. As labor has been displaced from the farms, it has tended to migrate to the cities or to other areas where opportunities for other employment became available. Between 1930 and 1940, a period of general economic stagnation and lack of employment opportunities, the rate of migration from the South was less than 1% of the 1930 population. But in the next decade, from 1940 to 1950, a period of general economic expansion and new employment opportunities, the migration rate from the South was 7% of the 1940 population.

Notwithstanding the high rate of movement of Southern workers to urban areas following 1930, the population of the South was still 60% rural in 1950. A substantial proportion of the rural residents, however, did not depend upon agriculture for income. Only 23% of Southern workers were dependent on agriculture, forestry, and fishing in 1950, compared with 44% in 1930.

Gains Made in Personal Income

Second, percentage gain in personal income in the six states from 1947 through 1956 substantially exceeded the percentage gain in such income for the United States. Personal income for the United States rose from \$189.1 billion in 1947 to \$324.3 billion in 1956, a gain of 71.5%. For the six states, personal income rose from \$14.6

*An address by Mr. Raisty before the Southern Trust Conference Sponsored by American Bankers Association's Trust Division, Atlanta, Ga.

billion to $26.6 billion, a gain of 82.8%. Alabama's percentage gain for the period was 64.9%; Florida's, 128.3%; Georgia's, 79.8%; Louisiana's, 90.9%; Mississippi's, 46.7%; and Tennessee's, 64.5%. Three of the states, namely, Florida, Georgia and Louisiana, had greater percentage gains than did the United States.

Although the South has registered a greater percentage gain in income than has the United States, the region still has a considerable deficiency gap to overcome. Per capita personal income for the United States in 1956 was $1,940. No state in the six-state group has yet reached the national level. Florida, with $1,762, came closest to the national average of $1,940. Georgia with $1,400 and Louisiana with $1,444 were next closest in the group to the national average. Tennessee had $1,317 and Alabama $1,229. Mississippi, with $964, was the farthest from the national average.

These gains in income in the South are especially noteworthy, for the area had been badly outpaced in the advances achieved by the nation. In 1930, the six states had per capita income of $312 against the United States figure of $624, or exactly 50% of that of the nation. In 1956, the per capita income for the six states was $1,387, which was 71.4% of the nation's average.

This gain in income has come from three principal developments: (1) a shift of the working force from less productive types of work to more productive types of work; (2) heavier capital investment; and (3) increasing efficiency of the labor force.

Until recent years, most of the South's factory workers were employed in textile, lumber, and apparel manufacturing, all having low productivity per worker. In more recent years, the six states' industrial growth has been in types of manufacturing with relatively high productivity, namely, new or expanded automobile plants, pulp and paper mills, artificial fiber plants, aircraft industries, chemicals and allied products, fabricated metals, electrical machinery equipment and supplies, and oil and gas processing.

Expanding Financial Resources

Third, in the rate of growth in financing resources since World War II, the six states have outstripped the nation. In 1947, bank deposits in the Sixth District states amounted to $8.4 billion. At the end of 1957, they amounted to $13.9 billion, or a gain of 65.2%. The gain for the United States from 1947 to 1957 was 41.5%. All states in the group with the exception of Mississippi experienced a gain in bank deposits for the ten-year period that exceeded that of the nation. Alabama had a gain of 45.9%; Florida, 127.1%; Georgia, 42.3%; Louisiana, 72.1%; Mississippi, 40.3%; and Tennessee, 44.1%.

In bank debits, the six states from 1947 to 1957 had a gain of 176.5%, while that for the United States was 134.8%.

There is, of course, still a wide gap between the financial resources of the six-state area and those of the United States as a whole. As the region achieves greater resource utilization and expands its manufacturing activities, its financial resources may be expected to rise. The region's long-time preoccupation with intensified farm cultivation, associated with cotton and tobacco raising, has been an important contributor to the relatively low financial status of the region. Now that the region's pace of industrialization has quickened, this gap should be steadily narrowed.

Strides in Agricultural Income

Fourth, in agricultural income, the Sixth District has made a greater percentage gain than has the nation. In 1956, total cash farm income in the Sixth District states wa[illegible] that of 1947. The gain for the nation, in contrast, was 2.3%.

A massive change has been taking place in agriculture. In relation to general economic developments from 1933 to 1957, the Department of Agriculture estimates that United States farm population decreased from 32,393,000 to 20,396,000. In this period, the farm population dropped from 26% of the total to only 12%.

We all know that the small farm is giving way to the large farm, which is becoming highly diversified and mechanized. Associated with this change has been the new emphasis upon livestock, poultry, and forest products, giving the region gains that tend to offset its loss of productivity occasioned by acreage restrictions on cotton, peanuts, tobacco, and corn.

Currently, a larger farm output for the region is in prospect for 1958. It is anticipated that livestock and poultry products will rise in response to favorable prices and a gain in production efficiency. District herds and flocks are about the same size as those of last year, and with feed prices down, District farmers should produce more livestock and poultry. Other than cotton, District farmers plan only a small cut in their planting acreage—about 2% fewer acres of the principal crops.

Not all communities will benefit eq[illegible] the expected rise in total farm output. This year, as in 1957, farmers' participation in the Soil Bank will lower crop marketings in some places, especially in Mississippi and South Georgia. Better yields, of course, could partially offset the effect of larger participation in the Soil Bank as could larger livestock marketings in Alabama, South Georgia, and Tennessee.

Increased Share in Manufacturing

Fifth, the region has sharply increased its share in the nation's manufacturing activity. From 1947 to 1955, value added by manufacture for the United States gained 76.6%. The gain for the six states for the period, in contrast, was 99.2%. With the single exception of Alabama, each of the six states had a percentage gain greater than that of the nation. Florida had a spectacular gain of 196.0%. Louisiana and Tennessee each had a gain of 101.6%; Georgia's gain was 90.6%; Mississippi's, 83.7%; and Alabama's, 71.5%.

In electrical power production, the District has registered a striking achievement. In 1947, the six states produced 25,806 million kilowatt hours. In 1956, the production was 82,513 million kilowatt hours. This is a gain of 219.7%. The gain for the nation, in contrast, was 134.8%. By in-

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A Pattern for Atomic Power

By HON. CLINTON P. ANDERSON*

Senator (Dem., New Mexico) of the United States
Vice-Chairman, Joint Committee on Atomic Energy

Proposed pattern of atomic power development by Senator Anderson envisions expansion of civilian nuclear power program involving $1.3 to $1.5 billion over a five to seven year period; involves 21 reactors of different types; includes extension of capital subsidies to both private and public power companies on basis of existing 4-to-1 ratio between conventional private and public power, with grants not to exceed 90% of estimated difference between nuclear and conventional plants of same output, and calls for a burying of the hatchet between AEC and the Joint Committee. The atomic "watch dog" of Congress explains the purpose of Joint Committee, terms public and private power issue as a "phony," and makes clear the purpose of Federal Government's role.

At a recent meeting of the Washington Press Club, my talk dealt with the investigative and policy forming roles of the Joint Committee. This was in connection with the plutonium supply problem. This is not the occasion to repeat what I then said but we should not let the press of other items persuade us to forget that in September of 1956, in August of 1957 and on May 9, 1958, the Joint Chiefs of Staff have recommended that additional supplies of plutonium be made available—and up to this hour, nothing gets done.

Clinton P. Anderson

I want to continue with some consideration of our policy functions and also touch on our informational role. I regret that neither the Chairman nor other members of the Committee, including myself, could attend the Nuclear Energy Writers Association's meeting last fall. But from what I heard afterward, perhaps it was just as well. The country was in a fit of anxiety with the Soviet Sputniks. And the atomic power industry was in the depths of gloom as to its status and prospects. It was becoming apparent that the so-called "firm" orders for atomic power plants, such as in Latin America, Italy, and Japan, were no better than the paper of the press releases on which they were written. The situation was as bad domestically with not a single atomic power plant ordered up to that time in 1957.

All the atomic industry was receiving from the AEC at that time was the same old pap that everything was all right, and that anyone who recommended greater government support of atomic power development was a "socialist" or public power advocate. On the other hand members of the Joint Committee were upset that there needed to be a wrangle over the safety of the Detroit Edison project, and over the unsuccessful attempts of the Committee to accelerate the atomic power program.

It was not unexpected that some of this controversy would rub off on writers. And, as I say, it is just as well I wasn't there. For I probably would have said, "I told you so!" And I also probably would have said that things might get worse before they got better.

Finds Progress Has Been Made

We can all be pleased that it now appears we may be able to look over the hump, even if we may not be quite over it. In several ways which are above and beyond changes in personnel, we have made progress since last fall! Thus during the last six months the technical results of the five-year experimental reactor program sponsored by the Joint Committee were increasingly beginning to be felt. Results from the Argonne boiling water experimental reactor have looked promising, the organic moderated experiment has been showing favorable results, and the Shippingport atomic power plant—our first full-scale project—went into operation without a hitch.

Out of the soul searching of last fall has also emerged a better diagnosis of our ills. The reports by the American Assembly, and the National Planning Association, the surveys by Nucleonics and the Atomic Forum, and the seminars by the Joint Committee and AEC, all helped reveal what ails the industry.

The results of these surveys all indicated what a friend of mine always attributed to fishing. When things got rough he would say that there was nothing wrong with him that a big fish wouldn't cure. It could be that while costs of current from atomic plants still seem to be sky high, there may be nothing wrong with the atomic power industry that a few big orders wouldn't cure. The more we build, the quicker we will learn.

Thus our big problem is volume. Or putting it in more academic terms, the findings of the surveys and seminars were that the problems were primarily technical and financial, that is to say that it was not possible to jump from a reactor experiment to a large-scale demonstration of economic power. Rather it was concluded that it will be necessary to support several "generations" of intermediate and full-scale reactors of the same type before the economic value of the reactor concept can be determined.

Taken a Different Direction

Since the head shaking of last fall several other factors affecting the industry have also become manifest. The first is that the projects have taken on more of a research and development character, with the building of plants of a first generation type and of an intermediate or small size. Second is that the number of new projects has fallen almost to nothing.

The pattern that has emerged here in the United States in the past year is in marked contrast to that which is occurring abroad. In England in their expanded program, they are constructing large-scale reactors of up to 250,000 kw per reactor and 500,000 kw per station. In Soviet Russia they are also apparently constructing large reactors up to 200,000 kw per reactor and 400,000 kw per station.

We have, I am sure, made some progress since last fall in coming up with remedies for our ills. As you know, Chairman Durham initiated a series of informal discussions with the AEC to develop mutually acceptable objectives and a program to carry them out. In all, four meetings were held between the Committee members and Commissioners, and about a dozen meetings more between the AEC General Manager and our Executive Director plus their respective staffs.

The results of these discussions were revealed, in part, in the recent hearings held by Chairman Chet Holifield of our Legislative Subcommittee. As you know, AEC stated some fairly firm objectives for the program, on which there can be little argument. These were as follows:

(1) To achieve economic power in this country in 10 years.

(2) To achieve economic power abroad in five years.

(3) To fortify U. S. leadership in atomic power development.

The Commission also outlined a broad technical program, including a number of reactor prototypes and full-scale reactors for development and construction in the period 1959-63.

All things considered the AEC long-term program statement represented a genuine step forward, and attempted to be responsive to suggestions by the Joint Committee. But the Joint Committee quickly found that the program has significant limitations. For example, AEC has the right to discuss but not the right to determine. Overriding authority is still with the Bureau of the Budget and after the AEC had discussed favorably—I do not say agreed upon because the discussions were always regarded as tentative — various projects, the Bureau of the Budget cut them out from the authorization request for Fiscal 1959. Moreover, the statement did not contain any measure of the monetary level of effort contemplated for the program for the five-year period. Finally the program merely provided for a continuation of another round of the power reactor demonstration program, though it indicated that under some circumstances the AEC might construct experimental prototypes and other reactors where private industry did not do so.

It is unfortunate that the Joint Committee did not have an opportunity to finish its discussions with AEC on the long-term program and particularly the policies on the power reactor demonstration program. Most of the discussions were concerned with the 1959 facility projects, the plutonium buyback policy, and Euratom. In any event, I hope and understand that these discussions will be resumed.

Indeed it is my hope that out of these continued discussions may come a genuine pattern for atomic power development which the AEC can sponsor and the Joint Committee can support. In my opinion many of the ingredients are already in the AEC program statement.

Joint Committee Independent Contribution

However, in accordance with our tradition the Joint Committee also wishes to make its own contribution as it did in the hydrogen bomb development. To that end, the staff was instructed to prepare a draft report based on its discussions with AEC, and also to secure the informal advice of a representative panel of reactor experts and industrial engineers. For this purpose the following representatives participated:

Dr. Walter H. Zinn, President, General Nuclear Engineering Corp.

Dr. Henry de Wolf Smythe, Chairman, Board of Scientific and Engineer Research, Princeton University.

Dr. Chauncey Starr, President, American Nuclear Society, and Vice-President, Atomics International.

Mr. Titus LeClair, Manager, Research and Development, Commonwealth Edison Co., and

Mr. James Grahl, Director, Atomic Energy Service, American Public Power Association.

I feel sure that the Joint Committee can work cooperatively with the AEC in coming up with a mutually acceptable program.

One of the things the Joint Committee can contribute to the program statement is an analysis of some of the problems besetting the industry. AEC understandbly did not exactly stress how it got into its current fix. I believe confession is good for the soul, and hope AEC will agree.

Another thing that the Committee can suggest is a more definitive statement of reactor projects for design and construction in the next five to seven years. It is rather remarkable that there is really little disagreement as to the projects which should be undertaken in any expanded program. Thus one has only to compare the Joint Committee Report of two years ago with the Task Force Report of the Edison Institute, and the AEC statement of June 4. I have attached an appendix to this paper which bears a resemblance to them all, and which just might be what the Joint Committee is considering.

21 Reactor Projects

The scope of the expanded program, as described in the appendix, would include about 21 reactors of diversified types, including nine of large size, four of intermediate size, three of small size and five reactor experiments. It is expected that only about a half of the 21 projects would actually be constructed after design and feasibility studies are completed.

One would think that the disagreements might come as to the scale and pace of effort. But that was not the case in our original discussions with AEC which were held before action by the Bureau of the Budget. It is interesting that our Panel of advisors confirmed the level of effort which we had originally discussed with AEC. In each case the method used for calculating the amount was different, but the level came out roughly the same.

Our estimates show total expenditure of about $875,000,000 of capital and operating funds would be needed for the expanded program for five to seven years. This would average $125 million per year over seven years. In addition there would be the $100 million annual base program. Thus the total civilian program would cost approximately $1,300,000,000 to $1,500,000,000 over a five to seven year period. This is truly atoms for peace at home and abroad and is not very much when one takes into account the billions spent on the military. It would cost less than trying to send a manned space vehicle to the moon, and, I believe, would win us far more in world interest and esteem.

A further matter to which the Joint Committee is addressing itself are the policies of the Power Reactor Demonstration Program. Congressman Holifield in his opening statement on June 4, called attention to the need for positive AEC direction of this program. Instead of the current "laissez faire" system whereby AEC remains "willing to consider

*An address by Sen. Anderson before 4th Annual Meeting, Nuclear Energy Writers Assn., New York City, June 18, 1958.

any proposal" for a plant, and then haggles for the next two years, the Joint Committee has suggested that AEC designate the specific project it intends to support. AEC would be expected to obtain prompt proposals for detailed design and construction of the project, and if a bona fide and satisfactory proposal was not received or negotiated, then AEC would proceed with construction under contract. If you seek a program which moves, that will do it.

In addition to constructing plants which private industry does not want to build, some of us on the Joint Committee also consider it appropriate to authorize AEC to construct first generation experimental prototypes without necessarily going through the laborious process of soliciting proposals, waiting for turn downs. The gas cooled reactor is a case in point.

As well as providing suggestions on policy and program, the Joint Committee may also point out the need for somewhat less definable ingredients in the program. One of these is imagination. An example is the process steam reactor problem. The Joint Committee expressed interest in this type of development several years ago. AEC in response to questioning indicated mild interest in the subject. But to date AEC has not even carried on a feasibility or design study, nor considered the economics of specific applications. It could well turn out that the types of assistance required for process steam reactors are different than for the electric power reactors.

Of course, imagination may be carried too far. I have reference to speculation on the generation of power based on the heating of rocks from underground explosions. The Rainier underground test threw cold water on this concept. Considerable imagination was also required in getting up AEC's list of reactors constructed, planned, and dreamed about, which has been trotted out each year.

Performance as Well as Claims

A further, and more important, characteristic needed for an accelerated atomic power program is both drive and determination on the part of the AEC to see that the objectives we all agree upon are carried out successfully. This will be a difficult task initially in view of the changes in personnel. But it is not insurmountable, if the will to accomplish it is present.

However, with all the necessary drive and determination in the world, it still may not be possible to come up with a "realistic and well balanced" atomic power program which the Joint Committee called for. The program may never get off the ground because the amount and types of financial assistance provided for under the power demonstration program are simply not enough for private groups and public organizations to make a go of it. The gap between the cost of a conventional plant and a nuclear one may still be too large to be bridged by research and development assistance alone. If so, we should face up to that reality and find the means to do what needs doing.

AEC for its own reasons has not faced up to this fact except in relation to the original plutonium "buy-back" proposal. The Joint Committee raised the question of other possible assistance in lieu of the "buy-back." But AEC to date has not indicated a serious interest in discussing alternatives.

Capital Subsidy to Private Operators

As a means of encouraging consideration of possible solutions to our dilemma, I would like to suggest one alternative which follows along the lines of some of our discussions of last year. Why shouldn't we encourage private and Government plants in the manner best suited to get reactors built and operated for research and development purposes? This would mean some sort of a capital subsidy to private operators, and an extension of the second round for public and co-op owned systems. To this end we might consider application of some sort of an equitable ratio of support to private and public plants in a manner which will promote research and development.

More specifically my proposal would work something like this:

(1) This demonstration program would apply only to "second generation" of reactor projects designed by AEC from the approved list of desirable projects for the period 1959-63.

(2) Assistance to private groups would not only include research and development assistance and waiver of use charges as presently provided under the third round, but also include a contribution in the form of a grant perhaps not to exceed 90% of the estimated difference between the cost of the nuclear plant and a conventional plant of the same output.

(3) Assistance to public and co-operative power organizations would follow along the lines established by AEC in the second round, with the AEC responsible for construction and ownership of the reactor and the public body responsible for construction of the turbo-generating facilities and eventual operation of the entire plant. AEC would provide steam from the Government reactor to the public body at the cost of conventional steam from a comparable fuel fired plant. This in simple terms is the Elk River, Piqua (Ohio), and Nebraska Public Power formula.

(4) AEC financial assistance would be made on an equitable porportion as between private and public organizations in a manner so as to promote design and construction of second generation

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Bankers Detect Improvements In the Second Half of This Year

Semi-annual national and regional survey by bankers' group on economic outlook reveals generally optimistic view of improvement for the second half of 1958. While fast recovery is not expected, bankers indicate better than ever ability to take care of credit needs for active business period.

The nation's bankers, notably cautious about forecasts, feel that the economy in the second half of the year will be stronger than in the first half. A summary of bankers' generally optimistic views was issued June 27 with the publication of the results of the semi-annual survey conducted by the Credit Policy Commission of the American Bankers Association. Bank executives in all sections of the country responded to the comprehensive survey questionnaire.

William F. Kelly

"Bankers generally seem to feel that the first half of 1958 provided the basis for a start toward recovery in the second half," the survey summary noted.

"There are some exceptions to this moderately favorable view," it added, "but even the doubters do not expect any serious worsening of the situation. Banking opinion definitely leans toward the belief that the readjustments that have already occurred have paved the way for some improvement.

"Extremely significant is the prevailing view on one point—that the worst is over and the remainder of the year will see either a leveling-off or the beginning of an upward trend."

William F. Kelly, President of the First Pennsylvania Banking and Trust Company of Philadelphia, is Chairman of the ABA's Credit Policy Commission.

Excerpts from the summary of the survey, by Federal Reserve District, follows:

Boston: A very slight pickup in business activity is expected; consensus is that the bottom of the recession has just about been reached. Manufacturers', wholesalers', and retailers' inventories are in good balance. A modest increase in most classifications of commercial loans is likely; appliance, automobile, and real estate loans may decrease moderately. A slight increase is anticipated in home, commercial, and industrial construction; public construction will continue firm at high levels. Interest rates on commercial loans are expected to soften. Consumer credit rates will remain stable. Rates on home construction loans will probably remain stable, but rates on commercial properties will decrease slightly.

New York: Sentiment on the business outlook has strengthened, but the most that is anticipated is a gradual recovery, probably beginning later in the year, with activity remaining considerably below year-ago levels. The recent marked decline in inventories, especially manufacturers', is expected to continue at a more moderate pace. Wholesalers' and retailers' inventories are considered to be generally balanced and at fairly manageable levels, with the exception of those in automobiles and some other durables. Total commercial loans are expected to increase slightly during the second half. Consumer and personal loans are expected to increase moderately. New York City banks see little change in real estate loans, but out-of-town banks expect an upturn. Residential construction is expected to improve, but commercial and industrial construction may decline, and public construction probably will level off. Interest rates on commercial loans may ease, but only slightly. Consumer loan rates will probably hold, but real estate loan rates will decline.

Philadelphia: Outlook for principal industries varies from poor to good. Capital goods industries now have an excess capacity condition, but consumer goods industries are in good condition. Little change is foreseen for overall business prospects. Inventories in most lines are generally down from last year and are considered to be nearly normal. Demand for most commercial loans is expected to hold at present levels. Consumer, personal, and real estate loans may rise. No significant change in interest rates is expected, except for a possible slight decline in real estate loan rates. A slight increase in multi-family dwelling and public construction is possible, but little change is expected in commercial and industrial construction.

Cleveland: Consensus is for a moderate improvement in business in the fall. A higher steel output is expected, along with increasing auto parts output and greater defense goods production, but no improvement in machine tool business is likely. Inventory levels for manufacturers and wholesalers are reported as not excessive and continuing to decline. Retailers' inventories are normal. The trend of bank loans in the area for the second half is expected to be moderately lower than the same period last year. Smaller multiple-family dwelling construction may rise moderately, and public construction is rising. Commercial and industrial construction is likely to decline. Not much change is foreseen in interest rates generally, although pressure for decline in commercial loan rates is likely.

Richmond: Majority view is that the business outlook is more favorable for the second half than in the first. Cotton and tobacco processing are on the increase and agriculture is improving. Coal mining is having an unfavorable year, with consequent adverse effects on railroads. Chemicals and furniture manufacturing are down slightly. Manufacturers' and retailers' inventories are generally in line with volume. Wholesalers' inventories are tending toward reasonable relationship with sales. Commercial loan trends point to a slight increase, mostly seasonal, late in the year. Consumer loans may rise slightly, as will personal loans and real estate loans. Home construction is expected to improve. Little change is expected in commercial and industrial building, but slum clearance and school and highway building is expected to improve the public construction picture. No change is foreseen in consumer credit interest rates; but rates on commercial, real estate, and agricultural loans are likely to decline.

Atlanta: Generally, business has not been severely affected in this area because of the relatively little dependence on heavy industry. Consensus is that the bottom has probably been reached, and a slow upturn is expected. Inventories are reported in balance with sales for the most part, although wholesalers and retailers report excess inventories in automobiles and appliances. Trend in bank loans points to lower level than a year ago but improvement in the last quarter. No change is anticipated in home construction, but some increase is looked for in commercial, industrial, and public construction. The prospective trend in interest rates is expected to be unchanged for consumer loans, slightly down for real estate loans, and probably down for commercial loans.

Chicago: Bankers generally agree that the worst is over and that general business conditions should improve in the last half. Chicago predicts increased activity in steel industry; Detroit sees only fair improvement in steel and automobiles. Iowa expects better business, with increasing agricultural prosperity. Manufacturers' inventories generally are lower than a year ago, although farm equipment, tire, and canning companies still have heavy inventories. Wholesalers' and retailers' inventories are termed normal, except in automobiles and appliances. Commercial loan demands are expected to rise seasonally in late summer. Consumer loan trend is expected to be down. Personal loans may increase slightly, as may real estate loans. Outlook is promising in residential, commercial, industrial, and public construction. Interest rates are expected to hold firm in consumer and commercial loans, with some softening in real estate loan rates.

St. Louis: The trend of bank loans for the last half will show a continued backing and filling when compared with present levels. The recession has been slowed, if not halted, and an upturn in economic activity is expected. Bank loans continue to move lower, but a seasonal uptrend is expected in agriculture and automobile assembly. There is evidence of a slight increase in nonfarm home construction, and it is expected that the increase will continue until the winter months. Public construction of highways, streets, schools, and other public buildings will continue at present levels or increase. Capital expenditures will be lower than for the same period last year. Inventories are down slightly for manufacturers, wholesalers, and retailers, except automobile dealers. Interest rates will continue at present levels or move slightly lower.

Minneapolis: Business outlook in this area is good, as its prosperity is strongly influenced by agriculture. Crops were good last year and prospects are good this year. While the mining industry is expected to operate at 60 to 65% of 1957 capacity, some upturn is expected in the second half. Inventories are considered normal and in good condition. Some upturn is expected in commercial, consumer, personal, real estate, and agricultural loans. Modest increase is expected in one-to-four-family dwelling construction and in larger residential buildings. Public construction is expected to continue upward. Commercial and industrial construction is expected to improve in western part of area, decline in eastern. Interest rates on consumer, real estate mortgage, and agricultural loans will probably hold firm, but the commercial loan rate may move down slightly.

Kansas City: Bankers call the outlook for the second half excellent, because of the improved agricultural and cattle situation. Wheat states are beginning to harvest one of the largest crops in history at favorable prices, and livestock prices are high. Retail business is good. Inventories are reported still relatively high for wholesalers but in fair balance for retailers. Most manufacturers have slowed production to some extent. A slight decrease is likely in commercial and consumer loans. Real estate loans may be down slightly, but agricultural loans will probably rise. Residential construction is expected to continue at its present rate, and the trend is upward in public construction. Commercial and industrial construction may be down. Interest rates in most classifications are lower.

Dallas: General outlook for business during the second half is good. Agriculture is doing well, and the petroleum industry situation is improving. Inventories for the district as a whole are in reasonably good balance. The trend in bank loans generally is expected to be upward, with slight increases likely in commercial, consumer, personal, and real estate loans. The trend in appliance and automobile loans is favorable. The forecast for one-to-four-family dwelling construction is favorable. Volume of commercial and industrial building is expected to rise moderately, and public construction will probably continue at present satisfactory levels. Interest rates on commercial loans are softening, and real estate loans are expected to decline somewhat. Consumer and agricultural loan rates are expected to hold.

San Francisco: In the Washington, Oregon, and Idaho area, business is expected to continue at about the same rate as in the first half. Lumbering and food products industries are lagging, although the forest industry shows signs of improvement. Agriculture appears to be in a strong position. In Arizona, Nevada, and Utah the downturn shows signs of leveling, and respondents are cautiously optimistic. In California business conditions are expected to improve in the second half. Agricultural income is likely to be higher. Washington, Oregon, and Idaho report generally satisfactory inventory positions in most manufacturing industries and wholesale and retail firms. Some lumber and some food product items are running at a higher rate, but these inventories are gradually being reduced. Arizona, Nevada, and Utah report inventories normal to lower in manufacturing and wholesale areas, with retailers' inventories stable to up. In California, with the exception of auto dealers, the inventory situation is called generally satisfactory, with moderate liquidation taking place.

In Washington, Oregon, and Idaho some increase is expected in commercial, real estate, personal, and agricultural loans, but a decrease is expected in consumer credit. Because of diversity of opinion, no trends are evident in Arizona, Nevada, and Utah. In California some increase is expected in commercial, consumer, real estate, and agricultural loans.

Residential construction in the Northwest is running ahead of last year, although commercial and industrial construction is down except in Portland and Seattle. Public construction is running at a good rate. All types of construction in Arizona, Nevada, and Utah are good and expected to improve in the second half. In California one-to-four family dwelling construction is expected to increase. Commercial and industrial construction is up in San Diego, unchanged in Los Angeles, and down in San Francisco. Public construction in all areas of the state is expected to continue at a good rate.

Interest rates, district-wide, are expected to continue steady, although some easing may be in prospect.

STANY Obtains Favorable Ruling on Non-Tax Liability on "Give-Ups" by Dealers

Association's Action Committee successfully protests N. Y. State stock transfer tax levied on brokers relaying information of offer and acceptance to contracting parties as a courtesy to customers.

Text of memorandum issued by Stanley Dawson-Smith, Secretary of the Security Traders Association of New York's Action Committee, announcing favorable tax ruling, follows:

"In recent months a number of security firms have received transfer tax bills from the New York State Department of Taxation and Finance for 'give-ups'*, despite the fact that such firm had no financial interest in the transaction and received no benefit other than the goodwill of the parties who had executed the trade.

"The matter was called to the attention of STANY and as a result the following Action Committee was appointed to take all appropriate steps to obtain a more reasonable and realistic interpretation of the law.

Cyril Murphy (Chairman), John C. Legg & Co.
Stanley Dawson-Smith (Secretary), Cruttenden, Podesta & Co.
Philip Chasin, Bank of North America
P. Fred Fox, P. F. Fox & Co.
Joseph Krasowich, Gregory & Sons
Thomas Larkin, Goodbody & Co.
John F. McLaughlin, President of STANY
George Rieber, NASD
Bernard Tompkins, Counsel, Tompkins & Lauren
Colonel Oliver Troster, Troster, Singer & Co.

"It was determined at the preliminary meeting that this matter should be fought through the courts if necessary, and Senator Bernard Tompkins, of the firm of Tompkins & Lauren, counsel for STANY, was engaged as attorney. The members of the Committee volunteered to raise the funds which might be necessary for the proceedings to follow. It was agreed, however, that the first step would be to obtain a formal ruling from the Department before resorting to court litigation, and several meetings were held with the General Counsel and other representatives of the Department of Taxation and Finance at which the arguments to support the industry's position were submitted.

"As a result of our action, we are pleased to announce that the Department has issued a favorable formal ruling reversing its previous position. A copy of that ruling is forwarded herewith for your information. It is suggested that the appropriate persons in your firm be made familiar with this official interpretation on the non-liability for taxes in the matter of 'give-ups.'

"STANY is pleased to submit this information to you as another instance of its initiative and leadership in the industry.

"THE ACTION COMMITTEE
"Stanley Dawson-Smith, Secretary"

*Term used where a firm acts solely as an intermediary in a transaction actually effected by two other firms.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued to forge into new high territory for the year but bumped into a bit of difficulty when the industrial average ran into the 481-83 area.

* * *

The temporary setback was more or less inevitable after this particular barometer had carved out eight advances in a row. And, so far at least, it was a restrained setback as traders took profits without any urgent selling showing up. For the rails, which had been a bit laggard as the industrials moved to the highs for the year, the pause in the senior section was the signal for them to move to their best posting of 1958 but without any fanfare to it.

Snag in the Low-Priced Section

Some of the low-priced items that have been so prominent recently and had been carried to vulnerable levels by the speculative enthusiasm were a bit reactionary, notably Servel which was clipped back hard by a bit of pressure when some unexplained snag developed in its merger discussions with Hydril Co., a West Coast oil drilling equipment company. Servel currently is a corporate "shell" consisting mostly of the cash it received after sale of its assets.

* * *

Similarly there was a spirited runup in Foster Wheeler and a sudden collapse in Fluor as, first, rumor mergers were confirmed and quickly bumped into a snag.

* * *

Chemicals alternated on strength and easiness which didn't add up to much decisive. Reichhold Chemicals, which has been something of a sensation in its persistent runup, was given to running higher and bumping into heavy profit-taking even within single sessions that turned it definitely erratic more times than not.

* * *

Oils had a good share in hobbling the market when several large blocks of the Standards of Jersey and California and of Socony came out as secondary offerings. The group retreated cautiously in advance but took new heart after the blocks, ranging up to a quarter million shares of Jersey, were placed speedily.

Increased Caution

There was a bit more caution around, mostly because the market's good action through June in tacking on some 40 points in the industrials brought it close to the target area of 485-90 which was about all that was expected of the market generally until there is more evidence that a spirited fall recovery in business is in the cards.

* * *

First half earnings reports will be in full flood shortly and generally aren't expected to make for much pleasant reading, moreover. And summer slowdowns are a current feature of industrial activity so the basic ingredients aren't those that call for any market excesses. It was, in fact, getting quite general for market students to concur that the summer rally peak this year probably will be reached early in the season rather than late next month, as has happened in some of the recent years. Last year's peak was an early summer affair.

* * *

There was some disappointment in market circles that the rails didn't join in more enthusiastically in their turn at bat, particularly since there are cases where the market prices by various yardsticks were definitely at bargain levels.

Interesting Rail

Illinois Central, which was quick to pare its dividends when earnings started to fall, nevertheless has offered a yield recently that approached 6% on a dividend already halved and believed to be at the bottom since it represents less than a 50% payout of projected 1958 earnings.

* * *

Illinois Central has been one of the more conservative rails in its dividend payout and, as one source noted, earned $76 in the decade to last year while paying out only $20.25 to holders. Earnings last year came to $5.06 against $7.66 the previous year and the payment was speedily cut back first to a $3 rate and then to the present $2 basis, half of its $4 rate in effect earlier. This rather drastic trim is despite projections of earnings this year that would cover the $2 rate more than twice over.

* * *

The fact that an interim fare increase has been granted and another increase is possible this year served to revive interest in the airlines which have been anything but prominent in investment interest for some time. Regulatory authorities have become more liberal in their appraisal of the needs of the airlines and some, like United Air, already have set up their financing requirements for the transition to jet service. In the case of United, it ran into the red by a small amount in the first quarter, only one month of which represented operations with the higher fares and considerable improvement is expected for the June quarter reflecting the increase. Some estimates are that even without a new increase the present level would enable the line to jump earnings a dollar or so a share over the $1.41 reported last year.

Oils Championed

Oils, while they have occasional troubles as in other divisions, still have as strident a group of champions following them as any other major group. Currently the sport is in culling out those that have had sharp earnings squeezes and, hence, an equally sharp rebound is possible. One such is Tidewater which just escaped a red ink entry in profits for the first quarter, a setback that was more drastic than for the well integrated companies. In the company's favor is the fact that the last units of its new eastern refinery weren't placed on stream until late last year and the remodernization of its California refinery was completed only recently, both of which could help bolster Tidewater's future results.

* * *

Another facet peculiar to Tidewater is its tieup with others in the so-called Getty group where hopes persist that amalgamation is due in time with all the benefits of a simplified structure and resultant economies, plus the attraction of a single, new oil colossus. Mission Development is mostly a holding company for Tidewater stock and is, in turn, nearly half owned by Getty Oil which already has moved toward simplification by offering to exchange Getty stock for that of Mission. Also involved in the somewhat complicated structure is Skelly Oil, another operating company affiliated with Getty. The Getty exchange hasn't been very well accepted by investors and the offer had to be extended. In time, however, it is felt that all the units can be consolidated under favorable terms to wipe out the various statistical discounts of such interconnected holdings. At present it is difficult for an analyst to pinpoint whether the discount applies to the stock holdings, the operating efficiency or to the proven reserves of a unit enmeshed in the web.

[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.]

Northern States Power 4% Bonds Offered

Public offering of $30,000,000 Northern States Power Co., (Minn.) 4% first mortgage bonds due July 1, 1988 was made yesterday (July 9) by an underwriting group headed by Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co., and White Weld & Co. The bonds are priced at 100% plus accrued interest. The offering group on July 8 bid 99.39% for the issue.

Part of the net proceeds from the sale of the bonds will be used by Northern States Power to refund $18,000,000 principal amount of outstanding 5% first mortgage bonds due Aug. 1, 1987. The balance of the proceeds will be added to general funds of the company and used in connection with its construction program.

The bonds will be redeemable at the option of the company at any time at prices ranging from 104% to 100%. They also will be redeemable for the sinking fund at 100%.

Northern States Power and its subsidiary, Northern States Power Co., (Wisc.) furnish various utility services, principally electricity, in central and southern Minnesota, including the cities of Minneapolis and St. Paul, west central Wisconsin, and parts of North and South Dakota. Consolidated revenues in 1957 totaled $147,918,000 and net income was $21,162,000. The ratio of the year's earnings to fixed charges was 7.68.

C. F. Aufderhar With Goldman, Sachs & Co.

Charles F. Aufderhar is now associated with Goldman, Sachs & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, as a member of the sales department.

Mr. Aufderhar, formerly with the Savings Banks Trust Company for 25 years, and served as an officer of that organization's investment department. He is a Past President of The Municipal Forum of the City of New York and is currently a member of the board of directors of the San Francisco Giants Baseball Club.

Keller Co. Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Francis X. Veader has been added to the staff of Keller & Co., 31 State Street. He was previously with Wall Street Planning Corporation.

Space Flight and Science in The Most Advanced Industry

By GEORGE S. TRIMBLE*
Vice-President, The Martin Company

Martin official describes the Vanguard as the most advanced rocket in the world today, and directs attention to his firm's revolutionary solution to deficiencies in fundamental knowledge which involved employment of free enterprise to basic research in setting up a wholly owned profit-making subsidiary, R. E. A. S., with basic research as its sole end and knowledge obtained as its saleable product. Mr. Trimble explains why the unique perfection-goals of air plane, missile, electronic, servo-mechanism and nuclear business requires emphasis on seemingly unprofitable advanced efforts that lead to producing the world's best machines and, hence, need for basic research, to help make operations a profitable success.

The industry of which we are a member differs in several ways from the accepted pattern for American industry. For example, although we are constantly competing with each other as well as members of other industries, our real competitor is Russia. We cannot obtain samples of his products to analyze and hence must assume that they are as good or better than ours. This places extreme emphasis on the performance and suitability of our products. We cannot afford to compromise our design for any reason whatever, if such action might make our machine less than the best in the world. We cannot afford to build a pretty good intercontinental ballistic missile. It has to be the best. Perhaps you can see from this why it is so difficult for a company like ours to mix military and commercial products.

G. S. Trimble, Jr.

Similarly, you can see that we must embrace change in our industry. We must constantly strive to change our product to obtain improved performance as we learn more from our research efforts. Such a philosophy is foreign to the idea of mass production of a standardized machine. As soon as an idea for improvement has been developed to the point of probable success, we must incorporate it in the product. We cannot shelve it and wait to see what the competition will do on next year's model. Nor can we conduct market surveys to see what the customer will accept.

Because of these things, it would be foolish for us to concentrate too heavily on fractional cost cuts in detailed manufacturing areas as is so often true in the usual industrial case. Rather, we must concentrate in tools and processes of extreme flexibility. For all we know, next year we may need to use an entirely different metal to obtain the best performance.

The factors that make our operation a success and hence return a profit are similar to the ones you are in the habit of considering, but the balance and emphasis are profoundly different. We do not so much make our profit on the little efficiencies of today's operation as we do on the seemingly unprofitable advanced efforts that will lead to our being able to produce the world's best performing machines of the future. This is why we are interested in basic and applied research.

*An address by Mr. Trimble before the 7th Annual California Group Conference Investment Bankers Association of America, Santa Barbara, Calif., June 30, 1958.

Places Great Hope in Vanguard

This is why we are willing to undertake a program such as Vanguard. We are building a base for our future. In my opinion, Vanguard is the most advanced rocket in the world today. Despite all reports and implications to the contrary, Vanguard will place five to ten times as much weight into orbit per pound of take-off weight as any rocket now considered operational and several that have not yet reached final test phases. In fact, most of the latest vehicles of high performance still to be tested are using Vanguard techniques and in several instances, actual major components and assemblies. Poor little sophisticated, temperamental, cranky (to use some terms from the press) Vanguard happens to be the first of the high performance rockets of the future. What we have learned and will continue to learn as we fire more of them will result in higher performance, more reliability, and cheaper rockets no matter who builds them.

It is rather unfortunate that the American public were permitted to believe that Vanguard would be as reliable as your watch or the Golden Gate Bridge. I suppose it couldn't be helped, but the important point to us is that through Vanguard we have learned how to design, manufacture and operate a rocket of extremely high performance. This is an asset of great magnitude and it will show up in Titan, the intercontinental ballistic missile we are developing for the Air force in our Denver facility.

This explains why folks in our industry will undertake seemingly unprofitable ventures requiring years of effort from their most talented people. They are building a base for the future.

To us, Vanguard represents an applied and development research project. There is a more abstract form of research called basic research. In this effort the objective is to acquire knowledge in some particular field of interest. My company is deeply interested in this form of research for a very simple reason. Although we are identified with the aircraft industry, and are the oldest one in the business, we discovered many years ago that a more accurate title for our business would be "Most Advanced Techonology Industry." When aircraft were the most advanced man-made devices, we were in the aircraft business. Now we are in the missile, electronic, servo-mechanism and nuclear business. We don't know what business we'll be in ten years from now, but we do know that it will have the characteristics of being "most advanced." Therefore, we must invest in basic research so that we can increaes our knowledge vastly in those fields that might form the base of our business in the years ahead.

Need for Research Subsidiary

To accomplish this, we formed three years ago a wholly owned subsidiary corporation having basic research as its sole objective. It is called RIAS which stands for Research Institute for Advanced Study.

We had another reason for creating RIAS. We believe that knowledge, *per se*, should be a salable commodity. Such a product would be the most advanced one we can imagine since it is abstract rather than real. If our company intends to deal in the most advanced fields we can find, then some day we should expect to be able to market knowledge. The output or product of RIAS is expected to be an end in itself rather than just a source of information for future business in the manufacturing field. Such a concept is revolutionary, but it has been clear to us for a long time that the United States is not producing its fair share of fundamental knowledge in the world, and it has been equally clear that a new approach to producing knowledge is needed that will work within the social and economic habits of the USA. What better way than to employ the system of free enterprise?

Most basic research being carried out today in this country is being financed on a charity basis. That is, the funds available are rarely a function of what work needs to be done or the past performance of the researchers. Moreover, this country is turning out many good scientific men who can find no place to work in basic research. Although our universities are doing most of the basic research, they certainly cannot absorb all of their own outstanding men. It seemed to us that one way to get more basic research work accomplished would be to employ the method that has done so much to give us the highest materialistic standard of living in the world—competitive free enterprise. Certainly this method, which we know how to use, should be able to increase our intellectual standard of living — tthat is, increase our knowledge.

It's a Profit Making Activity

RIAS is a profit making corporation for this reason, and the product we are selling is knowledge. The one thing missing in this industrial picture is a customer. More accurately stated, our customer does not know he exists, or at least he didn't until Sputnik went up. It is unlikely that any individuals will buy knowledge for themselves alone, although perhaps a few large corporations might. Fortunately, our country is familiar with this problem and has a solution.

We do not expect individuals to buy battleships or to stockpile chromium metal. Instead, our Government, in accordance with the needs of the country, buys the military equipment we need as well as those materials whose source might dry up in the event of any emergency. Knowledge can be stock piled and considered a national resource. In fact, I have never heard of any knowledge that did not have a use, so it should be possible to do this with essentially no risk. In recent months the people and hence the Government have seen the shortage of knowledge that comes from lack of basic research and our customer is perhaps going to come alive before we originally contemplated. RIAS will then become a good business venture ahead of schedule, and other similar organizations may be formed.

I shall now discuss some of the things being done at RIAS which have a relationship to the conquest of space. I shall only mention a few that are directly applicable although our ignorance on this subject is so great that almost all knowledge will be useful.

Discusses Knowledge Sought For Sale

The first program is a study of gravities. Gravity is the force that holds us to this planet or to any other. Our huge rockets do nothing but produce a brute force to overcome gravity. We must learn more about gravity to determine if the brute force approach is the only one. We have no reason to believe one way or the other. It seems that an entirely new theory of physics may be needed to acquire a real understanding of gravity, and at RIAS we are working in this theoretical area.

In the meantime we have Einstein's theories and much to understand here. At RIAS we are now conducting a time dialation experiment. Einstein's theory says that if two clocks move rapidly with relation to each other and are previously determined to keep time at the same rate, then an observer at one clock will note that the two clocks no longer are synchronized once there is a large relative velocity between them. This has been checked experimentally and found to be true. RIAS is repeating the experiment with much greater accuracy; and as the experiment is expanded we may learn some new things about the theory and hence gravitation which is involved.

The second area in which RIAS is becoming increasingly active is the field of mathematics. We have recently inaugurated a center for the study of differential equations. Some of the best men in this country and abroad are joining us for this very important effort. Mathematics is a tool of the scientist and, like all tools, must be developed in advance. As an example, the theory of complex number was developed many years before a use for it was apparent. Later when alternating electric currents were being studied, this mathematical tool was applied. Without it our rapid advances in electrical machinery could not have gone forward. We hope to develop equally important mathematical tools in our group to help solve the complex problems of outer space. It is interesting to contemplate that the USSR has an institute for the study of mathematics and that excellent work in differential equations is coming out of there.

Another group of interest at RIAS, in terms of space research, is the bio-chemists. These men are studying the natural process of photo-synthesis. By this method, a plant is able to synthesize starches and proteins from CO_2, water and sunlight. A by-product is oxygen. But for this process we humans would never have existed. The problem is being studied from several approaches and it is to be hoped that if we are able to understand the process, we will some day be able to duplicate it. In other words, we may be able to synthesize foods just as we have learned to synthesize fibers such as rayon and nylon. Even now we are able to make oxygen using algae and artificial light from water and the carbon dioxide exhaled by humans. This process appears to be more efficient than any other for supplying oxygen over extended periods of time. The significance of this knowledge becomes apparent when we note that for space travel to be achieved we must supply the men with food and oxygen. The quantities required for even short trips are prohibitively large. They must be produced during the trip from extremely simple substances. Put in other terms, we must learn to make fuel for our space travelers without taking along a victory garden.

Other programs at RIAS have significance in space research. These include the study of cosmic rays, solid state physics, nuclear particle physics and materials research.

We sincerely believe that the idea of using the free enterprise system to increase the output of basic research will prove effective. We expect more organizations like RIAS to be formed. For this to occur, the people of our country and our government must develop a real interest in the acquisition of knowledge on a long term basis. Let us hope that the challenge of the space era, brought home to us so forcibly by the launching of Sputnik, will turn the trick.

Advertising Council Elects Buttenwieser

The Public Policy Committee of The Advertising Council has elected Benjamin J. Buttenwieser, partner, Kuhn, Loeb and Company, to fill the place of the late Roger W. Straus, former Chairman, American Smelting & Refining Company.

Benj. J. Buttenwieser

Mr. Buttenwieser is Past Assistant High Commissioner for Germany, and is a Trustee of the Federation of Jewish Philanthropic Societies, a member of the administrative and executive committee of the American Jewish Committee and Chairman of the Board of Trustees of the Lenox Hill Hospital.

The 18 Public Policy Committee members serving under the Chairmanship of Paul G. Hoffman are distinguished leaders in such diverse fields as education, business, labor, international affairs, public opinion, medicine and social work.

The group examines campaigns proposed to the Council and decides whether or not they are genuinely in the broadest public interest. Every proposed campaign, except those requested to implement an Act of Congress, must be approved by three-fourths majority of the Committee before it can be accepted by the Council.

Mutual Fund Formed By Keller Bros. Secs.

BOSTON, Mass.—Formation of Mutual Securities Fund of Boston, a new open-end investment company, was announced by Keller Brothers Securities Co., Inc., Zero Court Street. Keller will act as general distributors of the new fund whose initial offering price is $10.64 per share.

Mutual Securities is a common stock fund which will emphasize growth of principal and income.

Trustees of the new fund are: George N. Friedlander, Boston industrialist; General Michael J. Galvin, former Under Secretary of Labor and consultant to the Assistant Secretary of Defense; Charles F. J. Harrington, former Massachusetts Commissioner of Insurance; Dr. John C. Johnson, Professor of Physics at Worcester Polytechnic Institute; and Norton N. Keller, President of Keller Brothers Securities Co., Inc.

Two With Melvin Gordon

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Franklin W. Holgate and Chesley A. Layne have become connected with Melvin Gordon Company, 10 Pines Road. Mr. Holgate was formerly with Palmer, Pollacchi & Co.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Leslie J. Magnuson is now affiliated with Hornblower & Weeks, 75 Federal Street. He was previously with Investors Planning Corporation of New England.

Railroad Securities

Carloadings Forecast

The National Forecast of the Shippers Regional Boards for the Third Quarter of this year indicates a nationwide drop of 13.1% in freight traffic under a year ago. This is not as large a drop as experienced in the first half of the year.

Reflecting the drop in steel production it is estimated that ore and concentrates will be off 35.8% from the like 1957 quarter. Iron and steel shipments are expected to drop 26.9%.

Another major industry also is looked to drop sharply. Automobiles and trucks are placed at 28.2% under a year ago and vehicle parts are anticipated to be down 21.1% from the like period of last year.

A decline is forecast for the Allegheny District of 25.7%. The Great Lakes District is set at 28.8% under a year ago with the Northwest Territory off 25.3%. The Ohio Valley Board predicts a drop of 15% under a year ago.

On the other hand the Trans-Missouri-Kansas Board looks for a gain of 0.7%, with an increase of 25% in agricultural implements and vehicles, other than automobiles.

The Midwest Board predicts a decline of only 7.5%. Gains of 12% are anticipated for grain; 3.9% for flour, meal and other mill products; 3% for livestock; 4% for poultry and dairy products; 1% for sugar; 18% for brick and clay products; and 2% for fertilizers.

Supplemental items are not expected to show as large a decline as the general list. This group which includes many items are forecast to show a drop of only 6% under a year ago. Items such as beans and seed are placed 7.9% ahead of a year ago; phosphate rock 2.9% up; wines and liquors, 1.7%; and metal containers up 2%.

General gains throughout the country are set for grain; potatoes; fresh vegetables; poultry and dairy products; salt; cement; and frozen foods, fruits and vegetables.

From the indicated figures, it would appear that the railroads serving heavy industry such as steel, automobiles, iron ore and coal probably will make the poorest showing earnings-wise in the third quarter of this year. Earnings of the agricultural carriers and particularly grain are expected to be well maintained. Some of the railroads serving the Pacific Coast might actually record improvement over those of a year ago.

* * *

CORRECTION

It was incorrectly stated in the June 26 edition that Gulf, Mobile & Ohio, Illinois Central and Missouri Pacific were operating at a deficit. The actual figures for the first five months follow:

	1958	1957
Gulf, Mobile & Ohio—		
Five months' gross	$32,634,267	$35,787,515
Net income	*295,595	1,301,441
* After debenture income interest.		
Illinois Central—		
Five months' gross	$105,873,727	$121,891,019
Net income	4,421,130	6,176,763
Missouri Pacific—		
Five months' gross	$117,114,455	$125,102,278
Net loss after capital and sinking funds	444,937	*1,476,689
* Profit.		

Mead Corp Debentures Offered By Drexel-Harriman Ripley Group

An investment banking group headed by Drexel & Co. and Harriman Ripley & Co., Inc., yesterday (July 9) offered a new issue of $25,000,000 of The Mead Corp. 4% debentures at a price of 99.125% to yield 4.056% to maturity.

Out of the net proceeds from sale, $17,065,400 will be used to retire $16,820,000 principal amount of outstanding debt of the corporation and a subsidiary. The balance will be available for general corporate use including capital improvements.

The new debentures are redeemable other than for sinking fund purposes at 104⅛% to and including June 30, 1963 and at lower prices thereafter except that the corporation may not, prior to July 1, 1963, exercise its option to redeem any debentures from borrowed funds having an interest cost of less than 4.14% per annum.

The indenture provides for a sinking fund commencing in 1964 sufficient to retire 82.5% of the debentures prior to maturity. The corporation may increase the sinking fund in any year by not more than the required payment for the year. The sinking fund redemption price is 100%.

The Mead Corp., incorporated in 1930, is the outgrowth of a paper manufacturing business founded in 1846. On the basis of tonnage sold, the corporation is one of the ten largest paper and paperboard companies in the United States.

For the 16 weeks ended April 20, 1958, the corporation had net sales of $72,704,000 and net earnings of $3,035,000. For the 16 weeks ended April 21, 1957, net sales were $62,487,000 and net earnings $3,681,000. For the 52 weeks to Dec. 29, 1957, net sales were $208,124,000 and net earnings $11,930,000.

Ira Haupt & Co. Admits Partners

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, as of June 10th, are admitting Ira Haupt II, Leon S. Lees, Jr., and William G. Carrington Jr., to partnership in the firm. Mr. Haupt will acquire a membership in the New York Stock Exchange.

Mr. Lees has been with the firm for many years in the Corporate Syndicate Department; Mr. Carrington is in the Municipal Bond Trading Department.

Solving Strike Threats and Shortening the Recession

By ROGER W. BABSON

Recalling friendships with W. B. Wilson, first secretary of labor, and Samuel Gompers, first head of the AFL, Mr. Babson reviews a bit of labor development and prescribes an anti-recession remedy. Suggests manufacturers and retailers willingly accept less profits and wageworkers forego increases.

Ever since I was assistant to the Secretary of Labor, during World War I, I have carefully followed labor conditions with special reference to wages and hours. In fact, during the past ten years I have had a list of the leading strikes placed upon my desk each month, and have given an analysis of these strikes and the outcome of each.

Roger W. Babson

Few readers realize that very little attention was given to labor matters by employers or government officials until 1913 when the Department of Labor was formed and W. B. Wilson was made its head and a member of the President's Cabinet. Mr. Wilson was a friend of mine and I wrote his biography—published by Brentano's in 1919. The founder of the labor union movement in the U. S., Samuel Gompers, was also a friend of mine.

Labor Leaders vs. Preachers and Teachers

In those days, most preachers and college professors were unfriendly to labor demands. As a result, labor leaders lost confidence in churches and colleges. They were told that Protestant theological schools and most colleges were endowed and supported by employers and the "capitalists," so-called. Hence, they did not listen to what these preachers and teachers were telling their students. Furthermore, if too many boys mentioned that their economic instructors defended labor unions and strikes, such instructors often lost their jobs.

In the meantime, the labor leaders were constantly getting more pay for their wageworkers for fewer hours of work. Hence, the wageworkers' respect for labor leaders increased as their respect for preachers and teachers decreased. Moreover, these labor leaders were under attack from other ambitious workers who strove to get their positions. As a result, the labor leaders were compelled to win higher wages and shorter hours every year, or they would not be re-elected and the plum would go to others. These plums were worth from $10,000 to $25,000 per year. This is the situation at present.

Labor Being Investigated

Finally, many labor leaders were not content to provide "featherbeds" for their union members, as has so successfully been done by the leaders of railroad unions, but too many of them did weather their own nests. This has resulted in Congress making investigations of both large and small graft. Senator Kennedy's bill has been a timid step to stop such graft. He had been succeeding until the Sherman Adams episode nearly wrecked Kennedy's good intentions.

This is especially unfortunate, coming at a time when Russia has thrown the U. S. into a business recession which employers as well as wageworkers are now suffering. Yet this is a time when a Senator or Congressman thinks he can help his re-election by claiming that capitalism is the cause of the recession. All of this is most unfortunate. Although government appropriations and other gimmicks may temporarily help employment, they will not be a permanent cure.

How to Prevent Strikes Now

Solution of the threatened strike problems and shortening of the present recession depend upon all parties — labor leaders, employers, and consumers — forgetting old prejudices and accepting the fundamental laws of sound impartial economics. These call for manufacturers and retailers to willingly accept less profits, and for wageworkers to ask now for no increases.

This means that, as wage contracts come up for renewal, labor leaders should unanimously urge renewal on present terms. It may be necessary for employers to demand a cut in wages or fringes, but this should be only to effect a compromise and renewal on the same terms. This would give the labor leaders some opportunity to show their union members what they have accomplished for them. It would both increase employment in the U. S. and prove a blow to Russian propaganda.

Rolland D. Standish With Russell Investment Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Rolland D. Standish has become associated with Russell Investment Company, Boston Building. M. Standish formerly conducted his own investment business in Boulder and prior thereto was with the Allen Investment Company.

With Josephthal

Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Daniel R. Murphy is now associated with the firm in charge of institutional research. Mr. Murphy was formerly with the New York Life Insurance Co.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Lawrence Compton has become connected with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Compton was formerly with Crowell, Weedon & Co.

A Quick Look at Euratom And Benefits to United States

By JOHN F. FLOBERG*
Commissioner, United States Atomic Energy Commission

Our newest Atomic Energy Commissioner describes opportunity for us to demonstrate our world nuclear leadership in view of recent proposal by new six-nation European Atomic Energy Community for a joint program with U. S. A. for construction of one million kilowatts of nuclear power plants of the U. S. type by 1963. Mr. Floberg believes this joint program is worth all the sweat and toil entailed and suggests success could mean millions of dollars in equipment and services to be supplied by American industry. Also sees this speeding progress toward tough goal of making atomic power competitive in our own country.

I want to discuss what can become one of the most significant technical and political developments in Western Europe since World War II. This development, the central subject of this meeting today, is the European Atomic Energy Community, made up of Belgium, France, Germany, Italy, Luxembourg and The Netherlands. "Nucleonics" is to be congratulated for promoting a meeting and for contributing through it to an increase in public understanding of the close relationship between the American atom and American foreign policy, the American atom and the free world's security, the American atom and all men's welfare.

John F. Floberg

The very nature of such an assembly requires us to subordinate for the moment any discussion of the military atom. To do so is particularly difficult at the moment because of the high degree of public interest in the efforts in various quarters to force the countries of the Free World, relatively short of military manpower, to agree to give up the best technological developments that are available to them and useful to them for the purpose of equalizing great numerical manpower disparities. In view of the established record of aggression by the Soviet dictatorship, to do so without a system of comprehensive and highly reliable guarantees impresses me as suicidal.

I am, however, going to resist the temptation to discuss the atom's place in our defense scheme and devote myself entirely to one of the items in the class of the atom's potential peaceful applications.

I
Importance of EURATOM

EURATOM would have great meaning for the United States and the Free World even if there were no cold war; no need for allies, strong politically and economically, as well as in military resources; no threat of Communist aggression in its new and dangerous form—the Khrushchev "economic crusade."

It is hard to compare the relative importance of programs that are not completely comparable, but EURATOM probably ranks second in importance only to the International Atomic Energy Agency among the major Atoms-for-Peace programs developed since the United States more than four years ago appealed to the world to marshall its resources to promote civilian uses of nuclear energy. Over the long haul, the broader political scope of IAEA gives it promise of having greater influence on world peace than EURATOM can have, and EURATOM cannot be isolated in one's thinking from either the program of bilateral agreements which we have undertaken with two score foreign countries or from the European Nuclear Energy Agency of the Organization of European Economic Cooperation. Nevertheless, the experience of the six nations in joint enterprises, the huge sums of money involved and its impact on the U. S. atomic energy industry make EURATOM the Number One item of interest to this audience.

EURATOM is important because several factors in the current and future power situation in Europe have convinced leaders of these nations that an immediate program to build nuclear power plants is the beginning of the answer to their energy demand problem.

The target set forth for EURATOM in the report of the "Three Wise Men," of fifteen million kilowatts of installed nuclear power capacity by 1967, may be on the ambitious side, but the building of any substantial part of this capacity will help to speed progress in the United States toward the tough goal of making atomic power competitive in our own country.

So I repeat: Even if the Soviet Union were a law-abiding nation, devoted primarily to improving the living standards of its own citizenry, even if the USSR were the good neighbor that we hope some day common sense and self-interest will force it to be, EURATOM on its own merits would be of great political and economic importance to the United States. This significance, however, is magnified when one relates it to the economic competition now frankly advanced by Moscow as a weapon to make inroads on Free World unity and to draw uncommitted nations into the orbit of the Iron Curtain.

As we straighten out the current down slope in the hard goods manufacture curve, there will be a demand for an expanding output of those goods in the highly industrialized Western European nations as well as in our own country. Competition for the privilege of supplying basic materials to Western Europe and the rest of the world will intensify, and the availability of power to ourselves and our friends will play an important part in regulating that competition.

Europe hardly could be relied upon for major support in this area or for any increased contributions to collective defense if its industry, transportation and agriculture became stagnant because physical, financial and political resources were not able to satisfy its requirements for the electrical energy necessary for the further development of its industry.

At the recent NATO Council meeting in Copenhagen, the need for more industrial development and closer economic ties among our allies was a feature of the discussions. Our Under-Secretary of State, Christian A. Herter, underlined the political significance of economic growth in his address marking the tenth anniversary of the Organization of European Economic Cooperation on April 25. He said:

"This sympathetic interest (in the OEEC) has been founded on the same recognition of the need for unity and strength in Europe that prompted our initiative in 1947. This has, in fact, constituted for many years a central feature of our foreign policy."

Then, turning specifically to EURATOM and its sister organization, the European Economic Community, he added:

"We have given our strong support to the historic efforts of six of the European nations to find in economic integration a basis for increasing political unity. This support continues as these countries now enter a new stage in their progress toward unity—the successful establishment of two new European Communities—one in the field of broad economic integration and the other in the vital area of nuclear energy development."

Therefore, it may be useful today to sketch briefly the story of EURATOM, describe its main parts, outline the objectives of the joint program with the United States, face up to the problems involved, and try and see what this might mean for the atomic energy industry of the United States, which is so well represented here.

II
Will Assist European Federation

EURATOM is one more step on the long and hard road to a real federation in Europe. The latter has been a dream of European statesmen for many years.

A Europe prostrated by war was a target for the kind of subversive infiltration at which the Communists are so adept. At stake was its temporarily exhausted but immense industrial plant. Europe responded with enthusiasm and wisdom to the offer of economic assistance made by the United States in 1947—the Marshall Plan.

The next year, the OEEC was set up to help make the most efficient use of Marshall Plan dollars. It worked well—so well that it has become a permanent organization and continues to make valuable contributions to the economic progress of its 17 member nations.

Then in 1949 came NATO, the military alliance that remains today the Free World's defense bulwark against a possible World War III.

In 1952 came the European Community for coal, and steel, which has done good work in knocking down trade barriers. By 1957, coal production in the six nations had reached 248 million metric tons, and steel output had climbed to 60 million tons—both well above prewar levels.

The defeat in 1954, however, of the European Defense Community proposals really put the advocates of sensible European unification to the acid test. That defeat was such a shocking disappointment and discouragement that it was widely interpreted as marking an end to efforts to bring about a federation of European States. Inability to agree on a common military program to be run by an integrated defense organization seemed, in view of the ever-present threat in the East to physical security, to demonstrate the phoenix-like nature of nationalistic prejudices and the futility of trying to develop a program to overcome them. This moment of adversity, however, only seemed to inspire the proponents of European community with new determination.

The very next year, in June, 1955, the Coal and Steel Community leaders launched at the Messina Conference a new effort to build a common market for Europe. This was centered on the peaceful uses of nuclear energy and in the general field of trade. Enough progress had been made by November, 1956, for the governments to commission the "Three Wise Men" to do a study of the prospects for using nuclear energy to meet the growing demands for electric power in the six countries.

The Armand-Etzel-Giordani team undertook extensive studies and gathered much data, some of it on their visit to the United States. While they were completing their report—issued in May, 1957—negotiators for the six nations agreed on draft statutes for two separate but related organizations. One was for a European Economic Community and the other, which concerns us most here today, was for the European Atomic Energy Community. Ratification of the treaties, which were signed in Rome in March, 1957, was completed the following December. The two Communities came into being on the first day of 1958.

Much credit for this political achievement must go to the personal dedication, wisdom and effort of leaders such as Adenauer, Mollet, Spaak, Monnet and many others who worked with them. The wisdom and vision of these men was fortuitously underscored by the Suez crisis, with its threat to Europe's main oil supply.

III
Organizational Setup

Most of us are familiar with the novel pattern of organization of these three organizations. Legislative control of all three is vested in an Assembly of 142 delegates chosen by the parliaments of the six nations. Disputes in the Communities are to be taken to a common Court of Justice. They have a common "board of directors" in the Council of Ministers, which has one member from each country.

EURATOM has several important departments or divisions. They include a Scientific and Technical Committee, a Joint Nuclear Research Center which will be the special care of Messrs. Medi and De Groote, an Economic and Social Committee, and the EURATOM Supply Agency. Commissioner Sassen of The Netherlands has the task of drawing a statute for the Supply Agency.

The EURATOM Supply Agency is of special importance to the group today. It will have exclusive option on all special nuclear materials produced in the Member States and exclusive right of concluding contracts for materials inside or outside the Community. For the details of its methods of operation, I recommend to your study the paper given by Mr. Clark Vogel of the Commission's International Affairs Division at the joint National Industrial Conference Board-Atomic Industrial Forum meeting in Chicago in March.

One can see readily from this recapitulation that it took much skill and drafting efforts to put into legal language all of the compromises and adjustments that had to be made to create this unique organization. The Treaty of the Atomic Community has 225 articles, five annexes and three protocols. The English version used at the Commission is a book five-eighths of an inch thick! Nevertheless, I suggest that the Treaty and the record of negotiations be studied by all who have a stake in the atomic energy market in Europe.

Although not completely a supranational organization, the Treaty gives the Atomic Community broad powers to act for the six nations, particularly in dealing with other international groups and with sovereign powers. It, therefore, seems certain that the Community will assume a major role in coordinating the nuclear energy activities of the Member States.

These rights, duties and powers are now being translated from words on paper to men, money and programs. There is deserved optimism that EURATUM will make a real contribution to the broad movement for European economic and political integration but it does face many problems. For its research program, it must move tactfully in coordinating the already excellent nuclear facilities of its members, particularly France, Belgium and The Netherlands.

For success of its nuclear power program, EURATOM must get and keep the support of both private and public utilities. Finally, it must have political backing. In an excellent analysis of EURATOM done for the Twentieth Century Fund by Mr. Ben Moore, he summed it up this way:

"Its future is bound up with that of the movement for European Union. No matter how great the gains from the integrated development of atomic energy might be, EURATOM could not survive a collapse of the effort to achieve a broader economic union. . . . On the other hand, by succeeding in its purpose, this technical and specialized institution can help the European Economic Community to surmount the many obstacles which beset its future."

Lack of Conventional Fuels

The basic "nuclear economics" in Europe have been thoroughly discussed and no one disputes the fact that competitive nuclear power will come much more quickly over there than over here. "Mother Necessity" in the form of the ever-growing need to import coal and oil for conventional plants justifies advanced action both by governments and private industry that are not required in the United States.

As of today, oil makes up a fifth of fuel used in conventional plants in the EURATOM Community. Even taking into consideration the new Sahara fields, EURATOM recognized that without nuclear power, its economy would be largely dependent on Middle East oil. With the Suez crisis still fresh in mind, this is not a pleasant prospect. The Community's attitude is expressed in the statement that "it is essential that oil should be a commodity and not a political weapon." Newspaper stories of the past week emphasize the continued timeliness of that observation.

Power from conventional plants in Europe using imported fuel now costs from 10 to 12 mills per kilowatt hour. The U. S. average is concentrated in the area of 4 to 7 mills per kilowatt hour, but in some areas 8 or 9 mill power is not unknown. EURATOM has estimated that power from U. S. and British type nuclear plants would run from 11 to 14 mills now, with the expectation that operating experience, further research and development and improved design and performance will bring down these rates. We share those expectations with confidence, and we must not overlook the fact that the high cost end of the domestic power scale and the low cost end of the European power scale provide considerable overlap. To this extent EURATOM operating experience will have quite direct application.

IV
Encouragement by United States

Now let us look specifically at EURATOM from the view of what it may mean to the United States. From its early planning, our Government has given encouragement and support. When the Wise Men of EURATOM discussed in Washington in early 1957 their target of 15 million kilowatts of nuclear power, they were told that the

*From a talk by Mr. Floberg before the *Nucleonics* Seminar, New York City.

United States did not think that the availability of nuclear fuel would be a limiting factor in reaching this goal.

Diplomatic recognition of EURATOM became formal when on March 13, U. S. Ambassador W. Walton Butterworth presented his credentials to the atomic and economic Communities at their "capital" in Luxembourg. Ambassador Butterworth heads a combined U. S. political mission to the three communities, having been accredited previously to the Coal and Steel organization.

We accepted EURATOM's invitation to set up a joint working party to work out the details of a proposed joint program. The United States members of the working party were headed by the AEC's Deputy General Manager, R. W. Cook, and the European side was headed by Mr. Max Kohnstamm. The group held intensive meetings in Luxembourg in March and have just concluded a series of meetings in Washington.

The purpose of these discussions was to develop detailed plans for the proposed joint program. These plans have now reached the final stages of negotiation and are to be presented for Executive Department and Congressional approval on the United States side, and to the EURATOM Commission and the Council of Ministers on the European side.

I cannot, at this time, discuss the specific details which are under consideration, but the objective of the program is to bring into operation in the Community by 1963, about one million electrical kilowatts of capacity in reactors of proven types developed in the United States. Using European figures, the capital cost for these plants will be about $350,000,000, and they will require approximately an additional $100,000,000 for fuel. The program also will include close cooperation in research and development on the types of reactors selected for construction. The program will be designed to offer maximum participation on the part of industry in the United States and in the EURATOM countries.

The estimated capital cost for nuclear power plants is two to three times more than the investment required for conventional plants producing 1,000,000 kilowatts. However, anticipated rising costs of imported fossil fuels coupled with decreasing costs of nuclear fuels are believed by EURATOM economists to bring overall investment for nuclear plants, over a period of 20 years, in line with that of oil or coal-fired stations. And not just the cost but the availability of foreign exchange must be considered in evaluating these economics.

The situation is well described in the Moore study, previously mentioned:

"The United States has the technology, skills and capital to develop nuclear energy but no urgent need for it. Western Europe must have nuclear energy to grow and prosper but still lacks the means to produce it on an adequate scale."

That is exactly where the joint program comes into the picture.

V
What Completion Can Mean For Us

To carry out this program on the time schedule needed by EURATOM is a stupendous task. We are giving it top priority in Washington. Not even the stoppage of the water supply at Germantown a fortnight ago nor the presence of a group of campers in our lobby has interrupted the task forces that are working seven days a week to assemble the necessary technical data and explore the many facets of the program.

To make it work is going to mean give and take on both sides. Some of the legal requirements and mechanics are both obvious and complicated. In addition to tailoring of the Atomic Energy Act and the assurance of an adequate supply of U-235, there will have to be an "international arrangement" between EURATOM and the United States under Section 124 of the Act. This can be either a treaty or an agreement approved by both houses of Congress. If the latter, it would be the first such use of the authorization provided in the 1954 Act, and current thinking favors this choice. Such an international agreement would not have to spell out all details. It could be a simple document stating the intentions of the two parties, the objectives, and setting out a few general boundaries.

Next would come an Agreement for Cooperation under Section 123. This would contain such specific items as the amount of U-235 authorized and the guarantees against diversion to military purposes of material supplied by this country. The procedure is well known to this audience—initialing, presidential approval, 30-day waiting period before the Joint Committee on Atomic Energy, and finally ratification by EURATOM.

It is important to note that member nations of EURATOM are not precluded from having military nuclear programs. However, the EURATOM Treaty requires full accountability for any special nuclear materials that enter the custody of the Community at any point.

Amendments to the 1954 Act doubtless will be necessary, and finally, after authorization for expenditure of U. S. funds under Section 261, the Congress must vote the necessary appropriations.

We plan to present to the Joint Committee a complete program as soon as it is humanly possible to do so. I am not discouraged by this recital. I believe the joint U. S.-EURATOM program is worth all the sweat and toil that is going into it, and I believe that we are going to emerge from the negotiations with a satisfactory forward-looking program.

Success could mean millions of dollars in equipment and services to be supplied by American industry. Both you and your opposites in the EURATOM nations would gain invaluable experience through joint research, development and operating experience. With Government support, you would, in effect, be buying information and experience that we are confident would speed the day of economical full-scale nuclear power plant operation in many parts of the United States.

Keep your eye on the home market. A program of this size cannot be downgraded as a mere "flash in the pan;" but it is also true that EURATOM will be pressing hard to become self-sufficient at the earliest possible moment. EURATOM has made this plain in our discussions, and we could not logically do anything but encourage this goal.

Putting all these factors in the pot, I still come up with this conviction: At this particular phase in the development of nuclear power in the United States, backed up by a strong atomic industry, we have as much to gain from the joint effort with EURATOM as from any other prospect now on our horizon.

With Frank Bateman

PALM BEACH, Fla.—Frank B. Bateman, managing partner of Frank B. Bateman Ltd., 243 South County Road, has announced the addition to his staff of Mrs. Hilda M. Doyle, Russell Johns, Jr., and James Rich.

Mr. Johns is currently attending the Wharton School of Finance and Mr. Rich is a student at Yale University.

Continued from page 13

Today's Southern Economic Picture

dividual states, percentage gains in electric power production from 1947 to 1956 were: Mississippi, 688.3%; Tennessee, 276.6%; Florida, 255.6%; Alabama, 225.3%; Georgia, 136.9%; Louisiana, 89.1%. With the single exception of Louisiana, each District state increase exceeded the gain for the nation.

Four of the six states are now engaged in petroleum production. Taking the six states as a group, the percentage gain in petroleum production from 1947 to 1956 was 74.7. For the nation, the gain was 40.9%. Louisiana is, of course, a major producer. Production in Mississippi is more modest, and that of Alabama and Florida is relatively small.

As might be anticipated as a result of the more than proportionate gain in manufacturing facilities, the region has increased its share of total construction. In 1956 as against 1947, the six-state area had a gain of 217.3% in construction contracts awarded. The gain for the United States was 214.6%. Four of the six states had gains that substantially exceeded that of the nation. Louisiana had a gain of 312.5%; Alabama, 260.5%; Florida, 222.3%; and Georgia, 216.7%. Mississippi and Tennessee trailed with 101.3% and 142.1%, respectively.

Gains Summarized

And so, in summary, the South, as represented by the Sixth Federal Reserve District, has registered striking gains in economic development:

(1) It is exceeding the nation's pace in population increase.

(2) It is rapidly closing the gap in personal income that has long existed between it and the nation.

(3) It is rapidly expanding its financial resources, largely as a result of greater industrialization.

(4) It has run ahead of the nation in percentage gain in agricultural income.

(5) It is achieving a more rapid gain in manufacturing output and construction than is characteristic of the nation.

The gains that have occurred in the District have been generally moderate, but there appears to be every prospect that the region's rate of advancement in population, income, financial resources, and manufacturing will continue unchecked. Assuredly, those who live in the region today must be prepared to expect conditions of accelerated change in population, in purchasing power, and in resource utilization.

And so let me refer again to Henry W. Grady. He died on Dec. 23, 1889, at the age of 39. He had returned ill and worn out from a Boston speech. To the very end, he had worked for a better balance between agriculture and industry in the South. The purpose for which he labored so hard seems now to be nearing achievement.

We of Georgia properly honor Henry W. Grady. On the corner of Forsyth and Marietta yet stands the monument to him unveiled on Oct. 21, 1891. The two draped females below the heroic statue of Grady approximately represent "History" and "Memory," and not his "wives." The new $20-million Grady Hospital, dedicated earlier this year, is a direct descendant of the Grady Hospital built by public subscription and opened in 1892 as a memorial to his name.

No matter how many memorials we may erect to Henry W. Grady, however, his greatest memorial is the Southern economic picture today.

Officers of Investment Bankers Association At California Group Conference

L. to R.: Curtis H. Bingham, Bingham, Walter & Hurry, Inc., Los Angeles, Chairman of the California Group, and William C. Jackson, Jr., First Southwest Co., Dallas, President of the IBA.

Two With Leward Lister

BOSTON, Mass. — James O. Spinney and Henry A. Donahue are now connected with Leward M. Lister & Co., 80 Federal Street. Mr. Donahue was previously with Schirmer, Atherton & Co.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles R. Bates is now affiliated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Two With Melvin Gordon

(Special to THE FINANCIAL CHRONICLE)

REVERE, Mass. — Stanley S. Charloff and Jacob Hershman have joined the staff of Melvin Gordon Company, 10 Pines Road.

Joins B. C. Ziegler

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Charles J. Bowe is now affiliated with B. C. Ziegler and Company, Minnesota Federal Building.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

John Wolf has been elected a Vice-President of **Chemical Corn Exchange Bank, New York**, it was announced July 8 by Harold H. Helm, Chairman. Mr. Wolf is with the bank's International Division, handling its business in Puerto Rico, Dominican Republic, Haiti, Cuba, Curacao, Aruba and Venezuela.


John Wolf

Mr. Wolf joined the Chemical Bank in 1946.

John Haeussler, Harold J. Randall and Samuel L. Santoro have been elected Assistant Managers at **Chemical Corn Exchange Bank, New York**, Chairman Harold H. Helm announced. All three are members of the Bank's Metropolitan Division.

Mr. Haeussler is at Chemical's Main Office at 165 Broadway. Mr. Randall is located at the Bank's 44th Street & Broadway Office. Mr. Santoro is headquartered at the 29th Street & 4th Ave. Office.

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J. Richardson Dilworth, President of Rockefeller Brothers, Inc., has been appointed to the board of directors of the **Chase Manhattan Bank, New York**, it was announced on July 7 by John J. McCloy, Chairman.

THE CHASE MANHATTAN BANK, N. Y.

	June 30, 1958	Mar. 31, 1958
	$	$
Total resources	8,402,416,987	7,833,541,199
Deposits	7,438,170,443	6,868,020,047
Cash and due from banks	1,952,817,255	1,895,040,018
U. S. Govt. security holdgs.	1,881,410,380	1,252,836,696
Loans & discts.	3,588,362,258	3,632,390,376
Undiv. profits	106,019,823	95,073,436

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Rodney N. Hatcher has been appointed a Vice-President by **The First National City Bank of New York**. He will be in charge of Scandinavian business in the European District of the bank's Overseas Division. He was formerly Assistant Vice-President.

At the same time H. Lansing Clute was appointed Assistant Vice-President in the operations and personnel group of the Overseas Division.

THE FIRST NATIONAL CITY BANK OF NEW YORK

	June 30, '58	Mar. 31, '58
	$	$
Total resources	8,056,432,963	7,782,858,145
Deposits	7,132,710,136	6,836,569,280
Cash and due from banks	1,825,609,083	1,958,669,243
U. S. Govt. security holdgs	1,500,873,223	1,150,088,288
Loans & discts.	3,965,541,628	3,887,216,612
Undiv. profits	87,349,788	84,913,102

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The appointments of Walter S. Friedsam, Frederick E. Lyon, Thomas D. Mitchell and Harry C. Reichle as Assistant Secretaries of **Manufacturers Trust Company, New York**, are announced by Horace C. Flanigan, Chairman of the Board.

Mr. Friedsam joined the bank in 1930. Formerly an Assistant Trust Officer in the Stock Transfer Department, he now is assigned to the Comptroller's Department.

Mr. Lyons is assigned to the bank's Fifth Avenue office.

Mr. Mitchell is assigned to the bank's Union Square office.

Mr. Reichle, formerly an assistant branch manager, is assigned to the bank's 23rd Street office.

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Richard D. S. Bryan and Grenville H. Paynter have been elected Assistant Secretaries of **Chemical Corn Exchange Bank, New York**, it was announced by Harold H. Helm, Chairman. The new officers are both members of the bank's National Division at 165 Broadway, New York.

Mr. Bryan has been with Chemical Corn Exchange Bank since January, 1953. He represents the bank in the States of Ohio, Indiana and West Virginia.

Mr. Paynter joined Chemical Corn Exchange Bank in September, 1953. He represents the bank in the States of Kansas, Missouri, Oklahoma and Texas.

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Robert J. MacCuaig has been appointed a Trust Officer of **J. P. Morgan & Co. Incorporated, New York**, it was announced by Henry C. Alexander, Chairman.

Also announced was the appointment as Assistant Vice-Presidents of Martin T. Griffin, Watson K. Blair, Lewis T. Preston, Edgerton G. North, Jr., and John P. McGinnis.

Mr. MacCuaig, formerly an Assistant Trust Officer, is engaged principally in pension trust administration. He has been with Morgan's since 1928, when he joined the then private banking firm as a floor boy. When a trust department was formed on incorporation of the Morgan Bank in 1940 he was among the first employees assigned to it. He became an Assistant Trust Officer in 1953.

Mr. Griffen, who started work at the Morgan Bank in 1935, is in the bank's government bond department. He has been an Assistant Treasurer since 1954.

Mr. Blair and Mr. Preston are in the general banking department. Both officers have been Assistant Treasurers since 1955.

Mr. McGinnis is in the bank's statistical department, which he joined in 1951. He became an Assistant Secretary in 1955. Mr. North, also in the statistical department, has been with Morgan's since 1950. He has been an Assistant Secretary since 1955.

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COMMERCIAL STATE BANK AND TRUST COMPANY, NEW YORK

	June 30, 1958	Mar. 31, 1958
Total resources	$120,630,230	$120,356,038
Deposits	108,473,796	103,609,452
Cash and due from banks	15,007,319	17,305,831
U. S. Govt. security holdings	37,967,179	34,497,348
Loans & discts.	58,323,594	58,423,294
Surplus & Undiv. profits	1,953,596	1,955,377

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John F. Hennessy has been elected a Trustee of the **New York Savings Bank, New York**, it was announced by Richard L. Maloney Jr., President.

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CITY BANK FARMERS TRUST CO., N. Y.

	June 30, '58	Mar. 31, '58
	$	$
Total resources	160,729,988	162,973,950
Deposits	118,529,624	121,257,590
Cash and due from banks	41,086,704	42,096,925
U. S. Govt. security holdings	78,035,796	83,344,122
Loans & discounts	5,327,114	2,384,790
Undivided profits	13,998,127	13,491,867

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HANOVER BANK, NEW YORK

	June 30, '58	Dec. 31, '57
	$	$
Total resources	1,957,568,428	1,796,060,422
Deposits	1,720,918,393	1,576,068,695
Cash and due from banks	466,700,990	500,560,881
U. S. Govt. security holdgs.	472,258,089	262,538,456
Loans & discts.	896,307,889	912,329,335
Undiv. profits	32,557,654	27,507,257

THE MARINE MIDLAND TRUST CO., NEW YORK

	June 30, '58	Mar. 31, '58
	$	$
Total resources	654,162,009	612,433,858
Deposits	536,620,352	532,492,816
Cash and due from banks	188,825,616	171,427,350
U. S. Govt. security holdings	124,588,828	105,936,084
Loans & discounts	297,899,075	281,953,189
Undivided profits	11,912,686	11,454,659

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	June 30, '58	Dec. 31, '57
	$	$
Total resources	261,554,414	232,819,400
Deposits	222,155,734	196,609,261
Cash and due from banks	58,919,079	52,638,941
U. S. Govt. security holdings	56,281,667	44,723,127
Loans & discounts	64,815,901	71,310,429
Capital & surplus	14,685,284	14,645,284

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THE STERLING NATIONAL BANK & TRUST CO., NEW YORK

	June 30, '58	Mar. 31, '58
	$	$
Total resources	150,428,220	149,867,967
Deposits	135,501,375	135,263,503
Cash and due from banks	31,474,715	34,420,836
U. S. Govt. security holdings	39,588,718	37,147,141
Loans & discounts	76,948,793	74,402,104
Undivided profits	1,703,126	1,672,437

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UNDERWRITERS TRUST CO., NEW YORK

	June 30, '58	Mar. 31, '58
Total resources	$45,154,267	$40,818,295
Deposits	40,475,917	36,770,277
Cash and due from banks	6,995,920	7,562,336
U. S. Govt. security holdings	13,898,012	13,631,512
Loans & discounts	14,235,378	14,299,072
Undivided profits	1,590,457	1,569,568

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KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	June 30, '58	Dec. 31, '57
Total resources	$88,348,959	$78,558,944
Deposits	77,658,507	63,130,245
Cash and due from banks	6,782,755	9,214,417
U. S. Govt. security holdings	21,112,300	17,378,973
Loans & discounts	28,266,118	21,432,281
Undivided profits	1,211,487	1,000,000

* * *

The Bank of Huntington, Huntington, L. I., celebrated its 70th birthday at each of its offices. This institution became Huntington's first bank and was chartered with a capital of $30,000 in 1888.

* * *

SECURITY NATIONAL BANK, LONG ISLAND, N. Y.

	June 30, '58	Dec. 31, '57
Total resources	$189,105,441	$122,491,285
Deposits	172,588,529	110,711,575
Cash and due from banks	25,651,332	17,445,142
U. S. Govt. security hldgs.	48,618,009	25,873,988
Loans & discts.	81,885,750	57,390,245
Undivided profs.	629,660	369,738

* * *

NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, N. Y.

	June 30, '58	Mar. 31, '58
	$	$
Total resources	162,524,566	150,899,395
Deposits	148,920,384	138,534,960
Cash and due from banks	20,284,537	21,462,692
U. S. Govt. security holdings	50,329,469	47,674,329
Loans & discounts	51,898,484	46,349,428
Undivided profits	1,590,241	1,322,688

* * *

First National Bank of Natick, Natick, Mass., was granted permission by the Office of the Comptroller of the Currency to open a new bank. Rocco D. LaPenta is President and Harry Burrows is Cashier. The bank has a capital of $300,000 and a surplus of $150,000.

* * *

RHODE ISLAND HOSPITAL TRUST CO., PROVIDENCE, R. I.

	June 30, '58	Dec. 31, '57
	$	$
Total resources	311,024,859	305,198,877
Deposits	274,839,135	271,165,111
Cash and due from banks	47,604,495	50,919,038
U. S. Govt. security holdings	80,564,941	71,648,694
Loans & discounts	165,780,281	162,022,256
Undivided profits	3,044,617	2,970,606

* * *

Clinton F. Grant, Assistant Vice-President of the **Bank of America**, died July 2 in Greenwich, Conn. His age was 54. Mr. Grant began his banking career with the Bank of America in 1932. He was elected Assistant Vice-President in 1952 and made regional officer for the Middle East.

* * *

Two of Trenton's largest banking institutions — **The First-Mechanics National Bank of Trenton, New Jersey**, and **The Trenton Banking Company, Trenton, N. J.**, Trenton's oldest bank, have taken initial steps to merge their resources into one banking institution.

The announcement was made July 7 jointly by Harvey C. Emery, President of The First-Mechanics National Bank and Sydney G. Stevens, President of The Trenton Banking Company.

Consolidation of the two banks has already been voted and approved by the boards of both banks. Application to operate the combined institution as a national bank under the name **First Trenton National Bank** is being made to the Comptroller of the Currency in Washington, D. C.

Exchange of stock is being made on a share for share basis. Stockholders at a later date will be asked to approve the consolidation.

The new top officers of First Trenton National Bank will consist of: Harvey C. Emery, Chairman of the Board and Chief Executive Officer; Sydney G. Stevens, President; Harold Ray and Richard G. Macgill, Executive Vice-Presidents; Stephen W. Wright, Vice-President and Cashier.

Total assets of the new bank will be about $170,000,000; loans will approximate $57,000,000; total stated capital funds will reach $12,000,000, which with reserves will exceed $15,000,000.

All members of the boards of both banks will continue to serve as Directors or Associate Directors.

With The Trenton Banking Company chartered in 1804, and The Mechanics and Manufacturers Bank, predecessor of the First-Mechanics, founded in 1834, the two banks together can point to 278 years of experienced banking practice and local knowledge.

Until now the Trenton Banking Company has had one other merger in its entire history when it merged with the **First National Bank of Pennington, New Jersey**, in 1956.

The First-Mechanics National Bank traces its origin in 1934 to **The Mechanics and Manufacturers Bank of Trenton**. In 1928 it was merged with **The First National Bank of Trenton** and the new banking institution became the First-Mechanics National Bank of Trenton. Prior to the present consolidation the last bank mergers were made in 1931 when First-Mechanics was consolidated with **Chambersburg Trust Company** and **Wilbur Trust Company**.

* * *

FIRST NATIONAL BANK & TRUST CO., PATERSON, N. J.

	June 30, 1958	Dec. 31, 1957
	$	$
Total resources	236,834,230	241,244,877
Deposits	216,803,402	222,721,098
Cash and due from banks	34,749,323	44,440,662
U. S. Govt. security holdings	57,044,989	52,416,914
Loans & discounts	107,597,023	110,156,569
Undivided profits	3,601,149	3,089,500

* * *

Commonwealth Trust Company of Union City, N. J., has placed a $1,100,000 note with Mutual Life Insurance Company of New York. The note falls due in 1970. Proceeds will be used to retire preferred stock outstanding.

Commonwealth Trust Company has been in business since 1905. The executive offices are at 2200 Bergenline Avenue, Union City. The company operates two branches in Union City, one in North Bergen, an done in Weehawken.

* * *

The Citizens National Bank of Towanda, Pa., changed its title to **The Citizens National Bank and Trust Company of Towanda**, effective July 1.

* * *

Farmers' Bank of Egypt, Egypt, Pa., and **Schnecksville State Bank, Schnecksville, Pa.**, merged under charter of Farmers' Bank of Egypt and new title **Egypt Schnecksville Bank**. A branch was established in the former location of Schnecksville State Bank.

* * *

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	June 30, 1958	Mar. 31, 1958
	$	$
Total resources	1,108,190,735	1,001,069,910
Deposits	995,718,238	889,349,498
Cash and due from banks	317,499,020	287,114,791
U. S. Govt. security holdgs.	219,329,413	158,331,112
Loans & discts.	434,848,051	428,939,004
Undiv. profits	13,139,877	12,592,062

Directors of both the **Central-Penn National Bank of Philadelphia, Pa., and the Peoples National Bank & Trust Co., of Langhorne, Pa.**, have approved plans for a merger. The merger is subject to the approval of the Comptroller of the Currency and stockholders of both banks. The proposed merger would be accomplished by an exchange of stock. Resources of Peoples National are between $12,000,000 and $13,000,000 and those of Central-Penn are $244,000,000.

* * *

Byron L. Harrison has been elected President and Chief Executive Officer of the **Pennsylvania Exchange Bank, Pa.** The Board of Directors also elected Ira Hirschmann Chairman of the Board and Thomas J. Reedy, former President, a Director and Executive Vice-President. Prior to his election Mr. Harrison was an Assistant Vice-President of the **Chase Manhattan Bank, New York.**

* * *

By a stock dividend, the common capital stock of **The Central National Bank of Richmond, Va.**, was increased from $2,587,500 to $3,001,500, effective July 1. (Number of shares outstanding—150,075 shares, par value $20.)

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	June 30, '58	Mar. 31, '58
	$	$
Total resources	320,506,835	318,656,024
Deposits	289,569,826	285,775,535
Cash and due from banks	18,097,725	18,739,221
U. S. Govt. security holdings	77,020,453	78,640,183
Loans & discounts	176,154,684	175,752,090

* * *

State Auditor Elbert S. Smith issued a state charter to the **Community State Bank, Salem, Ill.**

Subscribers to the capital stock of the bank have elected the following Directors: Earl Warfield, John M. Kagy, Joe B. Hale, Peter L. Guth, F. L. Malan, Herman F. Austin, R. F. Gragg, Lloyd E. Turnbull and Carl Y. Cantrell. The President of the bank is Mr. Warfield.

The bank's capital structure will total $350,000, including $175,000 in capital stock, $87,500 surplus and an operating reserve of $87,500.

* * *

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY, CHICAGO, ILLINOIS

	June 30, '58	Dec. 31, '57
	$	$
Total resources	2,795,753,374	2,674,362,165
Deopsits	2,502,144,954	2,394,495,171
Cash and due from banks	642,873,800	598,854,093
U. S. Govt. security hldgs.	945,291,975	713,887,129
Loans & discts.	1,006,654,184	1,163,844,563
Undivided profs.	27,995,104	32,891,449

* * *

The Champaign National Bank, Champaign, Ill., increased its common capital stock from $100,000 to $300,000 by a stock dividen, effective June 25. (Number of shares outstanding — 15,000 shares, par value $20.)

* * *

THE NATIONAL BANK OF DETROIT, MICHIGAN

	June 30, 1958	Mar. 31, 1958
	$	$
Total resources	1,951,420,462	1,874,671,775
Deposits	1,782,699,052	1,707,841,767
Cash and due from banks	388,320,046	360,425,423
U. S. Govt. security holdgs.	721,546,932	621,912,673
Loans & discts.	629,316,473	677,174,562
Undiv. profits	25,221,104	23,531,584

* * *

By a stock dividend, the common capital stock of **The Fargo National Bank, Fargo, N. D.**, was increased from $300,000 to $500,000, effective June 25. (Number of shares outstanding — 5,000 shares, par value $100.)

* * *

The Hastings National Bank, Hastings, Neb., changed its title to **First National Bank, Hastings**, effective July 1.

* * *

The common capital stock of **The Depositors National Bank of Durham, N. C.**, was increased from $300,000 to $400,000 by a stock dividend and from $400,000 to $500,000 by the sale of new stock, effective June 26. (Number of shares outstanding — 25,000 shares, par value $20.)

* * *

By a stock dividend, the **First National Bank of Tampa, Fla.,** increased its common capital stock from $2,500,000 to $3,000,000, effective June 26. (Number of shares outstanding — 150,000 shares, par value $20.)

* * *

First National Bank in Albuquerque, N. Mex., increased its common capital stock from $1,500,000 to $2,000,000 by a stock dividend, effective June 24. (Number of shares outstanding—160,00 shares, par value $12.50.)

* * *

The First National Bank of Englewood, Colo., increased its common capital stock from $400,000 to $500,000 by a stock dividend, effective June 24. (Number of shares outstanding — 160,000 shares, par value $12.50.)

* * *

Farmers National Bank of Torrington, Wyo., changed its title to **First National Bank, Torrington,** effective July 1.

* * *

Twenty-three locally owned and controlled banks, members of the Independent Community Banks of Southern California, celebrate "Independent Community Bank Week" July 6-12 in observance of the first anniversary of the association's founding, according to M. P. Illitch, I. C. B. President and Chairman of the Board, **Southwest Bank, Inglewood.**

The association is comprised of the following members with combined resources totaling in excess of $245,000,000: **First National Bank, Azusa; Azusa Valley Savings Bank; Community National Bank, Buttonwillow; Home Bank, Compton; Bank of Encino; Glendale National Bank; Pacific State Bank, Hawthorne; Community Bank, Huntington Park; Southwest Bank, Inglewood; Bank of Belmont Shore, Long Beach; Fidelity Bank, Garfield Bank, Los Angeles; First State Bank of Lynwood; South Bay Bank, Manhattan Beach; Bank of Northridge; First National Bank, Orange; Valley Bank, Pacoima; Citizens Commercial Trust & Savings Bank, Pasadena; Pico Citizens Bank, Pico-Rivera; First State Bank of Rosemead; Santa Monica Bank; Sun Valley National Bank; First National Bank, Upland.**

In reviewing the first year's activities of the association, Mr. Illitch said the I. C. B. was organized for the purpose of bringing to public attention the role the independent bank plays in support of the economy and progress of its community and to emphasize the advantage of doing business with the home owned and managed bank.

* * *

John N. Adams, formerly Vice-President and Trust Officer of the **First National Bank of Portland, Ore.,** has been elected Executive Vice-President and a Director of the **Arawak Trust Co., Ltd., Nassau, Bahamas.**

Joins National Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Roy L. Greene, has joined the staff of The National Company of Omaha, First National Bank Building, members of the Midwest Stock Exchange. Mr Greene was formerly with Merrill Lynch, Pierce, Fenner & Beane.

With Southern Inv.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Ralph M. Bewell is now connected with Southern Investment Co., Inc., Johnston Building. He was previously with the First Southern Corporation of Atlanta.

David Gentry V.-P. of Eppler Guerin Turner

DALLAS, Texas—John W. Turner, President of Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, members of the New York Stock Exchange, has announced the recent election of David T. Gentry as Assistant Vice-President at the firm's semi-annual salesmeeting held recently at the Western Hills in Fort Worth.

Mr. Gentry has been associated in the investment banking business for over 12 years and is well known throughout the Dallas and North Texas areas. He is a 32nd degree Mason and Shriner.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Richard M. Rawlings has joined the staff of Bache & Co., 445 North Roxbury Drive.

Joins Walston Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Gerard Duyn, Jr. is with Walston & Co., Inc., 901 Southwest Washington Street.

Joins Edward N. Siegler

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Richard H. Schreiber is now with Edward N. Siegler & Co., Union Commerce Building, members of the Midwest Stock Exchange.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla.—Robert H. Hagan is now connected with Merrill Lynch, Pierce, Fenner & Smith, 116 West Forsyth Street.

With Leason & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert C. Pennell is now with Leason & Co., Inc., 39 South La Salle Street.

Hill Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Ronald B. Killinger has been added to the staff of Hill & Co., Carew Tower, members of the New York and Cincinnati Stock Exchanges.

Now With Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Allan M. Newman has become associated with Goodbody & Co., National City East Sixth Building. He was formerly with Edward N. Siegler & Co.

With Marvin C. Yerke

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Irving Y. Lichtenstein has become connected with Marvin C. Yerke & Associates, Inc., 40 West Broad Street.

With E. M. Adams

(Special to THE FINANCIAL CHRONICLE)

EUGENE, Ore. — Albert W. Herrman is with E. M. Adams & Co., Laraway Building.

Budgeting for Research

By DR. N. B. TUCKER*
Director of Research, The Procter & Gamble Company
Cincinnati, Ohio

Management thinking that relegates research to expendable category in hard times and believes it can be recaptured easily in better times is held to be simply out of touch with reality by Procter & Gamble research head. Dr. Tucker agrees research budgets should be scrutinized closely but disagrees that budgetary decisions should be permitted to weaken a firm's research organization that is more dependent on stability than any other organization. The researcher advises keeping a "cushion" of research capacity for emergencies, favors research that permits "thinking" and growth, and cites three factors on which research strength depends. Warns budgets should limit research's effort but not direct it.

During the last ten years, the spectacular growth of research in this country has been limited, it seems, only by the availability of trained people. Recruiting "quotas" have been objectives rather than limitations because the people to fill them either could not be found or were so hard to come by that a little spill-over didn't really worry anyone. Expansion and ways to accomplish it have dominated research planning. This state of affairs applied, by and large, to manufacturing industry in general and in varying degrees to most of us in the chemical and related industries. Today, however, two things are different. First, we are beginning to see signs that the scarcity of trained people is becoming less acute and, this year, may be less of a bottleneck than it has been in the immediate past. Second, as anyone who reads the newspapers knows, we are in a period which has been variously described as everything from a business readjustment to the economic doldrums.

Dr. N. B. Tucker

Each of the last four years has seen an increase in the number of technical college graduates at the BS, and, less marked, at the MS levels with the new PhD supply at least holding its own. The supply situation is, then, improving. One might expect recession talk and thinking to result in curtailed demand. Actually, available evidence does not support this conclusion. Three recently published surveys show that, by and large, the chemical industries are planning 1958 research budgets providing for as much or more growth than they planned in 1957—certainly not clear evidence that chemists and chemical engineers are headed for being a drug on the market. Nevertheless, the signs are clear that the technical manpower market is not so tight. Perhaps the surveys did not cover a broad enough base, or perhaps some of the respondents have since changed their minds.

Whatever the facts and however they are interpreted, it seems that the size and growth rate of the individual corporate research effort may be returning to the realm of things over which we have some control.

Taking all these circumstances into account, it is inevitable and proper that research budgets should come under closer than normal scrutiny, both by corporate management and by the research managers themselves. And it is also inevitable that, in such times as these, the research effort finds the competition keen—the competition, that is, in the need for funds with all other phases of the business. We frequently hear questions such as "how can the research department defend its budget in this competition?" I feel sure that all of us who have some measure of responsibility for managing research would welcome all the help we can get in arriving at a proper optimum research expenditure—one that is not plush on the one hand, yet adequate to protect the company's future on the other. But useful guiding principles, defensible on the basis of experience, facts and figures, are hard to come by.

*An address by Dr. Tucker before the Chemical Specialties Manufacturing Association, Cincinnati, Ohio.

Formula to Guide Research Budget

For instance, I have been unable to find a useful standard or rule-of-thumb relating the size of the research effort to any quantitative point of reference—sales volume, total assets, net worth, number of employees, miles traveled by the sales force, or what-have-you. Research dollars as a fraction of total sales dollars is the familiar published ratio, and one can make a case for an extensive research effort by citing very successful and respected companies who report a high ratio. On the other hand, one can also point to successful business enterprises in the same type of industry whose research expenditures per sales dollar are much less. A recently published compilation of projected 1958 research budgets within the chemical industry shows a spread of from 1% to 7% for industry group averages. Considering individual firms raises this spread to the range from 0.15% to 9%, or 60-fold. Added uncertainties arise because of different interpretations of what should be included in reported research expenses. Clearly, what is public knowledge about the experience and judgment of others is of little help toward a decision between x dollars for research versus 2x, let alone x plus or minus 10% which is usually the question.

It is not intended to imply that such figures as are available are valueless or that they should be ignored. Certainly it is comforting if one's own budget is in line with those of competition, or provocative of some sharp thinking if it is out of line either way. The point is that they aren't much help if one is trying to pin-point his effort on a plus or minus a few percent basis. The extensive survey of industrial research recently published by the National Science Foundation concludes from its findings that research budgets still must be established on the basis of judgment.

So, too, are we lacking in recognized principles for evaluating the results of research. Most schemes which attempt this are of necessity arbitrary. For instance, who knows what portion of the profits over the years on a new product from research should be credited to that research, to aggressive sales, advertising and promotion, and to astute manufacturing which produced at a favorable cost? If we are frustrated by the apparent futility of attempts to develop formulas for determining the size and evaluating the effectiveness of research, perhaps consolation is found in recalling the quote: By its very nature, research is a gamble; the only risk greater than doing research is *not* doing it.

One's own experience is probably the best, and possibly the only, criterion against which to judge the adequacy of the research effort, both in quantity and quality. If the flow of new products and product and process improvements stays just ahead of the rest of the company's capacity to exploit them, then the size of the effort is probably about right. If, on the other hand, pressure from sales, advertising or manufacturing for more grist for their mills is felt very often, that symptom is obvious, too. On a long-term basis, maintenance of this proper level of research effort is reasonably assured by an orderly expansion of the organization at about the same rate as other parts of the business. Such growth should assure the ability to keep the company covered and protected in the technical aspects of areas of interest.

Assume for the moment that we *are* in an era of belt-tightening, or at least of wait-and-see. Delaying planned expansion of research, or even its curtailment, should be considered. What we are concerned with here is recognizing clearly the important points to be considered and describing them so they come into sharp focus for everyone involved in budget decisions.

Three Factors of Strength

We are, of course, concerned with protecting the strength of the research organization. And that strength depends heavily on three things:

(1) An orderly growth plan, tied in some simple way to the company's growth pattern, but tied flexibly enough that sizable changes of objectives are neither frequent nor sudden.

(2) Effective recruiting and selection procedures.

(3) Stability and flexibility to allow for adequate training of personnel at all levels.

All of these emphasize the importance of stability, which is, perhaps, more vital to a research organization than to any other. Saying the same thing another way, a research organization is relatively ponderous in its momentum and sudden sharp twists of the steering wheel threaten serious damage to the mechanism. Three factors tend to make this so. First, in research, personnel represent the bulk of controllable expense. Important savings can be made only by decreasing or not increasing the number of people. Second, a small number of people represent all of the experts relied on to cover an important segment of technology. It is impossible to prune many branches without damaging the tree. And, third, by definition research activities are in new and uncharted territory, and it takes a long time to make an expert and constant care to keep him one. All of these statements become more pertinent the nearer the research being considered is to the basic or fundamental end of the spectrum, but they apply in some degree to all wave lengths.

Let me enlarge a little on the importance of expertism. It should be only too obvious that the more experienced and expert an organization, the better it will handle problems presented to it. In spite of this, we still occasionally hear ribald comments to the effect that research talent is expendable in hard times and can be recaptured easily when the climate is more favorable. Such thinking, if it exists, is pretty far off the beam.

A research organization should strive to have at least one man who is experienced and knowledgeable in each area of subject matter of major importance to the company. In addition, certain techniques are of broad enough usefulness to require (and to justify) an expert. In the first category we mean such subjects as natural or synthetic waxes, the design of continuous processes, the biochemistry of fats and oils, the phase behavior of soaps. As examples of techniques of broad applicability we can cite radiochemical tracers, X-ray and electron diffraction, optical microscopy, magnetic resonance spectroscopy, etc. On relatively straightforward problems the availability of experts may mean good, solid answers in time; without them the answers may be too little, too late or even temporarily misleading. On more obtuse problems the difference is often that between a really useful answer and no answer at all.

Even in cases where outside contract research is chosen as the means of developing needed knowledge, there is strong reason to have an expert at home, kept current by an active program of his own in a related (though of course not duplicating) area. He is the best channel of communication to insure that the sponsor's needs and plans are most usefully transferred to the contractor and that the results of the research are brought home promptly and effectively.

Stability Is Most Important

The stability needed by a research organization is not a static stability, a maintenance of the status quo. It is a flexible stability that provides for proper attention to the three points above—growth, selection and training. The organization should not be stretched to the limit in covering areas judged essential; people should not be assigned definitive rush projects to withn 99% of their capacity. There must be room, individually and collectively, for some deep digging, for following the literature, for training and generally for keeping abreast of the times—above all for thinking. Flexibility that allows changes of assignment and location within the organization is necessary. A situation must be avoided which stifles a promising individual by keeping him on an important assignment because he is irreplaceable there when his training and development would be advanced by a change of scenery. And finally, there must be some cushion of capacity uncommitted to bare essentials which is available for emergency programs when they arise.

These are some of the important considerations that management should keep in mind when a temporary, intensive economy wave threatens. But obviously there is no absolute lower limit, except zero, to the size of the research effort above which it functions and below which it does not. There is some flexibility all along the line. It starts with the decision of what projects and what areas really must be kept alive. If the budget problem is acute, a tendency to lean toward shorter range goals and to delay, temporarily, work on less immediate objectives may be in order. Next comes the judgment of what level of effort is needed on each project or in each area. Some belt-tightening is usually possible without a great loss in time or effectiveness. Thus, research has some flexibility to roll with the punch without damage, only with some delay, and to maintain most of its base for continued growth and development.

Especially under such circumstances, there is real incentive for sharpened thinking about ways to improve efficiency. Operational efficiency is important—just better management of housekeeping details which save the researcher's time and make it easier for him to devote his thinking 100% to the solution of his problems. Economy measures on laboratory supplies and equipment may be worth examining. But the contribution of this type of approach is at best measured in per cent and maybe a very few per cent at that. The real pay-off is in the direction of up-grading personnel—by training, by selection, even by elimination of the less productive. The ultimate in efficient research is the guy who does the last experiment first. The contribution to efficiency made by the time saved on experiments he didn't have to do might be measured, not in per cent, but by a factor greater than 1. Sometimes the long way round is the short way home—the time for training and development of people, wrung from preoccupation with high-priority work, may well contribute a net gain to the efficiency of getting that work done.

Finally, a proper research budget will and should *limit* the research effort, but should not *direct* it. The size of the budget will be determined by management decision based partly on research department advice. The effectiveness of that advice will be measured to some extent by how successful it is in conveying a clear understanding of the importance of the points we have just been discussing. If it is really effective, then the points of view of all those involved in the budget decision are not apt to be far apart. The answer that comes out will probably be about right.

Robert Hall Mgr. for Blyth in Portland

PORTLAND, Oreg. — Robert M. Hall, Vice President, Blyth & Co., Inc., nationwide investment banking company, has been named manager of the Portland office, in the Pacific Building, according to Charles R. Blyth, President. Mr. Hall succeeds James F. Miller, Vice President, who has been transferred to the New York office of the firm.

Robert M. Hall

Mr. Hall has been a Vice President of Blyth & Co., Inc. for two and a half years. Well known in Portland financial circles, he is a past president of the Investment Security Dealers of Portland. He is now a Director of the Portland Chamber of Commerce and for eight years was Chairman of the taxation committee.

The Portland office is one of the six major offices maintained by Blyth & Co., Inc., including New York, San Francisco, Chicago, Los Angeles and Seattle. There are also sales offices in 18 other cities.

Wm. J. Mericka Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Robert L. Tufts has joined the staff of Wm. J. Mericka & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Two With Central States

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio — Marlin J. McAtee and Warren S. Rayman are now with Central States Investment Co., Walpark Building.

With Inv. Service Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Donald F. Cole is now with Investment Service Co., First National Bank Building.

Purvis Adds Four

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Glenn A. Allred, Donald M. Bell, Samuel V. Frank, Jr., and Thomas B. Searls have been added to the staff of Purvis & Company, 1717 Stout Street.

Securities Salesman's Corner

By JOHN DUTTON

Your Customer Wants to Rely on You!

Several days ago I had lunch with a young man who is just beginning his career in the investment business. He has had the benefit of a college education in a highly rated middle-western university; he has served his time in Uncle Sam's army; and for the past year he has been in training with one of the most highly respected member-firms of the New York Stock Exchange. His future lies ahead of him, and I would guess that he has better than an average chance of achieving a very happy and successful business career all because of this preparation, plus a good family heritage to help him over the rough spots.

When you have passed the 50-mark, and you sit down with the son of a close friend of many years, and you talk with him about his future and his plans, I suppose you must look like a sage of wisdom in his eyes, and possibly a somewhat moth-eaten old-timer at that. But when the conversation develops to a point that this energetic and serious young man asks you point blank what you think is the most important thing he can do in order to build a successful clientele of investors, I must confess that the answer to this question is a pretty tall order.

People Need Help and They Want To Rely on Someone

In my opinion, if I were to pick out the most important thing a man could do if he were interested in becoming a successful lawyer, doctor, investment counsellor, securities salesman, or active in any other field of PERSONAL SERVICE, I believe that I would place AWARENESS OF THE OPPORTUNITY to help others as the most important motivating factor in a man's success. In this world today, it is impossible for the otherwise preoccupied individual to know enough to make successful investment decisions. Check your own active live; your hours that are engaged in servicing accounts, taking care of your family and social obligations, keeping up with the news and seeing your doctor, dentist and tax accountant, and going to church, and if you are like most of the rest of us, just how much time and energy have you left to spare for the job of making decisions that are better left to specialists in each and every field of endeavor that may concern you? It is the wise man who picks a good lawyer, doctor, accountant, investment counsellor, and even repairman for his car and his household appliances. This is the day we MUST RELY UPON others!

Know and Show and Help

Time and again I have found that the best accounts are not the people who think they know it all, but people who understand that the analysis of investment securities is a highly involved procedure that requires the full time of qualifield men who are devoting their lives to this work. We are all busy making a living and spending what leisure time we have either in recreation or taking care of other obligations. We want to know someone who can take burdens off our hands and upon whom we can rely. That is the job for the investment securities salesman and there lies the opportunity. Let me pose the following experience as an example of how to build clients, win friends, and influence others to trust you and to turn their business over to you.

After a long experience I can say that the attitude of helpfulness, thoroughness, and following through, is something that can become a part of your way of life. You no longer think about it; you just "go do." Several years ago I began doing business in a small way with a man who managed two substantial investment portfolios running into several millions. Although he had moved to our community from another city over a thousand miles away, and he had done business with another firm for many years, we gradually became closer friends and I made a complete and thorough study of all the securities under his supervision. I checked tax-exempt bonds upon which he had not received even a quotation in several years. I analyzed his stock portfolio and we made a few changes with certain tax savings resulting. Gradually I received more business and the other firm was obtaining less. Service, friendship, and the close proximity of his office and mine was the edge in my favor.

Several months ago he called me and asked my opinion as to whether he should sell a substantial block of a very closely held situation that had tripled in market value in the short space of several months. I tried my contacts in New York; I long distanced friends; I obtained every scrap of available information, and I suggested the sale of half of the stock. He agreed. Then the stock continued to advance. Rumors reached the public and conflicting statements came out in the press. I have just returned to my desk from a two weeks vacation in New York and while there I called on the president of the subject company. I obtained two items that appeared in the papers that were very enlightening while I was on this trip; I met one other large stockholder, and I discussed the whole situation with a friend of mine who has been trading the stock for over a year. THREE TIMES I TELEPHONED my client long distance while I was working on this problem. We decided to hold the rest of his stock pending developments.

When I returned to my desk I had a message to call him. His sister had just received about $75,000 in July income and from maturing obligations and he wanted me to invest it. I had her portfolio before me. The rest is routine. He called me—not the other broker 1,200 miles away who had once controlled his entire account. He too is a busy man and he wants me to do his leg work, head work, and he is ready to pay me for it, as long as I do it well.

"This, my young friend," I said, "is the most important thing you can do to build an investment clientele that will be something of which you can be proud—remember — people want to rely upon someone, let that someone be YOU!"

Continued from first page

As We See It

forward, and now carry between 15% and 20% of all domestic intercity freight as against less than 10% in 1939. Operating income is now not very much, if any, larger than in the last half of the 'Twenties, while taxes are two or three times as high.

Plenty Competition Now

Orthodox theory among the economists used to be to the effect that effective competition between or with the railroad companies was out of the question, and that as a result extensive, not to say, complete regulation was in order. Well, one need but to look at the facts as now currently published to see that the railroads have a great deal of competition. It is evident, moreover, that this competition plays a major part in the difficulties now being encountered by the railroad companies. What is more it is found upon closer analysis that public policies in one way or another tend to subsidize this competition. Again, adjustments to conditions such as would normally be made by business faced with such a situation are not infrequently, we had almost said regularly, denied the roads by public authorities on the ground that this branch of the transportation industry is affected with a public interest and must serve communities even when profits have vanished—a situation not ordinarily faced by business organizations.

Of course, some part of the troubles of these companies is inevitable in the circumstances. A railroad company necessarily operates with very large fixed investment—fixed not only in the ordinary sense, but fixed in the sense that it can not be moved in any great degree from one place to another and has, moreover, usually stimulated the growth of industry along its lines which now is dependent for its existence upon a continuation of the road's services. As time has passed, moreover, cities have grown around terminals with the result that taxes are very burdensome upon property that once was located in hardly more than suburbs. All this renders the operations of the companies inflexible to a degree compared with competing motor vehicles which have access to free roadways.

"Rich" Corporations

The railroad companies, in any event, are "rich" corporations in the popular mind, and therefore natural objects for heavy local taxes, the more so since they are not locally owned. What is more, the railroad companies, of course, pass through many jurisdictions and must pay many local taxes. The fact that lines passing through the State of New Jersey are now earnestly pleading for time to pay their taxes to that state attests to the role local taxes play in the operation of the roads, although what really is needed is hardly postponement but more reasonable levies. That the New York Central and the New Haven are so urgently seeking relief from New York City taxes—and talking of the possibility of being obliged to abandon Grand Central Station—is another reminder of one of the basic troubles which the railroads of the country face.

But the biggest problem of all—or at least the heaviest unnecessary burden of all—is the wage bill. In few, if in any other industry in this or any other country has organized labor so painstakingly and so thoroughly taken advantage of every opportunity to levy higher and higher wages per unit of work performed. "Featherbedding" is a term that in most minds by now is indissolubly linked with the labor relation of the railroads. Here is a situation which the roads seem quite helpless to remedy in any really effective way. It is by now part and parcel of the whole so-called labor movement which no politician dares antagonize and obviously in the face of such a situation no railroad corporation can do very much to bring reason into its relation with its employes.

Let's Face the Facts

The railroad problem will always remain with us, in an acute or subacute state, unless and until we face the facts and go to work to alter them as obviously they deserve to be altered. Tax postponement, or even tax reductions, will not do more at most than bring partial or temporary relief. We must, first of all, bring ourselves to realize that the railroads actually do have stiff competition in this day of passenger cars, buses, trucks and airlines. The tendency to oblige roads to continue services long after heavy losses are incurred must be reconsidered both as to rates permitted and the requirement that services be continued in the face of loss which can not be eliminated by rate adjustments. In point of fact, the time has come for a thorough reappraisal of the railroad industry in our economy, and a modification of public policy wherever needed to permit the industry to get itself on a sound footing and keep itself there.

Of course it is true that we must have the railroads. They are essential, and are likely to remain so for a long, long time to come, indeed in perpetuity so far as any one can see into the future. But we need a railroad industry that is able to stand on its own feet and give us the services it is designed to furnish for a price we are willing to pay. A publicly owned railroad industry or a railroad industry kept going by contributions from government will not fill the bill.

Continued from page 3

Forecasting Bond Prices

$22,559,000,000 at the close of the year.

The persistent decline in prices of Government securities during the first phase was culminated in a near panic in the bond market on Christmas Eve of 1947, when the Open Market Committee announced that the support levels in Government bonds would be reduced. The U. S. Treasury 2½% bonds of September, 1972 sold as low as 101 to yield 2.44%. Thus during the period from April, 1946 to December, 1947 this issue had fallen 8½ points, or a net loss taking into consideration interest of about 4¼ points. As may be seen from the chart below, the average yields on long-term Treasury bonds increased from 2.08% in April, 1946, to 2.38% in December, 1947. Clearly this was not the time to buy bonds.

Second Phases January 1948 to December 1949

In the early months of 1948, it seemed that the Federal Reserve was continuing its policy and its restraint. In January, discount rates of all Federal Reserve Banks were raised from 1 to 1¼% and in February the reserve requirement of central reserve city banks was increased from 20 to 22% on demand deposits. Nevertheless, there were clear signs that the Federal Reserve felt that the bond market had gone far enough on the downside. The Federal Reserve Banks in January and February made heavy purchases of U. S. Government bonds at fixed prices from the large institutions.

In 1949, the Federal Reserve sent up easy money signals by lowering on March 30th, the margin required on security loans from 75% to 50%, by relaxing consumer credit regulations in March, and by lowering in April the reserve requirements on demand and time deposits. Furthermore, on June 28, the Board of Governors announced that henceforth the Federal Reserve would be less active sellers of Government bonds. Throughout the year 1949 the Federal Reserve seemed to be more concerned about business activity, which was showing signs of weakening than inflation. Government and corporate bonds showed improvement throughout the year as may be indicated by the decline in yield on long Governments from 2.42% in January, 1948 to 2.19% in December, 1949. The U. S. Treasury 2½% bond due September, 1972 had recovered to about 106 to yield 2.17%, a gain of 5 points since December, 1947.

Third Phase January 1950 to June 1953

In the early part of 1950, it became obvious that business was improving and that this country was not headed for a depression. Further, commodity prices were starting to turn upward and talk was heard about inflation rather than deflation. The Federal Reserve Banks continued to report lower holdings of U. S. Government securities.

On June 27, 1950, the Korean War started. As fear of a third World War spread in the United States, prices of many items and particularly wholesale commodity prices began to rise. To observers of the money market it seemed clear that the Federal Reserve was determined to prevent inflation by continuing tight money policies. In July, the discount rates were raised from 1½ to 1¾%.

In August the Treasury, against the advice of the Federal Reserve, offered $13,750,000,000 of 1¼% 13-month notes. Since the market was demanding a 1⅜% rate at least, their notes were extremely unpopular and a large amount had to be bought by the Federal Reserve Banks. Furthermore, during the following months the bond market drifted lower due in great part to the uncertainty caused by the controversy between the Federal Reserve authorities who were clearly advocates of higher interest rates and the Treasury officials, who were trying to hold borrowing costs low. Average yields on long bonds drifted from 2.33% in August to 2.39% in December, 1950.

In January, 1951, the Federal continued its pressure on interest rates by raising margin requirements on security loans from 50 to 75%. On March 2, 1951 the Treasury and the Federal Reserve announced an accord had been reached to the effect that it would be the common purpose of both agencies to assume the successful finances of the Government's debts at the same terms to minimize the monetization of the debt. New Treasury 2¾% bonds due 1975 were offered for the outstanding 2½% bonds due 1972 held in considerable quantities by the insurance companies. When the final terms of these bonds were announced the bond market broke badly and continued to decline until June, due in great part to the removal of all support of bonds on April 10.

In June, 1951, there was a technical rally of the bond market, but by the end of the year prices were substantially lower than at the start. In 1952 there developed a strong demand for commercial loans. Furthermore, with the election of President Eisenhower and his appointment of a conservative Secretary of Treasury, it became the general belief of bond market analysts that the trend was toward a more free bond market and higher interest rates.

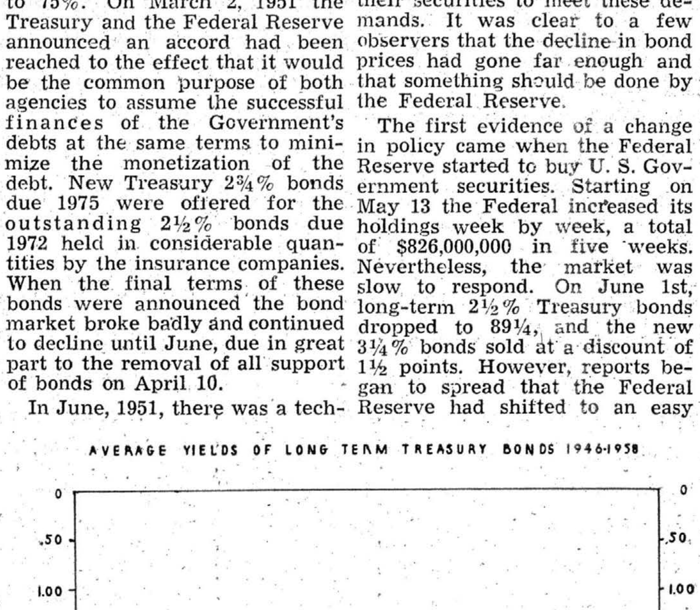
In the first part of 1953, it became evident that the Federal Reserve was continuing a tight money policy. January 15th, eight Federal Reserve Banks raised their discount rates. The Government bond market declined sharply during January. Loan demand at the commercial banks continued and in April the commercial banks raised the prime rate from 3 to 3¼%. The bond market continued to decline and May 4th, the decline reached near panic when losses in some of the issues amounted to as much as 2 points. The U. S. Treasury 2½% bonds of September, 1972 had declined to about 91 to yield about 2.11%. Thus between January, 1950 and June, 1953, this issue had declined from 106, or about 15 points, or a net decline taking into consideration interest of about 6¼ points. As may be seen from the chart, the average yield on long-term Treasury bonds increased from 2.20% in January, 1952 to 3.11% in June, 1953.

Fourth Phase June 1953 to July 1954

Throughout the country many commercial bankers were anxiously scanning the red figures in their securities portfolios. A cry of anguish, which was discreetly withheld from the public, was made to the officials of the Federal Reserve and of the Treasury. The commercial bankers were not only faced with paper losses on their Government and other securities but also they were being confronted with an insistent demand for loans on the part of their customers. This meant that they were compelled in many cases to sell at substantial losses their securities to meet these demands. It was clear to a few observers that the decline in bond prices had gone far enough and that something should be done by the Federal Reserve.

The first evidence of a change in policy came when the Federal Reserve started to buy U. S. Government securities. Starting on May 13 the Federal increased its holdings week by week, a total of $826,000,000 in five weeks. Nevertheless, the market was slow to respond. On June 1st, long-term 2½% Treasury bonds dropped to 89¼, and the new 3¼% bonds sold at a discount of 1½ points. However, reports began to spread that the Federal Reserve had shifted to an easy

AVERAGE YIELDS OF LONG TERM TREASURY BONDS 1946-1958



SOURCE: ANNUAL REPORT OF U. S. TREASURY

money policy and the bond market began to rally. On June 25, 1953, the Federal Reserve confirmed its easy money policy by reducing its reserve requirements for all member banks, releasing over one billion of reserves. The bond market, which had been demoralized in June, took these signals seriously and rallied strongly throughout the rest of 1953.

Early in the year 1954, there was talk of a recession. In February, the Federal Reserve Board discount rate was lowered from 2% to 1¾% and in April to 1½%. In July the reserve requirements were lowered releasing about a billion and a half of reserves. Prices of Government securities were strong and there seemed to be a general belief that the Reserve System would continue its policy of credit ease. In July, 1954, the average long-term Government securities had recovered to an average yield of 2.45%, compared with 3.11% in June, 1953. The Treasury 2½% bond of September, 1972 had recovered to 100½, a gain of 9½ points.

Fifth Phase July 1954 to November 1957

Throughout the remaining months of 1954, the Government bond market was firm. However, the large volume of municipal and particularly turnpike bond issues as well as an increasing demand for commercial loans brought rumors of tighter money and a possible change in policy by the Reserve System. Nevertheless, the long-term Treasury 3¼% bonds established a new high in August of 111⅝, or 12 points above the May, 1953 low.

In the fall of 1954, there was talk of the Treasury offering long-term issues and spreading out the debt. Furthermore, the holdings of U. S. Government securities of the Federal Reserve Banks were showing persistent declines each week. By Oct. 27, 1954, they were $656,000,000 lower than on June 30, 1954, thereby bringing contraction in the money market. Furthermore, in December, 1954, when the bonds needed funds to finance the Christmas trade, the Federal Reserve did not, as customary, make money easy by purchases of Treasury Bills. This was a clear indication that the Federal Reserve was concerned about the booming stock market and the large volume of municipal and corporate financing.

As the year progressed there were increasing signs that the Federal Reserve was continuing its policy of restraint on credit. In April, August, September and November the discount rate was moved from 1½% to 2½% (a quarter of a point each time). Certainly the Federal Reserve was calling tighter money. Also the holding of Government securities by the Federal Reserve Banks was steadily being reduced and at the end of 1955 was $503,000,000 lower than at the end of 1954. The long-term Treasury bonds as may be seen by the chart, had begun to decline and in 1955 the average yield was 2.80%, compared with 2.55% in 1954. The year 1956 was one of unprecedented business activity and continued heavy demand for loans. An examination of the holdings of Government securities of the Federal Reserve Banks showed no attempts to make money easy throughout the whole year 1956. In fact, the Federal sent up additional storm warnings by raising the discount rates in April to 2¾% and in August to 3%. Wholesale prices after being relatively steady at an index level of about 110.4 for three years started upward in January, 1956 and by December had reached a monetary average of 116.3.

The Federal Reserve continued to exercise credit restraint by lowering its holdings of Government securities. In the first ten months of 1957, its Government securities averaged $23,272,000,000 compared with $23,563,000,000 in the first ten months of 1956. In August the discount rate was raised to 3½%. Furthermore, the officials of the Federal Reserve were making speeches to the effect that inflation was still the greatest danger. The Government and corporate bond market declined steadily during 1956 and 1957. As may be seen from chart, the average yields on long Government securities increased from 2.86% in January, 1956 to 3.75% in November, 1957. On Nov. 13, 1957, the U. S. Treasury 2½% bond due September, 1972, had declined to about 87⅛ compared with 100½ in July, 1954, a decline of 12⅜ points.

Sixth Phase November 1957 to Present

Without warning, on Nov. 14, 1957 the Federal Reserve Banks announced that the discount rate would be lowered from 3½ to 3%. To even the dullest student of the money market this should have been a clear sign that the Federal Reserve had changed from a restrictive credit policy to that of ease. If this were not enough of a signal, the Federal Reserve in four successive stages lowered its discount rate to 1¾% as of April 18, 1958. Also the reserve requirements of member banks were lowered in February and again in April. Margins on loans secured by stock exchange collateral were lowered from 75% to 50% in April. Also the Federal Reserve Banks increased their holdings of Government securities from $23,498,000,000 on Nov. 14, 1957 to $24,663,000,000 on June 18, 1958. Although there are currently reports that the Federal Reserve may be shifting its policy from one of active ease to one of maintainance of ease, it is believed the Federal is still a long way from adopting a tight money policy.

The Government bond rallied sharply in November, 1957, and has continued firm to date. An examination of the chart will show that the average yield on long Government securities has declined to 3.11%. Also the price of the 2½% U. S. Treasury bond due September, 1972, rose to about 95⅝ on June 11, 1958, a gain of 7½ points in a little more than six months.

Conclusions

The following conclusions might be drawn from this sketchy outline of the Federal Reserve policies since 1946:

(1) The Federal Reserve follows consistently a policy of credit ease or credit restriction over a reasonably long period of time.

(2) In each of these periods the Federal Reserve uses most of its instruments of credit control in such a way that its patterns can be easily discerned.

(3) As a rough guide, the chart reproduced below would give the portfolio manager long-term buy and sell signals. Parallel lines have been drawn through the high points and low points from 1946 to 1953. Selling when the yield line breaks through the top line and buying when it breaks through the bottom line would have been in all cases profitable.

Even the Government securities bought toward the end of 1956, while premature, would nevertheless be selling at substantially higher prices today.

As far as the outlook is concerned it is believed that the Federal Reserve will continue somewhat less aggressively to pursue an easy money policy for some time to come, and that the prices of long-term U. S. Government bonds will continue to rise until the average yield curve approaches the top parallel line in the chart.

D. L. Cotterell With Lord, Abbett & Co.

Lord, Abbett & Co. of New York has announced the appointment of Donald L. Cotterell as Regional Representative to serve the northwestern states.

Donald L. Cotterell

Mr. Cotterell will make his headquarters in San Francisco and will serve northern California, northern Nevada, Washington, Oregon, & Idaho.

Mr. Cotterell is well known by investment firms on the West Coast as a mutual fund representative and securities salesman for the last 12 years. Prior to 1946 he served as a Lieutenant Colonel on General Eisenhower's staff during World War II. He is a native of Salt Lake City and a graduate of the University of Utah.

2 With Schirmer, Atherton

(Special to The Financial Chronicle)

BOSTON, Mass. — James C. Contis and Daniel C. Ring are now affiliated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Joins Barret, Fitch

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Frederick A. Titus has joined the staff of Barret, Fitch, North & Co. Incorporated, 1006 Baltimore Avenue, members of the New York and Midwest Stock Exchanges. He was previously with Waddell & Reed, Inc.

A. C. Decker, Jr. Opens

SHREVEPORT, La. — Arthur C. Decker, Jr. is engaging in a securities business from offices at 3109 Alexander.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is trying to evaluate the future while at the same time it is digesting the recently offered issues which the Treasury put on the market. There are indications that while most of the free riders have been shaken out of the bonds which they were carrying on a shoe string, it is evident that not all of the speculative positions have as yet been put away in strong hands. Nevertheless, progress is being made in moving these securities into the holdings of investors.

The refunding of the August 1, maturity (and possibly those of September at the same time) is becoming more of a factor in the Government market with the passage of time. It is believed that the Treasury will give some indication as to what may be expected in its broad overall program from the way in which this sizable maturity is taken care of. The guessing is that the securities used will be mainly in the near-term classification.

Huge Deficit Financing Expected

The deficit of the Government in the fiscal year which has just started has been estimated in the area of from $8 billion to $13 billion. Whatever the deficit may turn out to be will depend in no small measure upon the trend of business and, more especially, the time when economic conditions move from the defensive to the upside, and this is subject to more than a little bit of conjecture. Nonetheless, the Treasury will have to raise the money which will be used by the Government in order to meet its expenses. And indications are that the bulk of these funds will have to be obtained through the sale of near-term securities.

These short-term borrowings will be drawn of necessity from banking institutions, and the deposits that will be created to pay for these obligations will add to the money supply. It is this increase in the money supply that the monetary authorities fear because of the inflation potential. In order that the deposit banks have the wherewithal to pay for the new money raising securities which the Treasury will be introducing into the market, these institutions will have to be supplied with the needed reserves by the Central Banks. This will most likely be done through open market operations unless the business pattern does not respond to the stimulus of the various measures which have been taken. In such a case more direct action would be expected.

Monetary Policy Keyed to Economic Trend

This new money financing by the Treasury seems to preclude any drastic change in the money market pattern which has been in vogue. On the other hand, if the recovery in business should be faster than is generally looked for in most financial circles, this might curtail some Government expenditures, which could result in less new money being needed by the Treasury. Should a fast and sharp recovery in business take place, one that might set in motion again the boom psychology, it is believed by some money market specialists that the powers that be will move away from the policy of active ease which they have been following.

Good Bank Buying of 2⅝s

In spite of the feeling of caution which seems to be shrouding the money market, it is reported that the deposit banks are continuing to absorb the 2⅝s of 1965 in a manner which is characterized as being very satisfactory. Even though these institutions are well aware that they will have to take on sizable amounts of the new money raising obligations of the Treasury, they are still adding to positions in the 1965 bond, since the yield is satisfactory and the maturity is such that it also meets their requirements very well. The out-of-town deposit banks, according to advices, are the prominent ones at present in this security.

Movements in Government Market

The longer end of the Government list is continuing to move in a narrow range, with not too much activity being evident, although it is the opinion of some money market followers that state pension funds in particular are adding to their holdings of the 3¼s of 1985. As for the other institutional investors, it is evident that corporates and tax-exempt bonds still have more attraction for them than do the more distant Governments.

There are some evidences in the Government market that certain institutions are making a start in the direction of shortening maturities. There are indications that not an insignificant part of the demand for the shortest Treasury obligations is coming from those investors that are interested in gettting closer to home. This has also created a very large demand for the short-term issues of the tax-free securities.

Continued from first page

Canada's Postwar Growth And Economic Prospects

national pride which has led some to believe that strained economic relations exist today between Canada and the United States. A careful analysis of the facts do reveal certain problems, particularly with regard to the large increase in the direct investment of the United States corporations in Canadian subsidiaries but as the Gordon Commission recognized, Canada over the next decade at least will need more and not less foreign capital to develop her resources and industries. The major problem, Canadian participation in the ownership on a minority basis in the United States' direct investment, is apparent to the vast majority of the U. S. corporations and it is my firm belief when Canadian investors are ready to absorb this ownership, it will be offered to them.

The foundations for Canada's Post-War Development were laid during World War II when the country, because of the intensive utilization of its natural resources and expansion of its industrial plants for munitions and supplies, became known as the Arsenal of the British Empire. During this period, as shown in Exhibit A, the Gross National Product doubled; exports were more than three times the 1939 level and imports were doubled; the Gross Domestic Investment in construction, machinery and equipment more than doubled, and prices, wages and consumer spending were controlled by rationing and price restrictions.

At the end of the war Canada retained rationing, excess profits taxes and price controls for a considerably longer period than was the case in the United States with the result that the conversion from a wartime to a peacetime economy was carried out more smoothly. When such restrictions were removed, however, deferred customer spending resulted in greatly enlarged imports from the United States, and foreshadowed to some extent the gain in the standard of living which lay ahead. At the end of the war Canada was almost entirely dependent upon foreign imports for her requirements of crude oil and iron ore, two commodities vitally essential to the sound industrialization of any country. It was the discovery and subsequent development of vast reserves of both crude oil and iron ore which stimulated the unprecedented growth since 1950. The post-war development as revealed by certain key statistics is shown in Exhibit A.

Today's population in Canada of 17 million is almost five million greater than in 1945, a gain in excess of 3% a year. The Gross National Product of $31.1 billion in 1957 compares with $18.2 billion in 1950 and $11.9 billion in 1945. The Gross Domestic Investment of $8.7 billion in 1957 was 28.5% of the Gross National Products, and for 1957 alone was larger than the total capital expenditures for the entire war period. Foreign trade which has risen 118% since 1945 is an essential component of the Canadian economy with exports amounting to 15.6% and imports 18.1% of the Gross National Product in 1957. Canada and the United States are each other's best customers and should continue to be since the United States requires many of Canada's abundant natural resources and some manufactured products while Canada has natural advantage in importing from the United States many products which are essential to her capital development. A further proof of Canadian prosperity in the post-war period may be found in the fact that during the past several years Canadian tourists have spent more money in the United States than the United States' tourists have spent in Canada.

Unique Exports and Construction Performance

Any business recession in the United States always has had important repercussions on the Canadian economy. The current decline is no exception as the figures in Exhibit B clearly indicate. In many respects the pattern is the same as in the United States with industrial production in the first quarter of 1958 about 5% lower than in the corresponding period of 1957; with an increase in unemployment and with a decline in carloadings and aggregate payrolls. As in this country, however, domestic trade, consumer prices and weekly earnings have recorded small increases over a year ago.

There are two important aspects of the current recession in Canada which are quite different from previous periods of declining business: exports are being maintained at a very high level in contrast with substantial declines in other periods and the estimated Gross Domestic Investment in construction and new plant and equipment is almost as great for 1958 as it was in 1957. The base metal industry has been severely affected by a decline in world wide metal prices and the expansion in the oil industry has been retarded by import restrictions which today are in effect in the United States.

Private and Public Investment

As mentioned in the preceding paragraph, the estimated private and public investment in Canada for 1958 is only 2.3% lower than the record established in 1957 and is well above any other post-war year. Estimated expenditures of $8,521 million for 1958 reflect an increase in public spending of 8.4% and housing of 15.5% which was enough to almost offset the decline in private spending of about 13%.

Schedules C, D and D1 set forth considerable details with respect to capital expenditures for new construction and machinery and equipment for the years 1946 to 1958 and a breakdown of personal savings, corporation savings, depreciation allowances and governmental surpluses. It will be noted that the total Gross Domestic Investment for the years 1946 to 1957 inclusive amounted to $59.1 billion and for 1958 $8.5 billion or a total of $67.6 billion. For the years 1946 to 1949 the yearly average was $2.7 billion and for 1950 to 1957 $6.0 billion.

A study of the various Exhibits referred to in the preceding paragraph will show that the total capital expenditures between 1946 and 1957 resulted in a net capital inflow of only $4.0 billion or 6.7%. It must be remembered, however, that during the first four years of the post-war period there was a very extensive outflow of capital while the net capital inflow, particularly in the last three years, has been very extensive. The total inflow from the United States during the entire period has amounted to $10.9 billion from all sources.

At the end of 1956 the total foreign investment in Canada was $16.7 billion of which $15.4 billion was long-term and of these long-term investments 57% represent direct ownership of foreign corporations in controlled Canadian subsidiaries principally subsidiaries of U. S. corporations. It is interesting to note that the Canadian investment abroad at the end of 1956 of $7.2 billion was almost as large as the United States investment in Canada in 1945.

The largest amount of private capital expenditures in Canada has been in the housing industry where $12.4 billion has been expended since 1946. Manufacturing of all kinds have amounted to $9.4 billion and public utilities $6.7 billion. Although expenditures for petroleum and natural gas of $4.7 billion were perhaps the largest amount expended on any one industry apart from housing and public utilities, the results have been probably the most impressive of any phase of the post-war development in Canada. A similar trend has been shown in the development of the iron ore industry where production has increased from 1.5 million tons in 1946 to 22.3 million in 1957. Statistics with regard to the industries described in the preceding paragraphs are shown in Exhibit E as well as other basic Canadian industries such as base metals and pulp and paper.

Royal Commission's Conclusions

With the background of Canada's Post-War Development, the preliminary conclusions of the Royal Commission on Canada's Economic Prospects, in my opinion, become more understandable. These conclusions are set forth in the accompanying Exhibit F and predicts that by 1980 Canada's population will be in the neighborhood of 27 million, her Gross National Product about $76.1 billion, agriculture will be far less important to the national economy than at the present time, while natural resource industries would be considerably more important. The preliminary report also predicts that the amount of new capital invested in 1980 will be close to three times the 1955 figure and although the amount of foreign capital will be increased considerably in absolute amount, it will not be increased in relative terms. By 1980 Canada should be less dependent upon the inflow of new foreign capital and at the end of this period the country might possibly be an exporter of capital.

Comments on the Preliminary Report of the Royal Commission on Canada's Economic Prospects

By an order of the Privy Council dated June 17, 1955, there was created a Royal Commission which later became known as the Royal Commission on Canada's Economic Prospects or the Gordon Commission. The broad purposes of this Commission were set forth in the first paragraph of the Order in Council which read as follows:

"The Committee of the Privy Council have had before them a report from the Prime Minister stating that it is desirable that the Canadian people should be more fully informed of the long-term economic prospects of Canada, and that it is in the national interest to initiate, examine and publish studies of Canada's economic potentialities, including developments in productive capacity, the growth and distribution of the population, the direction and nature of our internal and external trade, progress in standards of living and expanding requirements for industrial and social capital."

During the 18 months following the creation of this Commission public hearings were held in 14 of the larger Canadian cities. In addition the Commission made a Western Arctic trip visiting such places in the Yukon and Northwest Territories as Whitehorse, Norman Wells, Aklavik, and Yellowknife and an Eastern trip visiting among others such strategic points in Labrador and Quebec as Goose Bay, Knob Lake, and Seven Islands. During the course of its investigation the Commission received some 330 submissions which were filed as exhibits and which covered all phases of the Canadian economy.

In December, 1956, the Commission submitted its Preliminary Report which will be followed by a Final Report to be published at a later date. There will also be published separately more than 30 separate studies each dealing in detail with different phases of the economy.

As set forth in the Preliminary Report the forecasts which are predicated over the next 25 years are based upon several general

EXHIBIT A

Statistics of Post War Expansion

	1939	1945	1950	1956	1957
Population (millions)*	11.3	12.1	13.7	16.1	16.6
Gross National Product					
Current Dollars (millions)	$5,707	$11,850	$18,203	$29,986	$31,066
1949 Dollars (millions)	9,571	15,621	17,325	23,262	23,295
Gross Domestic Investment					
Current Dollars (millions)	$765	1,703	3,815	8,024	8,721
1949 Dollars (millions)	1,283	2,106	3,617	5,818	6,159
Net Capital Inflow					
Current Dollars (millions)	—$126	—$693	$360	$1,372	$1,383
Foreign Trade (millions)					
Exports	$924	$3,216	$3,120	$4,788	$4,836
Imports	756	1,584	3,180	5,712	5,628
Balance	$168	$1,632	—$60	—$924	—$792
Domestic Trade (millions)					
Total Retail Sales	$2,578	$4,573	$9,617	$14,298	$14,654
Department Store Sales	292	510	881	1,242	1,289
Civilian Labor Force (M)†					
Total Available	4,649	4,520	5,163	5,705	5,915
Without Jobs—Seeking	529	73	166	179	254
Per Cent Unemployed	11.4%	1.6%	3.2%	3.1%	4.3%
Prices †					
Wholesale (1933-1935=100)	99.2	132.1	211.2	225.6	229.4
Consumers (1949=100)	63.2	75.0	118.1	121.9	124.3
Wages †					
Aggregate Payrolls (1949=100)	32.9	66.5	106.0	180.5	194.5
Weekly Earnings	$23.44	$32.04	$44.84	$64.18	$67.70
Corporation Profits ‡					
(Millions of Dollars)	$688	$1,228	$2,508	$3,260	$3,024

NOTES—*As of June 1; † Based upon monthly average; ‡ Before taxes.

Sources: Canadian Statistical Review—April, 1958 and 1957 Supplement by Dominion Bureau of Statistics, Ottawa and various editions of Public and Private Investment in Canada published by Department of Trade and Commerce, Ottawa.

EXHIBIT B

Statistics of Current Economic Trends

	First Quarter—Average			
Index of Industrial Production	1957	1958	Change	
(Unadjusted: 1935-1939=100)				
Composite Index	279.0	265.3	— 4.9%	
Manufacturing	279.4	257.1	— 8.0	
Non-durable	238.4	225.3	— 5.5	
Durable	343.5	306.7	—10.7	
Mining	261.9	272.2	3.9	
Electricity and Gas	312.1	332.7	6.6	
	First Four Months			
Foreign Trade	1957		1958	
(Millions of Dollars)	Total	U. S. A.	Total	U. S. A.
Exports	$1,491.0	$889.5	$1,468.7	$887.3
Imports	1,896.5	1,422.0	1,643.0	1,179.6
Trade Balance	—$405.5	—$532.5	—$174.3	—$292.3
Domestic Trade	First Quarter			
(Millions of Dollars)	1957	1958	Change	
Retail Sales—Total	$3,211.5	$3,302.2	2.8%	
Department Store Sales	249.5	263.8	5.8	
Automobile Sales	267.7	263.5	—1.6	
Labor	1957		1958	
(Thousands)	Mar. 16	Apr. 20	Mar. 22	Apr. 19
Persons with job	5,373	5,442	5,917	5,453
Unemployed seeking job	343	306	590	516
Prices	March Average			
Wholesale (1935-1939=100)	1957	1958	Change	
General Index	228.4	228.1	— 0.1%	
Non-Ferrous Metals	182.6	167.6	— 8.2	
Consumer (1949=100)	120.5	124.3	3.1	
Earnings	Month of February			
	1957	1958	Change	
Aggregate Payrolls (1949=100)	184.7	183.8	— 0.5%	
Weekly Earnings	$66.66	$69.23	3.9	
Carloadings	Jan. 1 to May 7			
(Thousands)	1957	1958	Change	
	1,300	1,202	— 7.6%	
Consumer Credit	Outstanding Mar. 31			
(Millions)	1957	1958	Change	
Sales Finance Companies	$752.5	$746.5	— 0.8%	
Small Loan Companies	359.1	363.3	1.2	

Source: Canadian Statistical Review—April 1958 and 1957 Supplement published by Dominion Bureau of Statistics, Ottawa.

EXHIBIT C

Private and Public Investment in Canada Together With Total Capital Inflow and Capital Inflow From U. S.

(Millions of Dollars)

Year	Private	Public	Total	Total Capital Inflow Amount	Total Capital Inflow Percent	Capital Inflow From U.S.A.
1946	$1,286	$417	$1,703	$—363	—21.3	$607
1947	1,941	548	2,489	— 49	—19.7	1,135
1948	2,372	803	3,175	—451	—14.2	393
1949	2,559	943	3,502	—177	— 5.1	589
1950	2,818	997	3,815	334	8.8	403
1951	3,338	1,239	4,577	517	11.3	951
1952	3,701	1,584	5,285	—164	— 3.1	849
1953	4,208	1,633	5,841	443	7.6	904
1954	4,040	1,580	5,620	432	7.7	807
1955	4,687	1,663	6,350	698	10.9	1,035
1956	5,835	2,189	8,024	1,372	17.1	1,640
*1957	6,128	2,593	8,721	1,383	15.8	1,550
	$42,913	$16,169	$59,102	$3,975	6.7	$10,863
1946-49	$8,158	$2,711	$10,869	$—1,404	— 9.6	$2,724
1950-57	34,755	13,478	48,233	5,015	10.4	8,139
1946-57	$42,913	$16,189	$59,102	$3,975	6.7	$10,863
1958 Estimate	$5,710	$2,811	$8,521			

*Subject to revision.

Source: Various editions of Private and Public Investment in Canada published by the Department of Trade and Commerce and Canadian Statistical Review—April, 1958 and 1957 Supplement published by the Dominion Bureau of Statistics.

assumptions; the more important of which are the following:

(1) Although the burden of defense spending will remain heavy there will not be a global war during the period under review.

(2) There will not be another depression of the kind which was experienced in the Thirties, and that there will not be prolonged periods of mass unemployment.

(3) That there will be no major changes in the policies of governments which have a bearing on economic development.

EXHIBIT D

Gross and Net Domestic Savings and Application to Capital Expenditures for New Plant and Equipment Together With Figures on Capital Inflow and Outflow

(Millions of Dollars)

Year	Gross Domestic Savings	Increase in Inventories	Other	Total	Net Domestic Savings	Capital Expend. New Plant & Equip.	Capital Inflow or Outflow (—)
1946	$2,474	$519	—$80	$439	$2,035	$1,703	—$332
1947	3,304	947	—149	798	2,506	2,489	— 17
1948	4,309	605	111	716	3,593	3,175	—418
1949	4,023	231	116	347	3,676	3,502	—174
1950	4,372	960	— 73	887	3,485	3,815	330
1951	5,841	1,620	168	1,788	4,053	4,577	524
1952	5,629	310	—189	171	5,458	5,285	—173
1953	5,984	591	— 5	586	5,398	5,841	443
1954	5,104	—275	186	—89	5,193	5,620	427
1955	6,069	510	—114	396	5,673	6,350	677
1956	7,326	939	—124	815	6,511	7,900	1,389
	$54,435	$6,957	—$103	$6,854	$47,581	$50,257	$2,676

Capital Inflow or Outflow (—) From

Year	U. S. A.	U. K.	Other	Total
1946	$625	—$651	—$306	—$332
1947	1,176	—884	—309	— 17
1948	417	—612	—223	—418
1949	570	—551	—193	—174
1950	384	1	— 55	330
1951	928	—193	—211	524
1952	810	—492	—491	—173
1953	871	—207	—221	443
1954	774	—264	— 83	427
1955	1,008	—394	63	677
1956	1,617	—241	13	1;389
	$9,180	—$4,488	—$2,016	$2,676

Source: National Accounts-Income and Expenditures 1926-50, Tables 7, 8, 38, 39, and 41. National Accounts-Income and Expenditures 1950-56, Tables 7, 8, 48, 49, and 54. Both published by the Economic and Development Division, Dominion Bureau of Statistics, Ottawa.

EXHIBIT D1

Cash Available From Personal Savings, Undistributed Corporate Profits and Governmental Surpluses

(Millions of Dollars)

	Personal Savings			Corporation Savings			Total
Year	Personal Savings	Deprec.	Total Cash	Undistrib. Profs.	Deprec.	Total Cash	Personal and Corporation
1946	$988	$392	$1,380	$411	$436	$847	$2,227
1947	426	452	878	619	596	1,215	2,093
1948	1,009	511	1,520	788	687	1,475	2,995
1949	1,005	576	1,581	607	782	1,389	2,970
1950	645	678	1,323	844	852	1,696	3,019
1951	1,390	768	2,158	721	1,017	1,738	3,896
1952	1,525	830	2,355	667	1,155	1,822	4,177
1953	1,588	914	2,502	754	1,353	2,107	4,609
1954	891	985	1,876	624	1,535	2,159	4,035
1955	1,071	1,042	2,113	910	1,661	2,571	4,684
1956	1,430	1,089	2,519	1,030	1,873	2,903	5,422
	$11,968	$8,237	$20,205	$7,975	$11,947	$19,922	$40,127

	Governments			
Year	Surplus or Deficit	Depreciation	Total	Grand Total
1946	$172	$75	$247	$2,474
1947	1,141	70	1,211	3,304
1948	1,236	78	1,314	4,309
1949	974	79	1,053	4,023
1950	1,247	106	1,353	4,372
1951	1,820	125	1,945	5,841
1952	1,317	135	1,452	5,629
1953	1,224	151	1,375	5,984
1954	916	153	1,069	5,104
1955	1,210	175	1,385	6,069
1956	1,715	189	1,904	7,326
	$12,972	$1,336	$14,308	$54,435

Source: National Accounts-Income and Expenditures 1926-50, Tables 7, 8, 38, 39, and 41. National Accounts-Income and Expenditures 1950-56, Tables 7, 8, 48, 49, and 54. Both published by the Economic and Development Division, Dominion Bureau of Statistics, Ottawa.

EXHIBIT E

Statistics of Certain Industries Based Largely Upon Physical Value of Production

	Year			February	
	1939	1946	1957	1957	1958
Housing Industry					
Building Permits—millions*	$60	$267	$833	$42	$44
Sawn Lumber—millions bd. ft.	3,977	5,083	†7,830	1,671	1,692
Building Bricks—millions	166	272	470	----	----
Cement—thousand tons	996	1,872	6,252	356	335
*58 municipalities. †1956.					
Public Utilities—Electric					
Water Power (millions of H.P.)	8.3	10.2	19.8	----	----
Electricity Generated (bil. K.W.H.)	28.3	41.7	90.6	7.3	7.8
Petroleum and Natural Gas					
Crude Oil Reserves—mil. bbls.	----	72	3,000	----	----
Crude Oil Production—M bbls. per day	----	19	505	494	492
Domestic Oil Consumption—M bbls. per day	----	223	663	639	691
Natural Gas Production—bil. cu. ft.	----	48	220	20	22
Iron Industry					
Iron Ore Production—M tons	123	1,549	22,303	88	79
Steel Production—M tons	1,532	2,327	5,038	424	375
Base Metal Industry					
Aluminum Ore Imported—mil. lbs.	1,021	2,563	5,111	132	77
Asbestos—M tons	365	558	1,048	77	54
Copper—million lbs.	608	368	721	59	61
Nickel—million lbs.	226	192	378	30	32
Lead—million lbs.	389	354	364	30	30
Zinc—million lbs.	395	470	820	60	68
Gold—thousand ozs.	5,100	2,832	4,416	343	358
Silver—thousand ozs.	23,160	12,540	28,356	2,032	2,309
Lumber & Paper Industry					
Sawn Lumber—millions bd. ft.	3,977	5,082	----	558	550
Wood Pulp—M tons	4,166	6,616	10,177	834	752
Newsprint—M tons	2,927	4,162	6,396	519	474
Miscellaneous Manufacturing					
Cigarette Sales—millions	7,128	14,880	30,144	2,108	2,441
Refrigerators—thousands	51	57	218	21	15
Washing Machines—thousands	104	115	270	25	21
Radio—thousands	348	604	721	21	15
Television sets—thousands	----	10	457	38	33
Steel—thousands of tons	1,552	2,327	5,038	424	375
Motor Vehicles—thousands	155	271	412	36	31

Source: Canadian Statistical Review—April 1958 and 1957 Supplement published by the Dominion Bureau of Statistics, Ottawa.

The Preliminary Report is contained in a booklet divided into 19 sections and covering 115 pages. The concluding paragraph of this report reads in part as follows:

"In this Preliminary Report we have forecast a very considerable economic expansion for Canada in the next 25 years. . . . We expect that over the period the total output of the economy will about triple. This should bring about a remarkable increase in living standards and in the levels of per capita net disposable income. We shall have our dull periods in the future, as well as our bright ones. But given leadership, flexible policies, a willingness to change policies as occasion demands and a bit of luck, Canadians have every reason to look forward with optimism and confidence to the continued economic development of our country and to a rising standard of living in the years to come."

A brief summary of a few of the more important forecasts contained in the Preliminary Report are as follows:

(1) The population of Canada, which at the present time is approximately 16.5 million persons, should increase to 19.5 million by 1965, 24.0 million by 1975, and 26.7 million by 1980, assuming a net immigration of 75,000 per annum and current trends of normal growth. If the net immigration averaged 100,000 per year, the population by 1980 would be 27.5 million.

(2) In 1956, Canadian Gross National Product was $29.9 billion. If net immigration averaged 75,000 per annum and if the rate of productivity increase is between 2½% and 3¼% per annum the Gross National Product by 1965 should be $39.9 billion, by 1975, $62.0 billion, and by 1980, $76.1 billion. If the productivity factor is increased 3¼% per annum and net immigration 100,000, the G. N. P. by 1980 could reach $85.2 billion.

By 1980 there should be a very considerable change in the distribution of total output among the various sectors of the economy. By 1980 agriculture should account for only 5.7% of the total output in contrast with 12.8% in 1955; resource industries, 15.4% in 1980, an increase from 9.9% in 1955; primary manufacturing would decline slightly, but secondary manufacturing should account for 25.3% of the total output in 1980, up from 21.6% in 1955.

(4) According to the study, "The Outlook for the Canadian Forest Industry" prepared for this report, production of forest products should nearly double by 1980 although the proportion of this production which will be exported will be slightly smaller than the proportion currently being exported.

(5) According to the study, "Mining and Mineral Processing in Canada" prepared for this report, the total value of the mining and mineral production by 1980 may be about 3½ times the present level, compared with an increase in the G. N. P. of about 3 times.

(6) The Commission's study entitled "Canadian Energy Prospects" prepared for this report, states that oil, natural gas, and water power in 1980 will supply 81% of Canada's energy requirements, while coal will supply 16% and nuclear energy 2%. In 1953, petroleum, natural gas and water power supplied 54% and coal 39%. By 1980 the potential oil output is estimated at about 10 times the 1955 production and between one-and-a-half and twice Canadian consumption; natural gas 15 times the 1955 output, or about 50% more than domestic requirements in 1980. The net export surplus of oil and gas alone in 1980 will be over $1 billion as compared with an excess of imports over exports in 1955 of $340 million.

(7) Secondary manufacturing industries today employ approximately 20% of the total working forces in Canada. It is expected that the demands for secondary manufactures should increase at about the same rate as the increase in the G. N. P. In this event the total demand by 1980 may be close to three times that of present. On balance it seems reasonable to assume that in competition with products of United States manufactures, Canadian industry will obtain a slightly larger share of the industrial market than it does at present.

(8) Linked closely with the study of Canada's secondary manufacturing industry is the tariff and commercial policy. This question is discussed in great detail in the Preliminary Report and the conclusion arrived at is that tariff protection, at some level, will be continued in the years to come.

(9) The Preliminary Report comments in detail upon prospective requirements and sources of capital. In the postwar decade 1945 to 1954 only 3% of the total requirements of $48 billion represented capital inflow from abroad. In the early years of this period personal savings represented a much higher percentage of the Gross National Product than they did in 1954 when it was 19% and capital since 1954 has been increasing rapidly. Several forecasts for the future on this subject are as follows:

(a) The total amount of new capital invested in 1980 will be close to three times the 1955 figure.

(b) During the next 25 years the amount of foreign capital will be increased considerably, in absolute but not in relative terms.

(c) It is expected that exports will increase more than imports and that by 1980 Canada shall be relatively less dependent upon new inflow of foreign capital. It is not impossible that at the end of the period the country might be a net exporter of capital.

(10) Many exhibits were submitted to the Commission on all aspects of foreign capital. The Commission outlined the three following objectives with respect to the operations of foreign concerns that do business in Canada.

(a) Whenever possible they should employ Canadians in senior managerial and technical positions; should retain Canadian engineering and other professional and service personnel, and should do their purchasing of supplies and equipment in Canada.

(b) They should publish financial statements and make full disclosure therein of their Canadian operations.

(c) The larger Canadian subsidiaries should sell an appreciable amount (between 20% and 25%) of their equity stock to Canadian investors and should include on their boards of directors a number of independent Canadians.

Herzig, Farber & McKenna Formed in New York

As of July 17th, Herzig, Farber & McKenna, members of the New York Stock Exchange, will be formed with offices at 39 Broadway, New York City. Partners will be Philip R. Herzig, Stanley Farber, and Thomas X. McKenna who will acquire an Exchange membership. Mr. Herzig is a partner in Brimberg & Co.

D. Y. Nitake Opens

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — David Y. Nitake is conducting a securities business from offices at 202 South San Pedro Street.

L. G. Gerald V.-P. of Atomic Devel. Secs.

Atomic Development Securities Co., Inc. announces the election, effective July 1, 1958, of Louis G. Gerald, as Vice-President. Mr. Gerald, a 1950 graduate of Columbia University, has his office at 160 Broadway, New York. He has represented the distributors of Atomic Development Mutual Fund, Inc. since 1954.

First California Names Bleiler to Board

SAN FRANCISCO, Calif. — A. M. Bleiler, president of First California Company, has announced the election of F. Stuart Roussel to the company's board of directors. He replaces Louis A. Rezzonico, Jr.

Mr. Roussel is a veteran in the securities business and has been with First California Company for many years. He is vice president and manager of its Southern California Division with headquarters in Los Angeles.

The company has 34 offices serving investors in California and Nevada.

Bruce Friedlich With Vos Agency

Bruce Friedlich, recently director of sales and mechandising for the New York Stock Exchange firm of Bache & Co., has joined Vos & Co., New York City, advertising agency, as account supervisor and sales consultant for financial advertisers. Before joining Bache & Co., Mr. Friedlich had been New York advertising sales manager of "Fortune Magazine."

Swiss American Corp. Names Officers

Otto de Neufville has been elected president of the Swiss American Corporation, 25 Pine Street, New York City, succeeding George N. Lindsay who becomes chairman of the board. Joseph Straessle, formerly chairman, has been elected vice chairman.

Henry Stravitz has been elected Executive Vice-President of the firm.

Continued from page 15

A Pattern for Atomic Power: Anderson

plants. One suggestion which might be considered was made by Willis Gale of Commonwealth Edison last year which would apply a 4-to-1 ratio which is the current proportion of private to public and cooperative owned plants for the production of electric power by conventional means.

(5) All technical and financial information, and patents, would be for the benefit of the public and industry generally, as provided under the current power reactor demonstration program.

It should be understood that experimental prototype reactors would still be constructed by the Government under contract with private industry.

Calls "Public Power" Question A Phony

I believe a program along the above lines would go a long way toward ending the stalemate which presently exists. As you know, I have always thought the so-called "Public Power" question was a phony in the atomic energy field. Our purpose is and has and been to get reactors developed, built and operating, so that some day in the not too distant future atomic power will supplement conventional energy resources. At that time, the question of private vs. public power may be relevant, but anything we do in the next few years will have little real effect when reactors can be bought off the shelf.

In order for a program such as I have envisaged to work properly, there must be a considerable amount of "good faith" involved. The good faith must exist between AEC and the Congress, and between the participating industrial and utility groups.

In the past, there have been some questions as to the good faith of the executive branch and private organizations in this regard. This became manifest in the Dixon-Yates affair. Some of us have also wondered since whether private power organizations were not more interested in "staking out" the atomic power field for private development than in the early achievement of economic nuclear power.

I am willing to let the dead past bury its dead, and go on to happier days. There is certainly a need for a new era in atomic power development. I hope that this modest proposal which I have advanced will be studied during the next months, and that by the time the next Congress convenes, we will be far enough along to consider it and other legislative alternatives necessary to give the program a real push. In the meantime we should deal with 1959 projects as expeditiously as possible.

Federal Government's Goal

It would be pleasing, indeed, if what I have described may be said to be at least the outline of a "pattern for atomic power development." In attempts to steer private and public groups into the design and construction of second and third generation atomic power plants by means calculated to encourage prompt construction without any controversy over public versus private power. Only as we quit our quarrels may we achieve the volume of development and manufacture of reactors and components so necessary for economic power. My proposal also tries to make clear that the role of the Federal Government is primarily that of providing the necessary program of research and development in the design and construction of reactor experiments and experimental prototypes and, if necessary, to fill gaps not otherwise provided for by private industry.

When the victors of World War II were meeting one day at Tehran, General Marshall praised the heroism of the Russian Army.

Stalin replied: "We don't see it that way. It takes a very brave man to be a coward in the Russian Army."

I agree in advance that some new vision may be needed on both sides of the recent atomic energy battles if this nation is to make available to its industry—nearly all private—and its electric energy distributors — four private and one public—the additional financial support, the extra drive and the enduring good faith required to achieve success for an accelerated program. But it can be done, and if the men who write the atomic news will stand fast, it will take a very brave man to be afraid to try.

APPENDIX

List of Reactor Projects Considered by Joint Committee on Atomic Energy

The program in pursuit of the stated objectives must continue to provide for the exploration of a considerable number of reactor concepts for the purpose of determining which one or ones hold the most promise for economic nuclear power and are, at the same time, reliable and safe. It is also recognized that the program must include the building of a number of experimental reactors, including several generations of nuclear power plants of the same type but of successively improved designs. The success of the program will depend upon continuing a broad base effort of research and development and upon providing reasonable assurance that the number of plants built during the next 5 to 7 years will be adequate to reach the program's objectives. The selection of experimental or prototype nuclear power plant projects will be based upon (a) having sufficient technology to proceed, and (b) judgment that the reactor type represented has sufficient economic promise to be capable of meeting the program objectives.

It should be recognized that specific projections of desirable projects within the program become less firm as time is extended. Program flexibility is essential in order to permit adjustments based on technological advances. The program must be subject to constant review to make certain new concepts are evaluated rapidly and projects proved not feasible are weeded out.

Table I lists, in rough chronological order, new reactor projects to be designed during the next five to seven years. It is expected information gained during the design stage will indicate only about half of these projects will show enough technical and economic potential to warrant construction. Second generation reactors are scheduled so design and construction experience in the first generation reactor can be applied to the design of the second. While operating experience concerning high fuel burnup tests, maintenance and high plant factor reliability normally will not be available in time for the next succeeding generation, considerable testing and startup experience should be available and usable.

TABLE I

Power Reactors for New Undertakings

Project	Approximate Electrical Rating (MW)	Status	Approximate Time Interval for Project
Heavy Water Cooled and Moderated Power Components Reactor	0 (60 TH MW)	Under study by contract with AEC	1956-1960
Gas-Cooled, Graphite-Moderated	40	Under study by contract with AEC	1958-1962
Boiling Water with Nuclear Superheat	10-50	Proposal made to AEC	1958-1962
Heavy Water Cooled and Moderated	100-250	Under study by contract with AEC	1958-1963
Aqueous Homogeneous Solution	75-150		1959-1965
Process Heat Reactor	0 (45 TH MW)		1959-1962
Fused Salt-Fueled	10		1959-1964
Steam-Cooled, Heavy Water Moderated	10		1959-1965
Intermediate Energy Neutron Breeder	10	Under study by Southwest Atomic Energy Associates	1958-1967
Water-Cooled-Graphite Moderated, Hanfordtype	300-700	Under study by contract with AEC	1958-1963
Pressurized Water, Enriched Uranium Fuel	200		1959-1964
Boiling Water, Enriched Uranium Fuel	200		1960-1965
Organic Cooled, Organic Moderated	50		1960-1964
Liquid Metal Fueled Reactor Experiment	0 (5 TH MW)		1959-1963
Two Small Second Generation Industrial Plants	15-40		1961-1965
High Temperature Gas-Cooled, Graphite or Heavy Water-Moderated	200		1961-1966
High Temperature Sodium-Cooled, Graphite or Heavy Water-Moderated	200		1961-1966
Organic-Cooled, Organic Moderated	200		1962-1967
Sodium-Cooled Fast or Intermediate Breeder	200		1963-1968
Liquid Metal Fueled Reactor	50		1963-1968

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We Have in this Country, Serious But Surmountable Problems

social and economic competition. We cannot meet this challenge by merely fending off military attack with deterrent power.

Accept Threat at Face Value

We must, for once, accept at face value Mr. Khrushchev's words to the Supreme Soviet that: (Dec. 21, 1957)

"The victory of a social order will be solved not by rockets, nor by atomic and hydrogen bombs, but by the social order which insures more material and spiritual good for humanity."

But when he adds:

> "That the socialist order is the highest form of organization in our society"

we offer in rebuttal the achievements of democracy in giving man the kind and scope of individual freedom the Soviet man can only dream of in the "socialist order." We cannot, of course, win our case with a general denial of any good in the other fellow's product. We must, in the language of the business world, "beat the competition." "Beating the competition" may, and probably will, call for great peacetime sacrifices.

No longer is the old saying, "in time of peace prepare for war," completely valid. In 1958, it is more realistic to say, "in time of peace prepare to conserve it."

Certain it is that the test of our social order is the most serious we have ever faced. It is based not alone on the making of arms, but on a truly phenomenal economic and industrial growth in the Soviet Union, plus an equally prodigious development in the field of education. In all of these areas of development, Russia reached the position she is in today because she worked harder at it—and that again is a simple fact that must be faced if we are to "beat the competition."

Anyone who studies the economic development of the Soviet Union over the past 30 years cannot help but be impressed by the progress she has made. We are not opposed to economic betterment of the people of the Soviet Union or of any other country. We welcome such improved economic conditions, because it makes a better world for all of us to live in.

Concern About the Aim of Russia

Our concern begins and ends with the iterated and reiterated statements of the leaders of the Soviet government that the ultimate aim of their drive toward industrialization is to put the Capitalist system—and with it our social structure—out of business!

By 1962, it is estimated by our intelligence services that the Soviet Union will be producing one dollar of goods and services for every two dollars we produce. Now, why should we worry about competition from a country that won't even reach half of our production until 1962? There are a number of valid reasons for concern:

First: The Soviet economy is growing and is expected to continue to grow, unless the trend is reversed, at a rate roughly twice that of the economy of the United States.

Second: The fact that Russia produces only 40% of what we do now and will produce 50% by 1962 does not tell the whole story. It's what she does with her output that's important. For instance, less than half of it gets into the hands of the Soviet citizen in the form of consumable goods and services. By contrast, over two-thirds of our total production reaches the consumer.

Third: Defense expenditures in the Soviet Union as a percentage of gross national product are roughly double ours.

Fourth: There is one point that is perhops even more significant than the percentage of the Russian budget that goes into military expenditures. Russia is plowing back a larger percentage of her gross national product than America into capital investment for industrial expansion—which means facilities for more war goods and for still greater production of all types of goods.

Now, how do they do this—someone certainly must get the short end of the stick somewhere to permit this emphasis on industrial expansion and defense production. The answer is the Soviet consumer. He is denied the products of his own labor. His standard of living is, therefore, necessarily lower than that of the American consumer. In fact, on a per capita basis, the consumption of the average Soviet citizen is less than one-fourth of that of the average U. S. citizen.

The State wills it that way. Mr. Khrushchev made that quite clear when he told a group of Soviet workers that:

"The great majority of Soviet citizens live to accumulate more funds for the common cause, **for the state**; to raise the level of production, economy and science so that even more machines will be made and more grain produced. . . ."

"Hard Choices" Before Us

This philosophy and course of conduct on the part of the Soviet Union leaves us with certain options, or what I would call "hard choices." If the Kremlin, responding to popular pressures, is forced to direct considerably more of the Soviet output into consumer goods in order to increase the standard of living of her people, that would be a healthy condition we would welcome. On the other hand, if Russia sees fit to direct more and more of her production to materials for war and less and less to the standard of living of her people, we may be forced to take drastic steps in order to maintain our leadership in the world even if this means a more Spartan life for our people.

We should always bear in mind, too, that the Soviet Union can at any time make her "hard choices" without advance consultation with her people—because she operates a police state where the voice of the people is subject to the most repressive controls. In this country, on the other hand, no really "hard choice" is possible unless it be made with the will of the people. Our society permits us to accomplish any feasible thing **we desire to be done**. It only requires that the means and method of accomplishment be within the frame of freedom.

Liberalizing Trade

In the short time I have been in office, it has been necessary for me, with the full approval of the President, to make two trips to Congress to ask for what I consider absolutely necessary supplemental appropriations totalling some three billion of dollars to bring our military effort to a level of required adequacy. I am afraid these steps, essential as they are, only put in balance a part of the battlefield — the strictly military effort.

In the field of foreign trade, as in the military field, the Soviet system offers tough competition. It has, in this field, no budgetary problems, no interest rate problems, and no legislative restrictions.

At this very moment, the President is in the process of asking the Congress, as representatives of the people, to make what many would regard as one of these "hard choices." He wants the Reciprocal Trade Agreements Act extended for a period of five years in order to provide sufficient authority and flexibility to "meet and beat the competition" in the economic field. We must be able to trade with others—and others with us—with a minimum of restrictive interference. If we are not able to bring underdeveloped countries along in the spirit of free competitive enterprise—then we shall be faced around the world with government enterprises and state trading organizations in the image of our adversary.

The American public must be prepared to face the realities of expanding trade with the world, even accept some sacrifices, in the interest of an international program which is vital to our nation's future.

Moreover, we must exercise our responsibility of leadership in the world community by helping the peoples of underdeveloped countries to raise their living standards and achieve their aspirations as viable political entities. We can help in this area by intelligent assistance in the fields of economic and military aid. To take such action is indeed in our long term interest since no country can, for very long, carry on international trade unless it operates from a firm economic and political base.

Better Education

Much of what I have said with respect to the field of economic competition is also true in the field of education. Here again, we have some soul-searching to do, some comparisons to ponder, and some adjustments to make. Russia is said to be outproducing us in the education field, and in some areas, I have no doubt this is true. She is able to do this not because she has a better system, but because she has allocated and directed her best brains into those areas the State has declared critical. In other words, she has done the same thing with brains that she has with production and money — allocated them under strict controls imposed by the State. She has, at the same time, provided rewards and community recognition which makes intellectual and scientific prowess attractive.

Our problem in the field of education (and many people including our military leaders join me in believing it is the most serious of all our problems vis-a-vis the Soviet Union) is to find a better way, consistent with our democratic principles, to marshall our intellectual resources. The solution to this problem won't be easily found. We are smaller in numbers than our Communist adversaries and we must, therefore, make optimum use of the intellectual capabilities of our people. At the same time, we must work through encouragement and persuasion rather than by direction and control. This means the task becomes a whole community job in which the government and parents and teachers must act in harmony and concert.

We need a better selection of educational programs and curricula in relation to special aptitudes of individual students. If we are to discover and identify the special aptitudes, parents and teachers must cooperate to help. If we are to shape our educational programs to cultivate these identified aptitudes, parents must first understand the need and then strive to achieve the goals. To educate people in the need to tailor our educational programs to the individual capabilities of our students is one of our most difficult tasks.

In the field of education, we neither have, nor want, a central governmental authority backed by police power which prescribes ready-made objectives, standards, curricula and quotas. Again, we must work within the frame of freedom to reach objectives which, in my judgment, are vital to the national security.

Parents will also have to contribute more money — through taxes or contributions — for the kind of educational program the country needs. I am not talking about minor increases. I anticipate we may have to put from 50% to 100% more money in the broad field of education than we are now allocating. This requires, again, the making of a "hard choice." It will be made only if people understand the need for it —and in fact, demand that it be made.

Children, too, must be taught better self-discipline in their subject choices and study habits. I say "taught" because relatively few young people of high school and college age will learn to discipline themselves. Again, this is a joint task of parents and teachers. We are losing some potentially great scientists, engineers, linguists, and teachers along the road to education because parents and teachers did not act in concert to encourage youngsters to select and apply themselves to the courses which made relatively stern demands on them. We simply do not have the manpower to allow continuance of this sort of mental wastage.

In Communist countries the will of the party is the law of youth. Here, it must be the coordinated will of teachers and parents which directs our children, not with inflexible laws, but by guidance and intelligent persuasion.

Let me mention a subject of deep interest to me—and I'm sure to you.

Stronger Defense Emergency Power

In this competition between a powerful authoritarian society and our own democracy, we have reached a stage where we must be able to respond rapidly to unanticipated emergencies. The President's program for reorganizing the Defense Department and the legislation now under consideration by the Congress recognize the need for our being able to react almost instantaneously to military situations.

The same kind of pressure for faster decision-making, for ability to act promptly when necessary, extends into many other areas, of which our outer space and economic aid programs are typical examples.

To gain this authority and flexibility necessary to react rapidly, we may very well have to vest more authority in the hands of the Executive—being careful—as I am sure Congress will be — to provide adequate safeguards against the usurpation of power as well as to set up mechanisms whereby the Executive will report to Congress when important action is taken under such flexible authority.

While I have spoken to you of problems ahead, I have complete and unbounded confidence in the ability of this Country to understand these problems and to take public action to meet them.

In order to remain in the forefront of nations—to continue as the example of the better life for individuals and other nations all over the world—we, every one of us, must be prepared to make informed decisions and, if need be, sacrifices. We must not allow our responsibility for world leadership to be lost in our eagerness for the good life. History tells us that such eagerness has, in the past, led to a softness which has destroyed societies.

I have several times used the words "hard choices." I am sure we all realize that once the American people are aware of new and greater responsibilities, they will rise to these responsibilities, regardless of the sacrifices. What might now seem like "hard choices" will gracefully fit into the American pattern. That is the American way.

But these hard choices are not going to be made and gracefully dropped into the pattern automatically. We all have a great deal of work to do before this happens. I have, as a member of the government, the duty of explaining to people what our problems are and what should be done about them. Indeed, every citizen who has the ability to analyze the Country's problems has the attendant duty of explaining these problems to others and urging a course of action.

Decision for Citizens

We Americans are apt to be what I might term "impatiently cooperative" when we are told the Country has a problem and needs help from its citizens to solve that problem. The reaction is apt to be, "Well, you have told me what the problem is; now tell me what you want me to do." The only general answer that can be given to a question like this is that every citizen must make his own decision as to what he can contribute. But, in making his decision, he must keep in mind that this Country is stronger as it understands its problems better, as it trains its youth better, as it produces more, and as it participates actively in spiritual and material leadership in the world. Each citizen might well ask himself one or more of such questions as these: What am I doing to improve my understanding of such important national needs as the Reciprocal Trade Program and the program for military and economic aid to less privileged nations of the world? What have I done in my own community and state to stir some really broad visioned action for improvement in public education? In fact, what have I done with my own children to guide them in the quality of training that will lead them to make the best use of their talents for themselves and for the Country? In the field of higher education, have I really made a substantial contribution to my college or university or have I contributed only the bare minimum, involving no sacrifice? These are only a few of the questions that each of us might ask himself—and may I assure you that as I ask these questions I am now far from satisfied with the role I played in my Country's affairs as Neil McElroy, private citizen.

The people within the sound of my voice here in this crowded quadrangle have a special duty and responsibility to educate others because you have been blessed with the fruits of education. If you have been convinced of the necessity for action in the areas I have discussed today, it is incumbent on you to seek opportunities to pass the message along. Institutions of higher learning in America — with Harvard in the forefront—have always taken the lead in explaining vital issues of the day to our people. We must today, as we have in the past, put heavy reliance on individuals such as I face here — to put their knowledge and understanding in the form of communication to people not so fortunate. I, therefore, leave a large share of responsibility with you and with other groups, similarly equipped, to furnish leadership in the task of keeping our people informed.

We have in this Country serious, but surmountable, problems. I have the utmost confidence and faith that when our people understand the full nature and extent of these problems, they will initiate the type of corrective action which will maintain our world leadership. I leave to each one of you the decision as to the part you will play in this educational and remedial process.

Record Municipal Financing in First Half of 1958

Halsey, Stuart & Co. reports new record high, amounting to $4\frac{1}{4}$ billion, in tax-exempt bonds marketed for first six months of 1958. Notes remarkable narrow price range of about $\frac{1}{4}$ of 1% in the averages and, as far as investments funds are concerned, a large supply of buying power still available and likely to increase. Concludes supply and demand for tax exempts continues to grow.

The tax-exempt bond market set a new six month volume record of over $4¼ billion in the first half of 1958, with three of the six months setting new monthly records and the overall half year total exceeding by half a billion dollars the previous six month record set in 1954.

"Prior to 1952 there never had been so many tax-exempt bonds marketed in a whole year," said Halsey, Stuart & Co. Inc. in announcing the unprecedented volume in its annual Mid-Year Survey of the Tax-Exempt Bond Market.

In the second half of 1958, the survey commented, "those who are willing to predict see the supply of new tax-exempt issues slacking off, but generally it is felt that last year's $6,958 million will be exceeded by nearly a billion dollars."

At June 30, 1957, all tax-exempt bonds outstanding totaled $52 billion, of which the holdings of individuals and trust funds represented some $22 billion or 40%. Banks held $13.4 billion and insurance companies $7.4 billion. All these buyers increased their holdings during the six months, and commercial banks in the first quarter alone added half a billion dollars, more than they had added in the entire year ended June 30, 1957.

"Meanwhile the demand for new and bigger schools, more and wider highways, larger and more imposing public buildings continues unabated," said Halsey, Stuart, citing an estimate that the output of tax-exempts would reach $15 billion a year by 1975. "Looking at the nearer future," the survey said, "some of the experts still see a large supply of municipal and other tax-exempt bonds coming along. Voters continue to approve 80 to 90% of proposed issues, revenue issues for water and sewer facilities continue in increasing amounts and many large projects by authorities and similar public corporations are in the making."

Narrower Price Range

The price range of tax-exempts so far this year "has been remarkably narrow, about one-quarter of 1% in the averages—based on a 20 year maturity—as compared with one-half of 1% in the same period a year ago. Today's level is about the same as it was at the beginning of the year notwithstanding the more than $4¼ billion of new issues that have been poured into the market stream. The averages do not tell the whole story, of course. The one to five year prices are substantially higher than they were six months ago, as a result of the increased supply of funds created by the prevailing policy of the Federal Reserve Board and the decline in demand for bank credit. Longer term prices are lower, but they have stubbornly resisted any great decline."

The "Blue List" offerings in 1958, excluding New Housing Authority bonds, have fluctuated widely from a low of $155 million to a high of $392 million. At mid-year they total $370 million. "Bidding for new issues has been consistently strong, with bidders generally disregarding unsold portions of issues of similar quality in the market at lower prices and huge supplies of known new issues approaching the market," the survey said.

Buying Power Still Large

"So far as funds for investment are concerned, buying power still appears to be large," Halsey, Stuart pointed out. "Savings are still increasing, public pension and retirement funds are still growing, commercial banks have again entered the market and an improved earning position of the casualty companies should increase their interest in high grade tax-exempt bonds. An added source of funds for new issues is the increasing amount of bonds that are being retired in advance of maturity. The exact amount of such funds cannot be tabulated, but it is large and is likely to increase."

While these factors can add up to different answers in predictions for tax-exempt bonds, "there is a large sector of the market that needs these bonds for their tax exemption and many more prefer them for their security. The supply of tax-exempt bonds is increasing and the market for them continues to grow," the survey concluded.

Jones With Reynolds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Clarence F. Jones, Jr., has become associated with Reynolds & Co., 19 Congress Street. He was formerly with Hornblower & Weeks and Paine Webber, Jackson & Curtis.

With L. F. Rothschild

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald L. Ellison is now with L. F. Rothschild & Co., 111 Devonshire Street. He was previously with Lyons & Shafto, Inc. and Weedon & Co.

Joins H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Peter J. Fontana is now with H. L. Robbins & Co., Inc., 37 Mechanic Street.

With Hunter Parker

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Norman M. Van Brocklin is now with Hunter Parker, Connaway & Holden, 430 Southwest Morrison Street.

Two With Frank Siemens

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Gordon L. Guild and Wayne E. Hibbard are now connected with Frank Siemens & Associates, 1720 Southeast 38th Avenue.

With Straus, Blosser

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Jack E. Fidler is now with Straus, Blosser & McDowell, 710 North Water Street.

Leason Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Herschel D. Everson has been added to the staff of Leason & Co., Inc., 39 South La Salle Street.

Joins Reeves Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — David E. Hagenow has joined the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges.

Continued from page 5

The End of the 1957-58 Recession

December 1956; to 4.00% in June 1957 and 4.25% in August 1957. That **very substantial** advance had a depressing effect upon all security values.

(2) The stock market decline in late July and early August 1957. Actually, many stocks were rather **fully priced** in relation to earnings, particularly in view of the increase in the long-term interest rate.

(3) Increase in the Federal Reserve's discount rate from 3% to 3½%, August 8th. While designed to curb inflation, it had an unavoidable depressing effect upon public sentiment, and emphasized that fact that **money was dearer.**

(4) Communist coup in Syria, August 13th. Another "pot boiler" following Egypt's seizure of the Suez Canal in July 1956, and the French-British invasion that October. Since the Middle East is so important to the Western Democracies for its oil and strategic location, any unsettlement in that area has a depressing effect upon mass psychology.

(5) Continuing French difficulties in Algiers, again accentuating uncertainties in the Mediterranean area and the declining importance of France as a colonial power.

(6) Bank of England raises its discount rate from 5% to 7% September 19th; and the London Stock Market suffers a rather sharp decline.

(7) Launching of Russia's Intercontinental Ballistics Missile (ICBM), followed shortly by Russia's "Sputnik" satellite October 4th. While not necessarily significant from an economic point of view, these served as a warning that Russia might well be outstripping us in scientific developments—a substanial blow to our national pride, and further depressing public confidence.

(8) The stock market, which had started to decline in July, reached a bottom on October 22nd, with the Dow Jones Industrials at 419.79, off almost 20% from the peak of 520.77—the largest decline since 1946.

In view of the above, it is little wonder that a fair segment of the public was frightened into curtailing its normal expenditures. Such curtailment automatically depressed general business, which in turn had its effect upon production and employment. Business inventories were trimmed; and plans for future capital expenditures were reviewed and in many cases curtailed. And that entire slowing-down process further depressed public sentiment. Thus fear feeds on fear; and mass psychology replaces individual reason.

Surplus Plant Capacity

In addition to the above, many people suddenly became aware of the fact that the postwar expansion had finally resulted in some surplus plant capacity. The specter of over-production further frightened them; and they simply refused to believe that surplus plant capacity should be considered an **asset** instead of a **liability.** So many people cited this factor, that I believe a brief explanation is in order.

In the first place, wealth is measured in terms of **abundance,** not of **scarcity.** That applies both to individuals and nations. Because of the Great Depression of 1929-32, and the uncertainties in the years that followed, there had been comparatively little plant expansion in the decade prior to World War II. As a result, our industrial plant was not at its best when we entered that war. We were thus forced to cut production of civilian goods to the bone, and expend much of our energies toward increasing plant capacity.

Today we are faced with the continuing threat of the Soviet Union and its satellites—the certainty of economic and scientific competition, and the possibility of actual warfare. Under such circumstances, we would be utter fools not to develop a fair amount of surplus plant capacity for use in an emergency, particularly bearing in mind the possibility of a surprise nuclear attack. Remember that surplus plant capacity will not be used to "glut" the market place, and that only the more efficient plants will be used to satisfy the needs of the public.

Anti-Recession Measures

Returning now to the recession, there was an unavoidable time lag between the downturn in general business and its reflection in statistical indices—the lag is from two to three months or more. But when it did show up, the public was quick to demand that something be done to stop the decline; and the government was equally quick to adopt anti-recession measures. Those measures included the following:

(1) **November 14, 1957**—Federal Reserve Banks in four districts lower the discount rate from 3½% to 3%. Three more Federal Reserve Banks take similar action November 27th. This reduction is designed to reduce interest rates and hence stimulate borrowing and new business, by making money **cheaper.**

(2) **January 15, 1958** — Stock market margin requirements are reduced from 70% to 50%—meaning that a buyer has to put up only $5,000 cash instead of $7,000 in order to buy $10,000 worth of securities. This reduction is designed to stimulate trading in common stocks, and hence bolster the stock market. It also stimulates borrowing, which automatically increases our **money supply.**

(3) **January 21st**—Federal Reserve Banks again reduce discount rate, from 3% to 2¾%.

(4) **February 19th**—Federal Reserve Board reduces reserve requirements of banks by ½%, thus making more funds available for lending by banks. This, too, tends to increase our **money supply.**

(5) **March 3rd**—Administration announces a liberalized Federal Housing Program, designed to stimulate new housing financed by borrowed money.

(6) **March 6th** — Federal Reserve Banks again reduce discount rate, this time to 2¼%.

(7) **March 8th** — President Eisenhower proposes a total of $7.0 billion increase in Federal spending, spread over several years, designed to "pull the nation out of the recession." A strong indication of deficit financing for the next year or two.

(8) **April 17th**—Federal Reserve Board again reduces the discount rate at five Federal Reserve Banks from 2¼% to 1¾%.

(9) **April 17th**—Federal Reserve Board also reduces bank reserve requirements 1% in central reserve cities and ½% in reserve cities. This is designed to free about $450 million from legal reserves, which could support additional loans of some $2.7 billion.

In addition to the above measures, there was considerable talk in March about a general tax cut. It was argued that such a cut would free a substantial amount of dollars which would almost immediately be diverted from government to trade and industry, thus stimulating general business. Actually, this would have been a reverse form of pump-priming; and fortunately the government decided against it.

Further Inflation Ahead

Every one of those anti-recession measures was inflationary, tending to increase our **money supply.** In this connection it is interesting to note that our average **money supply** amounted to $134.6 billion in 1955, increased to $135.5 billion in 1956, and declined to $134.7 billion in 1957. So far in 1958, our average **money supply** has increased to $136.5 billion, perhaps in large measure because of the government's efforts to encourage borrowing and make money cheaper.

It is also interesting to note the government's position in various wage disputes and strikes which occurred during the latter part of 1957 and the early part of this year. The Federal mediator invariably suggested a compromise between industry's offer and labor's demand, regardless of the fact that such a settlement would necessitate higher prices! And that, in spite of the administration's avowed intention of "holding the line" on prices and the cost of living, and in the face of a business recession that had the administration worried!

Hence we are reluctantly forced to the conclusion that both political parties are committed to a policy of ever cheaper money. In other words, it appears highly probable that our dollars will not buy any more goods and services in the future than they buy today; and it is quite possible that they will buy materially less as the years go by. A sorry outlook, particularly for those who rely heavily upon life insurance, pensions, savings accounts, and fixed-income securities such as bonds, mortgages and preferred stocks.

The Situation Today

Earlier in this paper we showed the figures for Gross National Product ($422.0 billion) and Personal Income ($342.5 billion) for the first quarter of this year. Figures for the June quarter will not be available for another two or three months; and they probably will show no improvement over the March quarter. While business indices show a mixed pattern, I find considerable encouragement in the following:

Steel Production, which reached a low of about 47% of capacity in late April, has increased steadily for seven weeks, and reached over 63% of capacity—up about 35% from the low. Crude Oil Production appears to have been stabilized at about 6.1 million barrels a day, substantially below the abnormal March, 1957 peak of 7.6 million barrels, and more nearly in line with consumption. Electric Power Output has been comparing favorably with last year's figures; and Construction Awards have shown a substantial increase in recent weeks.

Business Inventories have been reduced very materially from the level of last August and September, and have been kept in line with declining sales. (March figures are latest available.) Any upturn in public confidence should result in an increase of sales, and hence necessitate larger inventories. In this connection it is perhaps significant that the volume of new orders showed a slight improvement in April.

The Long-Term Interest Rate, which reached a peak of 4.25% in August 1957, declined to 4.00% by the end of November and 3.60% by the end of December. So far in 1958, the Interest Rate has fluctuated between a high of 3.55% and a low of 3.35%; and is currently a bit below 3.40%. This substantial decline in the Interest Rate to more reasonable levels has had a bolstering effect upon all security values. Regarding the probable future Long-Term Interest Rate, it is my opinion that it should tend to average between 3.25% and 3.50%, barring war or national emergency.

Finally we come to the Stock Market, which unfortunately seems to exert so much influence upon the public, for better or for worse. From its low of 419.79 last Oct. 22, the Dow-Jones Industrials closed the year 1957 at 435.69, fluctuated between 436.89 and 458.65 for the first three months of 1958, and have been steadily moving upward since the first week of April. The D.J.I. Average closed at 474.77 June 13, up over 13% from the October low, and less than 9% below the peaks reached in April, 1956 and July, 1957. That steady advance has apparently had a very relaxing and encouraging effect upon public confidence.

In passing, I cannot refrain from mentioning the recent advent of a new investment trust. From an initially proposed offering of 3,000,000 shares, it mushroomed to actual sales of over 15,800,000 shares at $12.50 per share! The investing public put up some $195,000,000, at a **sacrifice** of about 7½% of their capital in commissions, simply because their brokers called them up and urged them to buy. This certainly indicates a return of confidence, and shows that the funds are available whenever the public wishes to resume its normal spending habits.

Conclusions

In view of the above, it is my considered opinion that we are rapidly approaching the bottom of this 1957-58 Recession, if we have not already seen it — always barring of course some unforeseen and unfortunate development, domestic or foreign, which would have a very depressing effect upon public confidence. As a doctor might put it, the crisis is past and the patient should recover, barring subsequent complications. As this is being written, word comes that the preliminary figure for the Federal Reserve Board's Index of Industrial Production advanced one point in May, from 126 to 127 (1947-49=100). The first robin? Or Spring?

It is also my opinion that this recession itself has had a few beneficial effects. Most corporations have reviewed their operations from top to bottom, with a view toward greater efficiency and economy. People have been put on notice that they must keep their financial houses in order—they cannot expect to weather even a mild storm if they do not save a fair bit of what they earn. Finally, the recession has had a healthy retarding effect upon wages and salaries — though this might not last long in view of the inflationary aspects of the anti-recession measures.

In closing, it is my further opinion, that if the government had taken **no** anti-recession measures, we would have pulled out of this recession **just about as fast, and perhaps faster**—and in a **far healthier** economic condition. Remember that whatever **immediate** effect those measures had was **almost exclusively** upon mass psychology in assuaging public fright. They had little if any **direct** effect upon actual production and sales of business in general.

While it cannot be proved, I am convinced that the public would have reacted just as well if the government had simply reassured the people that nothing was basically wrong, and then let nature take its course. Instead, the government itself panicked, and thus perhaps accentuated the recession. Please note that by "government" I refer to the Executive and Legislative Branches and to **both** political parties. By bowing to political pressures and adopting those various anti-recession measures, the government simply opened the door a little further to the spectre of runaway monetary inflation.

Thomas L. Carter With Loewi & Co., Inc.

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Loewi & Co. Incorporated, 225 East Mason Street, members of the New York Stock Exchange, have announced that Thomas L. Carter has joined the organization as manager of its Municipal Bond Department.

Thomas L. Carter

A 1950 graduate of the University of Notre Dame, Mr. Carter joined Robert W. Baird & Company in 1954 after having been associated with Northwestern Mutual Life Insurance Company.

Loewi & Co. has been an underwriter and distributor of municipal bonds for many years, specializing in Wisconsin issues.

Rejoins Reinholdt, Gardner

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Boyce W. Meyer has rejoined the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Meyer has recently been with Waddell & Reed, Inc.

Form Brenan Co.

The Brenan Co., Inc. has been formed with offices at 37 Wall Street, New York City, to engage in a securities business. Officers are Mary Snyder, president and treasurer, and Sue Newman, vice president and secretary.

A. B. Culbertson Opens

FT. WORTH, Tex.—A. B. Culbertson and Company has been formed with offices at 4235 East Lancaster to engage in a securities business. Officers are A. B. Culbertson, president; William R. Sarsgard, vice president; and Dee S. Finley, secretary-treasurer.

With H. Hentz & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Richard L. Ulmer has been added to the staff of H. Hentz & Co., 9680 Santa Monica Boulevard.

W. G. Nielsen Adds

(Special to The Financial Chronicle)

BURBANK, Calif. — Joseph J. Caruso is now affiliated with W. G. Nielsen Co., 362 East Olive Avenue.

Now With F. I. Du Pont

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Perry T. Justice has become associated with Francis I. du Pont & Co., Statler Center. He was previously with Reynolds & Co.

John P. O'Rourke

John P. O'Rourke, Sr., partner of J. P. O'Rourke & Co., Chicago, passed away following a heart attack, June 23rd at the age of 65.

Public Utility Securities

By OWEN ELY

Central Electric & Gas Company

Central Electric & Gas is a combination operating and holding company with widespread interests in the middle west and south. Telephone operations contribute about 56% of system revenues, gas 41% and electricity 3% (water interests were sold in 1955). The parent company itself furnishes natural gas in 56 communities in eastern and southeastern Nebraska, including Lincoln, and in nine communities in southern South Dakota; gas is purchased from Northern Natural Gas (and in lesser amount from Kansas-Nebraska Natural Gas). Telephone operations are conducted through the following subsidiaries:

	Annual Revenues (Millions)	Parent Company Interest
Central Telephone Company	$7.3	58%
Middle States Telephone Co. of Illinois	5.3	61
La Crosse Telephone Company	1.9	51
Virginia Tel. & Tel. Company	3.7	81
Southeastern Telephone Company	3.8	59
	$22.0	

The telephone subsidiaries own and operate 170 exchanges serving 276,701 owned telephones in various parts of Iowa, Minnesota, North Carolina, Wisconsin, Virginia, Illinois, West Virginia and Florida. The proportion of dial phones increased from 3% to 80% during the past 12 years, the latter percentage being above the nationwide dial-automatic average of the independent telephone companies. By the end of 1958 it is expected that over 86% will be dial phones. One of the Central subsidiaries was the first independent telephone company to provide customer toll-dialing on a nationwide basis; it was also one of the first in the independent field with automatic toll-ticketing and customer toll-dialing.

Each of the telephone subsidiaries reported higher earnings last year excepting Southeastern. The latter company in March 1958 filed an application with the Florida Commission for a substantial increase in service rates. Central Telephone also requested an increase in North Carolina.

The system's earnings record has been excellent, as indicated by the following summary:

Year	Revenues (Millions)	Share Earnings	Consolidated Share Ecarnings	Parent Co. Dividends Paid	Approximate Price Range
1958				$1.00†	20—14*
1957	$39	$1.65	$1.21	.90	17—13
1956	36	1.59	1.10	.85	17—15
1955	33	1.37	.99	.80	18—14
1950	19	1.08	.93	.65	10— 8
1945	7	.46	.33	.10	------

†Current rate. *To date.

The system's rapid growth has been due in part to acquisitions of other companies. In 1957 Central Telephone acquired the Hickory (North Carolina) Telephone Co. and also a 75% interest in the Lexington (Virginia) Telephone Co. Other telephone changes were described in the 1957 report. On April 1, 1958 system telephones showed an increase of 16% over the end of 1956.

During the 12-year postwar period assets increased 325%, revenues 436%, the balance for common stock 507%, and dividends paid 800% (the present rate is ten times that of 1945). These figures reflected the upward trend resulting from a combination of growth, leverage and improved efficiency.

Construction expenditures last year totaled nearly $21 million compared with less than $12 million in 1956. The 1958 program is expected to approximate $15 million. The company hopes to add 19,000 telephone stations this year, and 2,500 new gas and electric customers. Funds needed for the 1958 construction program are expected to be provided by subsidiary financing.

As of Dec. 31, 1957 the parent company's capital structure was 47% debt, 18% preferred stock and 36% common stock equity. On a consolidated basis parent company stock equity was only about 16%, but including the minority interest in subsidiaries the percentage of common stock equity approximated 35%. Common stock equities for the five telephone subsidiaries ranged between 46% for Central Telephone and 59% for La Crosse Telephone.

The stock was recently quoted over-the-counter around 20 to yield 5%. It sells at only about 12.2 times the consolidated earnings of $1.64 for the 12 months ended March 31, 1958.

First Boston Group Offers Boston Edison 4.78% Preferred Stock

The First Boston Corporation and associates are offering publicly today (July 10) an issue of 250,000 shares of Boston Edison Co. cumulative preferred stock, 4.78% series, par $100, at $101.80 per share—a yield of 4.695%.

Proceeds from the sale will be applied to the payment of short-term bank debt, incurred in carrying out Boston Edison's construction program.

The stock has a non-refundable feature on or prior to June 30, 1963. Otherwise, it is redeemable at the option of the company at prices ranging from $107.80 per share on or before June 30, 1963, to $102.80 per share after June 30, 1973.

Boston Edison Co. is an operating public utility engaged in the electric and steam businesses. It supplies electricity in the cities of Boston (except the Charlestown district), Somerville, Newton, Chelsea, Waltham and Woburn, in the towns of Brookline, Arlington, Watertown, Framingham and in 30 other smaller towns in eastern Massachusetts. It also supplies steam, chiefly from its own steam generating plants, to over 700 customers in parts of the City of Boston and is also engaged in the business of selling electrical appliances.

For the 12 months ended May 31, 1958, Boston Edison's total operating revenues were $106,129,395 and net income was $9,382,805. For the 12 months ended Dec. 31, 1957, total operating revenues were $103,866,216, and net income was $9,230,660.

Believes April Will Prove Low Point Of the Recession

The likelihood that April will prove to be the low point in what has become one of the severest business declines since World War I is held out by Emerson W. Axe, President of Axe-Houghton Fund A, in a letter accompanying the fund's semi-annual report to shareholders.

At the same time, Mr. Axe feels that second quarter earnings of many corporations will probably be a little worse than first quarter results and that "this and the uncertainty concerning the time and extent of the next recovery make a conservative attitude still desirable."

He finds two important changes in the investment situation during the six months covered by the report. The first, he says, is the continued improvement of the money market, "partly because of the effect of general business contraction but to a larger extent of Federal Reserve operations."

He characterizes the second change as unfavorable. "During the first two months of the year," he says, "general business activity continued to decline at a rapid rate and the decline continued, although more slowly, into April. The contraction, measured from the 1956 high point, is enough to rank this as one of the severest business declines since World War I, only a little less than the 1920-21 or 1937-38 (although of course much less severe than the unique catastrophic drop of 1929-32)."

The Axe-Houghton Fund A report shows that total net assets of the Fund rose from $40,746,290 or $4.78 a share to $43,551,051 or $5.09 a share in the six months ending May 31.

Internat'l Underwriters

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — International Underwriters, Inc. has been formed with offices at 1225 Wazee Street to engage in a securities business. Officers are Harold J. Miller, president, and Robert W. James, secretary-treasurer.

Now Arnett & Co.

SEATTLE, Wash. — Robert D. Arnett is now conducting his investment business as Arnett & Company. Offices are at 112 West 189th Street.

W. L. Lyons Branch

BOWLING GREEN, Ky. — W. L. Lyons & Co. has opened a branch office in the Helm Hotel under the management of J. Murray Hill, Jr.

Two With J. L. Fallon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jack H. Ryff and Haig Toroian are now with The James L. Fallon Co., 7805 Sunset Boulevard.

Joins Columbia Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Lorraine C. Towner has joined the staff of Columbia Securities Co. Inc., of Wyoming, First National Bank Building.

Form United Investments

WASHINGTON, D. C. — Leroy W. Pickett and Charles E. Spahr have formed United Investments, with offices in the Walker Building, to engage in a securities business. Both were associated with Washington Planning Corporation.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Notes on the New York City bank statistics at this, the 1958 mid-year date:

First, deposits. Only one of the large city banks reported lower deposits, while the average for the 13 banks was 11½% higher than a year ago. At least a part of this higher figure comes from the downward readjustments in reserves against the banks' deposit liability; but whatever the source of greater deposit volume, the banks can put a substantial proportion to work, thus increasing earning assets. In the aggregate the improvement was large.

As to earnings, using the 12 months ended June 30 about three of the banks showed modestly lower figures. This means that the banks in general are beginning to feel the shift they have been obliged to make out of high yielding loans into low-yield investments, mostly government bonds. We say "obliged" as loans dropped off because of the general business recession, and rates were also in a decline. But as loans matured or were reduced, the funds went into the investment market. Here, too, the banks had to accept yields that a year earlier they would not have considered.

But three of the banks had increases in loans compared with a year earlier, and the one with the largest decline showed a shrinkage of only 8.8%. And if averages mean anything, the year-ago comparison shows a decline of only 1% on average. It therefore probably follows that as volume was not down to any great extent, rates were the cause of the reduction in income from loans. Of the 10 banks that reported in detail, all showed increases in income from investments, five reported lower loan income from a year ago, and five reported this income item higher.

Probably the most noteworthy item was the extent to which some of the banks had profited by sales of securities. It is not the practice for all banks generally to report on this item at dates other than the year-end; but some do on a semi-annual basis. We have omitted those not reporting, or whose amounts were trivial.

Here are the amounts reported as securities profits for the half:

Bankers Trust	$5,612,014
Chase Manhattan	20,938,218
Chemical Corn Exch.	7,677,451
First National City	*1,770,000
Guaranty Trust	2,756,745
Hanover Bank	9,177,917
J. P. Morgan & Co.	2,174,553

*Includes City Bank Farmers Trust Co.

As during the period when the banks were seeking funds to put in the loan market, they utilized mainly short-term investments, there was little or no occasion for them to take losses; and, while many of them had paper losses of one kind or another, those that were realized were in no sense of the size above listed for so short a time. Some banks have been slow to cash in large profits in securities, hence they are not listed above. Others have done so to a minor degree, and their data are omitted because of their trivial size.

Another feature in the mid-year statements is the sharp increase in invested assets. Quarter after quarter in recent years this column has shown a mixed trend, and almost always the changes from year to year were too small to have significance. But for the June 30 date only one of the 13 banks showed a minus figure, and that only about one-half of a percentage point. Irving Trust's increase was 22% above June 1957; Guaranty and Manufacturers Trust fractionally above 20%. The average for the group reporting was 13.7%, a ratio that we have not seen in many moons. This item, too, is partly a reflection of the reduction of reserve requirements against deposits. We can feel encouraged, here, for it is a fairly widespread opinion that further easing of this reserve is in prospect. Many authorities believe that the Federal Reserve will even off the percentage reserve differential that exists between that of the central reserve cities (New York and Chicago) and the reserve cities (most of the other large centers about the country).

Grunwald V. P. of Henry Montor Associates

BALTIMORE, Md. — Norbert L. Grunwald has been elected a vice president of Henry Montor Associates, Inc. Mr. Grunwald is manager of the firm's Baltimore office, 7 South Street.

James G. Nuland V. P. Of Chace, Whiteside Co.

BOSTON, Mass. — James G. Nuland has been elected a vice president of Chace, Whiteside & Winslow, Inc., 24 Federal Street, members of the Boston Stock Exchange.

25 Years for Dempsey-Tegeler

Dempsey-Tegeler & Company, St. Louis, members of the New York Stock Exchange, is celebrating the 25th anniversary of its founding in 1933.

Col. R. W. Hughes Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Colonel Robert W. Hughes is conducting a securities business from offices at 1029 Pennsylvania Street. Col. Hughes was formerly with Walter & Co.

Jacwin & Costa Branch

JERSEY CITY, N. J. — Jacwin & Costa, Inc. has opened a branch office at 1 Exchange Place under the direction of Irvin W. Jacwin.

Continued from first page

Seaway Progress and Prospects

some aspects of the Seaway project which have been created by conflicting assertions made in the course of the extensive debating to which the Seaway project has been subjected.

In the course of these discussions there has frequently been one-sided over-emphasis on some uncertainties to support partisan viewpoints. This has tended to obscure the far-reaching benefits and implications of a project of such great magnitude.

Then too, several decades of argument and controversy about the Seaway prior to the authorization of the project have apparently caused quite a few people to be unprepared for the rapidity with which actual construction is being completed.

As matters stand, the Seaway will be an accomplished fact in about 11 months. Naturally any project of such magnitude and great possibilities developed many problems, but they have been met and will continue to be solved as they arise.

Before examining the basic subjects which have been given considerable publicity it might be well to review some of the highlights of the Seaway project.

Reviews Highlights in Seaway Project

The basic purpose of the Seaway will be that of providing a waterway of 27 foot depth between the Great Lakes and Montreal which can be navigated by vessels having up to nine or 10 times the capacity of ships that are now accommodated in the existing 14-foot canal system along the upper St. Lawrence River.

By the time the project is completed, there will have been excavated a total of about 112 million cubic yards in the construction of new channels and deepening or improvement of existing channels. Approximately 3 million cubic yards of concrete will have been placed, chiefly in the construction of seven new locks which will raise or lower large vessels by a total of 226 feet between Lake Ontario and Montreal.

Each of these locks will have a usable length of about 768 feet and a width of 80 feet.

Extensive dikes have been erected in various areas and numerous aids to navigation are being installed. Substantial bridge construction has been required to provide crossings which will have a clearance of 120 feet above the Seaway. Included in this construction is a new high-level suspension bridge having a length of almost a mile between Rooseveltown, New York and Cornwall Island on the Canadian side of the boundary.

Two tunnels for highway traffic have also been incorporated in the project. One of these tunnels is contained in the Eisenhower Lock; the other passes under the Seaway channel near the Beauharnois locks in the Canadian portion of the project.

There are other interesting items of construction too numerous to mention on this occasion. All in all, the project as a whole will be an outstanding example not only of technical skill and ingenuity in overcoming great natural barriers, but also of the ability of two nations to work together in carrying out a monumental undertaking for the benefit of their own countries and world trade.

Savings in Transportation Costs

Fundamentally, the Seaway will permit the shipping of a far greater volume of freight more expeditiously and more cheaply between the Great Lakes and ports on the lower St. Lawrence River and overseas, than is now possible within the limitations of the shallow St. Lawrence canal system which is being superseded by the new modernized Seaway facilities. That canal system was developed to its present form and dimensions about a half-century ago. Its freight traffic recently reached an annual volume of approximately 13 million tons, which represents a marked growth in the course of a decade, and there is no doubt that this volume would have been much greater if there had been sufficient capacity to accommodate somewhat larger ships.

The old canal system has a controlling depth of 14 feet and contains 21 locks which can accommodate vessels having a length of not more than 253 feet or beam not exceeding 44 feet. These limitations have resulted in the development of the so-called canaller type of vessel having a deadweight capacity of something less than 3,000 tons. Seagoing vessels of the general cargo type can transit with about 1,500 tons.

In contrast, the Seaway locks will accommodate ships having lenghts up to 730 feet and beams up to 74 feet. As a result, large lakers having a deadweight of over 25,000 tons will be able to navigate between the Great Lakes and the lower St. Lawrence River all the way down to Seven Islands in Labrador. Ocean vessels carrying general cargo will be accommodated in sizes ranging up to about 9,000 tons deadweight, in services between the Great Lakes and overseas destinations.

As is well known, the larger the cargo capacity of vessels, the smaller the operating cost per ton of capacity. The much larger vessels which can be accommodated in Seaway facilities will not only have lower ship operating costs per tons of capacity, but will permit savings in transportation costs through the elimination of the expense incurred in the transhipment of cargo to small canallers that is now involved in the movement of a considerable tonnage of freight to and from the Great Lakes.

As a bonus, further savings will accrue to shippers through the elimination of the risks of damage to merchandise or weight losses or deterioration which are inherent to varying degrees in the transhipment of many kinds of cargo.

Additional economies in transportation costs will be possible as a result of the faster transiting of ships through the Seaway facilities. As compared with 21 locks in the present St. Lawrence canal system, the Seaway will have only seven locks between Montreal and Lake Ontario. The old maxim that "time is money" is very applicable in the operation of ships, and the reduction in lockages on the St. Lawrence River as well as other improvements will by themselves result in savings ranging to more than $1,000 per vessel per trip in terms of ships' time, depending upon the size of a vessel.

Altogether, the Seaway will have possibilities for substantial dollar savings in annual transportation costs. In fact, the economies in transportation costs made possible through the use of the Seaway will be even more impressive in view of the increase in general price levels and transportation costs that have taken place since 1953.

We are aware, of course, that an initial period of traffic development will be required to build up cargo volume, but we shall not be starting from scratch. During the development period, amortization of indebtedness can be deferred with a consequent book deficit, that will be made up as traffic develops. There will be no out-of-pocket deficit unless some entirely unforeseeably contingency should intervene.

Construction Costs

With regard to construction costs, there has of course been a considerable increase in price levels in the several years which elapsed between tne preparation of original cost estimates and the different times at which contracts were actually placed for various stages of work and equipment. Another factor to be considered with respect to costs is that the Seaway project is intended to be a modern waterway which will permit the expeditious handling of ships, rather than merely providing minimum facilities to meet the bare requirements of navigation. In this connection we have coordinated our plans with those of our Canadian counterpart.

For example, our two locks, and the five locks of our Canadian counterpart, have guide walls at lock entrances which are 1,650 feet in length in order to permit the tie-up of several vessels while awaiting their turn to pass through a lock. If we had reduced the length of the guide walls of our locks to save costs, our portion of the Seaway would at times be a source of inconvenience to waiting vessels and would slow up Seaway traffic. We also found it advisable to add a training dike to our project for the elimination of currents which are not desirable from the standpoint of navigation. Likewise, no provision had been made for navigation aids in the original cost estimates.

Our dredging costs have been increased in consequence of channel improvements and excavations made in excess of minimum requirements, in order to provide a waterway having better characteristics for navigation purposes than was originally contemplated. Also, we have had to keep in mind the development of increased lengths and beams of vessels built in recent years, particularly on the Great Lakes.

Other additional cost factors might be mentioned, including the obvious necessity of replacing the existing narrow roads with modern highways to carry a large volume of traffic on approaches to bridges and other facilities included in the Seaway project.

In any project having the magnitude and complexities of the Seaway, there would inevitably be problems that arise as the work progresses and I am glad to pay tribute to the splendid job which has been performed by the Corp of Engineers as our construction agent.

In the long run, the improved features of the project will pay off in terms of increased traffic capacity and reduced ship operating expenses. Our latest estimate of the cost of constructing United States and Canadian portions of the Seaway is on the order of $450 million and we estimate that the average of annual expenses, amortization of debt and interest for both countries will be less than $26 million. Keep in mind that this investment is not a taxpayer's burden. Toll revenues will retire the total cost advanced by both the Canadian and United States Governments.

Engineering-wise the construction of the Seaway and power projects has been coordinated, but they are separate undertakings in all respects. The power project is a joint undertaking of the Power Authority of the State of New York and the Hydro-Electric Power Commission of Ontario. The Seaway is, of course, a project of the Federal Governments of the United States and Canada, which was authorized by legislation of each country charging their respective entities, the Saint Lawrence Seaway Development Corporation and the St. Lawrence Seaway Authority of Canada, with responsibility for the construction, operation and maintenance of the Seaway works in their respective territories.

It appears that some people are under the impression that the Seaway project also embraces the deepening of the connecting channels between the Great Lakes above Lake Erie to a controlling depth of 27 feet. Such is not the case. The deepening of the connecting channels above Lake Erie is a separate program which is being carried out by the Corps of Engineers of the U. S. Army with public funds appropriated by Congress.

In the course of the next few weeks a major portion of the United States section of the Seaway and a part of the Canadian facilities will be opened to 14-foot shipping through the area known as the International Rapids Section of the St. Lawrence River. This will be necessary because the raising of the water pool of the St. Lawrence power project will flood out the present St. Lawrence Canal system west of Cornwall, Ontario.

Deep Draft to Open Next April

The opening of the Seaway for deep draft navigation at a controlling depth of 27 feet throughout its entire length will take place next April. That event will inevitably contribute to the changing of transportation patterns and the stimulation of the economy of large areas in the United States and Canada. The forerunners of these developments are already becoming evident in current programs for the construction of port facilities, industrial plants and ships involving an aggregate expenditure of well over $100 million as a direct or partial result of the prospective availability of the Seaway.

This is a good beginning but it is still only an entering wedge in opening the door to the opportunities which can be developed from the use of the Seaway if proper initiative is exerted.

In the extensive discussions of the Seaway project over many years, there have been differences of opinion regarding the various possibilities of the project, but in general those differences have not been due to doubts that the Seaway would have a stimulating effect upon the economy of the Great Lakes basin and adjacent areas. What has been questioned has been the extent to which the potentialities of the Seaway route could be, and would be developed in the light of facilities and conditions on the Great Lakes, especially with respect to overseas trade.

Let us examine factors which should be considered in this connection.

The stimulating effect of low-cost water transportation on commerce has been vividly demonstrated in recent years by the growth of traffic on our inland waterways. That traffic increased from nine billion ton-miles in 1931 to 109 billion ton-miles in 1956, exclusive of traffic on the Great Lakes.

This represents a 12-fold increase in a period of 25 years. Major waterways in other parts of the world have also had a large increase in cargo movements. Freight traffic on the Manchester Canal in England tripled between 1946 and 1956. Cargo shipped through the Panama Canal increased from five million tons in 1915 to 50 million tons in 1957.

In the case of the Suez Canal, the registered tonnage of ships transiting the Canal is the only comprehensive index of traffic that is available. Between the first year of Suez operations in 1870 and 1955, the last year of full operations before the Egyptian take-over, the net registered tonnage of shipping through the canal rose from a half-million tons to almost 116 million tons.

Certainly the Seaway will provide improved water transport facilities for the Great Lakes Basin, which has economic potentialities as great and as diversified as those served by any major waterway elsewhere. Almost half of the total of United States exports of non-agricultural products to overseas destinations originate in that area. And that area is also productive of much of the agricultural exports from this country. On the Canadian side of the border the potentialities are probably even greater in relation to that country's economy.

The State of Michigan is a major part of this highly important region of domestic and foreign commerce. Not only does this state have a broad base of economic capacity for further expansion, but it is in an unusually favorable geographical position to benefit from water transportation.

Michigan's Unique Position

With the exception of the southern boundaries of the state, Michigan has a Great Lakes water frontage on all its sides. It has the further advantage of having a shoreline on the channels which connect four of the Great Lakes. In these respects Michigan holds a unique position among the states on the Great Lakes. Detroit itself is in the strategic position of having a waterfront on the connecting channel through which an enormous volume of shipping passes between Lake Erie and the upper lakes.

The benefits which can be derived from these natural advantages will be enhanced by the opening of the Seaway. In fact foresighted enterprises are already developing their business in preparation of further expansion when the Seaway facilities are in operation. Among the interesting examples is the direct exportation of agricultural products by the St. Lawrence route, which is being developed through the Port of Muskegon, Michigan. Savings are also being achieved by the increasing shipment of industrial products over this route.

In the field of shipbuilding, a yard at Bay City has obtained Navy contracts of over $60 million for the construction of four warships which are to be delivered through the Seaway. Another Michigan shipyard now has under construction a large cargo vessel of Seaway dimensions. At this time we might also refer to the Dow Chemical Company who will establish its own marine terminal on the Saginaw River.

I do not wish to convey the impression that the mere availability of the Seaway will automatically result in a deluge of new business to this state and elsewhere on the Great Lakes. The extent to which the potentialities of the Seaway are converted into realities will also depend to a large degree upon the facilities available at ports on the Great Lakes and other factors which affect traffic patterns. There are handicaps to be met in this connection but those conditions are not insurmountable.

For example, it has been said that the closing of navigation on the Great Lakes and upper St. Lawrence River during the winter would necessitate dual traffic arrangements for the off-season with resultant inconvenience and expense if importers and exporters were to use the Seaway route during the open navigation season.

In this connection I would invite your attention to the fact that the 8-month navigation season on the Great Lakes has not prevented a marked growth in imports and export shipments through the St. Lawrence gateway during recent years. For comparative purposes, it might be well on this occasion to note the development of overseas cargo traffic at the port of Toronto since we find many similarities between the economies of southern Ontario and Michigan.

As you know, Toronto is the center of a highly industrialized region having a widely diversified output of manufactured products, including automobiles, machinery, electrical merchandise, et cetera. It is of particular interest to note, therefore, that the volume of direct waterborne overseas cargo loaded and discharged at the port of Toronto rose to over 200,000 tons during 1957; a substantial increase over the quantity recorded in the preceding year.

Obviously, the exporters and importers of diversified products to and from Toronto have found it economical and efficient to use the St. Lawrence route regardless of the necessity of diverting some of their shipments to other routes during the season of closed navigation.

Of course, some firms on the Great Lakes which have in the past developed traffic patterns and arrangements for the distribution of their exports and imports at or through the Seaboard may find it necessary to make some appreciable changes in order to route shipments via the Seaway. We believe, however, that with the relatively few exceptions there will be compensatory savings in the long run through the use of the Seaway route.

It has also been argued that the ports on the Great Lakes will not have the shipping services and facilities or the labor and know-how required to handle a large volume of export and import shipments in an economical and expeditious manner.

Overseas Shipping

Such an argument does not give adequate consideration to the fact that in 1957 there were already 373 regular line sailings on routes between the Great Lakes and Europe, Africa and the Caribbean. In addition, there were 40 sailings of so-called tramp ships. The opening of the Seaway will stimulate the expansion and frequency of Great Lakes services to any parts of the world having an appreciable volume of trade with the Great Lakes region and its hinterland. Let me remind you in this connection that the Federal Maritime Board has already demonstrated that it is alert in the establishment of essential routes for the operation of American flag shipping services between the Great Lakes and overseas ports through the Seaway. Two such routes have already been designated.

As to the availability of waterfront services and the experience required for the handling of ocean ships and cargo, it has been alleged that the 8-month navigation season on the Great Lakes will adversely affect the retention of a sufficient supply of trained labor for the loading and discharging of seagoing vessels at ports on the Lakes. It has also been asserted that the lack of year-round traffic will render it uneconomical to make the investment needed to provide the up-to-date equipment required for the expeditious handling of ocean ships and cargo at Lake ports. These are generalities which convey a distorted impression of the Great Lakes situation as a whole.

Of course, there are some ports on the Great Lakes which are not yet equipped to handle all types of cargo, but there are also ports which have developed the facilities, equipment, labor and experience required to deal with the general run of cargo. They are expanding their facilities and equipment to meet foreseeable additional requirements of Seaway traffic.

No one has questioned the ability of the Great Lakes marine industry to handle bulk cargoes, nor has anyone questioned the ability of Great Lakes ports to deal with the requirements of the increased shipments of general cargo. Enterprising communities have shown that they recognize the need of making reasonable preparations to enable their ports to obtain an equitable share of Seaway traffic.

At this time may I make mention of a few names out of many who have contributed constructively and actively in port planning as well as stimulation and promotion of shipping trade in the Port of Detroit.

Carlis J. Stettin, Port Director, and the members of the Port Commission, Tom Reed, Foster Winter, Mayor Miriani. They are entitled to high praise for their performance.

Navigation authorities are aware that shipping and traffic are attracted to ports which can handle vessels and cargo in the most expeditious and economical manner. They are also aware that the handling of ships and cargoes benefit not only waterfront interests, but also increase the business of the community as a whole. This is so well known by major ports on the seacoast that they devote considerable effort to the encouragement and retention of shipping traffic through their facilities.

There is still quite a bit to be done in order to be prepared for Seaway traffic, but I have no doubt that the imagination, ingenuity and initiative which have brought Great Lakes shipping and the handling of bulk cargo to their present high level of efficiency will be capable of dealing with the problems of accommodating increased ocean traffic with equal efficiency. This is already being done at several ports on the Great Lakes.

The Seaway is about to become an accomplished fact after a long struggle and the time has now come for positive and objective action by all, to reap the benefits of this new artery of water transportation. This will involve constructive consideration of the possibilities offered by the Seaway route. Unless this is done, the inhibitions created by the habit of thinking in old established traffic patterns and arrangements may well create blind spots that will result in "missing the boat" so far as Seaway opportunities are concerned.

The challenge to all interests on the Great Lakes has been well expressed by a prominent shipbuilder who recently stated:

"The expansion of marine interests in all phases that will undoubtedly take place is almost inconceivable to the imagination. How much expansion in additional business will be generated by Great Lakes shipyards will depend entirely on the initiative and imagination exerted by the personnel involved."

That statement is applicable to all forms of economic activity in the Great Lakes-St. Lawrence basin and adjacent areas of the United States and Canada. In conclusion let me say, anyone who endeavors to predict the developments which will take place in the economy of this Heartland of both countries runs the risk of under-estimating rather than over-estimating the possibilities. Let us not forget that the development of industry and commerce which has occurred in this region during recent years has gone far beyond the prognostications made only 10 years ago. The Seaway will be an additional element in the bringing about of further economic expansion in the years to come.

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499 net tons of finished steel products in May, against 4,372,971 tons in April and 6,972,091 tons in May last year.

Construction, including maintenance, received 824,091 tons directly from mills during May, 1958, an increase of 170,000 tons over April. Heavy structural shape shipments totaling 346,485 net tons in May, 1958, were up 45,000 tons over April. Increases were also recorded in other construction products including standard pipe, piling, plates and reinforcing bars.

The Course of Bank Clearings

Bank clearings this week will show a decrease compared with a year ago. Preliminary figures compiled by the "Chronicle" based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, July 5, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 6.1% below those of the corresponding week last year. Our preliminary totals stand at $20,293,781,014 against $21,611,721,152 for the same week in 1957. At this center there is a loss for the week ending last Friday of 6.0%.

At New York bank clearings for the week ended July 5, totaled $11,652,699,223 as against $11,362,097,881 for the same week in 1957 and the 1957 Chicago totals were $1,044,273,471 compared with $1,109,934,089, a loss of 5.9% for 1957.

There's no stampede among steel users to beat the expected August price increase, "The Iron Age," national metalworking weekly stated on Wednesday of this week.

"Iron Age" says the price hedgers apparently shot their bolt in June, when there was a noticeable bulge in steel output. The outlook for July is anything but cheering. Some June business carried over into the early weeks of the month, but it was not enough to avoid the predicted July slump.

Still, the metalworking magazine reiterated its earlier assertion that the low point in the steel recession probably was reached last April, when the ingot rate dipped to less than 48% of capacity. The July slump is not expected to be that severe.

Meanwhile, rumors have been circulating that some mills had been planning to ship June carryover orders at June prices even before U. S. Steel had decided against a July 1 price boost. Whether true or not, this competitive angle is fast fading from the picture, and the stage is being set for the expected August increase.

"Iron Age" says the steel business is due for a slow but steady upturn beginning in August. Part of this pickup will be due to renewed ordering by the auto companies, some of whom have already begun shutdown of production lines preliminary to output of 1959 models.

Steel men report that the June order bulge came from a wide cross-section of steel users. But little if any came from the automakers, who have been holding their inventories down to hand-to-mouth levels.

Steel Price Increase Termed Mandatory

A price increase of $5.75 a ton is mandatory if the steel industry is to maintain first quarter earnings of 5 cents on the sales dollar. If prices aren't raised generally, second half earnings will skid to 3.4% of sales "Steel" magazine reported July 6. First quarter earnings were the lowest since 1952.

During the second half production will be about 47 million tons of steel for ingots and castings (vs. 38 million in the first half). About 34 million tons of finished steel will be shipped. If prices (averaging $160 a ton) and wages remained at first half levels, sales would be $5.4 billion, of which 90% ($4.9 billion) would be pretax costs and 10% ($544 million) would be pretax profit. Profit after taxes: $272 million, or 5% of sales.

Last week, employment costs went up about 25 cents an hour or $5 a ton (20 manhours for each ton). Result: 34 million tons cost $170 million more to produce than they would have during the first half. Subtracting $170 million from $544 million (the profit anticipated at old wage rates) leaves a pretax margin of $374 million. Profit after taxes: $187 million or 3.4% of sales.

If prices were advanced just $5 to match labor cost increases, profits would be 4.8% of sales. To maintain the first quarter earning rate (5%), steelmakers must raise prices at least $5.75 a ton. They would still have trouble because suppliers' labor costs will also rise. Purchased goods and services will carry higher price tags. By year-end, the $5-a-ton labor increase will have a $10-a-ton impact on the cost of making steel.

U. S. Steel Corp., traditionally the price leader, wants no part of its accustomed role, but most other producers seem determined to wait out the corporation, according to the trade industry publication. Avery C. Adams, President of Jones & Laughlin Steel Corp. expressed a widely held opinion when he called it "commercial suicide" to change prices without such action by U. S. Steel.

The corporation may be asking itself what effect a price rise now would have on the July 16 sale of $300 million worth of its sinking fund debentures. It would also feel better about announcing higher prices if demand were greater, but there's slim chance of improvement before August.

Obliged to pay their employees double time and a quarter for holiday work, steelmakers ran their plants with skeleton crews on July 4. As a result, operations last week fell 10 points to 53% of capacity. Production hit about 1,430,000 net tons of steel for ingots and castings.

Shipments will be substantially lower this month than they were in June, but prospects are improving. Delayed price hike announcements set the stage for more hedging. Automotive sheet buying is still weak, but stainless producers feel the impact of model changes. Demand for tin plate, galvanized sheets, and reinforcing bars is helping to sustain the market. "Steel's" composite scrap price rose 67 cents last week to $35.67 on the strength of a Chicago sale.

Rise in Steel Production Expected This Week

The American Iron and Steel Institute announced that the operating rate of steel companies will average *90.8% of steel capacity for the week beginning July 7, 1958, equivalent to 1,459,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *85.7% of capacity, and 1,376,000 tons a week ago.

Output for the week beginning July 7, 1958 is equal to about 54.1% of the utilization of the Jan. 1, 1958, annual capacity of 140,742,570 net tons compared with actual production of 51.0% the week before.

For the like week a month ago the rate was *107.6% and production 1,728,000 tons. A year ago, the actual weekly production was placed at 2,015,000 tons, or 125.4%.

***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, July 5, 1958, was estimated at 11,150,000,000 kwh., according to the Edison Electric Institute. Output continued its downward course the past week.

For the week ended July 5, 1958, output decreased by 607,000,000 kwh. below that of the previous week. However, it was 44,000,000 kwh. above that of the comparable 1957 week and 759,000,000 kwh. above that of the week ended July 7, 1956.

Car Loadings in Latest Week Declined Two-Tenths of 1% From Preceding Week but Were 14.5% Under Same Week a Year Ago

Loadings in the week ended June 28 were 1,104 cars of two-tenths of 1% below the preceding week and loading of revenue freight for latest week ended June 28, 1958, totaled 626,573 cars, the Association of American Railroads announced. This was a decrease of 106,160 cars or 14.5% below the corresponding week in 1957, and a decrease of 128,706 cars or 17% below the corresponding week in 1956.

Coal loading amounted to 122,064 cars, a decrease of 4,896 cars below the corresponding week a year ago, but an increase of 464 cars above the preceding week this year.

Passenger Car Output Skids to a Nine Month Low of 41.282 Cars in the Week Ended July 4

Several hundred thousand auto workers were given a "long" July 4 holiday as the industry closed nearly 60% of its assembly plants in that week, "Ward's Automotive Reports" said.

The shutdowns, which found both Ford Motor Co. and Chrysler Corp. out-producing General Motors Corp. saw U. S. car and truck production skid to a nine-month low of 41,282 vehicles.

The week's total was 62.1% under 109,013 (revised) built in the week ended June 27, and compares with 87,733 for the same week in 1957, the statistical service said.

Idled during the past week were 19 of 23 General Motors Corp. car assembly plants, only four Chevrolet units functioning. Entire Edsel and Mercury output, as well as four Ford Division

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factories, were idled for the week, leaving Chrysler Corp., despite labor trouble at Plymouth, as the steadiest Big Three producer.

"Ward's" said the industry's U. S. June production totaled 337,355 car completions compared with 349,474 in May and 316,503 in April. Truck output dipped to 69,832 in June from 74,331 in May and 74,531 in April.

Truck production, off this week to 7,442 completions from 16,736 last week, reflected curtailed volume at Ford and Chevrolet plus the industry-wide July 4 observance Friday.

"Ward's" said that on a daily-rate basis June used car buying is running 4% above May and that new cars are running even with that month.

Lumber Shipments Were 9.9% Above Output In the Week Ended June 28

Lumber shipments of 464 reporting mills in the week ended June 28, 1958, were 9.9% above production, according to the National Lumber Trade Barometer. In the same period new orders were 0.6% below production. Unfilled orders amounted to 34% of stocks. Compared with the week ended June 21 production was about the same; shipments were 6.2% higher and new orders were off 11%. As against the corresponding week in 1957, there were decreases of 6.7% in production; 7% in shipments and 7.2% in new orders.

Business Failures Decline in Week Ended July 3

Commercial and industrial failures declined moderately to 292 in the week ended July 3 from 335 in the preceding week, reported Dun & Bradstreet, Inc. However, casualties remained considerably higher than the 190 in the comparable week of last year and the 208 in 1956. Also, the business toll exceeded by 40% the pre-war level of 208 in 1939.

Failures involving liabilities of $5,000 or more fell to 258 from 296 in the previous week, although they were far above the 158 of this size a year ago. While small casualties, those with liabilities under $5,000, dipped to 34 from 39, they remained above their 1957 total of 32. Liabilities ranged above $100,000 for 26 of the week's failing concerns as against 37 in the preceding week.

Wholesale Food Price Index Moved Fractionally Higher In the Latest Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., moved fractionally higher last week to stand at $6.66 on July 1, up 0.3% from the $6.64 of the prior week. It compared with $6.23 on the corresponding date a year ago for an increase of 6.9%.

Higher in wholesale price the past week were corn, barley, bellies, coffee, cocoa, eggs, potatoes and steers. Lower in cost were flour, wheat, rye, oats and lard.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Showed Little Change From Previous Week

Lower prices on lard, flour and sugar offset increases on some grains, cotton and steers holding the general commodity price level close to that of a week earlier. On June 30 the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 279.45, compared with 279.90 in the prior week and 292.06 on the corresponding date last year.

Despite reports of the largest winter wheat crop on record now being harvested, commercial buying at the end of the week was heavy and prices advanced moderately. There was a slight rise in trading in corn and oats and prices moved up somewhat. Rye purchases slackened resulting in a slight dip in futures prices.

Soybeans prices were steady with transactions equalling those of the prior week. Soybeans inspected for overseas export during the week ended June 20, amounted to 1,400,894 bushels compared with 682,487 a week earlier and 662,050 a year ago. The principal takers in the latest week's exports were Japan, Denmark, Formosa and Israel.

Although flour trading picked up at the end of the week, prices declined moderately. Commercial sales of flour for export amounted to about 58,800,000 bushels in grain equivalent thus far this season as against 46,100,000 during the same period last season.

While sugar buying matched that of the prior week, futures prices fell fractionally during the week. Increased buying and the lateness of the new crop resulted in an appreciable decline in the already limited rice stocks. Prices were unchanged from the prior week.

Cocoa wholesalers reported a slight rise in orders, bringing with it a fractional increase in prices. There was little change in coffee futures prices as trading was close to that of the preceding week.

Cattle receipts in Chicago declined slightly during the week, but were noticeably over those of a year ago. Trading improved and prices rose fractionally. Hog receipts expanded, followed by a rise in prices at the beginning of the week, but at the end of the period reacted to a level close to those of a week earlier. A moderate rise in orders helped lamb prices climb appreciably.

Expectations of a record high support price on the 1958 crop stimulated cotton buying last week and futures prices on the New York Cotton Exchange advanced moderately. United States exports of cotton during the week ended June 24, were estimated by the New York Cotton Exchange Service Bureau at 105,000 bales compared with 104,000 a week earlier and 120,000 in the comparable 1957 week. For the current season through June 24 exports amounted to about 5,268,000 bales compared with 7,087,000 during the comparable period last season.

Trade Volume Hit by Unfavorable Weather

Consumer buying in the week ended July 2 fell slightly below a year ago, when sales were at an extremely high level. Retailers blamed much of the year-to-year decline on unpleasant weather at the beginning of the week which offset the effects of sunny, warm weather at the end of the period. The most noticeable decreases from a year ago occurred in Summer apparel, air coolers, and outdoor furniture. Automobile dealers reported a slight rise in sales of new passenger cars, but noticeable year-to-year decreases continued to prevail, according to scattered reports.

The total dollar volume of retail trade in the week ended July 2 was from 4% below to the same as a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: West South Central —1 to +3; South Atlantic —2 to +2; New England, Middle Atlantic, and Pacific Coast —4 to 0; West North Central, East South Central, and Mountain —5 to —1; East North Central —6 to —2.

Although the buying of women's Summer dresses and coats was close to that of last year, volume in beachwear and sportswear was down moderately. Reduced-price sales promotions helped purchases of men's sportswear, straw hats, some furnishing, and lightweight suits match those of the prior week, but sales were down appreciably from the similar 1957 week.

Year-to-year decreases in volume in air conditioners, fans, and major appliances held over-all sales of household goods noticeably below a year ago. Sluggish buying of metal tables and chairs offset moderate gains in case goods and upholstered merchandise. There was a substantial increase in the call for floor coverings and slip covers, but volume fell behind last year. Retailers reported a noticeable rise in sales of linens from the prior week, and slight increases from a year ago occurred.

Housewives again stepped up their food purchases this week. Best-sellers were fresh produce, cold cuts, baked goods, ice cream, and soft drinks. Interest in dairy products, fresh meat, and frozen foods equalled that of a week earlier.

Attracted by new styles and colors, buyers noticeably stepped up their orders for women's Fall dresses, coats, suits, and sportswear this week, and volume equalled that of the similar period last year. Substantial gains from the previous week occurred in purchases of lingerie, sweaters, and some accessories. Although there was a slight pickup in sales of men's Fall sweaters, furnishings, and suits, moderate year-to-year declines prevailed. Wholesalers reported some scattered re-orders for men's lightweight suits and Summer sportswear.

There was a moderate rise during the week in orders for lamps, lighting fixtures, television sets, laundry equipment, and refrigerators, but volume in air conditioners, fans, and deep-freeze units was sluggish. Orders for furniture equalled those of the prior week in most major markets, and numerous openings are expected to encourage buying in the coming weeks. The call for garden implements was sustained at the level of a week earlier, but turnover was below last year.

Textile wholesalers reported another moderate rise in industrial fabrics this week, but transactions in cotton gray goods lagged. Trading in woolens, worsteds, and carpet wool in Boston and Philadelphia fell below that of the preceding week. Incoming orders at dyeing and finishing plants in New England expanded appreciably during the week.

Food buying expanded significantly this week, with principal gains in fresh produce, frozen juice concentrates, picnic specialties, and some dairy products. Interest in fresh meat, canned goods and baked goods matched that of the prior week. Wholesalers reported a slight rise in stocks of canned fruits and vegetables.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended June 28, 1958, declined 3% below the like period last year. In the preceding week, June 21, 1958, a decrease of 9% was reported. For the four weeks ended June 21, 1958, a loss of 3% was recorded. For the period Jan. 1, 1958 to June 28, 1958, a decrease of 3% was reported below that of 1957.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 28, 1958, increased 1% over that of the like period last year. In the preceding week, June 21, 1958, a drop of 7% was reported. For the period Jan. 1, 1958 to June 28, 1958, no change occurred For the four weeks ended June 28, 1958, no change was reported from that of the corresponding period in 1957.

Retail trade sales volume in New York City the past week showed no gain over the level achieved the same period a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 28, 1958, showed no change as compared with the like period last year. In the preceding week, June 21, 1958, a loss of 9% was reported. For the four weeks ended June 28, 1958, they were 3% less. For the period Jan. 1, 1958 to June 28, 1958, a 3% reduction occurred from that of the corresponding period in 1957.

The Federal Reserve Bank of N. Y. reports that during the last week of June, sales at Second District department stores were 1% greater than in the comparable week last year. The rise in sales was mainly attributable to a 3% gain in the New York-Northeastern New Jersey metropolitan area. For the year through June 28, sales remained at last year's level.

Preliminary estimates indicate that department store sales in June, 1958 were unchanged from last year. The Bank's index of sales, seasonally adjusted, was 125% of the 1947-49 average.

At the end of May the value of inventories at Second District department stores was 3% below May, 1957. The Bank's index of end-of-month stocks registered 136% of the 1947-49 base, while on a seasonally adjusted basis, the index stood at 133%.

Morgan Stanley Group Offers N. Y. Tel. Bonds

Morgan Stanley & Co. heads an underwriting group offering for public sale today (July 10) a new issue of $65,000,000 New York Telephone Co. refunding mortgage 4⅛% bonds, series K due July 1, 1993. The bonds are priced at 102.343% and accrued interest to yield 4% to maturity. The issue was awarded to the group at competitive sale yesterday on its bid of 101.693% Halsey Stuart & Co. Inc. was the second highest bidder with a bid of 101.6599 also for a 4⅛% coupon.

The communications company proposes to apply the net proceeds from the sale of the bonds along with the proceeds from a scheduled sale of 1,300,000 shares of its $100 par value common stock to the parent company, American Telephone & Telegraph Co., toward the repayment of bank borrowings, incurred for construction requirements. Construction expenditures for 1958 are expected to total about $245,000,000.

The new refunding mortgage bonds are subject to redemption at 107.343% if redeemed to and including June 30, 1960 and thereafter at prices decreasing to the principal amount after July 1, 1988.

As of March 31, 1958 New York Telephone had outstanding funded debt of $550,000,000 and 11,513,000 shares of common stock of $100 par value, the latter owned by American Telephone.

On March 31, 1958 the company had 7,406,174 telephones in service of which about 70% were in the New York metropolitan area. The service area includes all the larger cities in New York State except Rochester. For the first three months of this year total operating revenues were $233,212,558 and total income before interest deductions $31,152,339, compared with $213,379,904 and $25,872,792 in the 1957 period. Total operating revenues for the 1957 calendar year were $882,181,129 and total income before interest deductions $106,676,562.

E. F. Hutton Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — William L. James has been added to the staff of E. F. Hutton & Company, 623 South Spring Street.

Kahn Opens Office

WASHINGTON, D. C.—Benjamin F. Kahn is conducting a securities business from offices at 2000 P Street, N. W.

Opens Own Office

BOISE, Idaho — Reuel L. Morton is engaging in a securities business from offices at 1518 North Eighth Street. He was formerly with Anderson, Randolph & Co. and a partner in Morton-Uberuaga.

With Pacific Northwest

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Harry P. Newman has become connected with Pacific Northwest Company, Wilcox Building.

With Straus, Blosser

James F. Kenney is now associated with Straus, Blosser & McDowell, 40 Exchange Place, New York City.

Morrison Adds to Staff

(Special to The Financial Chronicle)

NEWTON, N. C. — Charles L. Rouzer has been added to the staff of Morrison & Company, Northwestern Bank Building.

Needed Statistical Improvements for the Economic Road Ahead

Federal Statistics Users' Conference, composed of specialists from business, labor and research groups, on a non-profit basis, finds that our data are fine for telling what has occurred but of little value as indicators. Specifies certain improvements in gathering added information from various important segments of the economy in order to improve the basis for short-range forecasting. Claims information can be secured economically and promptly by adding a limited number of questions to census current Population Survey.

In a letter to President Eisenhower, the Federal Statistics Users' Conference, a non-profit group of statistical experts formed in 1956 and numbering about 125 members, outlined areas for improved information and suggested better data gathering methods.

The organization has its headquarters in Washington, D. C., and its Chairman is Stuart A. Rice, of Survey & Research Corp., Washington, D. C.

The text of the report follows:

The current business recession has highlighted the importance of forecasting accurately the future course of the American economy. Agriculture, business and labor, as well as government, require the best information possible to guide current operations and planning.

Stuart A. Rice

Much of this information is summarized in statistical data published by the Federal Government and private sources. These statistics tell a great deal about the past, somewhat less about the present, and almost nothing about the future. Consequently, appraisals of the future consist almost entirely of inferences drawn from the known facts of past and present performance.

Economists and business analysts do make forecasts on the basis of intensive study of past performance ratios (such as inventories to sales) by measuring investment potential, and the like. But, in critical instances, the material with which they must work leads to such widely varying conclusions that the practical businessman or Congressman is left in a quandary.

Data Can Easily Be Improved

The Federal Statistics Users' Conference believes that it is possible to improve the basis of predictions for the future by adding information about the spending **intentions** of government business, farmers and consumers to our existing knowledge about the past and present. This can be done most economically by using already existing or proposed statistical programs to obtain needed information directly from those whose decisions to spend or save actually shape the future. Changes in plans can be recorded by collecting this information at regular and frequent intervals.

Obviously, statistics relating to future intentions cannot have the same degree of accuracy as statistics reporting facts of past events. In some areas, where expenditure and investment programs are carefully budgeted, statistics of intentions should be about as reliable as comparable statistics of past expenditures. In other areas, where spending is unplanned or budgeted in only a rough and informal way, statistics of intentions are likely to be less reliable. Nevertheless, with all their formal shortcomings, such statistics would provide a better basis for forecasting future development than present methods which rely almost completely upon judgments formed on the record of the past.

In most of the proposals outlined below we are confident that projections in dollar terms can be obtained. Where this proves to be impossible, indications of the direction of intended expenditures can be of considerable value for business forecasting.

In this report the Federal Statistics Users' Conference does not make any detailed recommendation regarding the statistical methods to be used. We submit this report in the hope that it will lead to an early consideration of the steps most suitable in each case to accomplish the objective.

There have been a number of major advances made in the measurement of intentions to spend, such as the Survey Research Center consumer surveys, the National Industrial Conference Board capital appropriations work, and the McGraw-Hill orders and investment work, to name but a few.

The recommendations made in this report build upon these important pioneering studies and seek, not to supplant them, but to provide supplementary material vital for short-term forecasting.

The Federal Statistics Users' Conference does not presume that additional statistics in themselves will solve any of our national problems. We do believe that better information will lead to better public and private actions. To this end, we recommend a limited program designed to answer one question: Where is our economy headed?

Information Sought

This program would seek the following information:

(1) **From the Federal Government:** a quarterly projection of national security and public works expenditures both under existing contracts and contracts to be let with estimates based primarily on direct reports from contractors.

(2) **From State and Local Governments:** a quarterly projection of anticipated expenditures for public works and operating expenses.

(3) **From private construction contractors:** reports on anticipated expenditures and expected housing starts in the next month or quarter — an expansion of an existing reporting program.

(4) **From Manufacturers:** statements on expected inventory position a month in advance—an expansion of an existing reporting system.

(5) **From Retailers and Wholesalers:** a monthly survey of intentions in order goods from their suppliers in the subsequent month, by adding a single question to two existing surveys.

(6) **From Farmers:** a semi-annual survey of anticipated spending for major machinery items and for building maintenance—a supplement to current farm surveys.

(7) **From Consumers:** a monthly survey in which a selected group of consumers report on their intentions to buy key durable and significant nondurable items in the quarter ahead.

I. Government

(A) The Federal Government: Proposals for government action against recession trends frequently support one or another expenditure program or affect one or another revenue program. Yet billion-dollar errors have been made in forecasting Federal spending. A major factor has been the lack of needed facts for those who must make such forecasts.

The government should institute a program of quarterly projections of expenditures for national security and for nondefense public works. These projections should be broken down as between expenditures made under existing contracts and contracts expected to be let during the next three months.

A basic element in such a program should be direct reports from contractors on their expected billings to the government or expenditures in the quarter immediately ahead. Such a reporting system is being introduced to facilitate budgetary control of defense expenditures. It should be extended to nondefense public works expenditures and should be adapted to help provide vastly improved government expenditure forecasts.

Key series that should flow from this would measure total spending by broad industrial sector. Vital additional measures would chart the flow of spending under newly placed contracts and would help to measure the impact of such programs.

(B) Local Governments: State and local government spending proved to be a supportive element in both the 1948-49 and 1953-54 recessions. How helpful will it be in the near term? Given the wide use of formal budget procedures by local governments it is now possible to get a reliable answer to this question.

The Federal Budget now before the Congress proposes starting a regular quarterly survey of the finances of state and local governments. This survey should be extended to report anticipated expenditures for (1) public works and (2) operating expenses for the succeeding quarter. This quarterly forecast of state and local spending would rest in large measure on approved budgets and this would provide solid totals for assessing the impact of local government expenditures on output in the next quarter.

II. Business

(A) Construction: Forward construction estimates are a conspicuous element in any estimate of short-term economic prospects. Construction activity, a vigorous force in both our postwar recessions, was a weakening one throughout 1957. Generalized projections based on "the feel of the situation" have been made frequently over the years and have been conspicuously in error. Experience with the invaluable F. W. Dodge data on contract awards (as with the OBE-SEC and McGraw-Hill reports on manufacturers' plans for spending on plant and equipment and the National Industrial Conference Board work on capital appropriations) suggests the next step.

There is need for a **monthly report from construction contractors on their expenditures and building starts in the next quarter.** Given the lead time required before actual construction, there is a basis for making reliable projections. General building contractors could be expected to report on (1) their expenditures in the month and quarter ahead (distinguishing major types of residential and nonresidential activity), (2) the number of residences they expect to start in the same period, and (3) the number of units they will have for sale. For other contractors a monthly forecast of expenditures should be no less feasible.

A practical and inexpensive method of securing such estimates would be to add a few questions to the reports filed monthly with the Bureau of Labor Statistics by a large sample of construction contractors.

(B) Manufacturers' Orders and Inventories: The significance of reports on manufacturers' orders and inventories for assessing changes in business over the coming months can hardly be exaggerated. Changes in orders and inventories were harbingers both of the postwar recessions and the recoveries. Analysts have, therefore, tried to anticipate inventory changes. In the absence of direct relevant data they have been forced to work in indirect fashion from production rates, consumer takings, sales inventory ratios, and the like. Their success has not been notable.

Earlier Inventory Information

There is a need for a prompt **monthly report by manufacturers on their expected inventory positions a month in advance.** Such a report would offer direct information from the key producers who are actually scheduling production and inventory levels in the weeks ahead.

To be of solid value such a report must be issued promptly. The most efficient procedure would be to utilize the existing monthly Census Bureau program on sales, inventories and orders. By extending and speeding that report (or by securing telegraphic replies on orders and projected inventories in advance of the regular report) decisive information could be obtained at little cost. In addition, it may be desirable to test the possibility of obtaining useful information on anticipated inventories three months in advance.

(C) Retailers and Wholesalers: The retailers is the closest of all producers to the ultimate consumer. For this reason various private surveys have sought retailers' opinion on their future sales. While it is to be hoped that this line of inquiry will be continued an additional approach is required.

A **monthly survey of retailers' intentions to order goods in the next month** should be set up. Opinion surveys that query the retailer on his estimate of future consumer spending are of interest. For a hard-headed estimate of future trends, however, it is more important to know what the retailer is going to do about it. Will he put in new orders that will lead to further production, or to the reduction of wholesale and manufacturing inventories? Or will he work down his own level of inventories still further whatever his thoughts about rising sales?

The Census Bureau currently secures monthly reports on retail sales from a large sample of retailers. An additional question could be put to a select group of these retailers in this sample, querying the orders they placed in the last month and those they expect to place within the next month.

A similar **survey of wholesalers' intentions to order goods in the month ahead** would complete the picture of business intentions to spend.

Together the surveys of manufacturers, wholesalers and retailers would provide a consistent picture of the flow of production and the change in inventories at all levels of business from manufacturer to consumer.

III. Agriculture

Farmers' forecasts of their planting and crop totals have long been a basic feature of our economic reporting. A useful and simple addition to that report system would query farmers twice a year on their anticipated spending for major machinery items and for building maintenance. The results would not merely help define total investment projections. They would also cast a revealing light on the effective attitudes of farmers toward farming prospects and incomes.

IV. The Consumer

Consumer outlays accumulate to the largest single item in our national output. Overall employment and output cannot be forecast without a reasonable surmise as to what consumers will do. Surveys of consumer intentions to spend in the coming year have been available and, it is hoped, will continue to be available. Such surveys have a broad analytic value. But their limitations for short-range forecasting are also apparent. The "instabilty of consumer spending" has frustrated attempts to make long-term forecasts of consumer intentions to spend. Changes in family income, intensified sales efforts by business, and the appearance of new products and new designs bring changes in consumer spending which cannot be foreseen many months in advance.

There is need for a **monthly survey of consumers' intentions to buy key durable and semi-durable items in the quarter ahead.** Monthly surveys will catch promptly the impact of changes in employment or income on consumer intentions. By concentrating on home purchase and maintenance and on durable and semi-durable (clothing) items requiring large outlays, trends can be spotted for those items which mean major shifts ahead in consumer spending and credit demands. By adding a few other items that have responded sharply to cycle ups and downs in recent years (such as portable mixers or steam irons) other sensitive indicators could be provided.

This information could be secured economically and with prompt availability by adding a limited number of questions to the Census Bureau's Current Population Survey. This would link intentions reports to the widely used data, for the same families, on employment, income, age, schooling, and family status.

Reports on recent actual spending for the same items from sample families would test the intentions data and would provide a deeper view of consumer activity.

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.

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.

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 Investment Trust**
July 3 filed $5,000,000 of plans for the accumulation of shares of Axe-Houghton Stock Fund, Inc. **Proceeds**—For innvestment. **Sponsor**—Axe-Houghton Stock Fund, Inc.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

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.

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.
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. **Offering**—Expected this week.

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.

● **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** — At par (flat). **Underwriters**—Harriman Ripley & Co., Inc., and Blyth & Co., Inc., both of New York.

Budget Finance Plan, Los Angeles, Calif.
June 10 filed 132,000 shares of 6% serial preferred stock ($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 late in September.

★ **Burroughs Corp. (7/17)**
June 27 filed $25,000,000 of sinking fund debentures, due July 1, 1983 and 550,000 shares of common stock (par $5). The latter issue will be offered for subscription by holders of the company's outstanding stock at the rate of one additional share for each 11 shares held July 16, 1958; rights to expire on July 30, 1958. **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.

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.

★ **Capital Reserve Corp., Washington, D. C.**
July 1 filed (by amendment) an additional $1,000,000 in Potomac Plans for the Systematic Accumulation of Common Stock of Potomac Electric Power Co. **Proceeds**—For investment.

★ **Carrtone Laboratories, Inc., Metairie (New Orleans), La.**
July 2 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion, working capital and other corporate purposes. **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.

★ **Cinemark II Productions, Inc.**
June 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 937 Acequia Madre Rd., Santa Fe, N. M. **Underwriter**—Watson & Co., Santa Fe, N. M.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

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.

★ **Consolidated Enterprises, Inc.**
July 2 (letter of notification) $299,000 of 2% subordinated debenture bonds to be due upon demand five years from date of issuance or in 10 years without demand. **Price**—At par. **Proceeds**—To purchase mortgages. **Office** 917 Fifteenth St., N. W., Washington 5, D. C. **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.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

● **Dayton Aviation Radio & Equipment Corp. (7/14)**
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.

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.

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.

★ **District Wholesale Drug Corporation of Washington**
June 30 (letter of notification) 500 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office** — 52 "O" St., N. W., Washington, D. C. **Underwriter**—None.

Dixon Chemical & Research, Inc.
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office** — Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Indefinitely postponed. Statement may be withdrawn. 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.

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.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

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.

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.

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office** — Portland Ore. **Underwriter**—To be named by amendment. Sol Goldberg is President.

Forest Laboratories, Inc.
March 26 filed 150,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—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.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1) **Proceeds**—To the Attorney General of the United States **Underwriter**—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. **Price**—$3.50 per share. **Proceeds**—For expansion, equipment and working capital. **Underwriter**—None.

General Transistor Corp. (7/21-25)
June 27 filed 100,000 shares of common stock (par 25c), of which 26,112 shares are for account of company and 73,888 shares for selling stockholders. **Price**—To be related to the then current market for the stock on the American Stock Exchange. **Proceeds**—To company for expansion and working capital. **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.

● **Grand Union Co.**
June 12 filed 10,450,000 of subordinated debentures, due 1978, being 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.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16, 1957, filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

● **Haratine Gas & Oil Co., Inc. (7/14)**
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.

★ **Haydock Fund, Inc.**
July 7 filed (by amendment) an additional 75,000 shares of capital stock (no par). **Price**—At market. **Proceeds**—For investment.

Hoagland & Dodge Drilling Co., Inc.
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. **Office**—Tucson, Ariz. **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.

★ **Houston Corp.**
July 3 filed $36,188,000 of subordinated debentures due Aug. 1, 1968, and 1,809,400 shares of common stock (par $1) to be offered in units of $100 principal amount of debentures and five shares of stock. **Price**—To be supplied by amendment. **Proceeds** — Together with other funds, will be used to purchase the notes and common stock of Coastal Transmission Corp., the notes and common stock of Houston Texas Gas & Oil Corp., and 80% of Jacksonville Gas Corp. common stock, and the balance will be added to working capital and used for general corporate purposes. **Underwriters** — Blyth & Co., Inc., Lehman Brothers and Allen & Co., all of New York, and Scharff & Jones, Inc., of New Orleans, La.

★ **Houston Corp.**
July 3 filed 818,333 shares of common stock and 575,869 shares of class A stock to be offered to holders of outstanding common, on the basis of 1.51 times for each share of common stock held and approximately 1.5 shares of class A stock for each 381,273 class A share held. (The right to subscribe with respect to 133,850 outstanding class A shares has been waived.) Furthermore, $511,500 of debentures and an unspecified amount of common shares (to be supplied by amendment) will be issued in connection with the acquisition of outstanding common stock of Jacksonville Gas Corp.

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 Power Co. (7/22)**
July 3 filed 350,000 shares of common stock (par 10). **Price**—To be supplied by amendment. **Proceeds**—For partial payment of short-term bank loans heretofore made for interim financing of construction of new operating facilities. **Underwriter**—To be named by amendment.

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

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NEW ISSUE CALENDAR

July 10 (Thursday)

Southern Natural Gas Co. ---------- **Debentures**
(Bids 11 a.m. EDT) $30,000,000

July 14 (Monday)

Dayton Aviation Radio & Equipment Corp. --- **Com.**
(McDonald, Holman & Co.) $500,000

Haratine Gas & Oil Co., Inc. ---------- **Common**
(Herbert Perry & Co., Inc.) $299,850

July 15 (Tuesday)

Salem-Brosius, Inc. ---------- **Debentures**
(Blair & Co., Inc.) $2,000,000

Salem-Brosius, Inc. ---------- **Common**
(Blair & Co., Inc.) $281,250

Southern Railway Co. ---------- **Bonds**
(Bids noon EDT) $22,000,000

Textron, Inc. ---------- **Common**
(Offering to stockholders—underwritten by Blair & Co., Inc. and Scherck, Richter Co.) 389,577 shares

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

Norfolk & Western Ry. ---------- **Equip. Trust Ctfs.**
(Bids to be invited) $2,340,000

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

Washington Gas Light Co. ---------- **Preferred**
(First Boston Corp. and Johnston, Lemon & Co.) 60,000 shares

July 17 (Thursday)

Burroughs Corp. ---------- **Debentures**
(Lehman Brothers) $25,000,000

Burroughs Corp. ---------- **Common**
(Lehman Brothers) 550,000 shares

(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

General Transistor Corp. ---------- **Common**
(Hayden, Stone & Co.) 100,000 shares

Montrose Chemical Co. ---------- **Common**
(Van Alstyne, Noel & Co.) 277,320 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

Idaho Power Co. ---------- **Common**
(Underwriter to be named by amendment) 350,000 shares

July 23 (Wednesday)

Natural Gas Pipeline Co. of America --- **Debentures**
(Dillon, Read & Co., Inc., and Halsey, Stuart & Co. Inc.) $35,000,000

Natural Gas Pipeline Co. of America ---- **Preferred**
(Dillon, Read & Co., Inc.) $15,000,000

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)

Container Corp. of America ---------- **Debentures**
(Kidder, Peabody & Co. Inc.) $25,000,000

July 28 (Monday)

Bankers Management Co. ---------- **Common**
(McDonald, Holman & Co., Inc.) $400,000

August 5 (Tuesday)

Minneapolis & St. Louis Ry. ----- **Equip. Trust Ctfs.**
(Bids noon CDT) $2,100,000

August 11 (Monday)

Utah Power & Light Co. ---------- **Bonds**
(Bids noon EDT) $20,000,000

August 12 (Tuesday)

Montana Power Co. ---------- **Bonds**
(Bids noon EDT) $20,000,000

August 13 (Wednesday)

Consolidated Natural Gas Co. ---------- **Debentures**
(Bids to be invited) $45,000,000

August 20 (Wednesday)

Public Service Electric & Gas Co. ---------- **Bonds**
(Bids 11 a.m. EDT) $60,000,000

Rassco Financial Corp. ---------- **Debentures**
(Rassco Israel Corp.) $1,000,000

August 25 (Monday)

Southern California Edison Co. ---------- **Bonds**
(Bids to be invited) $50,000,000

August 26 (Tuesday)

New England Telephone & Telegraph Co. --- **Debens.**
(Bids to be invited) $40,000,000

September 30 (Tuesday)

Southwestern Bell Telephone Co. ----- **Debentures**
(Bids to be invited) $110,000,000

October 21 (Tuesday)

Cincinnati & Suburban Bell Telephone Co. --- **Debs.**
(Bids to be received) $25,000,000

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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.

● Jetronic Industries, Inc. (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. **Office**—Philadelphia, Pa. **Underwriter** — Charles Plohn & Co., and Mortimer B. Burnside & Co., Inc., both of New York, on a best efforts basis.

● Laclede Gas Co.
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**—Had been expected to be received up to 11 a.m. (EDT) on July 8, but offering has been postponed indefinitely.

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.

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.

★ Louisville Gas & Electric Co. (Ky.)
July 7 filed not more than 100,000 shares of common stock (no par) to be offered to employees under the company's Employee Common Stock Purchase Plan.

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 are being offered to stockholders and 8,181 shares to employees; rights expire on July 14. **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.

Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

★ McKean-Bradford Petroleum Corp.
June 27 (letter of notification) 100,000 shares of common stock (par 20 cents). **Price**—$3 per share. **Proceeds**—To purchase Freeman Cotton Explorations and 100 acres and their equipment and for working capital. **Office**—601 G. Daniel Baldwin Bldg., Erie, Pa. **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.

★ Missouri Public Service Co.
July 7 filed 30,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans incurred for construction in 1958, and the balance will be added to general funds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; The First Boston Corp.; Kuhn, Loeb & Co.; Blyth & Co., Inc.

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. **Proceeds** — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; 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 up to noon (EDT) on Aug. 12.

Montana Power Co.
July 1 filed 100,000 shares of common stock (no par). The stock will be offered only to bona fide residents of Montana. **Price**—To be related to the current market price on the New York Stock Exchange. **Proceeds**—Together with other funds, to carry on the company's construction program through 1959. **Underwriter**—None.

★ Montrose Chemical Co. (7/21-25)
July 2 filed 277,320 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Van Alstyne, Noel & Co., New York.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18, 1957 (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.

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.

★ Natural Gas Pipeline Co. of America (7/23-24)
July 3 filed $35,000,000 of debentures due July 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Dillon, Read & Co. Inc., and Halsey, Stuart & Co. Inc., both of New York.

★ Natural Gas Pipeline Co. of America (7/23-24)
July 3 filed 150,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for working capital. **Underwriter**—Dillon, Read & Co. Inc., New York.

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 being 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.

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.

● Northwestern Public Service Co.
June 6 filed 59,532 shares of common stock (par $3) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of July 8, 1958; rights expire July 24, 1958. **Price**—$16.62½ per share. **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.

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.

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.

★ Peerless Weighing & Vending Machine Corp.
June 27 (letter of notification) a maximum of 25,000 shares of common stock (par $1) to be offered to minority stockholders on the basis of one new share for each four shares held. Any unsubscribed shares will be purchased by Rock-Ola Mfg. Corp. Warrants expire 20 days from date of issuance. **Price**—$4.25 per share. **Proceeds**—For working capital. **Office**—800 N. Kedzie Ave., Chicago 51, Ill. **Underwriter**—None.

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.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share.

Proceeds—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

Potomac Plastic Co.
March 31 (letter of notification) $57,500 of 6% subordinated convertible debentures and 57,500 shares of class A common stock (par one cent) to be offered in units of 500 shares of stock and $500 of debentures. **Price**—$1,000 per unit. **Proceeds** — For equipment and working capital. **Office**—1550 Rockville Pike, Rockville, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Prairie Fibreboard Ltd.
Feb. 28 filed 210,000 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $2.50 per share. **Proceeds** — For construction purpose. **Office** — Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., Saskatoon, Canada.

Private Enterprise, Inc., Wichita, Kansas
May 5 filed 125,000 shares of common stock. **Price**—$10 per share. **Proceeds** — To be used to organize, or reorganize and then operate companies in foreign nations, principally, but not exclusively, in the Far East, Near East and Africa. **Underwriter**—None.

Rand Drilling Co., Inc.
May 12 (letter of notification) 100,000 shares of class A common stock (par 50 cents) and 50,000 shares of class B common stock (par 50 cents) to be offered in units of two shares of class A and one share of class B stock. **Price**—$4.50 per unit. **Proceeds**—For expenses incidental to drilling for oil. **Office**—111½ E. St. Peter St., New Iberia, La. **Underwriter** — T. J. Feibleman & Co., New Orleans, La.

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. (8/20)**
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.

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.

★ **St. Regis Paper Co., New York**
July 8 filed 118,746 shares of common stock (par $5) to be offered in exchange for outstanding shares of capital stock of Growers Container Corp., Salinas, Calif., on the basis of one St. Regis share for 18 shares of stock of Growers Container. **Underwriter**—None.

● **Salem-Brosius, Inc., Pittsburgh, Pa. (7/15)**
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.

★ **Seaboard Finance Co., Los Angeles, Calif.**
July 3 filed 50,000 shares of common stock (par $1) to be offered for subscription and purchase by employees. **Price**—To be supplied by amendment. **Proceeds** — To provide additional funds for lending to customers and purchasing sales contracts in the ordinary course of business.

Southern Natural Gas Co. (7/10)
June 12 filed $30,000,000 of sinking fund debentures, due July 1, 1973. **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 11 a.m. (EDT) on July 10, in Room 1130, 90 Broad St., New York, N. Y.

★ **Springfield Steel Corp.**
July 3 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—Reservoir Rd. & Southern R.R., Springfield, Va. **Underwriter**—None.

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 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.

★ **Sunburst Petroleum Corp.**
June 30 (letter of notification) 379,005 shares of common stock (par 10 cents) to be exchanged for all properties and rights of Hardrock Mining Syndicate. **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—40 West 1st St., Reno, Nev. **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. (EDT) 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.**
June 2 filed 1,084,054 shares of common stock (par $5) being 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. **Dealer-Manager**—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. (7/15)**
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**—$60 per unit. **Proceeds**—For working capital. **Office**—543 Whitehall St., S. W., Atlanta, Ga. **Underwriter**—None.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter** — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

● **Townsend U. S. & International Growth Fund Inc.,**
May 14 filed 1,000,000 shares of capital stock (par one cent). **Price**—Initially at $5 per share (part at private sale). **Proceeds**—For investment. **Office**—Short Hills, N. J. **Underwriter** — FIF Management Corp., Denver, Colo.

Trans-America Uranium Mining Corp.
Nov. 6, 1957 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

● **Trans-Cuba Oil Co., Havana, Cuba**
March 28 filed 6,000,000 shares of common stock (par 50 cents) being offered for subscription by holders of outstanding shares of capital stock and holders of bearer shares, in the ratio of one additional share for each share so held or represented by bearer shares of record May 28, 1958; rights to expire on Aug. 1, 1958. **Price** — 50c per share. **Proceeds**—For general corporate purposes, including exploration and drilling expenses and capital expenditures. **Underwriter**—None.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas. **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

★ **Truax-Traer Coal Co.**
July 3 filed $600,000 of Participations in the company's Employees Stock Purchase Incentive Plan, together with 30,000 shares of common stock (par $1) which may be acquired pursuant to said plan.

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.

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.

Continued from page 41

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.

● **Washington Gas Light Co. (7/16)**
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 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.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price** — $60 per share. **Proceeds**—For working capital. **Underwriter**—None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

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).

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.

★ **Cincinnati & Suburban Bell Telephone Co. (10/21)**
July 7 it was announced that the directors have authorized the sale of not exceeding $25,000,000 debentures having a maturity of not more than 35 years. **Proceeds**—To repay advances received from American Telephone & Telegraph Co. which owns 29% of the outstanding common stock of the company. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on Oct. 21.

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.

★ **Container Corp. of America (7/24)**
July 7 it was reported that the company plans early registration of $25,000,000 sinking fund debentures due 1983. **Underwriter**—Kidder, Peabody & 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.

General Public Utilities Corp.
April 7 stockholders approved a plan authorizing the directors in connection with an offering of common stock to stockholders, also to offer certain shares on the same terms to employees, including officers, of System companies. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York.

Grace Line Inc.
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.

★ **Gulf Interstate Co.**
June 5 it was announced company (formerly known as Gulf Interstate Oil Co.) intends to obtain a minimum of $2,000,000 and a maximum of $5,000,000 via an offering of new shares of common stock to stockholders in August or September. **Proceeds** — For working capital.

Hackensack Water Co.
March 12, George H. Buck, President, said that company plans to sell some $7,000,000 in new securities by the end of this year in the form of first mortgage bonds and preferred stock. Recent bond financing was made privately. In event of competitive bidding for bonds or debentures, bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; Blyth & Co., Inc.; Drexel & Co. and Dean Witter & Co. (jointly). The First Boston Corp. and White, Weld & Co. (jointly) underwrote last common stock financing. There is no preferred stock presently outstanding. Private sale of 30,000 shares ($3,000,000) of preferred is planned.

Indiana Gas & Water Co., Inc.
March 25 it was announced that the company plans to issue and sell $3,000,000 of first mortgage bonds. May be placed privately. **Proceeds**—To repay bank loans and for new construction.

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.

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.

★ **Minneapolis & St. Louis Ry. (8/5)**
Bids will be received by the company up to noon (CDT) on Aug. 5 for the purchase from it of $2,100,000 of series B equipment trust certificates due annually on Aug. 26 from 1959 to 1973. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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. (7/16)
Bids are expected to be received by the company on July 16 for the purchase from it of $2,340,000 of series D equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co.
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 $300,000,000 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. (8/25)
July 3 it was announced that the company contemplates the sale of about $50,000,000 of first and refunding mortgage bonds. **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. **Bids**—Expected to be received on Aug. 25.

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 first mortgage collateral trust bonds, due Aug. 1, 1988. **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**—To be received up to noon (EDT) on July 15 at Room 2018, 70 Pine St., New York 5, N. Y.

Southwestern Bell Telephone Co. (9/30)
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.

★ Standard Oil Co. (New Jersey)
July 2 it was announced that the company plans early registration of approximately 10,850,000 shares of capital stock (par $7), now authorized but unissued. The company contemplates issuing approximately five shares of Standard stock for each four shares of Humble Oil & Refining Co. stock.

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.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co.

Continued from page 8

Eric Johnson Notes Soviet Failures and Urges New U.S. Policies

actually winning over any leader of the newly-independent nations.

"Now with the murder of Nagy, how many of these nations today can believe that the Kremlin's intentions are so high-minded, that its motives are not the same, old, dreary, monotonous motives of world conquest?

"Khrushchev must have recognized the disenchantment that would come in these countries with the execution of Nagy. Obviously he felt the greatest danger to his regime was the independence of other nations, even communist nations. This lesson has not been lost on the new developing countries. With one fell swoop, Khrushchev has swept off the smiling false-face and picked up the executioner's axe.

NATO

"The Kremlin's fourth objective —to break up NATO—has perhaps been the most colossal of these failures. All that Khrushchev has succeeded in doing is to make the Western alliance tighter and firmer and stronger than ever."

Johnston linked the murder of Nagy to the position of Poland and the Soviet constellation, saying:

"Poland, now straining at the leash that holds it to the Kremlin, might have gone the way of Yugoslavia—toward an independent brand of communism.

"The Polish people have never been over-concerned in taking risks to reach their objectives—even when surrounded by Russian divisions on the east, on the west and inside Poland.

"The possibility of Poland emulating Yugoslavia was a real menace to the Soviet Union. Perhaps Khrushchev warned Gomulka about the consequences. But how could he get the warning over to the Polish people without some dramatic incident?

"Was Nagy murdered to create such an incident? Wouldn't this impress on the Polish people the high cost of deviationism? Wasn't this clear warning that the trend toward independence led to another Hungary — and not to another Yugoslavia?"

In conclusion, Johnston asked:

"What do these events, these Kremlin failures of the last two years, mean to us?

"We may not learn for weeks, perhaps for months, what may come out of the present turmoil in Russia. But of one thing we can be sure. The Kremlin will be unceasing in its drive on the West, no matter what new tactics and means it may adopt.

"This presents us with a greater need than ever before to shape new, dynamic policies—independent of anything the Kremlin may do. Far too often in the past, we in the United States have permitted the priorities of our foreign policy to be set in Moscow, rather than in Washington.

"We must never again permit the Soviet objective of global conquest to swerve and distract us from our own consummate objective of global freedom."

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.

K. S. Baker Opens

SYRACUSE, N. Y. — Kenneth S. Baker is engaging in a securities business from offices at 639 South Warren Street.

Mutual Funds

By ROBERT R. RICH

U. S. Private Investment in Canadian Securities Passes $5-Billion Mark

U. S. private portfolio investors now hold more than $5,317,000,000 in Canadian securities, an all time high, according to William F. Shelley, Vice-President of Canada General Fund, Ltd., and Co-Chairman of The Committee of Canadian Investment Companies.

The Committee, representing registered Canadian mutual fund investment companies formed since 1954 to serve U. S. investors, emphasized that there has been a 27% increase over the past four years in total long-term U. S. *portfolio* investments in Canadian securities, as well as a 27% increase in U. S. *direct* investment in Canada.

U. S. private investors, at the close of March 1958 held an estimated $5,317,000,000 of Canadian securities, an increase of $1,440,000,000 over their long-term Canadian holdings of $3,877,000,000 at the end of 1954, the Committee Co-Chairman stated. During the same period, it was estimated, direct long-term investment in Canada by U. S. corporations rose to about $7,964,000,000, an increase of $2,177,000,000 over direct U. S. Canadian investment of about $5,787,000,000 at the end of 1954.

"This record $5 billion volume of U. S. investment in Canadian securities now accounts for more than 40% of an estimated $13,281,000,000 of total portfolio and direct investment in the economy of Canada," Mr. Shelley pointed out.

"Prior to the formation of the registered Canadian investment companies in 1954, long-term U. S. portfolio investment in Canada had tended to decline in proportion to U. S. direct investment," he explained.

"This proportionate decline was slowed in 1954, when the registered Canadian investment companies began to put more than $315,000,000 of private U. S. investment capital to work in diversified, professionally managed investments in a broad range of Canadian securities. Thus the operations of these eight Canadian investment companies, in behalf of more than 127,000 U. S. shareholders, have contributed substantially to renewed U. S. long-term portfolio investment in Canada since 1954."

Mr. Shelley pointed out that the more than $300,000,000 of long-term Canadian securities investments held by the eight investment companies accounts for more than one-fifth of the $1,440,000,000 increase in total Canadian securities investments made by U. S. citizens since 1954.

By encouraging substantial long-range U. S. private portfolio investment in Canadian securities since 1954, Mr. Shelley emphasized, the eight registered Canadian investment companies effectively implement often-stated foreign policy objectives of both the Canadian and U. S. Governments, while at the same time meeting the needs of U. S. citizens desiring to make long-term investments in the future economic growth of Canada.

"The fact that U. S. portfolio investment is increasing in Canada and is being practically encouraged through the mutual fund vehicles supplied by these companies," he said, "serves to balance the impact of direct U. S. investment in Canada in a constructive and practical manner.

"And, since U. S. portfolio investments in Canada are based on the objective of possible long-term returns and not on that of imposing U. S. control on Canadian business, U. S. portfolio and mutual fund investors are providing essential capital on a basis most welcome to Canada. A rising volume of U. S. portfolio investment in Canada enables more U. S. investors to participate in Canadian economic and industrial growth without arousing Canadian concern over domination of her industries by U. S. capital. It has become increasingly clear that portfolio investment should be encouraged as an important and effective factor in preserving mutually beneficial economic relations between the two nations."

Wide Gains Cited By Group Securities, Inc.

Group Securities, Inc., a leading mutual fund, comments with good cause in its current Semi-Annual Report to Shareholders that "this six-month period has been a good one for your company."

As reported in the message to the 39,175 shareholders, "the number of shareholders has increased by about 2,500. Total net assets are up more than $17,000,000 to nearly $112,000,000, and to date total $115,606,210.

Herbert R. Anderson, President, selects several items for special comment. One is the increase of about 20%, to 4,234, in the number of shareholders adding regularly to their holdings through the company's Periodic Investment Plan. It is noted that the aggregate value of shares held under this plan had grown to $5,887,091 at May 31. In addition to those participating in this plan, 5,444 other shareholders are regularly reinvesting their dividends and distributions of securities profits at asset value.

Pointing to "another item that seems worthy of special comment," attention is called to a gain of nearly $11,000,000 in the assets of the company's Common Stock Fund during the six-month period, to a figure of $37,905,988.

Reference to this growth is followed by special comment on the effect of "substantial shifts" that were made during the past two years or more in the type of common stock held for that fund. These shifts, it is said, "enabled the share price to quite strongly resist the general market decline terminating last October, and subsequently to rise to a point where it currently is above its price at the time the general market made its high in July of 1957, after adjustment for the 1957 year-end distribution of securities profits. During the six-month period covered by this report, the per share price gained 13.6% at a time when the Dow-Jones Industrial Average showed a gain of but 2.9%."

Similar shifts in the common stocks held for the company's balanced fund, known as The Fully Administered Fund, resulted in a 12% gain in the per share price during the six-month period under review.

Referring to the company's 19 other funds, for the most part representing investment in a single industry — from automobile to utilities — the statement is made that "all but six showed better price performance in this particular six-month period than the 2.9% gain for the average referred to above."

In commenting on the current outlook, Mr. Anderson, recalling the generally conservative attitude of the Group Securities management in messages to shareholders during the period, expresses "our hope that those who have read these messages during the past two or more years may be less concerned than the public generally about the readjustment that is taking place in the economy. We would question that anyone has any real doubt that the longer term forward movement of the American economy will continue. By the same token, we would question that anyone expects this growth to proceed in a straight line. . . . While the evidence is not yet conclusive, it is our belief that general business conditions have suffered about as much as they may in this particular correction and that, following some further period of consolidation, the dynamic forces underlying our economy will again assert themselves in another strong forward movement."

The report to shareholders is in a new and attractive format which, it is noted, covers the first six months of Group Securities' 25th year.

101st Dividend for Aberdeen Fund

Aberdeen Fund has declared its 101st dividend, a payment of $.008 per share to be made on July 25 to holders of record as of June 30 on which date total net assets of the fund reached an all-time high.

	June 30,'58	Dec. 31,'57	6 Mos. Inc.
Net assets	$10,511,491	$8,942,877	+17%
Shs. Out.	6,616,832	6,210,275	+ 7%
Val. per. sh.	$1.59	$1.44	+10%

Keystone S-2 Fund Reports Gains

Keystone Income Common Fund S-2 increased 9% in net asset value per share and hit new highs for number of shareholders and share for the first half of the fiscal year, according to the semi-annual report for the period ended May 31.

Total net assets at the end of the period reached $65,510,427, making S-2 the largest of the ten domestic funds under Keystone management. Net asset value per share climbed to $10.17 on May 31 from $9.33 six months earlier, with 22,783 investors holding a total of 6,438,627 shares. By July 1, net asset value had advanced further to $10.34 per share.

Income was reduced by 1.3 cents per share, adjusted for the 70 cent capital gains distribution declared last November, the result of portfolio changes designed to replace certain securities by others with stronger capital and dividend prospects. In view of less favorable performance expectations, the Fund's holdings in the high-yielding railroad, metal, steel and auto stocks were halved, from 40% of the S-2 assets a year ago to approximately 20% on May 31.

Major increases were made in the utilities field with the addition of 27,500 shares of Consolidated Edison of New York and 23,000 shares of Tampa Electric, plus sizable increases in several issues already held. The utilities holdings constituted 21% of the Fund's net assets at the end of the half-year.

Keystone S-2 has 53 issues in 14 industrial categories. Largest individual holdings are Standard Brands, Sinclair Oil, C.I.T. Financial Corp., Central and South West Corp. and General Public Utilities Corp.

The additions to the portfolio of S-2 were Consolidated Edison; Flintkote; General Telephone; McKesson & Robbins; Reynolds (R. J.) Tobacco; Tampa Electric; Union Bag-Camp Paper; and U. S. Fidelity & Guaranty. The eliminations include Atlantic Refining; Burroughs; Ekco Products; Phelps Dodge; Sunbeam; and Timken Roller Bearing.

$10 Million Sales in First 21 Days for One William St. Fd.

Investor purchases of The One William Street Fund, Inc. totalled $10,437,194 during the Fund's first 21 business days of operation, ending June 30, Dorsey Richardson, President of the Fund's principal underwriter, William Street Sales, Inc., reported.

The June sales of the Fund represented about 10% of the recent average monthly sales of all U.S. open-end investment company shares, Mr. Richardson said.

Already the 11th largest mutual fund in the United States, The One William Street Fund now serves approximately 100,000 individual and institutional shareholders, reported Mr. Richardson.

The Fund commenced operations on May 29 with total assets of $221,216,128 and 19,131,460 shares outstanding, following an initial public offering by Lehman Brothers which was the largest initial issue of a "mutual fund" in history.

"This widespread participation reflects not only the growing public acceptance of mutual funds as one of the practical long-term investment vehicles, but also indicates substantial investor confidence in the long-range growth of the American economy", Mr. Richardson said.

The acceptance accorded the new fund and the continued high level of mutual fund purchases thus far in 1958 have demonstrated that the industry is capable of substantially expanding its markets, he pointed out.

During its first operating month, the fund's securities investment program was under way "with the caution that prudent portfolio selection and management require," Mr. Richardson reported. He stated that details of the fund's investment portfolio will be reported to shareholders in the first quarterly report, to be issued in October, covering operations from June 2 through Sept. 30.

The fund expects to declare its first investment dividend in October, for payment in November, Mr. Richardson said.

He reported that the task of issuing the fund's stock certificates in the names of individual investors is nearing completion and that a nationwide organization of regional distribution and investor-service representatives has been established by William Street Sales, Inc.

Managed Funds' New Contractual Plan

A streamlined model of its mutual fund contractual plan, with optional group life insurance added and custodian fees sharply reduced, was announced July 1 by Managed Funds, Inc.

Hilton H. Slayton, President, said the custodian charges of the Managed Funds Personal Investment Plan have been cut by 20%, bringing the total down to $30.00 for each $1,200 plan unit.

He added that these fees will be deducted from neither the first 12 nor the last eight monthly payments under the revamped plan, thus making more funds available for investment at the beginning and concluding stages of the 10-year plan period.

According to Mr. Slayton, the optional group life insurance feature will provide coverage of up to $30,000. He said this addition will be available to investors in most of the states where shares of Managed Funds are being actively sold.

A comparison of the revised contractual plan with the original version reveals a nearly $700 increase in liquidating value over a full 10-year plan period—based on past performance charts. According to figures presented in the new P.I.P. prospectus, this represents a 70% rise in redemption proceeds over the former Managed Funds contractual plan.

Mr. Slayton said the plan will continue to be offered in units of $1,200 calling for monthly payments of $10.00 over a 10-year period. He said plan holders will have the same benefits that are available to all Managed Funds shareholders under the fund groups investor policy.

The new P.I.P. will be distributed through Slayton & Co., Inc. and Mutual Fund Distributors, Inc., principal underwriters of the St. Louis-based fund organization.

J. L. Si Morgan, Vice-President and national sales manager of Slayton & Co., and R. Woodward Sutphen, Vice-President of Mutual Fund Distributors, are now introducing the revised Personal Investment Plan to sales representatives and independent security dealers throughout the nation.

They are also expanding their firms' sales training courses to cover new techniques for merchandising the plan.

Int'l Resources Fund Share Value Up 5%

Net assets of International Resources Fund increased to $17,352,416 on May 31, 1958, as compared with $16,606,363 on November 30, 1957, the commencement of the current fiscal year, it was stated by President Coleman W. Morton in his semi-annual report to the shareholders.

Net asset values per share on these dates were $3.64 and $3.75 respectively, indicating a gain of approximately 5%, after adjusting for the 18-cents per share capital gain distribution paid February 28, 1958.

In reviewing the investment outlook, Mr. Morton noted that although sharply lowered demands for industrial commodities have been reflected in relatively poorer current earnings statements for primary producers of natural resources, there is now evidence that the built-in economic stabilizers, together with governmental determination to employ the powerful tool of credit ease will continue to prevent any general downward spiral. He indicated that it is logical to expect a gradual reversal of the present period of inventory decumulation.

As concerns the longer term, Mr. Morton emphasized "the special significance of our present underemployment of productive capacity as contrasted with the massive military and economic challenges posed by Soviet Russia. More and more study is being devoted to the means whereby 'financial lubricants' can assist the vast industrial machine of the United States in meeting the basic challenges to our capitalistic system."

"Thus," he said, "we appear to be slowly moving towards large-scale development of the next great frontier, the underdeveloped nations of the world. The gradual realization of this inevitable pattern holds extraordinary promise for the free world producers of basic natural resources." He added that both over the intermediate and longer terms, it seems likely that the enormous raw material requirements of world industry will attach ever-increasing value to the ever-diminishing world reserves of natural resources.

The report stated that International Resources Fund intends to eventually go from a quarterly dividend to a single annual dividend. Although this will have no effect on the total amount of dividends which each shareholder receives, it is estimated that reducing the frequency of payments will result in a yearly saving of $20,000 to the Fund.

Group Triples Six Month Sales

An increase of 195% in the sale of shares of Group Securities, Inc., was reported by John L. Ahbe, Vice President and Director of Sales of Distributors Group, Incorporated, the sponsor company.

Group's sales for the first six months of 1958 totaled $19,486,443, including $4,467,968 in conversions from one to another of Group's 21 funds. Net liquidations totaled $6,186,202.

Total sales for the first six months were $6,614,731.

Missiles-Jets Automation Fund Shares Marketed

Public offering of 500,000 shares of Capital Stock of the Missiles-Jets & Automation Fund, Inc., a new diversified investment company, was made Wednesday, July 9 by a nation-wide underwriting group managed by Ira Haupt & Co. The stock was priced at $10 per share.

The new fund, whose fundamental investment policy is based on the anticipated long-term growth trend of the missiles-jets and automation fields, will become open end for redemption of its shares in approximately 30 days. The Fund intends to offer its shares on a continuous basis through Ira Haupt & Co. on a future date not yet determined.

The Fund's investments will be principally concentrated in the fields of flight and space travel made possible through recent advances in jet and rocket propulsion techniques and in the automation equipment field. Investments can also be made in Government securities and in debt obligations and preferred stocks of investment grade of such companies as defined in the Investment Company Act of 1940.

Investments will be selected by the Fund on the recommendation of Templeton, Dobbrow & Vance, Inc., investment adviser to the Fund. The dividend policy of the Fund will be to distribute substantially all of its ordinary net income semi-annually, and its net realized capital gains annually. Capital gains distributions will be paid in shares of capital stock of the Fund unless the shareholder requests payment in cash.

Several officers and directors of the Fund and the members of the Fund's Technical Advisory Board, are recognized authorities in the fields of missiles, jet propulsion or automation.

(For further details concerning the directors of the aforementioned fund see the "Chronicle" of May 29, page 44.)

F. A. F. Fund's Share Value Gains 12%

Shares of The Fully Administered Fund of Group Securities, Inc., leading mutual fund, 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, N. Y.

DIF Assets Rise To $64.8 Million

Diversified Investment Fund, Inc., a balanced mutual fund, reports total net assets of $64,820,863 on May 31, 1958, end of the first half of the fiscal year. This compares with $58,185,498 on Nov. 30, 1957. Shareholders and shares outstanding were also at all-time high levels on the reporting date.

During the six-month period, net asset value per share rose 7.6% to $8.05 on May 31, from the Nov. 30, 1957 figure of $7.48.

According to the fund's semi-annual report, 22.8% of its total assets are now invested in bonds (or held in cash), as compared with 13.2% on May 31, 1956. On the other hand, over the same two year period, the percentage invested in preferred stocks was reduced from 18.2% to 11.2%. The percentage of common stock holdings showed little change; from 68.6% on May 31, 1956 to 66.0% on the same date this year.

The report, signed by chairman Wm. Gage Brady, Jr. and president Hugh W. Long, points out that during the two year period ended May 31, 1958, "The fund purchased a number of high quality bonds at better yields that had been obtainable for many years. As a related part of this program, the fund sold certain preferred stocks which seemed less attractive than bonds in terms of quality and yield."

Since Nov. 30, 1957, new purchases in the common stock section of the fund included Long Island Lighting Co.; Parke, Davis & Co. and Timken Roller Bearing Co. Eliminated were Allied Stores Corp.; General Time Corp.; Republic Steel Corp. and Square D Co.

New additions to bond holdings were Florida Power and Light Co., 1st mortgage, 4⅛s, 1988 and Georgia Power Co., 1st mortgage 4⅛s, 1988. New England Telephone & Telegraph Co. debentures, 4¾s, 1967 were called for payment.

I.P.C. Marks 5th Anniversary

Having built a three-man sales staff into an organization of over 2,600 representatives serving nearly 60,000 mutual fund clients, Investors Planning Corporation of America recently marked the fifth anniversary of its founding.

With a five-year volume of $225 million, I.P.C. is now recognized as the second largest mutual fund retailer in the nation and is said to be the fastest growing such firm in mutual fund history.

The company was established on June 1, 1953 by Walter Benedick, its current President, and the late John Kalb. By the end of that year, it had over 200 salesmen responsible for a production of almost $2.1 million.

The 1954 total rose sharply to $19.8 million. And the figures for the ensuing years have been comparably spectacular: $37.7 million in 1955, $58.5 million in 1956 and $74.5 million last year. Sales volume during the first five months of the current calendar year is reported at $31.3 million.

Operating out of main headquarters on the entire 17th floor of 60 East 42nd Street, I.P.C.'s huge sales force covers New York City's five boroughs, parts of upstate New York, all of Long Island and Westchester, and lower Connecticut, with a Hackensack branch serving Northern New Jersey.

I.P.C. also has franchised affiliates throughout the eastern United States, from New England to Florida and as far west as Pittsburgh. In addition, there are I.P.C. franchises in Europe and Asia, covering Switzerland, Belgium and West Germany, the Hawaiian Islands, Japan and Korea. Several of the domestic and international affiliates maintain their own branch-office operations.

"The bed-rock of our growth has always been the salesman in the field," Mr. Benedick said today. "Without him, we would have no organization, no basis on which to expand. For this reason, we try to provide him with what we believe to be the best in training, assistance and guaranteed opportunities for advancement.

"But over and above these internal factors, credit must be given to the products we sell—mutual funds. From the standpoint of risk and returns, they are unquestionably the ideal investment medium for 95% of the American people.

"Any comparison of the number of fund shareholders today with the total when I.P.C. was founded is dramatic proof of the widely increasing acceptance of funds by this vast segment of the public.

"I think it is safe to predict that by June, 1963—when I.P.C. celebrates its 10th anniversary—the mutual fund industry will have over 7.5 million shareholder accounts, representing total mutual fund assets of more than $25 billion."

Nat'l Sets New Record for Assets In First Six Months

Combined net assets of the National Securities Series of mutual funds reached an all-time high of $326,242,426 on June 30 according to first half figures released today by Henry J. Simonson, Jr., President of National Securities & Research Corporation, sponsors and managers of the funds. This represented a six month gain of $59,400,568 or 22% over the Dec. 31, 1957 total of $266,841,858 as a result of new sales and market appreciation.

During the same period new records were also established as shareowners increased from 150,081 to 159,051 and shares outstanding jumped from 56,325,169 to 62,761,573.

Each of the seven National Securities Series funds registered gains in net asset value per share. Adjusted for capital gain distributions paid in April, changes in value of net assets per share were as follows:

Series	Dec. 31,'57	June 30,'58*	% Inc.
Bond	$5.08	$5.44	7.1
Balanced	9.29	10.28	10.7
Preferred	6.82	7.51	10.1
Income	4.69	5.32	13.4
Stock	6.51	7.27	11.7
Dividend	2.91	3.37	15.8
Growth	5.28	5.83	10.4

*Adjusted for capital gains distributions.

Gen. American's Net Assets Rise

In the report of General American Investors Company, Inc., Frank Altschul Chairman of the Board, stated that as of June 30, 1958 net assets were $62,775,635, an increase of $6,632,691 for the six months.

Net assets, after deducting $5,513,000 Preferred Stock, were equal, on the 1,800,220 shares outstanding, to $31.81 per share of Common Stock, as compared with $28.09 on Dec. 31, 1957.

Net profit from the sale of securities for the six months was $1,301,100. Net income from dividends, interest and royalties for the period, after expenses and state and municipal taxes, was $520,126.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph A. McDonough has been added to the staff of Bache & Co., 140 South Dearborn Street.

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 13	§54.1	*51.0	64.0	78.7
Equivalent to—					
Steel ingots and castings (net tons)	July 13	§1,459,000	*1,376,000	1,728,000	2,015,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 27	6,373,335	6,345,385	6,241,635	7,189,965
Crude runs to stills—daily average (bbls.)	June 27	¶7,541,000	7,522,000	7,487,000	7,915,000
Gasoline output (bbls.)	June 27	27,061,000	*26,701,000	26,438,000	27,339,000
Kerosene output (bbls.)	June 27	1,649,000	1,851,000	1,569,000	1,783,000
Distillate fuel oil output (bbls.)	June 27	11,229,000	11,317,000	11,964,000	12,737,000
Residual fuel oil output (bbls.)	June 27	6,625,000	6,575,000	6,857,000	8,052,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 27	186,486,000	187,973,000	193,355,000	188,523,000
Kerosene (bbls.) at	June 27	23,855,000	23,738,000	21,469,000	28,212,000
Distillate fuel oil (bbls.) at	June 27	103,353,000	99,883,000	87,858,000	114,997,000
Residual fuel oil (bbls.) at	June 27	63,697,000	63,596,000	61,383,000	44,662,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 28	626,573	627,677	529,547	732,349
Revenue freight received from connections (no. of cars)	June 28	523,114	529,767	480,084	615,406
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 3	$466,263,000	$483,128,000	$431,351,000	$483,609,000
Private construction	July 3	103,425,000	126,297,000	171,720,000	210,232,000
Public construction	July 3	362,838,000	356,831,000	309,631,000	273,377,000
State and municipal	July 3	192,504,000	233,969,000	173,876,000	177,365,000
Federal	July 3	170,334,000	122,862,000	135,755,000	96,012,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 28	8,930,000	*8,915,000	7,140,000	8,845,000
Pennsylvania anthracite (tons)	June 28	571,000	544,000	339,000	690,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 28	111	117	116	115
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 5	**11,150,000	11,757,000	11,681,000	11,056,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 3	292	335	325	190
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 1	5.967c	5.967c	5.967c	5.670c
Pig iron (per gross ton)	July 1	$66.49	$66.49	$66.49	$64.56
Scrap steel (per gross ton)	July 1	$35.17	$35.17	$36.00	$54.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 2	25.175c	24.700c	24.175c	28.825c
Export refinery at	July 2	23.800c	23.850c	22.325c	26.675c
Lead (New York) at	July 2	11.000c	11.500c	11.500c	14.000c
Lead (St. Louis) at	July 2	10.800c	11.300c	11.300c	13.800c
‡Zinc (delivered) at	July 2	10.500c	10.500c	10.500c	10.549c
Zinc (East St. Louis) at	July 2	10.000c	10.000c	10.000c	10.049c
Aluminum (primary pig. 99%) at	July 2	24.000c	24.000c	24.000c	25.000c
Straits tin (New York) at	July 2	94.375c	94.750c	94.500c	97.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 8	92.94	93.84	96.04	87.54
Average corporate	July 8	96.23	96.23	96.38	92.64
Aaa	July 8	101.97	102.13	103.30	96.38
Aa	July 8	99.52	99.36	99.52	95.16
A	July 8	96.07	95.92	95.77	93.82
Baa	July 8	88.67	88.54	87.86	85.85
Railroad Group	July 8	92.06	91.91	91.62	90.77
Public Utilities Group	July 8	97.62	97.78	97.94	93.67
Industrials Group	July 8	99.52	99.36	97.68	93.67
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 8	3.12	3.04	2.84	3.57
Average corporate	July 8	3.98	3.99	3.98	4.23
Aaa	July 8	3.63	3.62	3.55	3.98
Aa	July 8	3.78	3.79	3.78	4.06
A	July 8	4.00	4.01	4.02	4.15
Baa	July 8	4.51	4.52	4.57	4.72
Railroad Group	July 8	4.27	4.28	4.30	4.36
Public Utilities Group	July 8	3.90	3.89	3.88	4.16
Industrials Group	July 8	3.78	3.79	3.77	4.10
MOODY'S COMMODITY INDEX	July 8	396.7	399.6	400.7	426.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 28	272,519	253,065	264,648	270,298
Production (tons)	June 28	277,429	270,117	247,209	272,591
Percentage of activity	June 28	89	88	83	92
Unfilled orders (tons) at end of period	June 28	356,484	366,756	348,600	370,740
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 3	109.99	109.85	109.82	110.18
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 14	1,706,210	1,688,870	1,608,130	1,955,570
Short sales	June 14	356,480	397,700	332,890	344,190
Other sales	June 14	1,290,360	1,324,530	1,303,430	1,687,310
Total sales	June 14	1,646,840	1,722,230	1,636,320	2,031,500
Other transactions initiated on the floor—					
Total purchases	June 14	429,240	431,670	491,120	430,790
Short sales	June 14	39,500	39,130	67,800	24,800
Other sales	June 14	385,260	332,190	434,080	394,930
Total sales	June 14	424,760	371,320	501,880	419,730
Other transactions initiated off the floor—					
Total purchases	June 14	550,780	533,064	556,505	611,225
Short sales	June 14	169,320	165,060	162,030	124,640
Other sales	June 14	610,562	737,655	659,370	690,795
Total sales	June 14	779,882	902,715	821,400	815,435
Total round-lot transactions for account of members—					
Total purchases	June 14	2,686,230	2,693,604	2,655,755	2,997,585
Short sales	June 14	565,300	601,890	562,720	493,630
Other sales	June 14	2,286,182	2,394,375	2,396,880	2,773,035
Total sales	June 14	2,851,482	2,996,265	2,959,600	3,266,665
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 14	1,131,478	1,200,171	1,206,601	1,499,134
Dollar value	June 14	$51,566,564	$55,372,289	$51,128,097	$82,069,610
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 14	1,185,643	1,195,675	1,090,383	1,284,529
Customers' short sales	June 14	10,219	9,703	27,661	7,924
Customers' other sales	June 14	1,175,424	1,185,966	1,062,722	1,276,605
Dollar value	June 14	$51,758,079	$50,269,197	$44,958,526	$65,663,329
Round-lot sales by dealers—					
Number of shares—Total sales	June 14	408,580	387,660	343,960	341,980
Short sales	June 14	———	———	———	———
Other sales	June 14	408,580	387,660	343,960	341,980
Round-lot purchases by dealers—					
Number of shares	June 14	360,880	405,740	439,990	547,810
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 14	748,710	814,810	994,170	564,120
Other sales	June 14	12,805,500	13,206,140	13,218,230	13,337,650
Total sales	June 14	13,554,210	14,020,950	14,212,400	13,901,750
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 1	119.2	119.1	119.1	117.4
Farm products	July 1	96.5	*96.2	96.2	90.4
Processed foods	July 1	112.9	112.8	113.0	105.7
Meats	July 1	115.3	115.2	115.0	93.1
All commodities other than farm and foods	July 1	125.3	125.2	125.2	125.4

*Revised figure. ¶Includes 1,048,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as a ain t [illegible] 57 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound. **Estimated.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of May:			
New England	$36,226,131	$29,108,450	$28,928,277
Middle Atlantic	155,415,330	93,135,873	109,067,241
South Atlantic	51,711,539	63,484,679	47,561,873
East Central	95,084,064	106,310,553	120,383,300
South Central	97,284,565	97,929,325	84,473,659
West Central	40,965,889	56,622,773	35,294,927
Mountain	29,867,313	22,589,537	20,289,611
Pacific	140,453,093	121,366,793	114,620,679
Total United States	$647,007,924	$590,547,983	$560,619,567
New York City	118,626,434	53,726,893	63,632,718
Outside New York City	528,381,490	536,821,090	496,986,849
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of April (Millions of dollars):			
Manufacturing	$51,500	*$52,000	$53,700
Wholesale	12,200	12,400	12,800
Retail	23,900	24,100	23,700
Total	$87,700	$88,500	$90,100
COMMERCIAL PAPER OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—			
As of May 31 (000's omitted)	$946,000	$919,000	$483,000
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of April:			
All manufacturing (production workers)	11,315,000	*11,560,000	12,960,000
Durable goods	6,321,000	*6,484,000	7,635,000
Nondurable goods	4,994,000	*5,076,000	5,325,000
Employment indexes (1947-49 Avg.=100)—			
All manufacturing	139.8	*143.7	161.5
Payroll indexes (1947-49 Average = 100)—			
All manufacturing	91.6	*93.4	104.8
Estimated number of employees in manufacturing industries—			
All manufacturing	15,095,000	*15,366,000	16,822,000
Durable goods	8,528,000	*8,712,000	9,927,000
Nondurable goods	6,567,000	*6,654,000	6,895,000
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of April:			
Death benefits	$259,200,000	$262,700,000	$228,100,000
Matured endowments	60,700,000	61,200,000	63,500,000
Disability payments	10,600,000	10,000,000	*9,700,000
Annuity payments	49,400,000	49,900,000	44,100,000
Surrender values	132,700,000	126,600,000	110,600,000
Policy dividends	111,600,000	131,100,000	104,700,000
Total	$624,200,000	$641,500,000	*$560,700,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of April (000,000's omitted):			
Ordinary	$3,963	$3,860	$3,828
Industrial	509	509	569
Group	964	1,319	1,510
Total	$5,436	$5,688	$5,907
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES Month of April (millions of dollars):			
Inventories—			
Durables	$29,429	*$29,864	$31,462
Nondurables	22,098	*22,145	22,201
Total	$51,527	*$52,009	$53,663
Sales	24,847	*24,931	28,679
MONEY IN CIRCULATION—TREASURY DEPT.			
As of April 30 (000's omitted)	$30,565,000	$30,666,000	$30,519,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of April (in billions):			
Total personal income	$343.1	$342.2	$341.1
Wage and salary receipts, total	233.2	233.8	237.1
Commodity producing industries	94.7	95.1	102.4
Distributing industries	63.4	63.7	62.7
Service industries	34.3	34.3	32.9
Government	40.8	40.7	30.1
Other labor income	7.7	7.7	7.8
Proprietors and rental income	51.4	51.3	31.0
Personal interest income and dividends	31.8	31.7	31.0
Total transfer payments	25.7	24.4	20.8
Less employees' contribution for special insurance	6.7	6.7	6.7
Total nonagricultural income	326.0	325.4	325.3
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1911=100—As of May 15:			
All farm products	264	264	*242
Crops	246	252	*241
Commercial vegetables, fresh	314	362	*284
Cotton	246	236	*266
Feed, grains and hay	163	162	179
Food grains	221	223	225
Fruit	268	271	*231
Oil-bearing crops	238	237	263
Potatoes	224	268	*155
Tobacco	475	475	457
Livestock	280	275	*242
Dairy products	244	209	248
Meat animals	355	339	*280
Poultry and eggs	168	172	*143
Wool	204	212	*313
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of April:			
Passenger Tires (Number of)—			
Shipments	7,173,000	6,620,561	8,104,362
Production	6,521,837	6,568,545	7,878,438
Inventory	19,050,859	19,786,283	17,621,312
Truck and Bus Tires (Number of)—			
Shipments	1,002,135	922,688	1,276,829
Production	954,914	1,003,984	1,071,623
Inventory	3,607,103	3,659,257	3,486,248
Tractor-Implement Tires (Number of)—			
Shipments	385,907	353,325	380,796
Production	335,381	325,152	282,271
Inventory	692,609	742,884	669,130
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,243,006	3,764,413	3,104,148
Production	3,623,981	3,685,427	3,427,612
Inventory	7,609,048	7,066,028	6,968,638
Tread Rubber (Camelback)—			
Shipments (pounds)	38,019,000	32,265,000	34,927,000
Production (pounds)	37,534,000	33,750,000	33,788,000
Inventory (pounds)	26,799,000	27,707,000	29,531,000

Continued from page 5

Observations . . .

the decline indicated in new business and in the deferred income account and hence in future earnings.

Also investment-wise, most dividend cuts are being completely overlooked, with the apparent assumption that the reductions in yield are all temporary; or if not, being represented as favorable in that the new reduced disbursement rate is better secured.

* * *

THE PUBLIC'S CURRENT SYNDICATION CRAZE, manifested in the rapid spawning of mutual funds, extending now to real estate operations. While the funds, under their own restrictions and the government's regulation, are free from most management abuses, the prevalent proclivity for joint venturing with an expert's management or "syndication" charge, may well, as has happened in other times and areas, be symptomatic of mass speculative excitement.

* * *

DISREGARD OF THE RELEVANT TANGIBLE INVESTMENT CRITERIA. In the setting of investment policy, the tendency is steadily increasing to consider both individual issues and the movement of the general market without relevance to value factors. Thus reviving the New Era "good stocks are cheap at any price" credo of the 1920's, much commentary via market letter and advertisement is concentrated on the growth and glamor aspects of an issue, with complete omission of earnings and dividend yield incidence, now or in the future, and, of course, of boring balance sheet data. Thus, some of the literature recommends electronics or missile companies at prices which represent gross over-capitalization of even the maximum of the distantly projected earnings that may eventually come through. We have already seen instances, as in Hooker Electrochemical, Olin Mathieson, and Allied Chemical, of the abortive market effects when the glamor is not implemented by sufficiently increased earnings and dividends.

Similarly, discussion of the market as a whole is tied to forecasts of business recovery (next month, next year, or next decade) without regard to the present price, or value, level of the market (now advanced 15% since last Fall). This amounts to a process of using the market to bet on business changes, rather than to invest in stocks to acquire advantageous value. In this atmosphere of betting on future short-term business changes, an eventual economic recovery may well usher in a major market decline.

* * *

ANALYSTS' FICTIONS GIVING BULLISH SUPPORT, with over-emphasis on "cash flow," on valuation of oil in the ground, and on expenditure on research (neglecting realization that it may be defensive to maintain existing profit showings).

* * *

CONCENTRATION OF PUBLIC ATTENTION ON THE SHORT INTEREST. While a rise in the short interest does furnish technical strength to the market, its importance can be exaggerated. This conclusion applies as well to individual issues. The assumption of bullishness on American Motors through prospective covering by Mr. Wolfson of his outstanding 50,000-share short might well be tempered by the realization that the shrewd industrialist's bearish conclusion about the company is justified.

* * *

The above items seem to constitute some significant straws in the current speculative wind. Do they possibly presage some stormy weather ahead?

MORE ON THE "HECKLERS"

(A Communication)

DEAR MR. MAY:

For what it's worth, here's my suggestion for "democratic" treatment of the professional publicity-seeking corporate management annual meeting obstructionists, referred to in your article of June 19, "The Hecklers Heckled."

These are the gentlemen who have purchased from one to ten shares of stock in various large corporations as their price of admission to a ridiculously time-consuming, annoying, and expense indulgence in egoistic bombast which, to say the least, is rarely in good taste.

These hecklers do considerable yakking about cumulative voting.

Let's give them back a dose of their own medicine — "CUMULATIVE YAKKING."

Let management allot some stipulated time, in advance, for comments and questions to be presented by stockholders. Let's say the total time thus allotted is two hours. Then have each shareholder desiring to appear, submit his statement in advance, and allot to him a time to present his statement, such time to be in direct proportion to his share ownership, including shares represented by proxy, provided all holders of such shares represented have signed in advance the statement to be so submitted.

This would seem a democratic way in which to turn the annoying loud-mouth into a brief whisper.

Sincerely,

PAUL J. HEROLD

Vice-President, The Investors League, Inc.

New York City,
July 2, 1958.

With J. R. Williston

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Arthur T. Strecker has become connected with J. R. Williston & Beane, 631 Seventy-First Street.

First Florida Adds

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla.—Paul E. Blake has been added to the staff of First Florida Investors, Inc., 51-53 East Robinson Avenue.

Our Reporter's Report

The investment markets remain in the throes of indecision and are still seeking to find a level of stability. There are, however, some glimmerings of hope that yields may be approaching a basis that will revive the interest of institutional investors.

The latter, hardboiled as usual, have been standing on the sidelines while investment bankers seek to set up offerings on a basis that will prove attractive. It appeared early this week as though a meeting of the minds, in that respect, might be drawing near.

Northern States Power Co. of Minnesota's new bonds were brought to market as four percents, priced at par, and reports indicated that investors really were showing more than a smattering of interest in the issue.

There was, however, little indication that recent offerings were moving out of inventory except where prices and yields adjusted themselves upon the dissolution of sponsoring syndicates.

In such cases demand was sufficient to spur some recovery from the low levels reached immediately after the termination of the offering groups.

The general market, however, and particularly the new issue end, is obviously concerned with the Treasury's approaching forays. This is apparent from the behavior of the Government market where light offerings have been reflected in sharply lower dealer quotations.

Heavy Calendar Building

Prospective buyers of new debt securities are keeping an eye on the growing calendar and consequently do not feel any urge to rush into the market. Next week, for example, investors will have the opportunity of looking over some $522 million of new offerings.

Except for some $47 million of the total, the week's financing is slated to be done via the negotiated route. By far the largest single undertaking in U. S. Steel Corp.'s $300 million of 25-year debentures slated for offering on Wednesday.

On the same day Boeing Airplane Co. has $30,597,000 of convertible debentures being offered to shareholders, plus $60 million of sinking fund debentures, 20-year maturity, being offered to investors generally.

Other Issues Scheduled

Monday is an open day next week, but on Tuesday Southern Railway Co. is slated to open bids for $22 million of new bonds, the first new railroad issues to reach market in some time.

Burroughs Corp has $25 million of debentures and 500,000 shares of common scheduled for Wednesday and Pacific Lighting has 980,000 shares of common on the calendar for the same day.

Thursday brings up $25 million of Tampa Electric Co. bonds for competitive bidding.

Busy Month Looms

Normally the new issue market would be moving definitely into the summer doldrums along about this time. But the picture seems a little different this year what with the prospective calendar building apace.

Industry generally appears to be finding it necessary to turn to the capital market as surplus earnings and depreciation reserves seem no longer sufficient to finance expansion and replacements.

Natural Gas Pipeline Co. of America, subsidiary of People's Gas Light and Coke Co., has filed to cover the proposed sale of $35 million of convertible debentures and 150,000 shares of $100 par preferred stock.

And Cincinnati and Suburban Bell Telephone Co. has disclosed plans for issuing debentures up to $25 million with a maturity of not more than 35 years.

Continued from page 11

Towards a Better Understanding Of American Ideals and Desires

for reparations or economic privileges. On the contrary, we made gigantic gifts and loans to aid nations in war and reconstruction, including Communist Russia.

When it was evident that nations could not repay these loans, we made no demands for repayment.

Our people have willingly borne back-breaking taxes in these efforts without any hope of returns. And they are today continuing this huge burden of taxation to aid in protecting the freedom of mankind and to relieve peoples from poverty.

I would not have believed in the face of this world-wide record that peoples with a free press could be imposed upon by such propaganda.

There is no imperialism in either our hearts or in our government.

This record of the past century should also prove there is no military aggression in the American mind or heart. Truly, we maintain an enormous military force. But it is maintained solely as a deterrent to attack upon free nations.

A Caution

It is my hope that this interpretation of my country may aid our friends in free countries to answer this propaganda.

And I would not be your friend if I did not speak frankly now.

These misrepresentations and this propaganda are inciting physical attacks upon American citizens, upon our officials, and abuse of our country. They discourage the American people and increase opposition to cooperation with other nations in maintaining defense and in aiding relief from poverty and want.

Forty years ago such attitudes contributed to the retreat of the American people behind a barbed-wire entanglement around the Western Hemisphere. I have little fear of such a retreat today. But the danger signal is up.

America Has No Wish to Impose Its Way of Life

At this point I may inject another interpretation of the American people. We have no desire to impose our formula of life or method of government upon other nations. We make no claim that our system or our people are perfect. As human beings are not usually perfect, we share the domestic imperfections of all free peoples.

And my countrymen are in constant motion to eradicate our failings—and when I am home I have often joined them. But the purpose of this address is not our domestic troubles but the better understanding of our ideals and aspirations which radiate to other nations.

Conclusion

I would be especially happy if I could help the thinking of the oncoming youth in the world who are today groping for light as to the future.

Therefore, I wish in conclusion to address directly you of the new generation. I recall to you that a great American President pointed out that to assure the progress of civilization and lasting peace, the world must be made "safe for democracy." But the word "democracy" has been so corrupted that I would prefer to say to you:

"We must unceasingly strive by all peaceable means to make the world safe for representative government."

From representative government alone can come respect for your dignity as men and women, your flowering as individuals, your right to a rising chance in life, to self-expression, and to security from sodden uniformity.

May God bless you all.

Joins Johnston Bell

(Special to THE FINANCIAL CHRONICLE)

BRADENTON, Fla. — Louis E. Lanford is now with Johnston E. Bell Company, 811 Manatee Avenue, West. He was formerly with Aetna Securities Corporation.

T. Nelson O'Rourke Adds

(Special to THE FINANCIAL CHRONICLE)

DAYTONA BEACH, Fla. — Werner H. Helfritz has been added to the staff of T. Nelson O'Rourke, Inc., 533 Seabreeze Boulevard, members of the Midwest Stock Exchange.

With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Harold H. Berkowitz is with Francis I. du Pont & Co., 127 Southeast Second Ave.

With A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gerald D. Martens is now connected with A. C. Allyn and Company Incorporated, 30 Federal Street. He was previously with F. L. Putnam & Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The greatest exodus in the history of the United States Congress will take place this year.

Twenty-nine members of the House of Representatives, all Republicans except five, and six Senators, all Republicans, are voluntarily retiring from their present seats in Congress. Old timers on Capitol Hill say there has never been that many in Congress to quit with their own free will in any single year.

The question has been raised as to why so many Republicans are folding their political tents. While the Republican political stock apparently has been dropping at a marked clip, there has been no panic so far, but the clouds are dark for the party. Privately some of the elder Republicans are fearful of a crushing party defeat at the polls in November.

Unless some political miracle takes place, the Democratic majorities in the House and Senate will be heavier when the 86th Congress convenes next January. The Democrats are hopeful of picking up at least three and possibly five more seats in November.

Pension Lure

Some of the 35 members of Congress stepping aside are candidates for other offices. However, the liberalized retirement pay probably figures strongly in some of them giving up their Congressional careers.

A member of Congress who has had 10 years service may retire at the age of 60, providing he or she has paid into the "annuity fund." If he has served less than 10 years (he must have served a minimum of five years to participate), he must be 62 years of age before he can begin receiving the retirement pay. Most all members pay the 2½% of their Congressional income into the annuity fund. A Congressman's salary is $22,500, plus $2,500 that is tax free.

Knowland Seeks New Post

Senator William F. Knowland of California, the Republican leader, (technically called the minority leader), is running for the California governorship. He will be succeeded by either the liberal Democrat, Representative Claire Engle, or by Governor Goodwin Knight, the Republican.

None of the other Republican Senators is running for office. They are William E. Jenner of Indiana; Ralph E. Flanders of Vermont; Edward Martin of Pennsylvania; Irving M. Ives of New York, and H. Alexander Smith of New Jersey.

In addition to Engle, who is seeking the Senate seat being vacated by Knowland, two of the other four Democratic House members retiring from the house are running for the Senate in their respective states. They are Representative Robert C. Byrd, who is running in West Virginia, and Eugene J. McCarthy, the Democrat-Farmer-Labor representative from Minnesota, who is running for the Senate seat now held by Senator Edward J. Thye.

Four of the 24 Republican House members that decided not to run long before the Sherman Adams affair, are seeking statewide offices including three for the Senate. They are Hugh Scott of Philadelphia who is seeking the seat being vacated by Martin; Winston Lewis Prouty, who is aspiring for the seat from Vermont now held by Flanders, and Robert Winthrop Kean, former bank president, who is seeking the New Jersey Senate seat which Smith has held since 1944. Scott's rival for the Pennsylvania Senate seat is Governor George Leader, an all-out New Dealer.

Backfire Possibility

While it now appears the Republicans are in for a big shellacking at the polls come November, the picture could change before autumn. If the Democrats build up too big of a majority in the House and Senate, it is conceivable that it could backfire against them in the really big election — the Presidential election—in 1960.

Northern Democrats traditionally are more liberal than Southern Democrats. Therefore, the more new Democrats elected to Congress, the more liberal the Congress is likely to be.

Negro Representatives

There are four members of the Negro race in Congress, the greatest number to serve simultaneously since the so-called Reconstruction Era. All are Democrats. Prior to their arrival in Washington there had been 24 Negroes to serve in Congress, 23 of whom were Republicans.

Representative William L. Dawson, 72-year-old Vice-Chairman of the Democratic National Committee, the dean of the members of his race, declares that eight of every 10 Negroes in the United States today are Democrats.

Representative Dawson, who represents the richest district in Illinois, because it embraces Chicago's Loop which includes many of the city's fine hotels, restaurants, department stores, shops and theaters, says that more members of his race of United States citizens are qualifying now than anytime in history. He said that on the basis of the last decennial census 91% of the people in his district are members of the Negro race.

In addition to Mr. Dawson, whose mother was a slave at Albany, Ga., where he hopes to retire, other Negroes in the House of Representatives are Adam Clayton Powell, 49, from New York's Harlem District, and the first Negro Congressman from the East; Charles C. Diggs, Jr., 35, of Detroit, representing a heavy labor district, and the first Negro to come to Congress from Michigan, and Robert C. Nix, 53, of Philadelphia, the first Negro Congressman from Pennsylvania.

Can Swing Victory

Of the total of 28 Negroes to come to Congress, all but Representatives Powell and Diggs, were born in the South. Only two Negroes have served in the United States Senate, and both came from Mississippi which has the greatest percentage of people of the Negro race of any state, although both Georgia and North Carolina each have more. The first Negro to serve in Congress was Senator Hiram R. Revels, an able Methodist preacher, who served with dignity. Revels was succeeded by another Negro, Virginia-born Blanche K. Bruce, who became a wealthy Mississippi planter.

There are now 18,000,000 Americans who are Negroes. They have become the deciding factor in many of the largest cities of the United States. Members of the race, if they should do "block voting," would determine Congressional races in dozens of districts over the country.

A summary of members of Congress of the Negro race by states, most of whom served in the Reconstruction Era, follows: Alabama three, Florida one; Georgia one, Illinois three, Louisiana one, Michigan one, Mississippi three, New York one, North Carolina four, Pennsylvania one, South Carolina eight and Virginia one.

"Political Miracle"

Hundreds of thousands of Negroes are qualifying and voting for the first time in the South. There will be several Negroes running for Congress in the South this year. Of course, it would be a political miracle if one of them were elected, but they are making progress.

For instance, Representative F. Edward Hebert of Louisiana, a longtime member of Congress, has three opponents in the Democratic primary of July 29. One of those rivals is Alexander P. Tureaud, a Negro, of New Orleans, who is expected to run stronger than either of the other two aspirants, who are members of the white race.

A great change is taking place at the polls in the Old South.

Two More for Democrats

Alaska becoming the 49th state will mean, in all probability, that it will send two more Democratic senators to Congress. All in all it appears that the Democrats are likely to control Congress for several years.

[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

"Mark my words—the SEC will hear about this!"

Business Man's Bookshelf

Affluent Society — John Kenneth Galbraith — Houghlin Mifflin Company, 2 Park Street, Boston, Mass.—$5.

American Society of Magazine Photographers Inc.—Directory of members—American Society of Magazine Photographers, Inc., 1476 Broadway, New York 36, N. Y.—paper—on request.

Antitrust and American Business Abroad—Kingman Brewster, Jr. McGraw-Hill, 330 West 42nd St., New York 36, N. Y.—$12.

Bank for International Settlements —28th annual report—Bank for International Settlements, Basle, Switzerland—paper.

Current Business Trends in Canada Chartbook—National Industrial Conference Board Inc., 460 Park Avenue, New York 22, N. Y.—paper—$1.50.

Federal Reserve Chart Book on Financial and Business Statistics — Board of Governors of the Federal Reserve System, Washington, D. C. — paper — 60c per copy; $6 per year.

Foreign Relations of the United States, 1941, Volume I, General; The Soviet Union—Government Printing Office, Washington 25, D. C.—$4.50.

Freeman, July 1958 — Containing articles on Executive Salaries; Twilight of the Republic; Why the Government Cannot Control the Business Cycle; Revolution Down on the Farm; First Grade Economics; The Independent Fights Back; Positive Action Against Communism, etc. — Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—50c.

How to Turn the Tide—Retailers' Guide to Better Business — The Advertising Council, 25 West 45th Street, New York 36, N. Y. —paper—on request.

Man in the Management, The—A Manual for Managers—Lynde C Steckle—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—cloth—$4.

New Federal Estate Tax Regulations — Commerce Clearing House, Inc., 4025 West Peterson Avenue, Chicago 46, Ill.—paper —$1.50.

Patent, Trademark, and Copyright Journal of Research and Education—June 1958—Containing articles on Licensing Abroad Under Patents, Trademarks, and Know-How by United States Companies; Patents and Other Aspects of the New Steel Technology; Status and Impact of Design Piracy, etc. — Patent Trademark, and Copyright Foundation of the George Washington University, Washington 6 D. C.—paper—$3.50.

Private Investment—The Key to International Industrial Development—Edited by James Daniel—McGraw-Hill, 327 West 41st Street, New York 36, N. Y.— —$5.00.

Pursuit of Excellence: Education and the Future of America — Special Studies Project Report vs. Rockefeller Brothers Fund—Doubleday & Company, Inc. Garden City, N. Y.—paper—75c

Sales Vigor in the Corporation—Monograph—American Institute of Management, 125 East 38th Street, New York 16, N. Y.

School Needs in the Decade Ahead —Roger A. Freeman — Institute for Social Science Research, 91 15th Street, Northwest, Washington 5, D. C.—cloth—$5.

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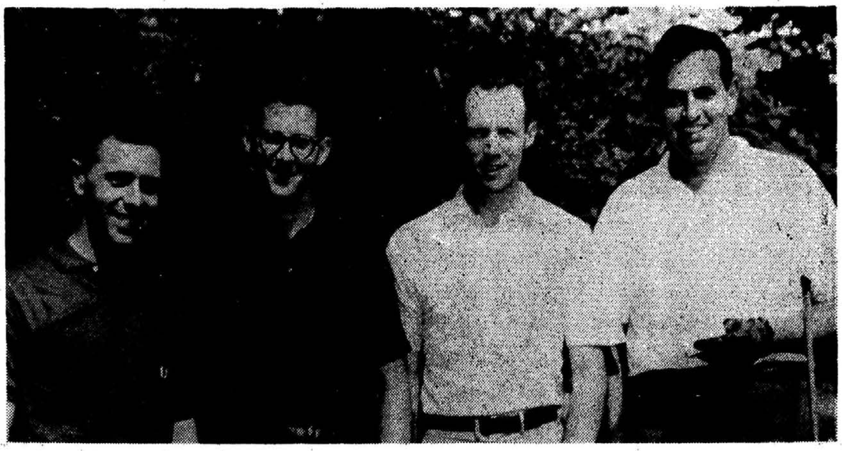

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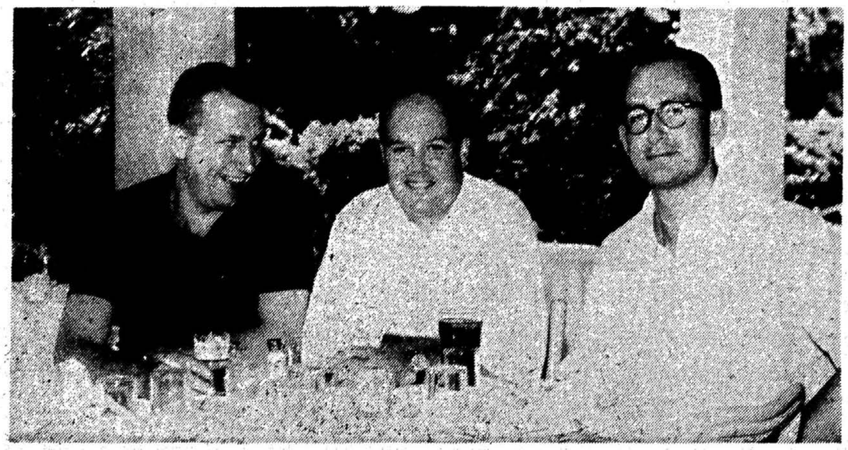

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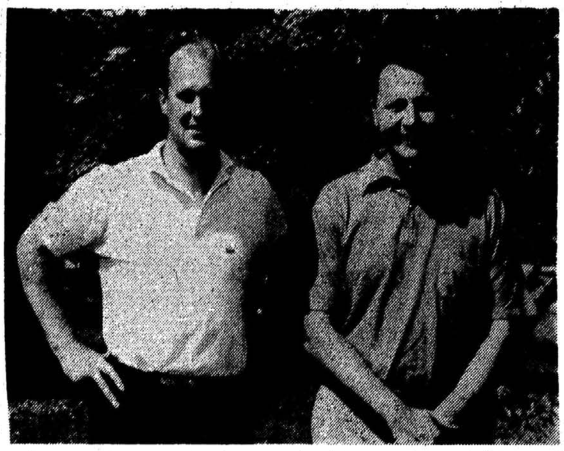

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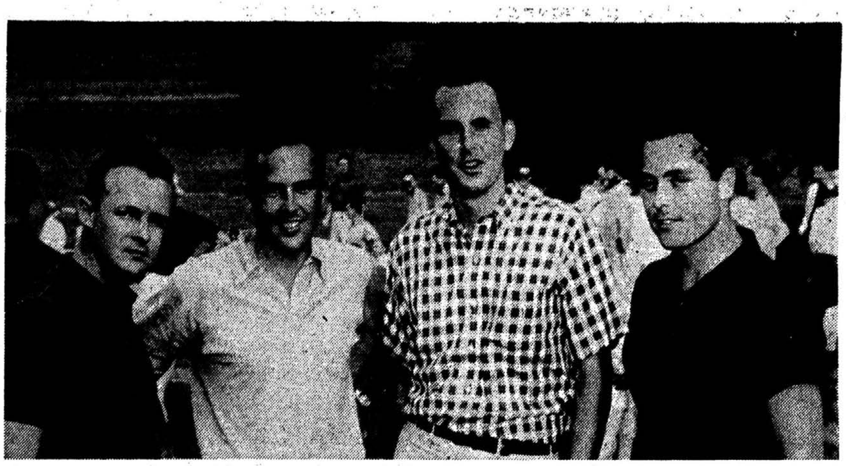

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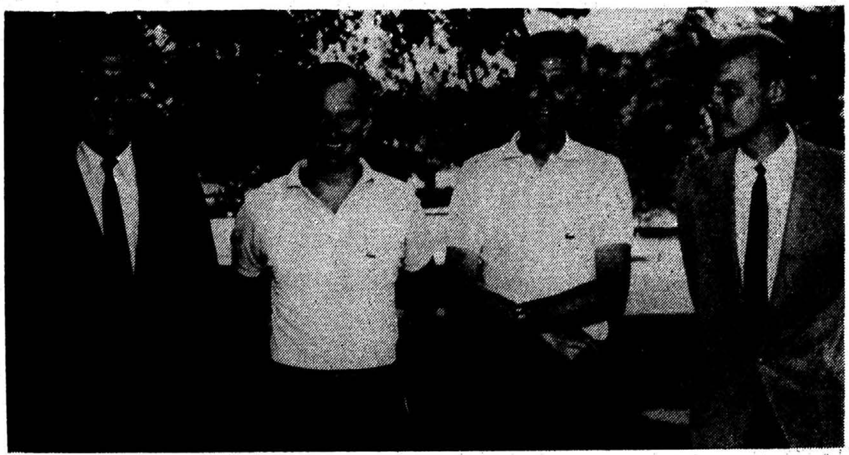

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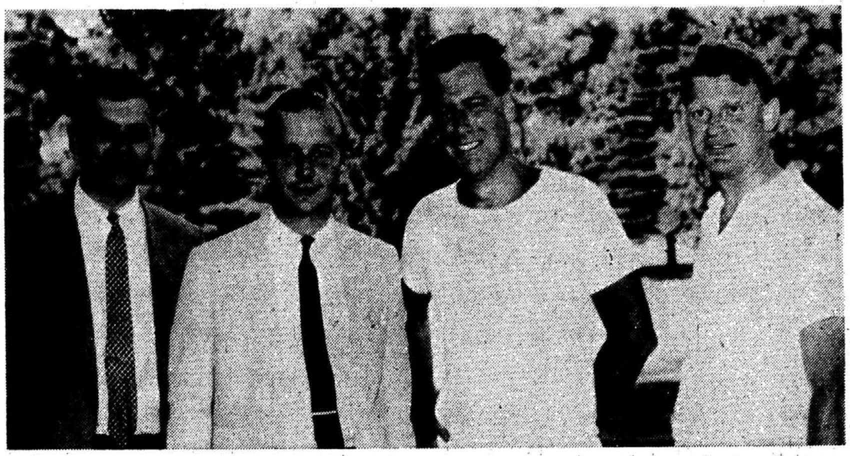

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