ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 188 Number 5760 New York 7, N. Y., Thursday, July 17, 1958 Price 50 Cents a Copy

UNIVERSITY OF MICHIGAN
JUL 18 1958
BUSINESS ADMINISTRATION LIBRARY

EDITORIAL

As We See It

It would appear that a great many practical business men in this country have become largely reconciled to a more or less continuous inflationary trend of prices throughout the years that lie a head. We repeatedly see some such underlying notion in the "projections" that business and financial statisticians make for the use of their managements. We find it in many of the plans of business organizations. It is implicit, so it seems to us, in the behavior of the stock market, in the face of historically very high stock prices. It is true, of course, that from time to time the Federal Reserve authorities let it be known that they are aware of the inflationary aspects of much of what is going on, and now and then some of the members of the official family in Washington have something to say about the importance of avoiding this kind of inflation.

All this, however, often seems to leave hardheaded business men unimpressed or at all events unconvinced. To them it is obvious that a great many if not all of the anti-depression measures in official favor and the techniques proposed to implement the "full employment act" are essentially inflationary in their nature. That this is the real nature of these programs is often apparently admitted by academic commentators and many in public office at least by implication when they revive the old, old cry about price controls designed to prevent these programs from having their natural effect. An economist some years ago, who was much inclined toward what later became known as New Dealism, asserted that proposals of an orthodox sort then heard would succeed in preventing inflation only at the

Continued on page 28

Alaska Development

By B. FRANK HEINTZLEMAN*

Former Governor of Alaska
Regional Vice-President for
Alaska of the Pacific Northwest Trade Association

Growth opportunities in Alaska, now that recently acquired statehood promises far more effective resource development and brings with it land grant larger in size than California, are glowingly described by former Governor. Mr. Heintzleman answers such myths as Alaska being a land of ice and snow; briefs prospects in petroleum, forest industries, minerals, hydro-power, coal, commercial fishing, transportation and agriculture similar to that in Scandinavia and Siberia; refers to surging growth in bordering Canadian northwest sections aided by Canadian Government, and hopes that with the help of proper inducements year-round enterprises will move in and offset present predominately seasonal activities.

Alaska today is in approximately the same stage of development as the Pacific Northwest passed through 75 years ago but has recently begun to grow at a rate which is now fairly rapid and offers promise of increasing.

B. F. Heintzleman

I went to Alaska in 1918 as a forester and for most of the subsequent years was chiefly concerned with inventorying and fostering the development of the resources of the 20,000,000 acres of National Forest land of which I had charge. These resources included not only timber but minerals of various sorts, water power sites, industrial sites, homestead lands and recreational features. The work also extended to the laying out of townsites, the construction of road systems and prospectors' trails and in general of helping to smooth the way for a well rounded permanent development by

Continued on page 20

*An address by Mr. Heintzleman at a luncheon honoring Governor Michael A. Stepovich, New York City, July 1, 1958.

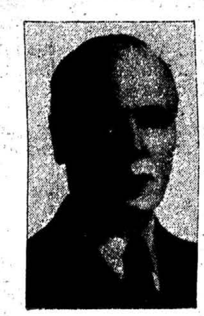
Recessions and Remedies

By DR. MENTOR BOUNIATIAN

Specialist in Business Cycles, Paris, France

Distinguished internationally known economist, whose business cycle writings span a half century, discursifies and examines the effect of government measures usually taken or recommended to fight a recession. Dr. Bouniatian reoffers same economic policy to follow which, he says, was rejected in December, 1932, with catastrophic effects to us; favors but finds impractical cutting wages in line with lower product utility resulting from productivity gains; and suggests tax reduction in depressed industries and allowing no other interruptions in recession's normal course. He subscribes to President Eisenhower's declaration of "faith in the inherent vitality of the free economy"; criticizes Keynes' misconception of discount rate and confusion of money with capital; and recounts illusions held regarding cheap money and banks' inflationary credit, unemployment benefits, public works, and other remedies.

PARIS, France — The economic life of industrialized countries is subject to fluctuations, expanding and contracting periodically in cycles, each lasting between eight and 11 years. In the United States, whose economic life is particularly intense, we see intermittent cycles, commonly called recessions lasting on an average about four and a half years. Between 1946 and 1954, following the second World War and the Korean War respectively, the United States went through two recessions, the low points of which were reached in 1949 and 1954. The beginning of 1957 seems to have marked the end of a period of expansion having lasted about 11 years and the beginning of a deeper depression reminiscent of the prewar crises.



Mentor Bouniatian

What are the causes of this cycle in economic activity with its crises and recessions? The answer has been the

Continued on page 28

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

DEALERS in U. S. Government, State and Municipal Securities
TELEPHONE: HAnover 2-3700
CHEMICAL CORN EXCHANGE BANK
BOND DEPARTMENT
30 BROAD ST., N.Y.

UNDERWRITERS BROKERS and DEALERS
INDUSTRIAL RAILROAD PUBLIC UTILITY & FOREIGN SECURITIES
BURNHAM AND COMPANY
MEMBERS NEW YORK AND AMERICAN STOCK EXCHANGES
15 BROAD STREET, NEW YORK 5, N.Y. • DI 4-1400
CABLE: COBURNHAM TELETYPE NY 1-2262

STATE AND MUNICIPAL BONDS
THE FIRST NATIONAL CITY BANK OF NEW YORK
Bond Dept. Teletype: NY 1-708

COPIES OF OUR LATEST FIELD REPORT ARE NOW AVAILABLE ON REQUEST
HARRIS, UPHAM & Co
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5
35 offices from coast to coast

State, Municipal and Public Housing Agency Bonds and Notes
BOND DEPARTMENT
THE CHASE MANHATTAN BANK

Underwriter • Distributor Dealer
Investment Securities
FIRST Southwest COMPANY
DALLAS

T. L. WATSON & CO.
ESTABLISHED 1832
Members
New York Stock Exchange
American Stock Exchange
25 BROAD STREET
NEW YORK 4, N. Y.
BRIDGEPORT • PERTH AMBOY

Net Active Markets Maintained To Dealers, Banks and Brokers
CANADIAN SECURITIES
Commission Orders Executed On All Canadian Exchanges
CANADIAN DEPARTMENT
Teletype NY 1-2270
DIRECT WIRES TO MONTREAL AND TORONTO
GOODBODY & Co.
MEMBERS NEW YORK STOCK EXCHANGE
115 BROADWAY NEW YORK
1 NORTH LA SALLE ST. CHICAGO

$250,000
PROVINCE OF QUEBEC
Guaranteeing Quebec Hydro-Electric Commission
3¾% Debentures
Due February 1, 1983
Payable in United States Dollars
Price 96.88 to yield 3.95%
DOMINION SECURITIES CORPORATION
Associate Member of American Stock Exch.
40 Exchange Place, New York 5, N. Y.
Tel. WHitehall 4-8161 Tele. NY 1-702-3

for California Municipals
Municipal Bond Department
Bank of America
300 MONTGOMERY STREET
SAN FRANCISCO 20, CALIFORNIA

Digitized for FRASER
http://fraser.stlouisfed.org/

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.)

GORDON D. GREGORY
Manager, Bank Stock Department
Swift, Henke & Co., Chicago, Ill.

First National Bank of Chicago

Having specialized in bank stocks for over 30 years it is only natural that I would have a favorite and First National Bank of Chicago has been the security I have liked best for a good many years. As First National has just paid a 25% stock dividend, the sixth during the past 15 years, I believe it timely to tell of the outstanding accomplishments of this institution.

Gordon D. Gregory

Deposits have increased from $582,000,000 in 1934 to $2,614,892,000 in December 1957. Capital will have increased from $25,000,000 to $125,000,000 on July 15, 1958. First National is the largest bank in the Middle West and the largest in the country operating without branches. This growth is entirely from within as no consolidations have taken place during this period.

The records have proven that banks which increase their capitals regularly by means of stock dividends have experienced a greater appreciation in the value of their stocks over the years in comparison with banks which increase capitals through the sale of additional stock. First National shares are an outstanding example. Capital stock was increased by stock dividends of 66⅔% in 1943, 20% in 1945, 25% in 1948, 20% in 1951, 1 from 9 in 1954 and a 25% stock dividend on July 15, 1958. The $8.00 annual cash dividend has been paid throughout this period. One share has increased to 4 1/6 shares following the latest stock dividend and by retention of these stock dividends a stockholder will be receiving over $34.00 per share in annual cash dividends on each share held in 1943. Previous to the stock dividend in 1943, First National shares sold below $200.00 each and with the current market of $276 for the new stock, the appreciation in value is 500% exclusive of cash dividends. The stock is traded in the over-the-counter market.

Very conservative accounting practices have been followed since Edward Eagle Brown became President in 1934. All recoveries on charged-off items together with a part of operating earnings each year have been added to interior reserves. Bank properties with a depreciated cost of $20,412,647 are carried at only $1,348,971. Other assets are also carried below real values. During these years the interior reserves have increased very substantially.

During the period in which these stock dividends have been paid, capital funds, excluding all reserves, have increased from $83,156,000 to $246,678,000, an increase of $163,522,000 or almost 200%. Cash dividends of $97,600,000 were paid during this period making a total of $261,122,000.

The bank pension plan has been in operation for about 75 years and a profit sharing plan was started in January, 1953.

Over 50 years ago the commercial banking department was divided into divisions, and today there are 10 divisions. Each of these is staffed with from one to four Vice-Presidents in addition to subordinate officers. This system has proven most efficient. First National offers a complete banking service including a consumer credit department.

First National's official organization consists of Edward Eagle Brown who has been Board Chairman since 1945, James B. Forgan, Vice-Chairman, Homer J. Livingston, President, Walter M. Heymann, Executive Vice-President, Gaylord A. Feeman, Jr., Guy C. Kiddoo and Herbert V. Prochnow, Senior Vice-Presidents.

HAROLD J. SILVER
Manager, Corporate Department
Municipal Securities Company
Dallas, Texas

American Insurance Company

As a preface I should probably amend the title to read "The Security I Like Best at This Time." A security to be particularly attractive at any given time should have certain characteristics, viz; (a) be in an industry that has growth potential (b) be relatively cheap compared to others in the same industry (c) have quality characteristics both from the classic and practical viewpoint. American Insurance Company has all the foregoing characteristics as will be evident.

Harold J. Silver

Premiums written by the insurance industry as a whole (and for American Insurance Company in particular) have more than kept pace with the increase in national income. The nature of the industry is to keep pace with growth of the country and to also increase its writings to cover the increases in dollar values due to the inflationary trend.

The experience of the fire and casualty business for 1957 was the worst single year in the long history of this business. Virtually all lines experienced rising loss ratios; and in last year's atmosphere of inflation, increasing operational costs plus increasing claim costs put the major lines into the red. However, the laws of most states provide for the setting of premium rates that in the aggregate will provide a reasonable underwriting profit for the industry. There is always a time lag until premium catches up with losses, but rate increases in the more important coverages appear to be developing. During 1957 more than 40 states permitted increases of from 12 to 15% in the basic automobile coverages with a second round of increases developing in those areas where further increases are justified. Fire insurance rates have been increased, and the discount reduced on term policies in some states. The industry should experience benefits from rate increases, expense reduction and a probable leveling off of the inflationary trend.

The fire and casualty company stocks have always been regarded as quality stocks based on their price stability which has been high, their dividend yield which has been low and consistently below the average of all stocks, and their growth which has more than kept pace with the economic growth of the country.

Prices of stocks in the industry have declined sharply from their 1955 highs. The stock market has been under pressure thus serving to reduce the portfolio value of the common stocks held by these companies. The rise in the bond market will help those companies who anticipated this and shifted from common stocks to bonds as American Insurance Company has done. The tangible values behind the insurance stocks are great and permit the investor in effect to acquire an equity in a diversified portfolio that is income producing as well as a share in the potential operating profit of the insurance company, which must eventually materialize.

Earnings in the industry are depressed but indications are that a change in the underwriting cycle is near. This could easily mean an uptrend in underwriting earnings. It would appear that once underwriting results are on the plus side, dividends would be increased justified by the persistent expansion of investment income. American Insurance Company investment income increased from $3,157,000 in 1948 to $5,886,000 in 1952 to $8,233,000 in 1956 and $8,306,000 in 1957.

American Insurance Company should improve its condition during 1958 along with the industry generally; and in addition, consideration must be given to the following specific items:

(a) The company is applying more selective underwriting standards with respect to certain lines.

(b) Very substantial progress is being made by the Company in the integration of its operations. A large amount of nonrecurring expense incident to the foregoing was absorbed in 1957.

(c) The Company has followed a wise investment policy and during 1957 increased their bond holdings and reduced their holdings of common stocks. At the end of 1957 bonds comprised 66.0% and stocks 34.0% of portfolio compared with 59.2% bonds and 40.8% stocks at the end of 1956.

(d) The Company had a loss carry forward of $14,500,000 against future taxable income as of the end of 1957.

(e) The risk diversification of the Company is excellent with approximately 50% being derived from fire and allied lines and 50% from the casualty field.

(f) The Company is 111 years old and is the twelfth largest stock fire and casualty company.

(g) The potential benefit of the merger of American Insurance Company with American Automobile Insurance Company has not been reflected in earnings. This benefit should start showing up in the 1958 figures.

From the sophisticated investor's viewpoint, the foregoing review and factors outlined indicate that the industry, and American Insurance Company particularly, face a brighter future. At the current price of 25 Over-the-Counter Market the stock yields 5.2% on its $1.30 annual dividend, and is at a discount of 18% from liquidating value of $30.50 at Dec. 31, 1957, and at a great discount from present liquidating value due to the increased market value of the portfolio.

This Week's Forum Participants and Their Selections

For Banks, Brokers, Dealers only

Try "HANSEATIC"

When time is important to you, our large and experienced trading department can help you reach the OTC markets you need—faster.

A nationwide private wire system, plus a wide range of contacts, assure you of getting the complete coverage you need in your Over-the-Counter problems.

New York Hanseatic Corporation
Established 1920
Associate Member
American Stock Exchange
120 Broadway, New York 5
WOrth 4-2300 Teletype NY 1-40
BOSTON • CHICAGO
PHILADELPHIA • SAN FRANCISCO
Private Wires to Principal Cities

Specialists in

RIGHTS & SCRIP
Since 1917

McDONNELL & Co.
Members
New York Stock Exchange
American Stock Exchange
120 BROADWAY, NEW YORK 5
TEL. REctor 2-7815

LAMBORN & CO., Inc.
99 WALL STREET
NEW YORK 5, N. Y.

SUGAR
Raw — Refined — Liquid
Exports—Imports—Futures

DIgby 4-2727

PENSION FUNDS
INVESTMENT TRUSTS
INSURANCE COMPANIES

The additional income possibilities through the sale of Put and Call Options are worthy of investigation. A representative of our firm will be glad to explain the subject to those who are interested.

Ask for Booklet on How to Use Stock Options

FILER, SCHMIDT & Co.
Members Put & Call Brokers & Dealers Assn., Inc.
120 Broadway, N. Y. 5 BArclay 7-6100

Alabama & Louisiana Securities

Bought—Sold—Quoted

STEINER, ROUSE & Co.
Members New York Stock Exchange
Members American Stock Exchange
19 Rector St., New York 6, N. Y.
HAnover 2-0700 NY 1-1557
New Orleans, La.-Birmingham, Ala.
Mobile, Ala.
Direct wires to our branch offices

JAPANESE STOCKS

For current information
Call or write

Yamaichi Securities Company of New York, Inc.
Affiliate of
Yamaichi Securities Co., Ltd.
Tokyo, Japan
Brokers & Investment Bankers
111 Broadway, N. Y. 6 COrtlandt 7-5680

MONROE AUTO EQUIPMENT
Com. & Pfd.

BOUGHT — SOLD

MORELAND & CO.
Members
Midwest Stock Exchange
Detroit Stock Exchange
1051 Penobscot Building
DETROIT 26, MICH.
WOodward 2-3855 DE 75
Branch Office—Bay City, Mich.

N. Q. B.
OVER-THE-COUNTER INDUSTRIAL STOCK INDEX
19-Year Performance of 35 Industrial Stocks
FOLDER ON REQUEST
National Quotation Bureau
Incorporated
46 Front Street New York 4, N. Y.

Digitized for FRASER
http://fraser.stlouisfed.org/

The Economics of the Recession

By J. H. RICHTER*
Chief, Department of Agriculture's European Division
Washington, D. C.

Experienced civil servant and author provides a description how our economy works, probes the causes for our economic disturbances and proposes a solution to end our current business lull. Postulating that the fundamental condition for general equilibrium is "a cost value of intended investment that equals intended savings," and assuming a measurable economy, Dr. Richter opines that the root of the recession is an insufficiency in investment and recommends that the equilibrium gap should be closed, not by artificial stimuli to consumption, but by investment expansion in useful community facilities for which there is a crying need at a time that is most propitious —now. The writer explains how a multiplier effect of such an infusion of buying power can restore our growth trend; contends public debt is no burden as "we owe it to ourselves"; and holds savings should not be made the whipping boy and spending not be idolized, but should, instead, be judged by their functional contributions to the economy.

For the past ten years, with the economic lessons of the Great Depression and of the Second World War fresh in their minds, economists have taken it for granted, and statesmen have accepted the contention, that governments throughout the Western world are irrevocably committed to preventing depressions of the deep-going and long-lasting type. The Great Depression of the thirties had demonstrated the economic and political need for an active policy of economic guidance. And the war had demonstrated the fact that, given a firmly desired aim, economic policy is capable of guiding the economy to unheard-of heights of performance, not only without the slightest impairment of its basic wealth and standards of consumption, but even adding to both in prodigious degree.


J. H. Richter

But now that we must decide what should be done in order not to let the economy slip from a trendline of substantial growth, it seems only natural that we hesitate. Once more we want to make sure that our rationale for policy action is sound. It is to such rethinking that the present article is devoted. Its argument is presented in terms that should be reasonably acceptable to the economist and reasonably understandable to the general reader.

A Sound Economy

Basically, our economy is sound and, if operated at full capacity, one of the most prosperous and most securely abundant in the world. It is endowed with an enormous store of natural resources; it has at its disposal a vast arsenal of social capital in the form of industrial and agricultural plant, buildings, machinery, carryover stocks previously accumulated, transport installations and equipment of all sorts; and it commands an industrious, well-trained and intelligent management and work force, eager to do a job and to improve its economic status. We have no problem with regard to reserves of international buying power. Anything that we need from abroad we can pay hard cash for at anytime, either out of current export earnings or from our vast currency reserves or capital income from abroad. With regard to the fundamental structure and condition of our economy there is thus no reason whatsoever why it should not continue to provide a high and steadily rising standard of living for most of its people.

This statement may sound trite and superfluous. But it is a fact that surprisingly few people realize how vastly any economic difficulties that may befall us differ in nature from the difficulties that beset nations that are chronically short of the fundamentals of economic well-being: of natural resources, of reserves of international buying power, of transport and industrial installations and carryover stocks, and of well-trained labor and management.

The Money Economy's Basic Equation:

Costs=Income=Buying Power

In a highly productive money economy like ours, that has freed us from the bonds and the poverty of the subsistence system in which each household itself had to produce virtually all that it needed, we produce for the market. In this type of economy the market is the central command post. We can go on producing only if the market takes up all the goods and services, that we do produce and distribute, at prices which provide a reasonable income to those who participate in the process of production and distribution.

The market's basic mechanism is simple: the costs of the total national output are made up of the incomes of those who produce

Continued on page 26

*Ed. Note: Article contains the writer's personal views and does not reflect official opinions or policies.

INDEX

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, July 17, 1958
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings state and city news, etc.).
Other Offices: 135 South La Salle St. Chicago 3, Ill. (Telephone STate 2-0613)

Copyright 1958 by William B. Dana Company

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

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

Other Publications
Bank and Quotation Record — Monthly $45.00 per year. (Foreign Postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

For many years we have specialized in **PREFERRED STOCKS**
Spencer Trask & Co.
Members New York Stock Exchange
25 BROAD ST., NEW YORK 4, N. Y.
TELEPHONE HAnover 2-4300 TELETYPE NY 1-5
Albany Boston Chicago Glens Falls
Nashville Schenectady Worcester

B. S. LICHTENSTEIN AND COMPANY
THE PRICE IS RIGHT
— whenever we give a bid on obsoletes!
★
Obsolete Securities Dept.
99 WALL STREET, NEW YORK
Telephone: WHitehall 4-6551

LITHIUM CORP.
FORT WAYNE CORRUGATED PAPER
ALASKA OIL
MacLEAN INDUSTRIES
EASTERN SHOPPING CENTERS
♦
J. F. Reilly & Co., Inc.
Members Salt Lake City Stock Exch. Spokane Stock Exchange
1 Exchange Pl., Jersey City
DIgby 4-4970 HEnderson 4-8504
Teletype: JCY 1160

Pubco Pet.
Collins Radio A & B
Pacific Uranium
Perkin & Elmer
Eastern Industries Common & Preferred
Thermo King Corp.
SINGER, BEAN & MACKIE, INC.
HA 2-9000 40 Exchange Place, N. Y.
Teletype NY 1-1825 & 1-4844
Direct Wires to
San Francisco Los Angeles
Philadelphia Chicago Dallas

Capital Cities Television
United Western Minerals
Alaska Oil & Minerals
Commonwealth Oil Refining
McLean Industries
Yonkers Raceway Inc.
♦
Wm. V. FRANKEL & CO.
INCORPORATED
39 BROADWAY, NEW YORK 6
WHitehall 3-3960
Teletype NY 1-4040 & 4041
Direct Wires to
PHILADELPHIA SALT LAKE CITY

Digitized for FRASER
http://fraser.stlouisfed.org/

Garden State Utility

By DR. IRA U. COBLEIGH

Enterprise Economist

A consideration of the attractiveness of a 5% return on the common shares of the billion dollar utility company serving most of New Jersey—Public Service Electric & Gas Company.

In the market symphony of the past six months, leading utilities have been virtuosi, and such distinguished equities as American Electric Power, Oklahoma Gas and Electric, and Texas Utilities all recorded all-time highs before the end of June 1958. This phenomenon would tend to dispel any notion that we are, or have been, in a serious depression, and further indicates a solid investor (individual and institutional) preference for equities of well managed and well located gas and electric companies.

Ira U. Cobleigh

Our nominee for discussion today is flirting with its high for year, and is cited for current examination because of (1) its relatively high yield, (2) its sustained growth in gross, (3) its prospects for rate increase and (4) its extremely heavy recent plant investment creating a base for rise in future earning power.

Public Service Electric and Gas Co. came into being with the dissolution of Public Service Corp. of New Jersey in 1948. While primarily an operating gas and electric company, it still carries about a $30 million investment represented by ownership of the entire common stock of Public Service Coordinated Transport Co. This subsidiary provides, by means of 2,600 buses and 6,350 employees, bus service throughout most of New Jersey. It isn't very profitable, earning in 1957 $989,297 on gross revenue of $52 million; and no dividend is being paid on this busline stock. (It netted a million dollars in 1956 and lost a million in 1955.) So much for the bus business which is viewed, in a utility picture today, with the same general lack of enthusiasm that traction properties were viewed in the early twenties. This bus business is a relevant but unimportant factor in consideration of PEG common, and our aim in the foregoing was to mention, but not to stress it.

It is as a major operating utility that PEG is impressive. Its territory spreads over most of the State of New Jersey, 283 communities, including all its major cities—Newark, Paterson, Passaic, Jersey City, New Brunswick, Trenton and Camden. The total population served is above 4½ million—3,578,000 receiving both gas and electric service, 547,000 getting electricity, and 346,000 with gas only. (About 225,000 customers [20%] are receiving straight natural gas deliveries and this percentage is increasing.) The swing to suburban life, the rapid rate of industrial growth, and the increased pace of industrialization in the Delaware Valley—all these factors are giving PEG a dynamic look. Gross earnings have risen from $171½ million for 1949 to $322½ million last year.

To keep pace with kilowatt demand, PEG added $521 million to its gross plant account in the five years ended Dec. 31, 1957. $160 million more is earmarked for plant addition this year. Present generating capacity (Dec. 31, 1957) of 2.55 million kilowatts will be expanded to well over 3 million by the end of 1959.

Expansion of this order creates almost continuous needs for additional public financing, since utilities, unlike their industrial brethren, cannot finance very much out of retained earnings (fat earned surpluses are poor bait for rate increases). So 1,000,000 common shares were sold in 1956, $25 million in preferred stock in March of this year, and some $60 million in mortgage bonds will probably be offered shortly, with further flotations in 1959 and 1960.

This brings us to an important point in the PEG financial picture. While total net earnings have been advancing steadily since 1950, the net per share has not followed suit. The figure was $2.06 in 1950 and only $2.27 for 1957; and this result, in a period when net income advanced from $20.86 million (1950) to $34.38 million (1957). The problem here has been a large issue (originally over 6 billion shares) of $1.40 preferred stock, now selling at 29⅛, convertible into common to Jan. 1, 1957 at the rate of ⅞th of a share; and, now and till June 30, 1960, at ¾ of a share. Steady conversions of this preference issue has been the major cause of dilution of the common equity. There are still outstanding (March 31, 1958) 2,534,415 preference shares which, if converted, would add 1,900,811 shares to the present issue of 12,209,653 common.

All of which has kept the capital structure a little out of balance and made unwise the issuance of new securities, convertible into common. This situation is correcting itself, however, and on the basis of present trends it is possible to project earnings of $3 per share by 1960 and perhaps a $2 dividend.

To move in this direction, earnings and dividend-wise, some rate increases are definitely in order. Right now PEG is requesting gas rate increases (the first general gas rate increase applied for in 37 years) which, if granted, would improve annual revenues by $15 million (about 50c a share). Operating reveneus from gas totaled $101½ million in 1957. There is further a need for a rise in electric rates. The regulatory climate in New Jersey is considered good with utility rates based on "fair value" rather than original cost. The property account of PEG should, if appraised at fair value, be substantially above book cost; and the Public Service Commission would be expected to take a constructive viewpoint on electric rate increases, particularly on account of the $450 million addition to plant scheduled in the 1958-60 period. Needed new capital improvement to serve rising demand must be permitted a return necessary to attract the required capital. So within the next 24 months, some upward revision in electric rates appears reasonable. (Gross from electricity was $221 million in 1957.)

While some utilities haven't recorded impressive increases in gross this year, PEG expanded gross sales in all divisions for the first quarter of this year, with industrial sales advancing particularly because the huge Bayway Refinery of Esso Standard Oil Co. now gets all of its electric power from Public Service Electric and Gas.

The price of PEG common has been exceedingly stable, ranging narrowly, since 1952, between a low of 25 and a high of 37. In the same period there have been two dividend increases—from $1.60 to $1.65 in 1955, and from $1.65 to $1.80 in 1956.

Dividends on the common have been paid in each year since 1907 and this equity has afforded in general a higher yield on its common than other utilities of comparable stature. The stock has been a satisfactory one in those accounts stressing size and regularity of dividend, and, for the longer range, PEG looks livelier today than for many years. The service area is one of the more rapidly growing sections of the nation, the management has been imaginative in anticipating, and planning for, future plant needs, and with the preference conversions nearing an end an improvement in per share earnings over the next few years seems reasonably predictable. Net per share could reach $2.70 this year and $3 is not a wild target for 1960.

Meanwhile, PEG common rewards today's buyer with a 5% current yield, a durable equity with proven defensive qualities, a stock unlikely to sell off badly even in a sloppy market, and a future earnings trend on the upgrade. The stock at 36¼ yields 5%. Nobody should buy it with expectations of dazzling market gains; neither is it likely to reduce its dividend, as so many companies have been doing in recent weeks. PEG is an investment quality common and if you're an investor, and not a speculator, you may find a number of things about it that you like.

The FIFTH THIRD UNION TRUST CO.

CINCINNATI, OHIO

Statement of Condition—June 30, 1958

RESOURCES

Cash and Due from Banks	$ 76,393,510.88
United States Bonds	114,285,048.03
State and Municipal Bonds	9,814,451.85
Other Bonds and Securities	4,647,016.62
Loans and Discounts	156,256,121.97
Banking Premises Owned	4,449,659.34
Customer's Liability Under Acceptances	44,329.47
Income Accrued Receivable and Prepaid Expense	1,587,685.29
Other Resources	509,847.05
TOTAL	$367,987,670.50

LIABILITIES

Capital Stock ($25.00 Par Value)	$11,875,000.00	
Surplus	13,125,000.00	
Undivided Profits	4,603,995.40	
Total Capital Funds		$ 29,603,995.40
Reserve for Dividends, Interest, Taxes, etc.		5,555,955.99
Liability Under Acceptances		44,329.47
DEPOSITS:		
*Commercial, Bank and Savings		314,171,813.11
U. S. Government		18,555,143.81
Other Liabilities		56,432.72
TOTAL		$367,987,670.50

**Includes $5,964,690.08 of trust money on deposit in the Banking Department, which under the provisions of the Banking Law of the State of Ohio, Section 1107.12 is a preferred claim against the assets of the bank.*

The State of Trade and Industry

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

The Census Bureau announced on July 13 that average United States employment climbed to a new record peak of 65,000,000 in 1957 in spite of the recession layoffs in the latter part of the year. Actually, some 77,700,000 Americans—or two out of every three aged 14 or older—worked during all or part of 1957. This was a gain of 8,800,000 since 1950. Both figures included employed and unemployed workers and members of the armed forces.

After a temporary levelling-off, unemployment shot up again last month as students seeking summer jobs, reinforced by June graduates, flooded into the job market. Another drop in unemployment is expected when July job totals are announced early next month.

New Car Inventories Declined in June

New car inventories declined again in June indicating continued production cuts and a modest increase in retail sales, "Automotive News" stated that not since 1954 has a July inventory count been lower." Continuing "Automotive News" said the mid-year stockpile in that year of selling reverses was 508,165. The stockpile on July 1 was 672,842 units comparing with 741,251 cars June 1 or 745,211 July 1 last year. This year's highest was 865,566 units on March 1, while the record high was 903,789 units on March 1, 1956. "Automotive News" expects a succession of four year lows in the monthly stockpile. Dealers in most of the better selling lines now are agreed that the "clean'em out" of this clean up period will result in shortages.

Packard Car Production May Be Discontinued

The Packard car, it is reported, will soon be a memory. The Studebaker-Packard Corporation has decided to discontinue manufacturing this famous quality car which for 59 years was a household word in the automotive world. The Packard was a luxury car and was considered for many years an outstanding hallmark of the best in the fine car field. The distinctive radiator and graceful streamline proportions of the Packard will always be remembered by all motorists and its slogan: "Ask the Man Who Owns One" was known the world over. The Studebaker-Packard Corporation believes that its "destiny is tied to smaller cars." The company will, it is stated, devote its efforts to building shorter, smaller-wheelbase without fins, little chrome, less horsepower and lower top speeds. The company believes the trend will be to smaller cars, and will discontinue its line of larger cars. It is expected the company's new models will be in dealer showrooms by mid-November. According to Harold E. Churchill, President of the company, no announcement concerning 1959 models or lack of them, will be made before the pre-view showing Oct. 16.

June Steel Production Highest in 1958

During June, the steel production in the United States totaled 7,132,000 net tons of ingots and steel for castings, the highest monthly figure so far this year, according to the preliminary report of American Iron and Steel Institute.

The output also increased in the second qarter of 1958, as compared to the first quarter of this year. The second quarter total was 18,996,150 tons or about 175,000 tons higher than in the first quarter of this year (18,790,857 tons). During the comparable second quarter of 1957 the output was 28,998,505 tons.

During the first half of this year the steelmaking furnaces produced 37,757,007 tons, against 60,583,547 tons in the comparable part of 1957 and 52,131,449 tons in the second half of last year.

Bank Clearings Show 6.25% Increase Over Same Week Last Year

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by us based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, July 12, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 6.25% above those of the corresponding week last year. Our preliminary totals stand at $33,579,993,471 against $20,666,445,321 for the same week in 1957. At this center there is a gain for the week ending Friday, July 11, of 24.9%.

Transactions in the New York area totaling $12,379,626,956 in 1958 as against $9,911,883,175 in same 1957 week, Chicago totaled $1,115,845,306 in 1958 compared with $1,097,975,187 or a 1.6% gain

Continued on page 30

ESTABLISHED 1894

STATE AND MUNICIPAL BONDS
CORPORATE BONDS
LOCAL STOCKS

The Robinson-Humphrey Company, Inc.

RHODES-HAVERTY BLDG. ATLANTA 1, GEORGIA
WALNUT 0316 LONG DISTANCE 421

Digitized for FRASER
http://fraser.stlouisfed.org/

Observations . . .

By A. WILFRED MAY

Money-Back Guarantee for Fund Buyers

A British correspondent, an economist at one time residing in America, John J. Stonborough, sends us an interesting proposal which is eliciting considerable interest abroad. He wants insurance companies to provide for the buyer of investment company shares a guaranteed return of the full purchase price at his subsequent death. Urging that the insurance companies, at least in the U. K., forsake smugness, he asserts that such a mechanism is needed for increasing the shareholder population.


A. Wilfred May

Following are some excerpts of his thinking on the subject as recently published in *The Investors Chronicle* of London, which he asks us to "tear to pieces." Because of the timeliness of the topic, based on the current popularity of the funds and the prevalent misconceptions about "money-back" provisions here, we are glad to give circulation to the idea and our objections.

"One of the main obstacles in the way of men and women of small means who wish to invest in shares is the risk of putting too much money out of the small sum at their disposal into a share that may fall in value," Mr. Stonborough writes. "All shares may fall; most good ones come back. What the new investor fears is the loss in value of his shares in the event of his death. Most of the new buyers have no policy of continuity in investment. To the big buyer, to the man and woman accustomed to buying securities, the fact that ICI or International Nickel is lower on the day of death is of little interest. These buyers assume that the heirs will continue to hold these sound securities. The new buyers, the small buyers, are all intensely interested in preserving the value of their shares, so that on the day of death the shares will not be worth less than the day when 'Father bought them for us.'"

"It is here that the insurance companies could assist greatly in providing a mechanism by which men and women can buy Unit Trust shares, and are guaranteed the same value for these shares if after, say, five years they die and the shares go on to the heirs," Mr. Stonborough continues. "If a buyer or a trustee could, for a small premium, be assured that in the event of death he will receive at least the same price as he paid for the Units, the demand for such Units would rise steeply and at once. No trustee likes to admit that what he bought is now worthless, i.e., on the day the trust comes to an end."

The Basic "Bugs"

If we could thus easily make available an investment medium for escaping both erosion of the currency and also of the investor's capital, this would, of course as our correspondent maintains, further the aim desired on both sides of the Atlantic, for enlarging the community of small investors.

But the proposal runs head-on into several basic difficulties and drawbacks. The needed actuarial data concerning future change in the asset value of a portfolio including equity shares over any specific intervals are, and must remain, unobtainable (even if we should assume the trust experts' performance record is the same as the fluctuations in the averages, which has been approximately the situation here in the U. S. A.).

More fundamentally, even if we could arrive at a mutually satisfactory actuarial basis to determine proper premium cost, the purchase of such insurance would be wholly uneconomic. The proper motive for the individual's acquisition of insurance is to procure protection which he cannot otherwise afford. For the investor, using his capital to buy securities, to pay an additional sum for the "protection" of his investment, would be tanatamount to betting against the insurance company, to trying to get the "edge" on the insurer—presumably a losing, as well as an unneeded proposition. The investor with capital, unlike those who require insurance for protection, is better off insuring himself—either by obsorbing any depreciation in the value of his investment; or by amortizing a reserve for estimated possible shrinkage, either mentally or by actual diversion of his own funds.

Moreover, the proposal is destructive on grounds of public policy. Giving the investor a seemingly cheap and riskless means of protection from the ravages of currency erosion would

Continued on page 31

Time Is Running Out in The Economic Cold War

By DR. NEIL H. JACOBY*
Dean, Graduate School of Business Administration
University of California, Los Angeles, Calif.

Taking seriously the economic threat of the Cold War and the grave facts of Soviet economic growth, former economic advisor to President Eisenhower envisages continued Soviet pursuit of world domination via economic and cultural penetration so long as the Kremlin believes: it would be foolish to provoke a shooting war, there is a good chance to succeed this way, and we maintain deterrent military strength. Dr. Jacoby appraises Soviet's economic and educational capacities to bring about economic dependence of other countries, through technical assistance, economic aid and foreign trade; refers to his uncomfortable inability to recite our proposals for world economic progress at a UN conference abroad; compares simple USSR economic objective to catch up with us to our lack of any objective; recapitulates our advantages and sets forth six-fold program to win this economic cold war—a conflict for keeps. Demands same urgency and dedication as when Lusitania was sunk and Pearl Harbor was struck.

Some economic aspects of the cold war between the West and the Soviet Bloc is a subject that has come into the headlines recently, as a result of the knowledge that we are beginning to acquire about the rapid economic growth of the Soviet Union, the growing amount of Soviet economic aid being extended to underdeveloped countries around the world, and the recent, rather startling, proposal of the Soviet Union to negotiate several billion dollars of trade with the United States. All these events have naturally raised several questions in our minds. What is the nature of this conflict between the Soviet Bloc and the West? Will it become an economic rather than a military conflict? What are the Soviet economic aims? What are the real achievements of the U.S.S.R.? What handicaps and what advantages do we possess in the economic cold war that may be developing? What can, and should, America do to improve our chances of winning this conflict?


Neil H. Jacoby

These are all hard questions; but I shall try to give answers to them.

Let me begin by recounting a recent personal experience During the last few years I have had the honor and duty of representing our country abroad in a number of economic missions, in Paris, London, Rome and New Delhi. Last year for the first time I came into official contact with representatives of the U.S.S.R. when serving in Geneva as U. S. representative in the Economic and Social Council of the United Nations. You may be interested in some of my reactions to the men in the Soviet delegation, with whom I had to deal over a period of some six weeks and who entertained me and whom I entertained on several occasions. I found these Soviet representatives highly trained in economic matters. The Soviet Union doesn't send retired politicians or untrained people to represent it. Mr. Alexei Zakharov, who headed the U.S.S.R. delegation at Geneva, was one of seven deputy foreign ministers of the Soviet Union, a professional diplomat and a well-trained economist. I found the members of the Soviet delegation confident, even cocky, in their attitude. They knew then how far ahead they were in military technology. This was before Sputnik. I didn't know it at that time, but I could see that they had no fear of our military power and that they felt quite confident about their own military power.

I found the Soviet delegation stressing economic matters. They spoke a lot about "competitive co-existence," a phrase to which we drank many toasts in both Vodka and Scotch. Their line was that nuclear weapons and military warfare were an abomination, that their economic system is more productive than ours, and they were willing to compete with us economically, and to let time judge the results. I think they honestly believed this. The Soviet delegation was prepared with a great many proposals and resolutions which they brought before the ECOSOC meeting in Geneva. They suggested that we ought to have a world economic conference of nations. They suggested a world conference of academic economists. They supported a United Nations loan fund to help the economically backward countries. To all of these proposals I had been instructed by my Government to say "No."

Now, of course, many of these Soviet proposals were put forth for propagandistic purposes. Some of them were "phonies." Yet I confess that I did not feel very comfortable when Mr. Zakharov cornered me at a diplomatic reception and said: "My country has put forth proposals for world economic progress. Where are the proposals of your country?" I found the representatives of the 18 nations whose members sit in the Economic and Social Council of the United Nations, many of them basically friendly to our country, looking anxiously to the United States to take the initiative. What proposals do we have?

I have pondered this personal experience at Geneva. It has convinced me of the truth of something I had suspected for some time from my studies and research, namely; that the "cold war" will be fought on the economic front, and the opening battle has already begun. It convinced me that the American people must come to understand that this economic conflict with the Soviet Union is a conflict "for keeps." It must be fought by us with the same sense of urgency and the same dedication that Americans have shown in the past—after the Lusitania was sunk, or after Pearl Harbor.

Thwarting Soviet World-Domination Aim

After all, why should the leaders of the Soviet Union not speak of competitive co-existence? Wouldn't the Kremlin be foolish to provoke a shooting war as long as they believe there is a good chance of achieving their aim of world domination by economic and cultural penetration? For, believe me, world domination is their aim. We should make no mistake about that. Soviet society is a power society. It can be maintained only by acquiring more and more power. The Soviet Union sees in the United States the citadel of Democratic capitalism. It sees in our society, and in our economy, the antithesis to its own system of totalitarian socialism. Russia would seek to destroy us by military force, if it believed this possible without itself suffering mortal wounds. But in view of our currently great deterrent military strength, it will seek instead to dominate the United States by making us, if it can, an ever-smaller island of freedom within a growing sea of Communist power. It will seek to bind to itself an increasing number of the neutral and uncommitted nations of the world by economic assistance and by trade, leading those countries that trade with it into economic dependence. Ultimately, it will hope to achieve their cultural penetration, and finally their satellization. We saw this process occur in East Germany and in Hungary.

What is the primary Soviet economic aim? I think that we can take at face value the economic goal of the Soviet Union that was expressed at the 20th Congress of the Communist Party very recently: "Through peaceful competition and in an historically short period of time to overtake and surpass the most highly capitalist countries in per capita output." The Soviet Premier, Nikita Khrushchev has put Soviet

Continued on page 22

*An address by Dr. Jacoby before Convention of American Institute of Industrial Engineers, Los Angeles, Calif., June 19, 1958.

We are pleased to announce
the formation of

TRUMAN, WASSERMAN & CO.
70 PINE STREET, NEW YORK 5, N. Y.

Telephone: WHitehall 3-8864
Cable: WASTRUM

to transact a general business in investment securities and to engage in special situations and international financing.

WILLIAM STIX WASSERMAN
CHARLES HENRY TRUMAN

We are pleased to announce that

LEON LEES, JR.
WILLIAM G. CARRINGTON, JR.
IRA HAUPT, II

have become General Partners in our firm
effective July 10, 1958

IRA HAUPT & CO.
Members New York Stock Exchange
and other principal exchanges

NEW YORK CHICAGO

Digitized for FRASER
http://fraser.stlouisfed.org/

A Producer's View of Canadian Natural Gas

By E. D. LOUGHNEY*

Senior Vice-President, British American Oil Company, Ltd. Toronto, Canada

Canadian oil official reaches the verdict that the Canadian petroleum industry has reached a critical stage in its development in view of expenditures exceeding income every year since 1947. Unless substantial markets for gas reserves become available soon, Mr. Loughney avers the industry may not survive. Gas is said to have become a liability, even though it is usually found with search for oil, due to its low market price reflecting lack of markets *vis a vis* conservatively projected huge surplus. States solution "would be a policy permitting the immediate export of gas surplus to Canada's present and foreseeable needs."

The petroleum industry in Canada has reached a critical stage in its development. We have reached a critical point because expenditures in the industry have exceeded income every year since 1947, a fact which has necessitated the attraction of large amounts of new capital annually.

Costs High, Returns Low

Last year, for example, Canadian producers spent $1.6 million a day on exploration, development and producing operations. That amounted to $547 million for the whole year, from which they received, after royalty, income of only $400 million or $147 million less than the amount expended during the year.

E. D. Loughney

Over the last 10 years, the industry has spent something like $3.2 billion on these operations, from which only $1.9 billion has been recovered to date; so that expenditures for the past decade have exceeded income by $1.3 billion.

However, despite the fact that it costs just as much to find gas as it does to find oil, it is significant to note that virtually all of the industry's income so far has come from oil. Gas has contributed only 3.4% of the total income realized from petroleum production in the last 10 years.

Risky Business

Since gas is usually found during the search for oil, many people take it for granted that gas is a bonus to the operator. As a matter of fact, unless markets are available gas reserves become a liability.

To illustrate this, let us assume that Producer A and Producer B both have identical holdings. On these holdings they spend exactly the same amount of money—for geology, seismic work and exploratory drilling.

Producer A finds 10 oil discoveries on his land; Producer B, five oil and five gas discoveries. Let us assume that all the oil discoveries are identical. Producer A then receives twice as much revenue as Producer B, if the latter is unable to sell his gas. But each producer has spent the same amount of money on exploration; and in the future, surface and lease rentals will be the same regardless of the type of discovery.

Prices Are Low

Furthermore, when you compare wellhead prices of natural gas and crude oil in terms of BTU's, it becomes very apparent that producers are currently selling their gas at bargain basement prices.

There are approximately one million BTU's in 1,000 cubic feet of natural gas, and as you all know, the producer receives from 10 to 13.25 cents at the wellhead for this amount of energy. In sharp contrast, one million BTU's of crude oil sells for 43 cents at the wellhead—approximately four times as much per BTU!

It is my contention that gas should be priced in accordance with the amount of energy it provides. Under-pricing gas is a dangerous practice, because it puts all other fuels at a competitive disadvantage, and sooner or later you find gas being used in applications where it is not economically suitable, replacing such fuels as bunker coal. However, I do not feel, as has been suggested from time to time in the U. S., that the uses to which gas can be put should be limited by government action.

The natural laws of economics are always far superior to man-made laws, and should be allowed to establish such things as usage and price.

Nor do I agree with those who say that the price of gas in Canada would necessarily be pulled upward by prices paid in export markets. The amount any purchaser can pay for gas is strictly governed by what he can sell it for in competition with other fuels in his market area. The price of gas should be permitted to find its own level.

Costly Operation

Now let us look at the costs which the gas producer faces—exploration, development drilling, gathering, field production, processing and plant investment.

Considering all these factors, it is easily seen that a price of 10 cents is little more than a break-even point in most fields.

It may be an adequate price for gas produced from sweet, shallow fields, but in Canada such fields are few in number and usually small in size. Deep fields with higher drilling costs, and sour or wet fields requiring special processing plants are much more common in this country, and in these cases the 10 cent price is definitely inadequate to cover risks involved and a reasonable return on investment.

The same situation exists to a degree with crude oil, but no attempts are made to base the price of oil on the cost of drilling and producing a particular well or field. Crude oil is priced according to its value to the refiners in terms of yield and product price structures.

Producers have been accepting low wellhead prices for their gas over the past few years in order to help establish markets thousands of miles from the source of supply. However, this is at best a marginal operation for the producers, and it must be obvious that a more equitable division of revenues will have to be arrived at if additional reserves are to be discovered and developed.

Incentives Needed

Canadian operators have gone through many years of exploring and developing gas reserves without markets, and it is our view that many of them may not survive unless substantial markets are soon available.

Producers cannot continue to develop gas reserves on an "if, as and when needed" basis. They should not be expected to carry out exploration and then be denied the additional markets necessary to return the millions of dollars expended to develop reserves substantially in excess of all Canada's estimated requirements for the next 25 years. Unnecessary delay in obtaining such markets will only tend to drive prices upward.

The immediate problem confronting the industry today is the development of gas markets that will provide a return on the large frozen investments already made, and furnish the funds necessary to carry on with the further utilization of Canada's gas resources. It is our view that the solution to this problem would be a policy permitting the immediate export of gas surplus to Canada's present and foreseeable needs.

The Future Beckons

The potential for future development of the oil and gas industry in this country is tremendous. According to the Gordon Report, these two fossil fuels, which supplied 46% of Canada's energy requirements in 1953, are expected to fill 70% of the nation's expanded energy needs by 1980. Natural gas alone is expected to leap from 4% to 25% in the same period.

In addition, Canada today is on the threshold of a rich petrochemical development using hydrocarbon derivatives such as propane, butane, natural gasoline, sulphur, methane and ethane in the manufacture of countless products such as synthetic rubber, plastics, synthetic yarn, explosives fertilizers and so on.

Abundant Reserves

However, as we stated in our submission to the Royal Commission on Canada's Energy Resources, there is no question about Canada having abundant natural gas resources for all these future needs.

Without even looking specifically for gas, the industry in the past decade has discovered reserves of more than 27.5 trillion cubic feet—1.5 trillion more than Canada is expected to use and committed to export over the next 25 years!

In our opinion, if the industry has to wait 25 years to market the reserves already found, the gas industry will never mature. However, if markets are available, we feel that over 100 trillion cubic feet can be discovered in the next quarter century.

Over the past five years the industry has discovered an average of 2.7 trillion cubic feet annually, with a peak year of 4.7 trillion. Even a most conservative projection of these figures—based on the three lowest years — indicates that by 1962 Canada's reserves will have increased to about 30.8 trillion cubic feet.

Surplus for Export

At the Borden Commission hearings in February it was the consensus of companies submitting briefs that a volume of 17.5 trillion cubic feet in 1962 will be sufficient to assure a 25-year supply for Canadian needs and authorized export at the 1962 level. This would leave a surplus of about 13.5 trillion, some part of which could be sold to export markets without jeopardizing Canada's requirements.

I would also point out that this surplus figure is most conservative since it is based on reserve data more conservative than what has actually taken place over the past five years.

Continued growth of the industry will require heavy capital expenditures in the search for new reserves, in the development of existing reserves, and in the construction of processing plants and related facilities. Markets must be made available to attract the capital required for this growth. The demand for natural gas in Canada, in relation to the reserves presently available and to be discovered, does not provide adequate incentive for continued exploration and development.

Without the necessary incentives to continue to find and develop gas reserves, the producing companies would have to reduce exploration for economic reasons. And if that happened, it would become increasingly difficult to procure gas at a price competitive with other fuels. Transmission companies would have to pick up future gas requirements from scattered fields where only a minimum of processing is necessary, and the lengthy pipe lines and poor load factors involved would result in higher costs.

On the other hand, increased markets would provide the incentive to promote a more orderly and intensive development of

*An address by Mr. Loughney before the Canadian Gas Association, Murray Bay, Quebec.

COMPARATIVE STATEMENT OF CONDITION of the

Brookline Savings and Trust Company

PITTSBURGH, PENNSYLVANIA

as of June 30, 1957 and June 30, 1958

ASSETS

	June 30, 1957	June 30, 1958
Cash and Due from Banks	$ 2,072,726.29	$ 2,942,353.81
U. S. Government Bonds	4,675,286.36	4,675,103.23
Other Bonds and Securities	2,345,720.99	2,559,990.14
Loans	16,871,468.33	20,203,707.68
Mortgages Owned	1,537,785.44	1,967,606.71
Bank Building and Fixtures	406,275.76	380,341.72
Other Assets	43,917.51	72,737.76
	$27,953,180.68	$32,801,841.05

LIABILITIES

	June 30, 1957	June 30, 1958		
Deposits:				
Demand	$10,144,391.92	$13,545,663.83		
Time	13,752,962.36	14,623,979.14	$23,897,354.28	$28,169,642.97
Official Checks Outstanding			236,472.34	284,238.14
Other Liabilities			47,506.87	64,796.99
Reserve for interest collected but not earned			1,102,388.38	1,273,216.00
Capital:				
Common Stock			500,000.00	500,000.00
Surplus			1,750,000.00	2,000,000.00
Undivided Profits			419,458.81	509,946.95
			$27,953,180.68	$32,801,841.05

BROOKLINE
Savings and Trust
COMPANY

Two Convenient Locations
820 Brookline Boulevard
426 McNeilly Road at Sussex
PITTSBURGH 26, PA.

Member of Federal Deposit Insurance Corporation

REPORT OF CONDITION

THE MASSENA BANKING AND TRUST COMPANY

Massena, New York

AT THE CLOSE OF BUSINESS JUNE 23rd, 1958

CONDENSED STATEMENT

ASSETS

Cash on Hand and in Banks	$ 2,067,466.13
U. S. Government Bonds and Other Securities	4,886,295.04
Federal Reserve Bank Stock Owned	17,250.00
Collateral and FHA Title I Loans	1,455,324.75
FHA Mortgages Fully Insured By U. S. Government and GI Mortgages	1,031,195.99
Real Estate Mortgages	1,616,656.40
Loans and Discounts	950,234.85
Bank Building	90,895.00
Bank Modernization and Furniture and Fixtures	94,172.38
Other Real Estate Owned	68,250.00
Other Assets	12,466.36
	$12,290,206.90

LIABILITIES

Capital	$ 200,000.00
Surplus	375,000.00
Undivided Profits and Reserves	127,051.82
Deposits	11,371,834.00
Unearned Interest and Other Liabilities	216,321.08
	$12,290,206.90

Valuation Reserve Not Included $120,799.95

P. H. FALTER, *President*

DESIGNATED DEPOSITORY

U. S. Government, State of New York, Power Authority, State of New York, County of St. Lawrence, Town of Massena, Village of Massena

Member Federal Deposit Insurance Corporation, Member Federal Reserve System

gitized for FRASER
p://fraser.stlouisfed.org/

readily accessible areas resulting in the most economic movement of gas at reasonable prices for all concerned.

In the final analysis, the orderly development of adequate markets for Canadian gas is as important to the distributors as it is to the producers.

Brinsley Opens Office

FORTVILLE, Ind.—Norman H. Brinsley is conducting a securities business from offices at 316 North Main Street.

Joins R. J. Steichen

MINNEAPOLIS, Minn.—James W. O'Malley has joined the staff of R. J. Steichen & Co., Baker Building.

Warns Against Clamor For Federal Help in Speeding Recovery

The Guaranty Trust Company warns, with no quick upsurge in business activity expected, there is danger that proponents of government intervention may revive pressure for economic stimulants.

While pressure for governmental intervention to counteract the recession has subsided with the apparent bottoming out of the slump, Guaranty Trust Company of New York on July 10 cautioned that it may be revived if an upswing is less rapid than might be desired.

In the July issue of "The Guaranty Survey," business and economic review, the bank said that although there are increasing signs that the decline in business activity may be at or near its end, a majority opinion among forecasters seems to be that no quick upsurge is in sight.

"If this judgment proves to be correct—if production and trade continue for some time at approximately present levels—how long will the clamor for inflationary 'shots in the arm' remain silent?" the bank asked.

Unfortunately, it warned, the general tone of current comment "affords little encouragement for the hope that public opinion as a whole has awakened from the dream of perpetual boom under government auspices."

If business recovery becomes an extended process, the "Survey" said, the "temptation to intervene will continue and may become irresistible. Yet, in the long run, the economy will be healthier and more prosperous if the temptation is resisted and business is given time to recover under its own steam. Spontaneous recovery is the only true recovery."

Guaranty noted that "free economic societies have been demonstrating their recuperative powers ever since such societies came into being."

Economic and noneconomic literature abounds in references to "hard times," the bank said, pointing out that on each occasion there have been those who feared that society was sinking into a state of chronic stagnation.

"Such forebodings of disaster have invariably proved false," Guaranty said. "Economic life has always recovered from these setbacks and has gone on to new levels of achievement."

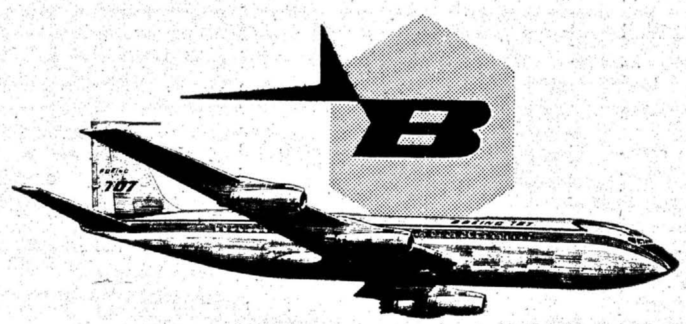
Seymour Blauner Opens

Seymour Blauner is engaging in a securities business from offices at 137 East 38th Street, New York City. Mr. Blauner has been with Sinclair Securities Corp., Midland Securities Corp. and Batkin & Co.

New Issues

July 16, 1958

BOEING AIRPLANE COMPANY



$40,000,000

5% Sinking Fund Debentures, due August 1, 1978

Price 98½% and Accrued Interest

$30,597,600

4½% Convertible Subordinated Debentures, due July 1, 1980

The Company is offering to the holders of its outstanding Capital Stock the right to subscribe for the 4½% Convertible Subordinated Debentures in the ratio of $100 principal amount for each 23 shares of Capital Stock held on July 15, 1958. The Subscription Offer will expire at 3:30 P.M., Eastern Daylight Saving Time, on July 29, 1958.

The several underwriters have agreed, subject to certain conditions, to purchase any unsubscribed Convertible Subordinated Debentures and, both during and after the subscription period, may offer Convertible Subordinated Debentures as set forth in the applicable Prospectus.

Subscription Price 100%

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offerings are made only by the applicable Prospectus. Copies of the applicable Prospectus are obtainable in any State from only such of the undersigned and such other dealers as may lawfully offer these securities in such State.

Harriman Ripley & Co. Incorporated Blyth & Co., Inc.

The First Boston Corporation Kuhn, Loeb & Co. Eastman Dillon, Union Securities & Co.

Glore, Forgan & Co. Goldman, Sachs & Co. Hornblower & Weeks Kidder, Peabody & Co.

Lazard Frères & Co. Lehman Brothers Merrill Lynch, Pierce, Fenner & Smith

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

Digitized for FRASER
http://fraser.stlouisfed.org/

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter No. 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.**

Electric Utility Industry—Discussion in July issue of "Business Comment"—The Northern Trust Company, Northwest La Salle and Monroe Streets, Chicago 90, Ill.

Fifteen Largest Banks in the United States—Comparative figures as of June 30, 1958—The Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

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.

Life Insurance Stocks for Profit and Growth—Data on 80 companies—Paradise Securities Company, 9477 Brighton Way, Beverly Hills, Calif.—$5 per copy.

Mid Year Review—Business outlook—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

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

Oil Production from Middle Eastern Countries—Survey—Ira Haupt & Co., 111 Broadway, New York 6, 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.

Paper Industry—Analysis with particular reference to **Nekoosa Edwards Paper Company** and **Sealright Oswego Falls Corp.**—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Petroleum Industry—Annual review—Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

Planning Your Future With Mutual Funds—Booklet—single copies on request—National Association of Investment Companies, 61 Broadway, New York 6, N. Y.

Public Utility Districts in the State of Washington—Tenth annual survey—John Nuveen & Co., 135 South La Salle Street, Chicago 3, Ill.

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

Radical Growth Stocks—Survey—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

This Is Blaw-Knox—Brochure on products and services—Blaw-Knox Company, 1231 Blaw-Knox Building, Pittsburgh 22, Pa.

Uncommon Values in Common Stocks—Bulletin—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is an analysis of **Emerson Electric Manufacturing.**

* * *

Arkansas Louisiana Gas—Bulletin—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Blaw-Knox—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y. Also available is a report on **Investment Companies.**

Dominion Tar & Chemical Company Ltd.—Review—James

Continued on page 39

For financial institutions —

Current trading favorites

Republic Natural Gas
Canadian Superior Oil of Calif.
Gustin-Bacon Mfg.
Collins Radio
Cutter Laboratories

Bought — Sold

Troster, Singer & Co.
Members New York Security Dealers Association
74 Trinity Place, New York 6, N. Y.
HAnover 2-2400 Teletype NY 1-376-377-378

Commodity Dept. for Williston & Beane

The 69-year old firm of J. R. Williston & Beane, 115 Broadway, New York City, members of principal stock and commodity exchanges has announced formation of a commodity department under the direction of Donald B. Conlin, member of the New York Cotton Exchange.


Alpheus C. Beane Donald B. Conlin

In announcing the move, Alphcus C. Beane, directing partner, said the firm will begin immediately to solicit trade and speculative accounts in commodity futures. He noted that while the firm has long accepted brokerage orders in all commodities as part of its regular service to customers, this move marks the initial establishment of a department which will specialize in the handling of professional and semi-professional transactions.

Truman, Wasserman Co. Formed in N. Y.

William S. Wasserman and Charles H. Truman have announced the formation of Truman, Wasserman & Co., 70 Pine Street, New York City, to "transact a general business in investment securities and to engage in special situations and international financing." The firm intends to make application to join the National Association of Securities Dealers.

Both of the new firm's principals have long experience in the investment banking field, both in the United States and abroad.

Mr. Wasserman began his career with Dillon, Read & Co., Inc. in 1926 and two years later became a partner of Trimble & Co. in Philadelphia. That same year he formed the Investment Corporation of Philadelphia, a private investment trust, which he still serves as President. Mr. Wasserman also founded and served as the first President of the Delaware Fund.

Prior to World War II, Mr. Wasserman devoted much time to overseas economic problems in behalf of the U. S. Government—serving as Chief Delegate to the Berlin Economic Conference in 1931; representing the United States at the International Labor Office Conference in Geneva in 1937 and making a special study on Germany's economic ability to wage war for Cordell Hull, then Secretary of State.

Mr. Truman, a veteran of the investment banking business, both here and abroad, for almost 40 years, began his career in 1919 in Austria with the Compass Credit & Guaranty Bank in Vienna. He moved to England, where he was associated with such banking institutions as the British Dominion Bank, and the British Dominion Finance Corp. He also served as a partner of Scaramanga & Co. in London, one of the world's oldest foreign exchange firms, from 1933 to 1939.

He came to the United States in 1951 and spent 6½ years as a Vice-President of Blair & Co., specializing in international business and special situations.

Anderson's Stand on Gold Price Policy Lauded by Economists

Administration's non-intention to raise the price of gold, voiced by Secretary of the Treasury Robert B. Anderson, wins endorsement of expert group of monetary economists.

In a statement issued by Economists' National Committee on Monetary Policy yesterday (July 16) 58 Committee members expressed their approval of the Administration's firm stand against dollar devaluation.

Robert B. Anderson

The non-partisan, non-profit research Committee, whose studies and professional advice in the fields of money, banking and credit since its organizational inception during devaluation days of 1933-34, has served as a research-watchdog of our monetary affairs with a greater measure of success than generally realized and appreciated. Its office is located at 1 Madison Avenue New York City. Dr. James Washington Bell of Northwestern University and Dr. Walter E. Spahr are the Committee's principal officers.

The text of Committee's statement follows:

"Secretary of the Treasury Anderson made the following statement on May 6, 1958:

" 'The Administration has made clear on many occasions, most recently at the September 1957 meeting of the International Monetary Fund, that the United States has no intention of increasing the price of gold or devaluing the dollar. I may say without qualification that this continues to be the position of the Government.' "

"We, the undersigned, members of the Economists' National Committee on Monetary Policy, wish to state publicly that it is fortunate for the United States that such is the position of our government. We wish to state further that under no circumstances should the dollar of this nation be devalued again because there are no valid reasons for another impairment of the fixity of our standard monetary unit.

"The various arguments being offered in this nation and abroad for such action, or for monetary and fiscal programs which might lead to such action, are unworthy of serious consideration because they are contrary to sound principle if a nation is to have a good standard monetary unit."

COMING EVENTS

In Investment Field

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.

Stowers Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—William A. Strumillo has been added to the staff of Stowers & Company, 4725 Syandotte.

PUBLIC RELATIONS EXECUTIVE

Available due to Recession-caused cutbacks. Highly regarded because of the superior job done in corporate public relations. Young and able team man capable of organizing, supervising and coordinating a broad program. Box C 717, Commercial & Financial Chronicle, 25 Park Place, New York 7, N. Y.

Here Is A Special Opportunity for You:

"FOR SALE"

Beautifully Bound Set of
Commercial & Financial Chronicles, 1914-1952
Available in New York City—Write or
Phone REctor 2-9570 **Edwin L. Beck**
c/o Chronicle, 25 Park Pl. N. Y. 7

gitized for FRASER
://fraser.stlouisfed.org/

Ira Haupt Admits Three Partners

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other principal exchanges, have


W. G. Carrington, Jr. Leon Lees, Jr.

announced that Ira Haupt II, William G. Carrington, Jr. and Leon Lees, Jr., have been admitted to general partnership in the firm.

Mr. Haupt joins the firm after two years of service in the U. S. Army. Mr. Haupt who was admitted to membership on the New York Stock Exchange, will execute orders for the firm on the floor of the New York Stock Exchange. The action makes the Haupts the only family to have three generations holding memberships on the exchange simultaneously. It also marks only the third time in the 166-year-old history of the exchange that a Wall Street family has gained this distinction. Others holding memberships are Ira Haupt, founder of the 33-year-old investment banking firm, and Stuart Haupt, his son, who represents the firm on the exchange floor.

Mr. Carrington began his career in investment banking in 1936 and joined Ira Haupt & Co. as a bond trader and salesman in 1940. At present he holds the position of manager of the Municipal Bond Trading Department.

Mr. Lees started in the investment banking field with Ira Haupt & Co. in 1932; was named manager of the Institutional Sales Department in 1946, and for the last five years has been in charge of the firm's Municipal Revenue Buying Department.

Scott & Cantrell With F. P. Ristine & Co.

Philadelphia, Pa.—F. P. Ristine & Co., members of the New York Stock Exchange and other leading exchanges, announce that William Powell Scott and John A. Cantrell have become associated with their Philadelphia office, 123 South Broad Street, as registered representatives.

Mr. Scott has been in the investment securities business since 1938. Prior to joining F. P. Ristine & Co., he was a partner of Johnson, Keen & Co., and previous to that, he was associated with Newburger & Company.

Mr. Cantrell was associated with Vertol Aircraft Corp. for six years before joining F. P. Ristine & Co.

K. Medann & Co. Formed

GARDEN CITY, N. J.—K. Medann & Co., Inc., has been formed with offices at 1001 Franklin Avenue to engage in a securities business. Officers are Jack Kissel, President; Robert Schwartz, Secretary-Treasurer, and Kitty Medann, Vice-President.

Form Security Service

LOS ANGELES, Calif. — Security Service Company has been formed with offices at 8230 Beverly Boulevard, to engage in a securities business. Officers are Harold S. Sudin, President; Sylvia Sudin, Vice-President, and Irwin A. Abrams, Secretary-Treasurer.

From Washington Ahead of the News

By CARLISLE BARGERON

A group of Washington newspapermen were sitting around a table discussing the foibles of their publishers. One of the delights of being a newspaperman is that you can do this without any fear of recrimination such as might be the case if you laughed at a boss in industry. The boss in industry travels on dignity and he doesn't take kindly to any levity towards him on the part of his subordinates. But with the exceptions rare and far between, most publishers can laugh at themselves along with their reporters.

Carlisle Bargeron

In this particular instance the subject was about a particular group of publishers' penchant for making Presidents and what their efforts have done to the Republican party, although all except one of them is a Republican.

It started back with Roy Roberts of the Kansas City "Star." We know a few more accomplished men than Roy. Back in my earlier days we were Washington correspondents together, but Roy, in the course of time, became a millionaire part owner of the "Star." Getting a monopoly in Kansas City, and becoming an important figure in Missouri and Kansas politics, he looked around for new fields to conquer and in 1936 came up with Alf Landon as the Republican Presidential candidate. Landon was a good man and an able man but up against the great Roosevelt he looked like a midget. Roosevelt carried every state in the Union but two. I don't know of anyone who could have done any better that year so Roy's little fling at Presidential making was forgiven.

But four years later he was back again in the small group that put over Wendell Willkie. Mr. Willkie's condidacy actually started with a supper party at the home of Helen Reid, who was running the New York "Herald Tribune." She looked with horror upon the candidacies of Tom Dewey and Bob Taft because she didn't think either one was internationalist enough. Her idea of running Willkie quickly spread to Henry Luce, Cyrus Sulzberger and Roy Howard.

I was right close to Willkie and told him after his nomination at Philadelphia that he was in an awful fix because he was bound to step on the toes of one of these publishers. Sure enough he annoyed Mrs. Reid and Luce when he boarded Roy Howard's yacht at Philadelphia for a ride to New York. They, along with Roy Roberts and Palmer Hoyt of the Denver "Post," were always at his ear on the telephone with conflicting advice. It was impossible for Willkie to take the advice of all of them.

Mr. Luce was the first one to desert the ship. He put a correspondent on the Willkie train who wrote the most devastating article I have ever seen written about a Presidential candidate. Its theme was that Willkie's brain trust was made up of the "halt, the blind and the maimed."

Mr. Willkie's nomination was the first step towards dismantling the Republican party. But this same group was back in 1952 when it seemed that Taft had the Republican nomination in the bag. I do not know that Palmer Hoyt and Roy Rogers had any particular part in the Texas steal propaganda. In any event, it was a shabby piece of journalism. There is not the slightest doubt that the Texas Republican delegation was pledged to Taft but at the last minute a group of Democrats, men who had voted in the Democratic primary but a few weeks earlier, moved in and claimed control of the Republican convention. When they were denied they set up the cry that the Taft people had stolen the convention. This story, plugged by Luce, Mrs. Reid and Sulzberger killed Taft's changes and the trio got their man, Eisenhower.

This is what the newspapermen were laughing about. The publishers had their way and where is the Republican party today? As I have said, all except Sulzberger were Republicans and presumably interested in the perpetuation of the Republican party. The party would be much better off today and I think also the country, if these gentlemen had just stuck to their lasts of running their publications without trying to run the world.

I consider all of these people my friends and they are certainly men who have made their mark. But I have them indelibly inscribed on my list of those whom I wish had let the country alone.

Jones, Kreeger Firm To Admit Five

WASHINGTON, D. C. — Jones, Kreeger & Hewitt, 1625 Eye St., N. W., members of the New York Stock Exchange, on August 1 will admit to partnership Kenneth P. Jones, Marvin E. Gordon, Oscar P. Ryder, Robert M. Hanson and Kenneth N. Watson.

Forms Syanson Co.

SEAFORD, N. Y.—Paul I. Goldstein is engaging in a securities business from offices at 2234 Jackson Avenue, under the firm name of Syanson Company.

Clifford Murphy Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Me.—Lawrence J. Clemente has joined the staff of Clifford J. Murphy Co., 443 Congress Street.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Debentures. The offer is made only by the Prospectus.

$300,000,000

United States Steel Corporation

4% Sinking Fund Debentures Due 1983

Dated July 15, 1958 *Due July 15, 1983*

Interest payable January 15 and July 15 in New York City

Price 100½% and Accrued Interest

Copies of the Prospectus may be obtained in any State from only such of the undersigned as may legally offer these Debentures in compliance with the securities laws of such State.

MORGAN STANLEY & CO.

DILLON, READ & CO. INC. *THE FIRST BOSTON CORPORATION* *KUHN, LOEB & CO.*

BLYTH & CO., INC. *DREXEL & CO.* *EASTMAN DILLON, UNION SECURITIES & CO.*

GLORE, FORGAN & CO. *GOLDMAN, SACHS & CO.* *HARRIMAN RIPLEY & CO.* Incorporated

KIDDER, PEABODY & CO. *LAZARD FRERES & CO.* *LEHMAN BROTHERS*

MERRILL LYNCH, PIERCE, FENNER & SMITH *SALOMON BROS. & HUTZLER*

SMITH, BARNEY & CO. *STONE & WEBSTER SECURITIES CORPORATION*

WHITE, WELD & CO. *DEAN WITTER & CO.*

July 16, 1958.

gitized for FRASER
tp://fraser.stlouisfed.org/

The Impact of Highways On Our Economy

By STANLEY C. HOPE*
Retiring President, Esso Standard Oil Company

Mr. Hope assays the impact of highway transportation on our economy and issues a warning against (1) levying unreasonable taxes on highway users, and (2) subverting highway program into an anti-recession weapon. Points out that the growth of highway transportation must be encouraged, not stifled, and the 13-year program planned by the 1956 Highway Act cannot be turned off and on to meet changes in the business cycle. Credits highways with providing ten million jobs and helping to create thousands of new industries, and claims that if we had adequate roads today 50% more people and goods might move over our highways. Reviews aims of Federal Highway Act to save lives, promote economic welfare, provide for general well being and future growth of our people.

I wish to discuss the impact of highway transportation on our economy. Every great civilization has been built on the foundation of the road—and America has been no exception. The circulation of ideas and art, the growth of commerce, and the preservation of law and order—all depend on the free flowing movement that the road affords.

Stanley C. Hope

The development of a system of roads suitable to the use of the automobile drastically altered the shape of the American economy in a few decades. Indeed, the entire structure of American society assumed a new form.

Nineteenth Century life in America was relatively circumscribed and uneventful. Community life centered around the general store, the church and the little red schoolhouse. Each community was isolated from the next. Cities were very compact—and their residents were crowded into spaces the radii of which seldom exceeded the distance a man could walk in an hour.

The automobile and new roads broke forever the close confines of the Nineteenth Century city. The urban population exploded into the surrounding countryside. Scattered villages were assimilated into the more inclusive community. The isolated life of the village yielded to the blandishments of city employment, greater shopping facilities, and other attractions. America was on the move.

And the start of this move was not too many years ago. I can remember in my native city of Springfield, Mass., tall tales that were told by early motorists who attempted to drive from Springfield to Albany and were invariably bogged down on the famous Jacob's Ladder over the Berkshire hills. Farmers in the neighborhood, with their horses and oxen, reaped a fortune in pulling cars of that period through the sand ruts, or mud if it happened to be a rainy day.

And I remember vividly my first trip by train to California, not more than 30 years ago, when during the month of March the only transcontinental road that could boast of such a name, the Lincoln Highway, was so bogged down with mud through Iowa and Nebraska that it gave me a very superior feeling to sit in a comfortable train and watch automobiles struggling on roads that were next to impassible.

*An address by Mr. Hope before the Seventh Annual National Highway Transportation Congress, Washington, D. C.

Today, with sprawling cities and suburbs, shopping centers and drive-ins, motels and trailers, Americans are the most mobile people on earth. On wheels they go to work, to school, shopping and on vacation. Every 24 hours they travel over a billion miles on our roads. No longer is there an "end of the line." Anyone can go almost anywhere. Because of this mobility, all parts of the population share in the national life with an equality and to a degree never before possible.

Millions of Americans depend on roads. Vital goods and services are delivered over roads. Almost everything we eat, wear or use has at some time been hauled by trucks. Nearly one-third of all school children ride to school in buses. Fire engines, police cars and ambulances roll on wheels over our roads.

All of us are dependent on roads as an essential element of our national defense. President Eisenhower has said: "Next to the manufacture of the most important implements of war as a guarantee of peace through strength, a network of modern roads is as necessary to defense as it is to our national economy."

Highway transportation as it is known today provides almost 10 million jobs. One out of every seven Americans earns his living in some phase of highway travel. Trucks have incorporated the road into industry's assembly lines. Our highways have helped create thousands of new industries which have mushroomed in the past 30 or 40 years. As suburbs have grown, new theories of merchandising have been developed for the commodities and services Americans buy and use. In some states, the automobile and the highway system have made tourism the leading industry.

Yet there are still many problems to be met and solved. No dynamic change has ever been brought about without certain stresses and strains—and the rapid development of highway transportation has been no exception.

The stresses and strains are familiar—we experience them each day. Every day in hundreds of towns and cities across the nation there are traffic jams — uptown, downtown, and crosstown. The source of this problem is not hard to find—it is in the fact that our roads have not kept up with the nation's traffic load.

Inadequate roads cause large economic losses. It has been estimated that deteriorated highways and the lack of parking facilites add at least $75 million a year to auto maintenance and repair costs for motorists on the East Coast alone. But not only do motorists suffer economic hardships when highway transportation bogs down —so does business and industry. If roads were adequate today, 50% more people and goods might move over our highways.

Just as civilization advances with an adequate road system, so does it stagnate when adequate roads are not available. The situation reached the point several years ago where bold, imaginative action had to be taken to improve the state of America's highways. This action was essential to help save lives on our highways, to promote the economic welfare, and to provide for the general well-being and future growth of our people. These are the objectives of the Federal Aid Highway Act, passed by the Congress of the United States in 1956.

The program created by this Act marks the first time that we have taken a long look ahead and set up a highway plan that will give us the road we need now, and enable us to keep abreast of the traffic load as it grows in the years ahead.

Of course, the modernization of our roads will definitely make highway travel safer as well as more efficient. Additional mileage of planned access highways will bring great savings in lives, limbs, and property damages.

Competent safety authorities have estimated that thousands of traffic deaths could be avoided annually if highways were better. The safety factor alone would justify the vast program contemplated for our nation's highway transportation system.

But the program also will pay off in economic growth, for the huge expenditures will reach into every corner of business. America will be on the move once more—and the move will be towards increased prosperity for all Americans.

The record shows that new roads have stimulated business, opened up jobs, raised land values and lured new industry into the area. In Boston, for example, Route 128 was built in 1951. Land, along the right-of-way, worth $50 to $100 an acre, now sells for $5,000 to $10,000. Over $150 million in plants and buildings have been put up near the roadway. Businesses located near new planned-access highways have increased sales volume by 31%. The same highways have cut delivery time 30 to 50%.

The 13-year program planned by the 1956 Highway Act envisaged new modern roads for safety, defense and economic growth. These three objectives called for an orderly, sustained rate of development. Highway projects require many months of advance planning and equally long periods for land acquisition and construction.

Bertram Tallamy, our able Federal Highway Administrator, once stated the effect of the 1956 Highway Act on our economy in very succinct terms:

"The demands of the highway program on industry and on our economy are predictable demands. Construction of the new network of roads is not a crash program. It is a program which is a sustained, calculated undertaking that will carry on at a reasonably high level throughout the construction period. There are no peaks and valleys in the schedule and the result should be a continuing healthy effect on the general economy."

Planning for the future is one of the significant characteristics of the 1956 Act. It is a characteristic which makes the contemplated highway program unique in the history of road-building. It is a factor which should never be overlooked by legislators, highway officials and highway users.

The new Highway Act signed by President Eisenhower authorizes a $3.2 billion increase in Federal spending on highway construction. The President stated at the time of signing the bill that "expansion and improvement of our roads and highways have been major factors in the development of our economy and will continue to be so in the years ahead."

Yet in the same paragraph the President felt constrainted to point out certain defects in the new act which caused him misgivings and which made him sign the bill with reluctance.

He didn't like one provision that makes the government put up two dollars for every one dollar posted by the states. This was a radical change from the long-established policy of dollar for dollar (except on the interstate system).

Another objection voiced by Mr. Eisenhower concerned Washington's advance of $400 million to the states—this being in effect a loan to cover the state's own share of the cost.

These provisions, the President noted, set "unfortunate precedents." Most of us are aware of how such so-called emergency measures have a way of becoming permanent fixtures — to the taxpayers expenses. However, the President indicated that he signed the bill because of the temporary character of these faulty provisions and that he expected to see them corrected by subsequent legislation.

Mr. William Richardson, in his keynote address to the Seventh Highway Transportation Congress, discussed these provisions and their importance to all highway users, especially the provisions concerning taxation. We must be on guard, on behalf of the road program, against any such taxation—even though it is proposed in the name of the road program.

If any doubt exists that taxes can stifle the development of highway transportation, we have only to take a look at the European situation. In most of Europe we find mediocre roads, relatively few motor vehicles, and extremely high taxes on highway users.

For example, the average price of a gallon of regular gasoline in Great Britain is 50.8 cents. Of this price 29.2 cents is tax. In Spain the price is 57.6 cents, of which 36.8 cents is tax. The French motorist now shells out 98.6 cents a gallon, and over half of this price is tax. Taxes on passenger cars in these countries are equally high.

The result? Nine people for every automobile in England — while in Spain, only one person in every 108 has a motor vehicle. Excessive taxation of highway users in Europe certainly has helped stifle the development of highway transportation, and has had a dampening effect on the general economy.

I have pointed out earlier how highway transportation has carried the American economy to a high level. To maintain this level, taxes on American highway users must be kept within reasonable bounds. The growth of highway transportation must be encouraged, not stifled as has happened elsewhere. To insure this continued growth, every highway user must be alert to proposals advocating additional taxes now, or unreasonable taxes in the future.

At this point, I would like to explore with you another aspect of the recent legislation which has been troubling some observers. It is the growing tendency to view the highway program as merely another anti-recession measure. If this viewpoint is allowed to grow, there is a real danger that the original objectives of the highway program may be distorted or forgotten. The highway program cannot be turned on and off like a faucet to create additional jobs when needed. We should not get caught in a scramble to spend the newly-authorized funds—a scramble which could disrupt the carefully-planned highway program which we all support.

Let us take a good look at what effect the 1958 Act will have on the national economy. Of course, we all realize that the long-range effects of the highway program will be beneficial to every segment of our economy.

But what about the present recession? Can the additional funds really help get us out of the recession, or should they be viewed as merely a welcome addition to the highway program?

The newspapers have been full of headlines about the new Highway Act being a strong anti-recession measure. I am skeptical of the use of the highway program as a means of fighting this particular type of recession — for several reasons.

The most important reason is the matter of timing and careful planning. It takes a great deal of planning to spend so much money wisely. The new funds have to be carefully integrated into the highway program in order not to disrupt the program or distort its objectives. The decisions to step-up highway spending which have been made will probably have their major impact in 1959, or even later. We may be out of the recession at that time. I, for one, believe we will. The additional funds for highways at that time will have a negligible effect on the economy. Yet, because of these funds, hit-and-miss measures may be adopted, and the carefully-planned highway program discarded in the scramble to spend the money.

Another shortcoming of accelerating highway spending is that it does not stimulate directly those sectors of the economy which are depressed. Highways and the construction industry generally are at high levels of activity. This is especially true when they are compared to the automobile, rubber, oil, and other industries that are feeling the recession.

It seems to me that all of us have a job to do—especially organizations such as the N. H. U. C. We all must guard against hit and miss measures which may be adopted when the highway program is viewed as an "anti-recession" move. We must insure that the original objectives of the 1956 Act are not diluted or distorted in the public's mind. We must see to it that the carefully-planned, scientific program which we all support — does not turn into a chaotic crash program.

Finally, we must prevent the highway program from becoming a political football. It would be a real travesty if this bold concept should deteriorate into a space age WPA.

The effects of the highway program on our economy are clear to all of us. American business stands to benefit as much as the American motorist. The new roads will help carry American civilization to new heights. Jobs will be plentiful — during the building and after construction is completed. The highway program provides a steady underpinning to our economic growth. It is the biggest road program ever attempted by any nation. It is truly a "Grand Plan."

We have all worked to bring this Grand Plan into existence. We all support it and welcome the benefits we shall derive from it. Let us be sure to continue to guard against any distortion of its original objectives.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Thomas J. Vaughan has joined the staff of Dean Witter & Co., Farnam Building.

With J. S. May Co.

(Special to THE FINANCIAL CHRONICLE)

HIGH POINT, N. C.—Malcolm G. Moore is now with J. Sturgis May & Company, Security Bank Building.

gitized for FRASER
p://fraser.stlouisfed.org/

Is Management Guilty as Charged?

By WILLIAM D. BOWDEN

Financial Relations Department, Turner Advertising Agency

In taking issue with those who find shareholders are maltreated by management, Mr. Bowden contends it is incorrect to include amongst dissident stockholders those who were aware of company's management policies before they become part owners and now criticize them because those same policies are still pursued. Author further contends that "if the investor later decides that another policy better suits his investment purposes, he should switch to a company with such a policy [and] — not try to change the management he originally favored." Approval, however, is voiced for shareholder rebellion against "straddle the fence" type of management.

American shareholders — the "poor, undertrodden, unrespected mass of investors" — suddenly seem to have gained an army of champions among investment writers. These writers have sallied forth with their pens unsheathed to challenge management as to its treatment of the stockholder. They have laid down the gauntlet, and management now is supposed to perk up and start treating its stockowner bosses with due respect.

William D. Bowden

Yet, in a personal survey conducted by the writer among intelligent investors in common stock, comments concerning management ranged from "contented" to "delighted," **in every case where the investor understood and liked management's policy before he invested.**

We seem to be going through a stage of investment writing that is somewhat like using the wrong lens of bifocal glasses in looking at management and shareholders. There seems to be a myopic vision that gives a distinct view of management, but a blurred view of stockholders.

Many of today's critics could be likened to a traveler, who in walking across country stepped down from a hill into a valley. Because the sun does not reach the valley, he assumes the day is dark—that danger menaces him. He does not look back a few short paces and see the brightness on the hill he has just left—nor does he look forward and see the sun shining on the higher plateau ahead.

It is hard to believe that stockholders were treated badly by the management of companies whose stocks gave them the earnings and dividend growth seen in our economy just prior to the current recession. It is difficult to imagine shareholders turning against management which takes full advantage of the growth which will come after this period of recession.

Offers Several Examples

Are shareholders being given an honest view of management—or are the critics taking advantage of a period in our economy where the producing of scapegoats is the easy way to recognition and popularity?

Can you imagine, for example, shareholders in a company like American-Marietta looking back at 10 increases in dividend income since 1952—or seeing the value of their shares up over 16 times from 1951's value—accusing management of maltreatment?

Are shareholders dissatisfied with the Minnesota Mining & Manufacturing Co. management which has given them more than doubled dividends and a share value up more than three times since 1952?

Many such examples can be given. Rohm & Haas Co. has increased dividends seven times, and its share value has more than tripled in the past seven years; Dow Chemical has given stock dividends plus increasing cash dividends, and share value has doubled in this period.

Let's take a frank and unbiased look at the relationship between management and shareholders.

It is an accepted (and, in most cases, welcomed) fact with management that owners of stock in a company should have a say in that company. And in most progressive companies they are given every opportunity to express their views, wishes and demands. Investors are urged to attend shareholder meetings, annual reports have been made more informative, interim reports are more frequent and comprehensive.

But, let's not get the relationship of management and shareholders mixed up. The shareholders are the owners, and it is their right to demand and expect certain results from management. However, it is management's job to run the company. Management is retained by the shareholders to exert its brains, talents and knowhow for the benefit of the company and the shareholders. These are the experts who **know** how to run a company.

Receiving What You Bought

An investor should become a shareholder in a company only after he is certain the policies of that company's management will suit his investment aims. Then, as long as management continues those policies, the investor is receiving the factor he bought.

If the investor later decides that another policy better suits his investment purposes, he should switch to a company with such a policy — not try to change the management he originally favored.

As a case in point, let's compare an income company such as American Telephone & Telegraph, Consolidated Edison, or a similar entrenched utility, with a growth company like American-Marietta, Minnesota Mining, or Rohm & Haas. Here are two types of companies whose managements offer widely different policies to the investor.

When an investor buys stock of a company like one of the entrenched utilities, he knows he is buying a solid income stock with growth potential limited quite closely to our country's population growth. In the case of AT&T, he buys because of management's avowed policy of giving a $9 a year dividend—and he feels that this policy best suits his investment purposes.

This investor has no valid right to criticize management in later years because he hasn't received a sizable growth beyond the economy's growth—because he did not make that a criterion of management when he first decided to become a shareholder.

On the other hand, when an investor selects, for example, a company like American-Marietta, he is buying a record of growth that surpasses the general economy's growth. He selects a lower income at the time of purchase for the probability of a higher future income and sizeable appreciation in the value of his shares.

At the time this investor decides on A-M, he wants the management's policy of growth—and he prefers having 40% of earnings paid in dividends and 60% plowed back for continued growth of earnings and dividends. And he has a right to expect management to follow this policy in the future.

However, should this policy no longer suit him, he should switch to a company with the policy he prefers—not blame management, as so many of today's financial writers seem to suggest.

Shareholder's Responsibility

Today's most poignant advice might much better be aimed at the investor with these words—**"Investor, know thyself"!**

In order for a happy union between management and shareholder to exist, the investor must select management with a policy that fits his objectives. This is the investor's responsibility — not management's.

Management could not do a good job if it had to mold itself to each shareholder . . . and failure would be the only outcome if management had to adjust its policy at each annual meeting.

The investor who wants a happy relationship with management must first know what he wants from his investment. Then he must carefully select a company with management policies that satisfy this objective.

He does not criticize a doctor who can't give legal advice—nor does he blame a lawyer who cannot cure a stomach-ache. Why, then, should he be critical of an income-minded management that does not produce sizable growth, or of a growth-minded management that does not pay out the major part of its earnings?

This does not mean that management should be absolved from all criticism . . . but, it does mean that the shareholder will benefit only when critical action is directed in the proper direction.

Obviously, a management that insists upon straddling the fence and can't make up its mind as to a definite policy offers shareholders nothing but grief. In such cases, shareholders must act in their own defense (if they can't justify getting out of the company and into another with stronger management). Those individuals who have appointed themselves as spokesmen for the owners of stock can serve well in such circumstances.

But, these are the isolated cases —not examples of management as a whole. They are not justifiable cause for an overall criticism of management.

Let's boil this down to the basic relationship between management and shareholders. Investors are invited to join in the ownership of a company on the basis of management's policy. If they accept and become shareholders, management's obligation is to continue that policy with wisdom. In the shareholder's hands lies the responsibility for adjusting to any changes in his personal objectives.

If an investor wants a company that is firmly entrenched in one field, that stresses income over growth, the AT&T's are for him. If he wants a diversified company aiming at a growth greater than the economy's, the American-Marietta or Minnesota M & M type is for him. **And never the twain can meet in one company for the investor.**

No one will help the shareholder by taking a few isolated cases as examples and a backdrop of temporary recession gloom to form the basis of an attack on management. Actually, management as a whole is doing an excellent job of executing its avowed policies.

The true answer lies in teaching the investor to know himself. If a swimmer isn't happy on skis—we can't blame the snow. If a growth-minded investor isn't happy with an income stock, or vice-versa, why blame management?

Powell, Johnson Branch

FRESNO, Calif.—Powell, Johnson & Powell, Inc., has opened a branch office in the Rowell Building, under the management of James D. Dopson.

Homer O'Connell to Be Blair Co. V.-P.

On August 1 Homer J. O'Connell will become a Vice-President of

Homer J. O'Connell

Blair & Co., Incorporated, 20 Broad Street, New York City, members of the New York Stock Exchange. Mr. O'Connell formerly conducted his own investment business in New York City.

Joins Bach Staff

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Charles W. Townsend is with Bache & Co., Johnston Building.

Joins Edw. N. Siegler

(Special to THE FINANCIAL CHRONICLE)

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

E. J. Carroll Opens

BROOKLINE, Mass.—Edward J. Carroll is conducting a securities business from offices at 1731 Beacon Street. He was previously with Keller Brothers Securities Co.

G. C. Criswell Opens

ST. PETERSBURG BEACH, Fla. —Grover C. Criswell, Jr., is engaging in a securities business from offices at 2503 Pass-a-Grille Way.

This is not an Offering Circular. The offer of these Bonds is made only by means of the Offering Circular, which should be read prior to any purchase of these Bonds.

$22,000,000

Southern Railway Company

First Mortgage Collateral Trust 4½% Bonds

Dated August 1, 1958 *Due August 1, 1988*

Interest payable February 1 and August 1 in New York City

Issuance and sale of these Bonds are subject to authorization by the Interstate Commerce Commission.

Price 100% and Accrued Interest

Copies of the Offering Circular may be obtained in any State from only such of the undersigned as may legally offer these Bonds in compliance with the securities laws of such State.

MORGAN STANLEY & CO.

BLYTH & CO., INC. THE FIRST BOSTON CORPORATION

HARRIMAN RIPLEY & CO. Incorporated DICK & MERLE-SMITH

FRANCIS I. duPONT & CO.

July 16, 1958.

Digitized for FRASER
http://fraser.stlouisfed.org/

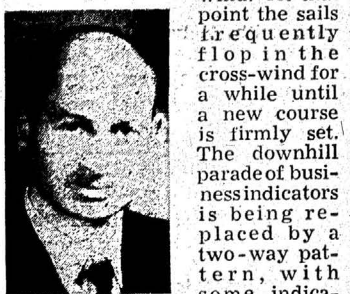
Economy at the Turning Point

By RALPH A. BING*

Vice-President and Head of Investment Department
Commonwealth Investment Company, San Francisco, Calif.

San Francisco investment economist surveys the down-pulling and unlifting forces in the economy and explains why he anticipates the stage is being set for a "slow" recovery affected by: further rise in public spending; rising consumer spending on non-durables, services and residential building; not too buoyant consumer durable goods spending; halt late this year in inventory liquidations; and dragging new plant-equipment private spending. Looking into the, often described, Golden 60's, Mr. Bing interjects "a few realistic shadings" to support view that expected growth resumption will not be at the rate of 1947-57 since it will lack the benefit of the extra impetus of pent-up depression and postwar demand. Looks to such factors as accelerated basic and applied research, and population rise, to keep average growth rate at about 3% annually.

With the advent of the second half of 1958, our economy might be likened to a sailboat that just starts making a turn against the wind: At that point the sails frequently flop in the cross-wind for a while until a new course is firmly set. The downhill parade of business indicators is being replaced by a two-way pattern, with some indicators continuing downward and others turning up. The F.R.B. industrial production index, a rough yardstick for the nation's industrial output, turned up a point in May from its April low of 126 and may have gained an additional one to two points in June.



Ralph A. Bing

So far these are merely straws in the wind and, as yet, not quite conclusive. Let us, therefore, look more closely at the pattern of postwar recession No. 3. It has been characterized by three major depressing factors: Inventory liquidation, declines of consumer purchases of durable goods, particularly automobiles, and cuts in private spending on new plant and equipment. All three have resulted from certain economic conditions which usually develop during a prolonged period of booming business.

Economic Imbalances in 1957

Consumers as well as producers had increased their purchases well in excess of spendable income and of cash flow, respectively. Thus private indebtedness had risen fast, with a concomitant decline in liquidity: From the end of 1953 to December, 1957, total consumer credit outstanding rose 43½% and the ratio of such debt to consumer spendable income climbed from 12.4% to 14.8%. A rough indication for a similar trend during the same period as far as business is concerned can be found in the fact that commercial bank loans rose 49% to $40½ billion, whereas the total cash flow (net after tax plus depreciation) of private corporations rose only 33%. The decline in business liquidity is furthermore typified by the fact that the ratio of total cash and U. S. Government securities holdings to total current liabilities of all manufacturing corporations declined from .67% at the end of 1953 to .51% by mid-1957.

In addition to a deterioration of liquidity throughout the economy other, even more important, disequilibria had developed. During the boom-time buying spree of 1955 and 1956, the consumer got loaded up with durable goods to the point of partial, temporary satiation. Moreover, replacement demand of such goods, notoriously postponable, fluctuates widely, depending on consumer income, available credit, and last but not least, on consumer optimism or caution. While credit became tighter in 1957, the consumer did become more cautious and, above all, failed to fall in love with the 1958 car models.

At the same time business, fired on by over-optimistic market anticipations and by the pressure of competition, had expanded capacity way ahead of basic demand, thus creating temporary excess capacity in many fields. Although data and measurement of "excess capacity" in specific industries are quite incomplete, it has been roughly estimated that by 1957, at the peak of the last boom, average industrial capacity probably was at least 20% in excess of annual output; moreover, substantial additional capacity was programmed and some of it under construction at the start of the recession.

Furthermore, total business inventories, at their $91.3 billion peak in September of 1957, had risen 21% from the 1954 average level. While this was about in line with the percentage increase in total sales of manufacturing and trade, it was a fact that in the face of a growing lack of liquidity, of consumers' satiation with durables and producers' satiation with capacity, production, sales and inventories on the manufacturing level had become geared to a non-sustainable level of final demand.

There have been a few additional factors contributing importantly to the recession: First, the rise in union wages, outpacing increments in productivity, was cutting steadily into profit margins. Second, price inflation (partly a result of the former) reduced the purchasing power of those consumer segments whose income is static or relatively slow-moving.

Some Sustaining Forces

Such an array of imbalances and depressing forces might easily have thrown the economy into a vicious tailspin, had it not been for some major supporting forces. One of the supports was triggered by Russia's technical advances and her political moves in the Middle East and Far East, all of which boosted our defense spending by about $2 billion in the current calendar year and may raise it by a similar amount next year.

Another important support has come from the continued large deficiencies of things called "social capital," such as highways, schools and hospitals. As a consequence, state and municipal spending is going up another $2 billion to $3 billion this year, and may do the same next year.

Thirdly, the consumer, while reducing his buying of durable goods by an annual rate of $3.5 billion in the last quarter of 1957 and the first quarter of 1958, actually cut his overall spending in that period by only $2.4 billion, or .84%, due to increased buying of consumer services. Moreover, residential building, stimulated by easier down payments on FHA and VA construction, and by a greater availability of mortgage funds, has held relatively firm and in more recent months has trended upward. Maintenance of consumer spending other than on durables, despite considerable unemployment and reductions in weekly working hours and total payrolls, must be primarily credited to a partly offsetting increase in "transfer payments," such as unemployment insurance and veteran payments, and secondarily to a favorable recession experience in the past ten years, all of which combined to support consumer confidence as one of the major road blocks to a vicious down spiral in the business cycle.

Finally, I sympathize with the somewhat heretic idea that some credit for the avoidance of a down spiral is due to the absence of widespread drastic price declines during the down cycle. Contrary to orthodox economic theory, a general and substantial downward adjustment of manufactures and retail prices initially tends to accelerate the business decline by raising expectations of further price declines and thus stalling demand all along the line, and by sharply aggravating the unfavorable profit trend in business.

What Progress Has Been Made in Correcting the Basic Imbalances?

After these "post-mortem" remarks on the down phase of the latest business cycle, which in eight months had carried the F.R.B. industrial production index down from 145 to its April low of 126, let us take stock of how much progress has been made in correcting the basic imbalances.

Liquidity has been somewhat improved throughout the economy. Substantial inventory liquidations have tended to bolster the liquid position of manufacturing corporations as well as the banking system. Despite sharp profit declines in manufacturing, the ratio of cash plus U. S. Government securities holdings of manufacturing corporations to their current liabilities was .54% in the first 1958 quarter, compared with .51% one year earlier.

The Fed's easy money policy has greatly accentuated the liquidity of commercial banks. From September of 1957 to the end of April, commercial business loans were off $2½ billion, while commercial bank holdings of "Governments" were up $5½ billion. Free reserves of member banks (excess reserves minus borrowings from the Fed) have been in a $500 to $600 million range for quite a few months, compared with deficit figures of $300 to $400 million last year. Short-term interest rates are from 40% to 70% below their 1957 highs, and long-term rates have declined 15% to 20%.

In the realm of top-heavy manufacturing inventories, sharp adjustments have been attempted: These inventories declined at an annual rate of over $2½ billion in the fourth quarter of 1957, and the decline accelerated to an annual rate of $6 billion in the first five months of 1958. From their September, 1957 peak of $54.2 billion, manufacturing inventories came down by $3.2 billion, or 5.9%, in May of 1958. However, during the same period manufacturing sales had declined roughly by a similar dollar amount, representing 11% of the September, 1957 sales of $28.2 billion. A sales decline that, percentagewise, is faster than the inventory liquidation, is not unusual on the manufacturing level in the early phase of a recession.

Whether an initial inventory imbalance has been really aggravated should be primarily judged against the trend in final demand on the retail level. Here the picture is reassuring: From their monthly peak of $17 billion last August, seasonally adjusted retail sales receded to a low of $16.1 billion in March, to bounce back to $16.6 billion by May; this is a net decline dollarwise of only 2.35%. Trade inventories have receded about in line with trade sales. If retail sales continue to at least hold up at present levels, the overall inventory situation is on the way toward a better balance, in spite of the temporary deterioration of the sales-to-inventory ratio on the manufacturing level. Continued maintenance of final demand will eventually force manufacturing output and sales up to the level of final demand. It may be noteworthy that May figures showed for the first time a slight upturn in manufacturing new order and sales, although one month, of course, cannot establish a trend.

This improvement in the inventory situation, conditional upon continued sales support on the retail level, naturally brings us back to the economic imbalances pertaining more directly to the consumer. To the extent that the purchasing power of many consumers has been reduced in recent years, nothing has happened to relieve that condition. The failure of most price levels to decline, while probably a barrier to an immediate self-reinforcing down cycle, bears unfavorable **long-range** implications for consumers' demand levels, especially as prices are likely to continue to inch up over the years, ahead of the income of many consumers.

Total consumer credit outstanding is off 4% from its $44.8 billion peak in 1957—not a very substantial adjustment. Therefore, consumers' credit is unlikely to contribute quite as much buoyancy to consumers' demand in the next few years as it did in the past three years when it climbed an average of $3 billion annually.

As to the consumer's partial satiation with durables, it is hardly feasible to define it in statistical terms. As you know, however, there is every indication that, for instance, the car market, which normally accounts for nearly one-half of all consumer durable purchases, emerged in a state of partial temporary satiation from the 1955 buying spree. On the other hand, without going into details, a good case can be made for the contention that the 1958 level of car purchases, so far, has been near normal replacement levels, below the long-term trend.

With other elements on the basic consumer position almost unchanged, it is interesting to note that consumer spending on durables — after declining from a peak annual rate of $35.9 billion in the first quarter of 1957 to a rate of $31.5 billion a year later, has recently given indications of bottoming out at this level. I am inclined to conclude that the partial temporary satiation of demand for consumer durables has ceased to be an actively depressing factor in the economy.

The least progress has been made in correcting those imbalances which affect private business spending on new plant and equipment. This is not surprising, since the primary influence is elimination of excess capacity which is naturally dependent upon the relatively slow growth of basic demand. However, the further deterioration which threatened last year has been mitigated by the curtailment or postponement of numerous expansion projects in the chemical, paper, aluminum and other industries. On the other hand, the discouraging squeeze on margins has, of course, been aggravated by the decline in volume resulting from the recession itself. For instance, the average net profit margin of manufacturing companies declined to 3.4% in the first quarter of 1958 from 4.7% in the third quarter of 1957, and 5.1% in last year's first quarter. Moreover, upward pressures in wages have at best, been temporarily reduced.

Consequently, it is not surprising that estimates of the latest business plans indicate a decline in capital spending to an annual rate of about $31 billion this year from around $37 billion last year, and that sharp reductions in new appropriation for such spending foreshadow further declines in the first half of 1959, perhaps to an annual level of about $27 billion or $28 billion. It should be borne in mind, however, that this type of capital spending has been a frequent laggard in business cycles, and may well continue downward while the rest of the economy could turn upward. In fact, I think this is going to happen again in the present cycle. A rough overall calculation of the major factors involved certainly points toward such a likelihood.

A Prognosis for Recovery

During the first quarter of 1958 the major down-pulling versus the uplifting forces in the economy, put on annual rates, shaped up as follows:

Changes From 4th Quarter, 1957 to 1st Quarter, 1958—Annual Rate

	Billions*
Business Inventories	\$— 6.3
New Plant & Equipment	— 3.0
Net Foreign Investments	— 0.5
Consumers' Durable Buying	— 2.9
Non-Farm Residential Building	— 0.2
Total Down-Draft	\$—12.9
Consumers' Non-Durables & Service Buying	\$+ 1.7
Government Purchases of Goods & Services	+ 0.5
Total Up-Lift	\$+ 2.2
Net Down-Draft in G.N.P.	\$ 10.7

*Difference between inventory liquidations at an annual rate of $9 billion in the first quarter of 1958, and at a rate of $2.7 billion in the last quarter of 1957.

The following **assumptions** seem reasonable:

(1) The decline in private spending on new plant and equipment will continue well into 1959 at an annual rate of perhaps $4 billion to $5 billion.

(2) The decline in consumers' buying of durables will not be resumed. Note that, conservatively, I do not assume a significant improvement in the 1959 car business.

(3) Inventory liquidations are coming to a halt late this year.

(4) Consumer spending on non-durables and services, and on residential building will rise at a combined annual rate of at least $4 billion from now on, since the recession is coming to a halt.

(5) Federal, State and Municipal spending will rise at an annual rate of $3 billion to $4 billion in the second half of 1958, as well as in 1959. On these assumptions the down-pulling forces in the economy would be reduced from an annual rate of about $7 to $8 lion in the first quarter of 1958 to around $4 or $5 billion while the up-lifting forces should reach an annuald rate of about $7 to $8 billion initially. Thus the stage would be set for a **slow** recovery. When that up-lift is eventually re-inforced by a re-accumulation of inventories, the recovery will accelerate. This is likely to happen sometime in 1959.

In contrast to the 1954 recovery which was sparked by a boom in private capital equipment and consumers' durables, in the face of declining Government spending, I view the impending recovery as one relying partly on a further rise in public spending; consumer spending on durables is not likely to be very buoyant for sometime, and the trend in private spending on new plant and equipment will be a drag on the economy for a while. Incidentally, to the extent that the recession now seems to grind to a halt the much derided "Six Months Club" may still prove right!

It is customary to sketch into the background of the economic picture a few hints about the Golden 60's when a new tidal

*An address by Mr. Bing before Loyal Knights of the Round Table, San Francisco, Calif., June 26, 1958.

gitized for FRASER
http://fraser.stlouisfed.org/

wave of marriages and babies is expected to lay the basis for a big new boom. Far be it for me to erase this attractive silver lining on the horizon, but I want to supplement it with a few realistic shadings. First of all, the long-term growth in the 60's will lack the extra impetus of pent-up post-depression and postwar demand from which the late 40's and the early 50's benefited. On the other hand, the 60's should benefit from the results of accelerated basic and applied research. It is impossible to predict exactly how these factors will offset each other but it should be borne in mind that the net result **might** be a reduction in in the 1947-1957 economic growth rate to something closer to the long-term average growth rate of about 3% annually.

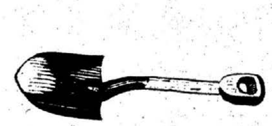
Secondly, the stimulus of substantial population growth in the 60's for our markets is assured (barring a war catastrophe). However, it should be borne in mind that only an increase in the output per man-hour worked will raise the living standards. The improvement in productivity will have to be substantial because, during the next seven or eight years, the unproductive age brackets of our population—the very young and the very old—will continue to increase faster in number than the ones that furnish the bulk of labor forces. This same condition will also favor a continuation of the so-called cost-push type of inflation, by giving labor unions a very strong bargaining position.

Prospects for continued cost-push inflation, combined with a trend toward further credit inflation—resulting from seemingly interminable international and domestic political pressures—do not augur very well for the stability of price levels. Continued price inflation tends to create a number of imbalances in the economic system which are a handicap for genuine growth.

This is not to write off the 60's as a prospective period of very good business conditions but simply to keep our expectations down to earth.

J. P. Dunklin Opens

TEXARKANA, Tex.—James P. Dunklin is conducting a securities business from offices at 2804 Wood Street.



Advertising is one of the most useful tools in securing new customers. So it's smart to place your advertisement in

THE COMMERCIAL AND FINANCIAL CHRONICLE

25 Park Place, New York 7

Taking a Firm Stand As Investment Bankers

By W. C. JACKSON, JR.*

President, First Southwest Company, Dallas, Texas
President, Investment Bankers Association of America

The "crying need of the hour," according to investment bankers' spokesman, is for informed, articulate leadership at local and national level and for investment bankers group to take a firm stand and speak out on matters affecting business, customers, good government and industry policies. Mr. Jackson decries U. S. Senate approved Community Facilities Act of 1958 which, he says, had it been in effect would have made 75% of $1.7 billion municipals marketed—excluding state and school bonds—during the first five months in 1958 eligible for Federal purchase, and heartily approves of Senator Capehart's Bill S-3718, which calls for accelerated depreciation on property acquired or constructed during 1958-59.

The crying need of the hour is for informed, articulate business leadership . . . at the local level, as well as at the national level. The future of our economy depends upon a relatively few men of integrity, vision, intelligence, and ability, who will provide aggressive leadership.

W. C. Jackson, Jr.

Our greatest concern in this business decline is not its depth, which should not go much lower than present levels, but the time required to resume general growth and to regain the prosperity of which this country is capable.

I believe it is one of our responsibilities to bring about the realization that resumption of the economy's growth depends on wise fiscal policies and more freedom for business to make jobs.

At the moment, it is most discouraging to witness the tendency in Congress to combat our present recession by hastily devising plans for more Federal spending, or loans, regardless of the effect upon the budget. As an example, one of those bills, which is harmful to our industry and to our economy, is the Community Facilities Act of 1958. It has passed the Senate and there is a very good chance it will pass the House. If it does pass the House, as presently submitted, the Administrator of the Housing and Home Finance Agency can purchase the bonds of, or make loans to, states and municipalities, up to an aggregate amount of $2 billion to finance the construction, repair and improvement of public facilities, at an interest rate of approximately 2⅝%.

Had this bill been in effect during the first five months of 1958, 75% of all municipal bonds sold, excluding state and school bonds, would have been eligible for Federal Government purchase. In dollar terms, this means that $1,218,000,000 of the $1,665,000,000 in bonds sold in January through May would have been eligible. We feel sure the Community Facilities Act of 1958 will pass in some form, and it is our hope that the President will veto it, as he did the Harbors and Rivers Bill.

Approves of More Rapid Depreciation in Legislation

There is another pending bill which, in my opinion, would encourage spending throughout our economy of the kind that would create lasting jobs and assure further expansion. I refer to Senator Capehart's Bill, S-3718, a bill which would create new jobs, giving greater stability to and improving existing jobs, and stimulate business during the next 18 months, with resultant expansion of the national economy in the years to come, by permitting more rapid depreciation on property constructed or acquired during 1958 and 1959. The proposed bill provided for faster recovery during 1958 and 1959 of the cost of new capital goods through depreciation allowances. It would reduce by one-half the allowance periods, up to 15 years, now provided for depreciation.

Such stepped up recovery of cost would make available immediate funds for new manufacturing plants and equipment; for purchase of farm equipment, transportation equipment, machine tools; for renovation of retail and wholesale stores and hundreds of other types of capital investment.

This type of spending would appear to be the key to permanent recovery from the recession. It assures the replacement of obsolete equipment with new facilities, thus reducing costs and enabling industry to turn out new products made available through research. I am convinced the enactment of this constructive type of legislation, plus an across-the-board reduction in income tax rates, would do more to halt the present recession and stimulate our economy than anything which has been proposed inside and outside of Congress.

Association Urged to Formulate Views

These are the sort of matters on which our Association is competent to express an opinion and on which our views should be heard. To that end, I have advocated that our Association formulate and sponsor policies on certain national issues in which we either have special competence because of the nature of our business, or in which we should be working with other business associations against political trends harmful to business in general.

Too many times we avoid taking a firm stand, even on issues which directly affect our welfare, for fear of becoming involved in controversy and thus damaging customer relations. By this very attitude, we surrender the right to speak out on our own behalf on matters which vitally affect us, our business, and our clients.

I know from personal experience that trade association work can be burdensome and demanding. I know, too, that it is only natural to let the other fellow do it. However, I believe, as individuals in industry, we have an inherent responsibility . . . first to our nation . . . and then to our industry . . . to devote as much time as possible toward making a contribution to good government and sound industry policies. Only by so doing can we preserve the good in what we have, and leave a healthy climate and atmosphere for the future generations.

That we must make our business . . . yours and mine.

*From a talk by Mr. Jackson before the California Group Conference, Investment Bankers Association of America, Santa Barbara, Calif., June 30, 1958.

First Southeastern Elects F. L. Mullikin

ATLANTA, Ga.—On July 24 Fred L. Mullikin, Jr. will become an assistant Vice-President of First Southeastern Corporation, with headquarters in the Trust Company of Georgia Building.

Two With Melvin Gordon

(Special to THE FINANCIAL CHRONICLE)

REVERE, Mass.—Ralph C. Belmonte and James B. Randle are now with Melvin Gordon Company, 10 Pines Road.

With Continental Secs.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—John T. Conklin is with Continental Securities Co., Inc., People's National Bank Building.

Joins J. H. Goddard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Arthur W. Hanson has joined the staff of J. H. Goddard & Co. Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

Burroughs Corporation

$25,000,000

4⅜% Sinking Fund Debentures, due July 1, 1983

Price 100% and Accrued Interest

550,058 Shares

Common Stock

(Par Value $5)

Subscription Price $27.50 per Share

The Company is offering these shares for subscription by its Common Stockholders, subject to the terms and conditions set forth in the Prospectus. Subscription Warrants will expire at 3:30 P.M., E.D.S.T., on July 30, 1958. The several Underwriters may offer Common Stock pursuant to the terms and conditions set forth in the Prospectus.

Copies of the Prospectus may be obtained in any State only from such of the several Underwriters, including the undersigned, as may lawfully offer the securities in such State.

Lehman Brothers

Blyth & Co., Inc. The First Boston Corporation Eastman Dillon, Union Securities & Co.

Glore, Forgan & Co. Goldman, Sachs & Co. Harriman Ripley & Co. Incorporated

Kidder, Peabody & Co. Lazard Frères & Co. Merrill Lynch, Pierce, Fenner & Smith

Smith, Barney & Co. Stone & Webster Securities Corporation White, Weld & Co.

Dean Witter & Co. A. G. Becker & Co. Incorporated

July 17, 1958.

Digitized for FRASER
http://fraser.stlouisfed.org/

Fixed vs. Free Interest Rates For FHA and VA Mortgages

By SAUL B. KLAMAN*
Economist, National Association of Mutual Savings Bank
New York City

Former Federal Reserve Board economist sees no virtue in fixed interest rates for FHA and VA mortgages. Now an economist for savings bank group, Mr. Klaman traces accentuated impact of monetary policies on flow of funds into Federally-underwritten and restricted mortgage market; notes that interest rate inflexibility has interfered with and intensified allocative functions of free market process; and believes the wide swings in mortgage market could be reduced by permitting free interplay of market forces to set the price of Federally-insured and guaranteed mortgage as in the case of conventional mortgages. States time now is propitious to change to flexible policy. Praises legislation allowing interstate savings bank lending for making savings banks important national mortgage lenders without lessening their still significant role as local lenders.

The relationship between monetary policy and mortgage markets is at once an easy and a difficult topic. It is easy because it is hardly necessary for me to prove to an experienced group of bankers and trustees that a basic relationship does, in fact, exist; and it is difficult because adequate exploration of the manifold ramifications and intricacies of this relationship would require more than one talk. Compromising the easy and the difficult, therefore, I will limit my remarks to a summary analysis of what appear to be the most interesting and important aspects of this relationship among the various sectors of the market and the financial institutions which operate in it.

Saul B. Klaman

In this framework, I would like to offer four main thoughts:

(1) The Federal Reserve System is concerned with the total supply of money and credit. The allocation of this supply among markets is a function of private competitive forces.

(2) The impact on mortgage markets of changes in monetary policy is intensified by a structure of inflexible interest rates in the Federally underwritten sector.

(3) There have been important differences in mortgage market behavior between savings banks and other types of financial institutions during periods of monetary change. Moreover, reflecting changes in other special factors, savings banks have reacted differently to similar Federal Reserve actions taken in different periods.

(4) The present composition of savings banks' mortgage portfolios suggest that they may be more sensitive to monetary change than those of other types of financial institutions.

In addition to these thoughts I would like to conclude with some observations about the course of recent and prospective developments in mortgage markets.

Monetary Policy Considerations

The Federal Reserve System carries out its trusteeship over the total supply of money and credit by regulating the availability and cost of commercial bank reserves. Through open market purchases and sales of Government securities, changes in rediscount rates and in reserve requirements, the System expands and contracts commercial bank reserves in accordance with its judgment of the credit needs of a fluctuating economy. These operations have the most direct effect, of course, on the flow of bank credit and money, but through ensuing changes in interest rates and yields, influence the flow of funds in all financial sectors. Thus, while so-called "non-monetary intermediaries," such as savings and loan associations, savings banks and life insurance companies, are not directly regulated by the Federal Reserve, their market operations are clearly affected by System actions.[1]

Monetary policy is usually attuned closely to general business conditions. It is generally restrictive when inflationary pressures are threatening and expansive when deflationary forces are dominant. Monetary measures alone cannot control the forces of inflation and deflation. They do tend, however, under conditions of inflation, to make mortgage funds, as well as funds for corporate and state and local government investments, more limited and costly; and under deflationary conditions to make such funds more readily available at reduced interest rates and on more favorable terms to borrowers.

The actual allocation of the available supply of funds within the money and capital markets is a function of private competitive forces, and not of central monetary policy. It is not now the objective, nor is it within the power, of the Federal Reserve System to allocate credit to particular markets. Individual lenders and borrowers competing for loans and investments determine in the end the types of credit flows and their uses. Because of special institutional arrangements which characterize mortgage markets, however, the influence of monetary policy in this area is unique among capital markets.

Vulnerability of Mortgage Markets To Monetary Measures

Owing mainly to the fact that a large sector of the residential mortgage market is influenced by Federal statutory and administrative actions, lenders and borrowers have not been as free to compete as have participants in other sectors of the capital market. In particular, the policy of maintaining fixed interest rates on FHA-insured and VA-guaranteed loans has interfered with the allocative function of free market processes and has intensified the impact of monetary policy on the mortgage and real estate sector.

During periods of capital market stringency, such as 1951-1953 and 1956-1957, fixed interest rates on Federally underwritten contracts, in the face of rising yields on other loans and securities, place mortgage borrowers at a distinct disadvantage in competing for limited investor funds. During periods of capital market ease, on the other hand, such as 1953-55 and 1958, when funds are ample and interest rates and yields on alternative investments are declining, FHA and VA mortgage loans again become attractive to investors.

Thus, alternate easing and tightening of monetary policy and capital market conditions during the postwar years, have been accompanied by exaggerated swings in Federally underwritten mortgage flows. These shifts have coincided with the narrowing and increasing spread between fixed interest rates on Federally underwritten contracts and flexible yields on corporate and other bonds. The flow of conventional mortgage funds, on the other hand, has fluctuated within a narrow range, as lenders, at least, have been free to adjust interest rates and other terms in accordance with changes in financial markets.

The question frequently arises of why, despite fixed maximum interest rates on FHA and VA loans, the technique of paying discounts or premiums has not been effective over the years in adjusting yields on these mortgages to actual market conditions? Other capital market securities, bearing fixed contract rates of interest, typically trade at prices above or below par with resulting yield flexibility. The answer lies only partly in the Federal restrictions placed on discounts on FHA and VA loans, ranging from those of uncertain legality in earlier postwar years to the rigid controls in effect for a time in 1957 and 1958. Part of the answer lies in the unwillingness of lenders to accept large discounts on FHA and VA loans, in the face of widespread opinion that such practices are somehow immoral or unsavory, notwithstanding the facts of market forces. The full answer lies in a myriad of factors beyond the scope of this paper, but clearly Federal restrictions and moral pressures on mortgage lenders severely limit the effectiveness of discounts in achieving yield flexibility on FHA and VA mortgages.

The much greater stability of the market for conventional than for Federally underwritten mort-

Continued on page 24

*An address by Mr. Klaman before the 28th Annual Trustees Day of the Savings Banks Association of Massachusetts, Boston, Mass., June 12, 1958.

1 For an excellent discussion of this and related points, I refer you to a recent speech by August Ihlefeld on "Thrift Institutions and Monetary Management," presented before the 38th Annual Conference of the National Association of Mutual Savings Banks, and reprinted in "The Commercial and Financial Chronicle" of May 15, 1958.

Connecticut Brevities

From July 9th through the 11th a New England Exhibit of Business Opportunities, sponsored by the Connecticut Development Commission, was held at the State Armory in Hartford. The exhibit showed many items purchased by various Federal Government agencies and by its prime contractors and principal subcontractors. The objective was to assist manufacturers and businessmen in labor surplus areas by increasing their knowledge of military requirements, procedures, standards and specifications.

* * *

General Thread Mills Company, which was recently purchased by **Belding Hemingway Company,** has moved its operations from its former location in Roxbury, Massachusetts to its parent company's plants at Putnam and Grosvenordale, where it will continue production of heavy threads.

* * *

Chayes Dental Instrument Corporation is building a new 26,000 square foot plant near the Danbury airport. The Company plans to move from its present location in New York City to the new plant in September. Employment will be about 200, engaged in manufacturing a variety of dental instruments including the high-speed page drill.

* * *

The United Aircraft Corporation has formed a Missiles and Space Systems Division, which will devote itself to research and development work. The new Division started with a nucleus of 300 persons, including 200 scientists and engineers from the Hamilton Standard Division's Electronics Department. A number of other technical employees formerly working on a variety of missile projects in other divisions will also be transferred to the new Division. Manufacturing of products developed will be done by other divisions of United and by subcontractors.

* * *

U. S. Laminates, Inc., a new company, has purchased the plant in Hartford formerly occupied by Sigourney Tool Company, which recently moved to Bloomfield. The multi-story plant includes 50,000 square feet of manufacturing space. After renovating the interior and installing new equipment the new company will produce high pressure plastic laminates for kitchen cabinets, table tops, counter tops, bathroom vanities and allied products.

* * *

Control of **Colt's Plastics Company,** North Grosvenordale, has been purchased by a Rhode Island group from Penn-Texas Corporation. Colt's Plastics which had a 1957 sales volume of about $2 million was a division of **Colt's Patent Firearms Company** when acquired by Penn-Texas in 1951. It later became a separate company and was moved last year to the eastern Connecticut community where it is expected to continue to operate.

* * *

George A. Shephard & Sons Company have announced plans for a 40-acre industrial park in Bethel near Danbury. The site is adjacent to a 76,000 square foot building which has recently been converted from tannery manufacture to a warehouse.

* * *

The Danbury area which has recently been the scene of considerable new industrial additions recently held a dinner sponsored by the Danbury Chamber of Commerce for the purpose of providing an opportunity for officials of the new plants to become acquainted with one another. New companies represented at the meeting included: Eagle Pencil Company, Kimberly-Clark Corporation, Reeves Soundcraft, Scovill Manufacturing, Manning, Maxwell and Moore, Consolidated Controls, Data Control Systems, Inc., Newmont Exploration, Limited, Perkin-Elmer Corporation, Wilmot Cassidy Company and Howe Folding Furniture Company.

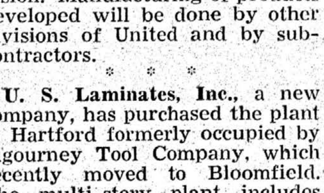
Textron, Inc. Offering Made at $9.75 a Share

Textron, Inc. is offering its common stockholders of record July 14, 1958 rights to subscribe at $9.75 per share for 389,577 additional common shares on the basis of one additional share for each ten shares held. They also are being offered rights to subscribe for additional shares, subject to allotment, out of any shares not subscribed for. Rights will expire at 3:30 p.m. (EDT) on July 30, 1958. An underwriting group headed by Blair & Co. Incorporated and Scherck, Richter Co. will purchase any unsubscribed shares.

Net proceeds from the sale of these shares will be used to reduce short-term bank borrowings incurred in part in financing the acquisition on June 28, 1958, of the assets, properties and business of The Waterbury Farrel Foundry & Machine Co. Net assets acquired from Waterbury Farrel by Textron, after deduction of liabilities assumed and before the downward adjustment to reflect the allocation of the purchase price of $7,135,500 were approximately $11,150,000. In addition, Textron also furnished funds to discharge $300,000 in short-term bank borrowings of Waterbury Farrel assumed by Textron.

Waterbury Farrel is engaged in the manufacture of metalworking machinery. Its product lines consist principally of cold heading and cold forming machinery, rolling mills and related equipment, eyelet machines and power presses, and wire flattening and drawing equipment.

Textron is a diversified manufacturing company with a wide range of industrial and consumer products, including textiles, power chain saws, plastic products' castings, metal fasteners, aluminum products, batting, bathroom accessories, electronic equipment, machinery and capital goods. Textron is also engaged, through a subsidiary, in operation of the passenger liner S. S. Leilani. The company's business is carried on through divisions and subsidiaries which operate autonomously.



CHAS. W. SCRANTON & CO.
Members New York Stock Exchange
New Haven
New York — REctor 2-9377
Hartford — JAckson 7-2669
Teletype NH 194

Digitized for FRASER
http://fraser.stlouisfed.org/

Where Do Drop Forgings Stand In the Metalworking Industry?

By WALTER J. CAMPBELL*
Editor "Steel" Magazine, Cleveland, Ohio

Survey of metalworking plants' business expectations by "Steel" magazine furnishes the summary view that the recession has bottomed out, or soon will, and a gradual though modest recovery will start late this year and continue through 1959 with few metalworking records being established. Leaving this overall view, Mr. Campbell probes what has happened to drop forging's competitive position. The magazine's editor notes that drop forging is doing poorly, tonnagewise, though it is still doing well, dollarwise. He depicts tremendous per capita growth in metal goods consumption in long-run and places marketing at top of suggested list as to what drop forging should do to keep its place in future growing market.

To me, the new economy is the one that will start tomorrow. I have no intention of talking about our current recession—at least, at any length—nor of predicting precisely when it will end. We know that it is with us, and we must admit that it is deeper than most of us expected it would be six months ago.

Walter J. Campbell

The editors of "Steel" have just completed their semi-annual survey of business expectations. We questioned 5,000 general managers of metalworking plants, and, generally, we have found their expectations to be pretty accurate. Here's what they expect for the second half.

Dollar sales volume in the last half of this year will be a little better than it was in the first half. Only one out of five respondents expects sales volume to drop. Four out of five expect second-half business to be as good or better than it was in the first half. Percentagewise, they expect dollar sales in the second half will be 4.4% higher than they were in the first half.

But only one in five respondents expects the second half to be better than the same period last year. Most of them expect that the coming six months will be below the last half of 1957. Percentagewise, they expect a decrease of 6.4%. For the year, in comparison with 1957, the picture is similar. All repondents expect a decrease of 5.6%. But there are optimists in the crowd, and one out of four expects that this year's dollar sales volume will be higher than 1957's.

Trough Between Two Booms

The consensus of respondents is that the recession has bottomed out, or soon will, and that a gradual, though modest, recovery will start late this year—a prediction which is intended to surprise no one, and one which has been made by several thousand forecasters over recent months.

We have talked with no one who expects 1959 to be a record year. Rather, the consensus is that the gradual upturn may continue through 1959 but that, overall, few new metalworking production or sales records will be established.

But we can be confident of one thing: We will work our way out of this recession and into a new boom. To me, it is both comforting and sensible to regard the present slump as a trough between two booms or as a period between two waves of expansion.

While we are working our way out of the present trough, let us make sure that we are getting and keeping prepared for the next upswing.

That upswing, which should be underway in the early 1960's, will carry us to heights that will make the boom of 1955-56 look like the lean years.

One of the good things about being a magazine editor is that it gives one an almost unparalleled opportunity to travel and to talk to all levels of managers in industry. We find the expectation for a great boom in the 1960's to be almost unanimous. The expectation is based on:

More People — 190 million by 1965, 221 million by 1975. That people make markets is axiomatic. The upsurging population as an economic factor has been hashed over so often that we'll leave it right there.

More Family Formations — The war babies born in the early 1940's will start forming their own families in the early 1960's. We should not underestimate the effect of increased family formations. My family includes a wife, a son, and a daughter. We have one refrigerator, one stove, one lawn mower, one automobile. But in a few years, that son and daughter will get married and start their own families. Then four people now using one refrigerator, one stove, one lawn mower, and one automobile, will need three refrigerators, three stoves, three lawn mowers, and three automobiles—that will help fatten the economy.

Bigger Appetites—Each person is tending to buy more goods. Here are the figures on per capita consumption of metalworking goods alone.

Big Growth Ahead

In 1947, each man, woman, and child consumed $426 worth of metalworking goods. Last year, the figure was $850 per capita. In 1965, we will be spending $1,275. By 1975, $1,685. While I'm using metalworking figures simply because they are the best figures I have, they are fairly representative of the economy as a whole. Metalworking represents about one-third of the economy, and what happens in metalworking, in general, parallels what happens in the whole economy.

More Money — We will have more money to satisfy those larger appetites. In terms of disposable personal income, we had $1,173 in 1947. Last year, we had $1,779. By 1965, we will have about $2,300 per capita.

Technological Progress — Since the end of World War II, our galloping technological progress has been creating obsolescence at a terrific rate. In the aircraft industry, they say that if a plane flies, it's already obsolete. Last week, I heard a missile expert say that some of our latest projectiles become obsolete on the drawing board. This creation of obsolescence all across our industry builds a terrific replacement demand.

Bigger Markets—All these factors add up to expanding markets. Last year, the metalworking industry had gross sales of $140 billion. By 1965, metalworking's gross sales, in terms of 1957 dollars, will rise to $196 billion. By 1975, they will be $273 billion, in terms of 1957 dollars.

For the long term, the picture is extremely optimistic. Soon after the turn of 1960, we will be looking back at the middle '50s and wondering how we ever got along.

New Capacity Needs for 1960

It means that in the early 1960's we will be embarked on new building programs instead of worrying about excess capacity. The steel industry, which today has more than 140 million tons of capacity and which this year is not likely to turn out more than 90 million tons, will be building new capacity before 1965. It means that we will be reaching for an 8½ million to 9 million passenger car year as a normal thing. It means that most segments of the metalworking industry will be expanding much as they did in the middle '50s.

It does not mean that the markets of any particular segment of the metalworking industry will expand automatically. It does not mean that the forging industry's tonnage will go up 50%.

When the new upswing starts, it will be accompanied by a great deal more competition than we have had in any other postwar upswing. We are not likely to face scarcities of materials or capacity to produce again. The coming increases in demand will be anticipated, and some pretty smart competitors will be in there fighting for the business.

Well, that's a general view of the economy I just happen to have in my pocket.

Where do forgings stand in the race?

How have forgings been doing in relation to the metalworking industry generally and to some of their competitors?

In forgings dollar volume vs. metalworking sales, we show the commercial sales by the drop forging industry in terms of the 1947-49 base, as compared to total metalworking industry dollar sales. On a dollar sales basis, you appear to be doing well—at least, to be slightly more than holding your own.

Drop Forging in Tons Drop Behind

But let's take a look at the physical measurements.

Here are drop forgings shipments in tons, with the index still based on 1947-49. When measured this way, forgings have not been doing so well.

Here, in tons, is steel ingot output. Steel ingot output, being the most important raw material for the metalworking industry, offers a good overall gage of the tonnage growth of the metalworking market.

Let's look at some of your competitors. Here are shipments of stampings. And the stampers have done pretty well.

Let's look at another competitor. Here are casting shipments. The foundry experience is roughly comparable to that of forgings.

And, finally, let's compare the index of forging shipments with the index of automobile production, one of your more important customers.

Frankly, I'm a little concerned by the lack of growth in forgings on a tonnage basis. I suspect that you are, or should be, similarly concerned. Certainly, there are explanations for this. Possibly, there are rational excuses. But the record stands. Forgings and castings have not been keeping up in the race. Why?

First, you have been working with more expensive materials. You have been working with more alloy steel. You have been working with titanium. You have been working with aluminum alloys.

Second, some of you, at least, have been designing weight out of your forgings. And that certainly is good.

Perhaps there are other explanations for your relatively good showing in dollar volume and your not so good showing in tonnage. Perhaps, you are satisfied.

I cannot help but be a little concerned over the irregular leveling of your tonnage output during a period in which the metalworking industry generally and some of your competitors in particular have been growing explosively. I think you should be concerned, too.

Quite frankly, in the expanding but highly competitive new economy, there are some things the forging industry will have to do to hold or improve its position. The first, I suspect, involves a fundamental change in attitude.

This is the way the forging industry looks to many people, including some of your customers; if a man comes along with a horse to be shod, you'll do it. That won't be good enough in the new economy.

Need New Concepts

You'll have to embrace a new concept of marketing. Everyone will. You'll have to find out what the potential customer wants, when he wants it, in what material and size, and deliver it to him when he wants it at a price he is willing to pay. The price, of course, must return a fair profit to the supplier.

But to me, the "market" concept of marketing involves much more than merchandising. It starts with customer research. It starts with finding out what the potential customer wants or needs, or should want.

Then it follows through to product design and product development. It includes introducing new types of products to the cus-

Continued on page 21

*An address by Mr. Campbell before the 23rd annual meeting of the members of Drop Forging Assn., Hot Springs, Va., June 26, 1958.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$30,000,000

Southern Natural Gas Company

4½% Sinking Fund Debentures Due 1978

Dated July 1, 1958 Due July 1, 1978

Price 100% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

AMERICAN SECURITIES CORPORATION BEAR, STEARNS & CO. COFFIN & BURR INCORPORATED

DICK & MERLE-SMITH EQUITABLE SECURITIES CORPORATION

LADENBURG, THALMANN & CO. R. W. PRESSPRICH & CO.

L. F. ROTHSCHILD & CO. SALOMON BROS. & HUTZLER SHIELDS & COMPANY

STROUD & COMPANY INCORPORATED WEEDEN & CO. INCORPORATED BACHE & CO.

BAXTER & COMPANY WILLIAM BLAIR & COMPANY R. S. DICKSON & COMPANY INCORPORATED

GREGORY & SONS HIRSCH & CO. NEW YORK HANSEATIC CORPORATION

SHEARSON, HAMMILL & CO. AUCHINCLOSS, PARKER & REDPATH

COURTS & CO. H. HENTZ & CO. McDONNELL & CO. THE OHIO COMPANY

WM. E. POLLOCK & CO., INC. VAN ALSTYNE, NOEL & CO.

July 11, 1958.

Digitized for FRASER
http://fraser.stlouisfed.org/

The Outlook for Business And Economic Growth

By DR. WILLIAM C. FREUND*
Economist for the Prudential Insurance Company of America and
Adj. Associate Professor of Finance, Graduate School of Business Administration, New York University

Dr. Freund projects as prerequesites for full employment and prosperity by December a $22 billion rise in GNP and 3½ million more jobs. He expects, however, that national output may rise by only $13 billion, unemployment will decline 6%—about 1 million persons, and that it will be 1959 before prosperity and full employment return. The economist believes too little attention is being paid to urgent need to bring about—beyond mere recovery—economic growth and asserts our prosperity depends upon it. Reviews past economic growth "extraordinary sharing of our growing prosperity"; in diagnosing our present position, particularly blames inventory factor for being responsible for two-thirds of present drop in output; and depicts as long-run problem the overcoming of inflationary biases built into our economy and as short-run problem combatting of recession and restoration of economic growth

There exists, it seems to me, a great need to bring into closer contact the two disciplines of accounting and economics. Economists, in general, would benefit from a more solid foundation in the theory and practice of accounting. Accountants, too, would gain from a more thorough grounding in the economics of the nation and the firm. So many of our problems, such as the one I shall discuss, are, after all, of direct concern to both professions.


William C. Freund

A Record of Growth

In discussing the state of our economy, there is one word I want to stress. That word is growth. And in stressing this word, or I should say this concept of growth, I don't mean merely to boast about the marvelous record which the United States has enjoyed during this century. The point I want to impress upon you is that too little attention is being given today to the urgent need to stimulate growth. In the present recession, mere recovery to former heights of business activity is not enough. As never before in the postwar period, our prosperity depends upon economic expansion.

There is no denying that in the 20th Century, the United States has advanced economically at a pace which has been the envy of much of the rest of the world. In only 60 years the United States has progressed from a farm economy to the world's greatest producer of goods and services. In 1900, 63% of our labor force was engaged in agriculture, and only 37% in non-agricultural pursuits. Last year, less than 10% of our working force was in agriculture, and a large proportion of the remaining 90% was needed to provide the manifold luxuries and services to which we have become accustomed.

Within the memory of a single lifetime, our economy has expanded at a truly remarkable rate. In 1900, when a 60-hour work week was considered normal, our total output of goods and services, measured in terms of current prices, amounted to less than $100 billion. Today it exceeds $400 billion. And during these six decades, in which our output has more than quadrupled, our population merely doubled. As a result we have today more than twice as much production per person than we did at the turn of the century when our labor force worked half again as many hours as most of us are accustomed to doing today. This startling growth in output reflects America's penchant for increasing productivity. During the present century, our productivity—or output per man-hour—has increased by 2½% a year. At this rate, we double our output every 28 years, without allowing for any expansion in the size of our working population. In recent years, our economy has been increasing its efficiency at an even greater pace. Since 1947, the productivity increment has been close to 4% a year, not 2%. At this rate, we double our output every 18 years, apart from any increase in the number of persons employed.

The most distinctive feature about America's economic growth has been the extraordinary sharing of our growing prosperity. A larger proportion of our population now belongs to the middle income brackets than in any previous period in our history. In a very interesting article in the June issue of "Business in Brief," the Chase Manhattan Bank discusses this growth of the middle income market. "The broad picture," it says, "shows continuing long-term declines in the shares of groups at the top and bottom end of the scale—and a striking growth in the middle." "This shift," the article goes on to say, "has been termed one of the most far-reaching social revolutions in history. As recently as 1947, the proportion of families in the middle income bracket ($4,000—$8,000 in constant 1957 dollars) stood at 37%. By 1957, however, this group had grown to 43% of the total. At the same time, the percentage of lower income earners declined." We have enjoyed economic growth and its benefits have been widely shared. But economic growth has not always proceeded at an even pace. We have had periods of severe economic decline, such as the great depression of the 1930s and periods during which the economy merely stopped growing, such as the recession of 1948-1949.

Once again the economy has ground to a halt. We can be fairly certain that we shall not see a recurrence of the economic catastrophe of the 1930s. There are not many things an economist can say without fear of contradiction, but of this prediction I feel confident. While we have by no means licked the swings of the business cycle we need not and will not tolerate a major depression—one as deep and prolonged as the painful plunge of the 1930s. Since that time our economy has been strengthened by many structural changes, for example, stock market and securities regulations, unemployment compensation, price supports, bank deposit insurance, and a host of countercyclical fiscal and monetary policies.

I think also that since the 1930s we have learned a great deal about the forces affecting business activity and that, as a result, we as a nation have not only a new ability but also a new willingness to combat depressions. In 1946, a bipartisan measure was passed by Congress and signed by the President—the Employment Act of 1946—which gave formal recognition to the responsibility of the Federal Government for maintaining a high level of employment.

Remember too that we now have sensitive measures to gauge what is *currently* happening to output, income, and employment, and that we are better able to take remedial action on the basis of this economic intelligence. During the depression of the 1930s, even the most astute economists were groping in darkness to find statistics which would pinpoint the extent and the reasons for the depression. Today, we are fortunate in having a large battery of statistical series, available frequently and in enough detail, to allow a fairly prompt diagnosis of the health of the economy.

Although we are not likely to suffer a repetition of the 1930s, anyone observing business conditions today knows that we have not learned to lick the moderate downturns in business activity.

A Diagnosis of Our Present Position

To see where the economy is heading today, the first logical step is to assess our present position. In this way we can appraise the major developments likely to point the way to the future.

Since early 1957, our economy has stopped growing. It is true that during 1957, the gross national product, or the value of all goods and services produced, rose by $20 billion over 1956, or nearly 5%. But this growth was almost entirely illusory. Out of the 5% increase in gross national product, more than 4% was the result of inflation. Our true growth, that is the real advance in our physical output of goods and services during 1957 amounted to a mere 1%, or $4 billion.

Toward the end of 1957, the recession deepened. The first phase, the leveling out in the real production of goods and services, gave way to the second phase, the actual decline in business activity.

In dollar terms, our economy reached a peak during the third quarter of 1957. We were then producing a supply of goods and services valued at the astounding sum of $440 billion (annual rate). Unemployment was 4.5% of the labor force. This rate of joblessness was somewhat higher than we had been accustomed to during periods of all-out prosperity because of the lack of any real economic growth during the preceding months. But in general, the economy during the third quarter of 1957 was still doing well.

What were the major factors responsible first for the pause in economic growth, and more recently, for the down turn in income and employment?

(1) The business boom of 1956 owed much to the incredible spendng of American business for new factories, equipment, office buildings, and other capital projects. Plant and equipment outlays rose by more than 22% during that year. In 1957, the increase, while continuing in dollar terms, slowed to a 6% rise, as manufacturers began to discover excess capacity developing.

One reason for the piling up of excess capacity was that during the course of the past two years,

Continued on page 33

*An address by Dr. Freund before Annual Meeting of the Connecticut Society of Certified Public Accountants at Woodbridge, Conn., June 18, 1958.

In Memoriam

JAMES H. WARD
1876 - 1958

Another member of the "Chronicle's" most respected alumni, James H. Ward, died last Saturday at his Fifth Avenue home after a long illness, age 82.

Early in his career Mr. Ward was an office boy for Andrew Carnegie and later personal secretary to Charles M. Schwab, a founder of the United States Steel Corporation, and afterwards he followed Mr. Schwab to the Bethlehem Steel Corporation at its founding in 1903. Mr. Ward became a Vice-President of the Bethlehem Steel Co. in 1913 and was a director from 1912 to 1954. He was also a director of the Chicago Pneumatic Tool Co. and a member of the American Iron & Steel Institute.

The Pope conferred on Mr. Ward the Order of the Knights of Malta, which is the oldest order of laymen and prelates in the Roman Catholic Church. He was a member of the Cardinal's Committee of the Laity. Mr. Ward was also a member of the American-Irish Historical Society and the Friendly Sons of St. Patrick.

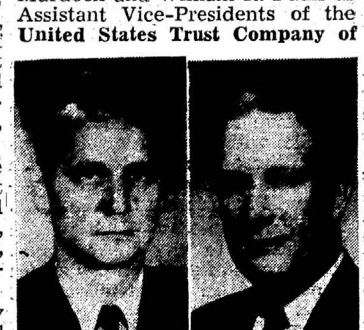
"Jimmy" Ward as he was familiarly called by his friends, including ex-Governor Al Smith, John J. Raskob and Judge Proskauer, had a great capacity for making friends and was noted for his gracious simplicity and democratic qualities of mind, heart and hand.

The "Financial Chronicle" is proud to have numbered him as one of its most faithful staff workers and devoted friend.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointment of J. Edwin Murdock and William R. Pauls as Assistant Vice-Presidents of the **United States Trust Company of New York** was announced on June 14 by Hoyt Ammidon, President.


J. Edwin Murdock William R. Pauls

Mr. Murdock was formerly associated with International Business Machines Corporation. His appointment will be effective July 14.

Mr. Pauls joined the trust company in 1933 and has served in the Real Estate and Mortgage Department since that time. He was appointed Assistant Secretary in 1956.

The Chase Manhattan Bank, New York, has announced the appointment of Charles M. Frey, Eugene J. Galbraith, Walter S. Rossitter and Kenneth A. Soutra as Personal Trust Officers. Eleanor A. Kropf and Richard H. Moran were named Estate Planning Officers.

* * *

Following the White House announcement today of the resignation of Dr. Gabriel Hauge as Special Assistant to the President for Economic Affairs, it was announced in New York that Dr. Hauge will join the **Manufacturers Trust Company, New York** as Chairman of the Finance Committee.

Horace C. Flanigan, Chairman of the Board of Manufacturers Trust Company, made this public in the following statement:

Dr. Hauge has been one of President Eisenhower's principal advisors and has served as an Administrative Assistant to the President from January 1953 to July 1956, when he became Special Assistant to the President for Economic Affairs. He has also served as a United States delegate to several international economic conferences in recent years.

The appointment of William Lonsdale, Jr. as a Vice-President of **Manufacturers Trust Company, New York** is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Lonsdale joined Manufacturers Trust Company in 1936, and was appointed an Assistant Secretary in 1950. He was appointed an Assistant Vice-President in the Out-of-Town Business Department in 1952.

For the past five years Mr. Lonsdale has been assigned to the Branch Loan Department at the bank's head office, 44 Wall Street. He will continue his duties in this department as supervisor of three bank regions in Queens, Brooklyn and Manhattan.

Mr. Flanigan, also announced the appointment of John R. Frost as an Assistant Vice-President of Manufacturers Trust Company.

Mr. Frost joined Manufacturers Trust Company in 1941 after 18 years banking operations experience with other banks. In 1952 he was assigned to the Bank's personnel department and was appointed an Assistant Manager in 1956. In 1957 Mr. Frost was appointed an Assistant Treasurer and assigned to the domestic department. Since then he has handled the bank's business throughout the New England States.

The appointments of Vincent C. Buono and Robert A. Byrne as

Continued on page 32

gitized for FRASER
p://fraser.stlouisfed.org/

THE MARKET . . . AND YOU

By WALLACE STREETE

Mideast developments gave the international oils some hard times in this week's stock markets but the pressure was somewhat sporadic and the affected issues were able to show rallying tendencies at times after the initial shock of the Iraq revolt.

* * *

Helping the oils with large interests in the area was the fact that even the Iraq revolt apparently failed to disrupt operations of the oil companies in that country. Then, too, the unopposed move of U. S. Marines into Lebanon failed to set off any immediate reaction by the anti-American elements.

* * *

Meanwhile, as in the Suez crisis, the domestic companies were heartened by prospects of using their production to fill any voids that might develop from Mideast disruptions and some were downright sensational, notably Richfield which went in for multi-point gains and plunged well into new high territory for all time.

* * *

International Business Machines in the high-priced section, which depends largely on foreign trade, was even harder hit than the international oils and put two eight-point losses back to back before it found some support. The harder hit oil item was one without direct investment in Iraq—Gulf Oil. This item, like IBM, was sliced for two rather large losses in a row before it, too, hit at least a temporary plateau.

Market's Restrained Reaction

As previous war scares have gone, marketwise, the performance of the list this time was remarkably restrained, the accent being on some spotty improvements in the business picture and well-depressed items, such as the rails, which were able to ignore most of the Mideast commotion. The new unrest came at a time when the list had just succeeded in posting new 1958 peaks and did serve to blunt, at least temporarily, any extension of the break-through by the industrials. Rails, however, were back in new high ground shortly after.

* * *

Some of the business news was a bit heartening, General Electric showing a slight improvement in earnings for the second quarter over the drab first quarter, the Federal Reserve reporting industrial production continuing to improve for the second month, new car inventories dropping sharply, and so on.

Summed up, the market continues, as it has done throughout the deluge of bad business news, to show superior stability at a time when the odds should be all against it. Trading was orderly and only on a couple of busy openings was there a late tape and then only briefly.

Good Values in the Rails

Far from being troubled by the slow, summer reports, investors apparently were looking forward to the post-Labor Day pickup which, among other things, promises relief for rails generally and for those in particular that have been able to resist the recession even better than some of the top corporate giants. Southern Pacific, for instance, reported earnings of $6.01 in 1956, $6.02 in 1957 and projections points to around $6 this year which isn't the classic example of the effect of any recession. And its yield is around 6½%.

* * *

Nor is Southern Pacific the sole example of good stability in the Western roads. They have had, in part, to pay a penalty marketwise for the big clamor raised over passenger "losses," freight rate increases and legislative help that has been most strident in the case of the Eastern roads.

* * *

A more convincing illustration of the ability of some of the rails to keep in comfortable shape is the dividend coverage. Kansas City Southern, for instance, will show an earnings decline of some $2 a share from the 1956 profit to the one anticipated this year but expectations are that earnings will still cover twice over the $4 dividend rate and its 6% return. Great Northern which shows a yield of better than 8% is expected to cover its $3 dividend with a dollar or so per share to spare. Southern Pacific is a case where the 1958 results are expected to be double the dividend requirement.

Interest in the Steels

Steels continued, even through the latest uncertainties, to show investor interest when there wasn't definite pressure on the entire list. Operations currently are in something of a summer lull but the companies have shown a superior ability to hold up profits to comfortable levels at low operating rates that once were thought to mean automatic red ink reports. Then, too, a sharp upsurge in their production is generally anticipated when the auto makers start to build up their inventories of the new models which, this year, will be somewhat earlier than has been the case in the postwar period up to here. The extreme reluctance of the big steel companies to raise prices to offset the automatic wage increase that went into effect on July 1 was, among other things, indication that they aren't overly pressed in their profit showing. If profits were in serious jeopardy a price increase would be almost mandatory.

Depressed Items

In the domestic oils, Texas Gulf Producing which has been a bit clipped by the production limits in Texas was both a depressed item as well as one with high statistical value. A rather sharp drop in profits is anticipated for this year because of production restrictions but, as one source put it, reserves of 37 barrels of crude oil and 150,000 cubic feet of natural gas for each share of stock is an intrinsic value that compares favorably with the larger companies.

Also considered a depressed item is Blaw-Knox in the industrial machinery section which slipped from a peak of nearly $44 last year to well below $30 lately. At a time when operating efficiency and ability to cut costs to discount the recession are being eyed carefully, Blaw-Knox has done well without getting must attention. For the first quarter sales declined 18%, or more than $8 million, but the company was able to hold net income to a modest $442,000 trim. The steel industry is the principal customer of Blaw-Knox and the sales drop represents their retrenchment but also paves the way for a rapid rebound when their activities pick up. In any event the company is expected to net around $3.50 for the year, which not only compares favorably with last year's $3.99 which included a 51-cent nonrecurring credit. But also well covers the $1.20 indicated dividend requirement which offers a better than 4% return apart from the 4 and 5% stock payments added to the cash in the last two years.

The various items in the food section have been taking their turns in the limelight, latest being Best Foods, but the apparent laggard in this section is United Biscuit which has held in an eight-point range all this year. Moreover, its range was a modest five or six points in the preceding three years. It has yet to approach the peak is set in 1954 of $40 when the general market was lower than it has ever been since despite the October and February selloffs.

[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.]

Common Trust Funds Increased Rapidly In Past Decade

Still increasing, but at a slower rate, common trust funds are reported to have risen from 243 in 1956 to 277 in 1957. Cleveland Trust points out total assets have reached almost $2 billion with common stocks comprising nearly half—though 61% of last year's new money went into bonds.

"The number of common trust funds," states the July "Business Bulletin" of the Cleveland Trust Company, "has increased rapidly in the last 10 years. These funds are operated by banks and trust companies as trustees. Their purpose is to combine relatively small trust accounts into one pool, so as to obtain broader diversification of investments. A few were started before World War II, but the big development came after 1946. At the end of that year there were 39 such funds. Five years later, in 1951, the number had grown to 119. By the close of 1956 it had reached 243. The year 1957 brought a further rise to 277 (managed by 214 banks and trust companies) with assets of almost $2 billion at market value.

"The Federal Reserve Board has recently published its third annual survey of this type of institutional investment. The report covers all common trust funds operated by banks and trust companies under the Board's Regulation F. It shows that at or near the end of 1957, common stocks comprised nearly half of the total holdings, at market value, of all funds combined. Bonds (including notes and certificates) amounted to almost 40% of the total; preferred stocks, 10½%; and other investments plus cash, about 2%.

"Market value of holdings amounted to $1,966 million at the end of 1957, as compared with $1,974 million a year earlier. Purchases during 1957 totaled $448 million at cost, while proceeds from sales and redemptions were $342 million. Of the net amount of new money invested last year, it is estimated that 61% was placed in bonds, 12% in preferred stocks, 24% in common stocks, and 3% in real estate loans.

"In size of assets, the funds vary all the way from less than $1 million to more than $50 million. At or near the close of 1957, about 67% of the total number were in the range of $1 million to $25 million."

Form Childs Secs. Corp.

CHICAGO, Ill. — Childs Securities Corporation has been formed with offices at 141 West Jackson Boulevard. Officers are F. Newell Childs, President; Donald E. Barnes and Elwood D. Boynton, Vice-Presidents; and Marion Ruddy, Secretary and Treasurer. All are officers of C. F. Childs and Company.

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such shares. The offering is made only by the prospectus.

980,000 Shares

Pacific Lighting Corporation

Common Stock

(Without Par Value)

Price $47.25 per share

Copies of the prospectus may be obtained from any of the several underwriters only in states in which such underwriters are qualified to act as dealers in securities and in which the prospectus may legally be distributed.

Blyth & Co., Inc.
Dean Witter & Co. The First Boston Corporation
Eastman Dillon, Union Securities & Co. Glore, Forgan & Co.
Goldman, Sachs & Co. Harriman Ripley & Co. Incorporated Kidder, Peabody & Co.
Lazard Frères & Co. Lehman Brothers Merrill Lynch, Pierce, Fenner & Smith
Smith, Barney & Co. Stone & Webster Securities Corporation White, Weld & Co.
J. Barth & Co. Schwabacher & Co. William R. Staats & Co.
Walston & Co., Inc. A. C. Allyn and Company Incorporated Bateman, Eichler & Co.
A. G. Becker & Co. Incorporated Crowell, Weedon & Co. Davis, Skaggs & Co. Elworthy & Co.
First California Company Incorporated Hallgarten & Co. Hemphill, Noyes & Co.
Hill Richards & Co. Hornblower & Weeks W. C. Langley & Co.
Lester, Ryons & Co. Irving Lundborg & Co. Mitchum, Jones & Templeton
F. S. Moseley & Co. Paine, Webber, Jackson & Curtis Reynolds & Co., Inc.
Shuman, Agnew & Co. Wagenseller & Durst, Inc.
American Securities Corporation Brush, Slocumb & Co. Inc.
Francis I. duPont & Co. E. F. Hutton & Company Laurence M. Marks & Co.
Sutro & Co. Bache & Co. Bingham, Walter & Hurry, Inc. J. A. Hogle & Co.
Hooker & Fay Lawson, Levy, Williams & Stern Mason Brothers
Revel Miller & Co. Stern, Frank, Meyer & Fox Spencer Trask & Co.
Weeden & Co. Incorporated Wilson, Johnson & Higgins Wulff, Hansen & Co.
Baker, Weeks & Co. Quincy Cass Associates Dempsey-Tegeler & Co.
Evans MacCormack & Co. Maxfield H. Friedman Harbison & Henderson
Kerr & Bell McAndrew & Co. Incorporated Morgan & Co. Shearson, Hammill & Co.
Stewart, Eubanks, Meyerson & Co. Stone & Youngberg Henry F. Swift & Co.

July 16, 1958.

gitized for FRASER
tp://fraser.stlouisfed.org/

Some Second Thoughts on British Abandonment of Disinflation

By PAUL EINZIG

Continuation of recent British public opinion's approval of their Government's reversed disinflationary program, Dr. Einzig writes, may lead to an early general election—perhaps this late autumn. He anticipates in the intervening months, until then, irregular fluctuations on the Stock Exchange and in the foreign exchange markets in accordance with day by day changing prospects for Government victory. Election success, it is pointed out, would give the Conservatives five years' period to pursue (and live down) sound, but unpopular, monetary and tax policies.

LONDON, Eng.— When the Chancellor of the Exchequer, Mr. Amory, announced the Government's decision to reverse its disinflationary policy, the immediate reaction was a rise in equities, a weakening of sterling, and widespread criticism of the Government for having abandoned resistance to inflation. Before very long, however, second thoughts had come to prevail. Under the influence of Wall Street uncertainties and clouds on the international political horizon, the Stock Exchange became undecided, even though the undertone remained fairly steady. Sterling became distinctly firmer, even though it continued its ups and downs.

Dr. Paul Einzig

Above all, the considered opinion of the public has become much more favorable to the Government's new policy. This last aspect of the secondary reactions to the change is of particular importance. Quite suddenly during the early days of July the Gallup Poll and other public opinion surveys indicated a distinct swing of public opinion in favor of the Government. In June it appeared from election results that the Government was barely holding its ground, but a few weeks later public opinion surveys indicated a distinct increase in the Government's popularity in the country. Today political prophets believe, for the first time for three years, that a general election in the immediate future might result in a moderate Conservative majority.

Public Welcomes Change in Conservative's Policy

The explanation of this change lies in the relief felt about the relaxation of disinflationary measures. Ever since the end of 1955 expansion has been halted by credit squeeze, high Bank rate, restrictions on instalment selling, cuts in investment programs. Apart from the material effects of these measures in the form of stagnant output and higher unemployment, their psychological effect had been very discouraging. It was widely felt that, while the Socialist Government had been able to proceed with expansion, the Conservative Government had created a chronic condition in which the brake had to be applied almost continuously.

The removal of most of the brakes has therefore been welcomed with relief. It is true, thinking people realize that this will almost inevitably mean a resumption of inflation. But British public opinion has come gradually under the influence of fears of a depression. Even though most economists still feel that inflation is the greater danger, the public is now inclined to take a different view. Most people are, therefore, greatly relieved by the Government's change of policy. Until recently it was widely feared that the disinflationary policy would be continued even at the risk of a slump. Hence the favorable reaction, expressed in public opinion surveys, to the abandonment of disinflation.

May Lead to Autumn Election

Should the increase in the Government's popularity continue, it is by no means impossible that Mr. Macmillan would decide in favor of an early general election, presumably in the late autumn. Until quite recently his policy was to defer the dissolution of Parliament until the latest possible moment in 1960. But if the rise in the Government's popularity should prove to be lasting he is not likely to miss the opportunity for renewing the mandate of the electorate for another period of five years.

An autumn general election would introduce a new element of uncertainty in the situation. The prospects of a Conservative victory would cause a sharp rise in sterling and on the Stock Exchange. On the other hand, fears of a Labor victory would tend to produce the opposite effect. So during the next few months we are likely to witness irregular fluctuations on the Stock Exchange and in the foreign exchange market, according to whether the chances of a Government victory are assessed high or low. And the assessments of prospects are liable to change from time to time.

From this point of view the trend of wages and of prices is likely to be of considerable importance. Should there be another round of wage increases between now and the general election it would greatly discourage the long-suffering middle classes, and the Government would lose many votes. On the other hand, firm resistance to wage demands would hearten Government supporters. The more the trade unions will press their unwarranted inflationary wage demands the more unpopular the Labor Party would become among the "floating voters" who determine the outcome of elections.

Would Give Five Years' Period to Move Amound

Should the Government win the general election, it would be in a position to take unpopular measures to check inflation. Since it would have another five years' term, it would be able to live down any unpopularity that would be caused by disinflationary measures. After the victory of 1955 the Government made the great mistake of pursuing an inflationary policy. Quite obviously it was too much to expect to be able to continue that policy for five years. In fact, it had to be reversed within a few months after the election. Now if the Government will adopt disinflation at an early stage of its new term of office, it would be in a position to switch over to expansion in good time for the following general election.

Another five years in office would give the Conservatives a chance to carry out a long overdue reduction in taxation. The prospects of it would greatly contribute towards a business revival once inflation has been brought to a halt.

Harriman Ripley Group Underwrites Boeing Airplane Debentures

Boeing Airplane Co. is offering to the holders of its capital stock of record July 15, 1958 rights to subscribe for $30,597,600 principal amount of 4½% convertible subordinated debentures, due July 1, 1980, in the ratio of $100 principal amount of debentures for each 23 shares of capital stock held. The subscription offer will expire at 3:30 p.m. (EDT) on July 29. An underwriting group headed by Harriman Ripley & Co. Inc. and Blyth & Co. Inc. will purchase any unsubscribed debentures.

Simultaneously, the company offered to the public, through underwriters, $40,000,000 of 5% sinking fund debentures, due Aug. 1, 1978 at 98.50% and accrued interest, which is an offering yield of 5.12%.

It is expected that a substantial portion of the proceeds from the sale of the senior debentures and the convertible subordinated debentures will be used to reduce short-term bank loans of $115,000,000 outstanding as of June 16, 1958. Any balance of the proceeds will be available, together with retained earnings, for process inventories and receivables.

The convertible subordinated debentures will be convertible into capital stock at the rate of two shares of stock for each $100 principal amount of debentures. They may be redeemed at the option of the company at prices ranging from 105½% in the first year to par in 1979. Sinking fund redemptions will be made at par.

A sinking fund, commencing in 1964, is calculated to retire at least 94% of the sinking fund debentures prior to maturity. Optional redemption of the sinking fund debentures may be made at prices ranging from 104¾% in the first year to par in 1977; provided, however, that the sinking fund debentures may not be retired prior to Aug. 1, 1963 from or in anticipation of moneys borrowed at an interest cost of less than 5⅛% per year. Sinking fund redemptions will be made at par.

Since its inception the company has been engaged primarily in the design, development, manufacture and sale of military and commercial aircraft, spare parts and related products and in the performance of services incidental thereto. Commencing in 1945 the company has also been engaged in research and development work in the military missile field, and, more recently, in the production of missiles, spare parts and related products and the performance of services incidental thereto.

In 1955 the company offered for sale to the commercial airlines of the world a four-engine jet transport aircraft. The first order for this aircraft was obtained in Oct. 1955. The company has now received orders from United States and foreign commercial airlines for a total of 184 of five versions of this aircraft known as Models 707 and 720. In addition the Company has received a letter contract from the U. S. Air Force for three Model 707 aircraft for use by government executives.

Thomas J. Martin

Thomas J. Martin, associated with Bache & Co., passed away July 13 at the age of 54 following a long illness.

Michael A. Cappa

Michael A. Cappa, associated with A. G. Becker & Co. Incorporated, New York City, passed away July 2.

Banking Termed Recession's Bulwark

Lee P. Miller declares our banking structure's soundness provides element of real strength in the current recession; finds there is too much pessimism bandied about by irresponsible elements; and warns we must protect ourselves against resumption of dominant inflationary pressures.

The soundness of the banking structure is an element of real strength in the current business recession, according to Lee P. Miller, Vice-President of the American Bankers Association, and President of the Citizens Fidelity Bank and Trust Co., Louisville, Ky.

Lee P. Miller

In an address at the Shroeder Hotel, in Milwaukee, Wis., on June 25, before the annual convention of the Wisconsin Bankers Association, Mr. Miller declared that banking strength helps the economy to take a business recession in stride. "No two business cycles are alike," he pointed out. "The characteristics of some booms and some corrections emanate from combinations of circumstances more or less different from what may have taken place before. Yet today there seems to be universal agreement that this, the deepest general recession since the 1930's, embraces none of the fears of drastic credit liquidation and monetary deflation that accompanied the earlier depressions or recessions. To put it another way, our banking system today is geared to handle the changes in supply and demand relationships that market forces introduce in the credit structure."

Too Much Pessimism

This is a healthy circumstance, according to Mr. Miller, because the ability to adjust, while retaining a solid base of confidence and courage, is necessary for sound progress. "It is a helpful answer to the alarmists who have the inclination to look at the pessimistic side of the business news. In my opinion, there has been too much pessimism bandied about by irresponsible elements. One can detect symptoms of the kind of thinking that led to the false notion before World War II that the economy was 'stagnant' or 'mature.' Some are seeking to make political hay—and I do not mean that in the partisan sense—out of a recession which naturally should have been expected to follow inflationary developments and a capital expansion boom. They argue that a modest decline in the level of most general business indexes and a more serious decline in certain industries constitute a national calamity that only vigorous, sustained action by all-powerful government can correct. How wrong they are! Their clamor serves no useful purpose because it tends to injure public confidence—the catalyst of stability and progress."

Accumulated inventories are being chewed up, incomes are high, trade is holding up, and, Mr. Miller conclude, "we are building once more a stronger base upon which to resume our national growth by eliminating many of the distortions which were so much a part of the inflationary boom."

The Wisconsin bankers were told that it is important, "as the forces of recovery proceed in the coming months, that we guard vigorously against the resumption of dominant inflationary pressures. These pressures are lurking in the background, ready to spring forth, should unwise fiscal and monetary policies provide the spark. Even in recession, we have made only slow progress in correcting the distortions that the last inflationary surge produced, and to give them new life would be bordering no national suicide in our battle agains the forces of communism. We must keep our economy strong and resourceful. We must nourish our incentives for growth and development, and not sap them through the insidious route of inflation."

Official Changes in Henry Montor Assoc.

Henry Montor, President and founder of Henry Montor Associates, Inc., 40 Exchange Place, New York City, members of the New York Stock Exchange, has resigned as President and has arranged to dispose of his interest in the firm it has been announced.

Jacob M. Alkow, formerly Vice-President, has been elected President of the firm, and the seats on the New York Stock Exchange and American Stock Exchange formerly held by Mr. Montor have been transferred to him.

Seymour Fishman, of the firm's Chicago office, has been elected Vice-President and Secretary. Norbert L. Grunwald, of Baltimore, has been elected Vice-President, and George Colan has been named Vice-President in Charge of research.

It is contemplated that the name of the firm will be changed in the near future.

Halsey, Stuart Group Offers Southern Natural Gas 4½% Debentures

An underwriting syndicate headed by Halsey, Stuart & Co. Inc., on July 11 offered an issue of $30,000,000 Southern Natural Gas Co. 4½% sinking fund debentures, due July 1, 1978, at 100% and accrued interest. The group won award of the debentures at competitive sale July 10 on a bid of 99.2099%.

Net proceeds from the financing will be added to the company's general funds and will be available for the construction program. The estimated cost of all facilities in the construction program, is approximately $105,000,000.

The debentures will be redeemable at optional redemption prices ranging from 104½% to par, plus accrued interest. However, no debentures may be redeemed at the option of the company prior to July 1, 1963 as a part of a refunding or an anticipated refunding operation involving the incurring of indebedness having an interest cost to the company less than 4.57%.

A sinking fund commencing July 1, 1960 will retire on or before maturity all of the debentures at par, plus accrued interest.

Southern Natural Gas Co. is engaged principally in the interstate transmission and sale of natural gas, at wholesale to other companies and municipalities and gas districts, and directly to certain industrial users. The company's pipeline system extends to markets in Louisiana, Mississippi, Alabama, Georgia and South Carolina. The company is also engaged in exploration for and development and production of gas and oil, and it also sells gas not connected to its system, as well as oil and distillate.

For the year ended Dec. 31, 1957, the company and its subsid-

gitized for FRASER
ttp://fraser.stlouisfed.org/

iaries had consolidated operating revenues of $101,151,000 and consolidated net income of $11,269,000.

Lehman Group to Sell Panama External Bonds

Panama's Finance Minister, Fernando Eleta, with approval of President Ernesto de la Guardia and the Cabinet, has appointed Lehman Brothers to form and head an underwriting group for a public offering of approximately $26,000,000 Republic of Panama external bonds.

Security for the bond issue will be based on the treaty of 1903 between the United States of America and Panama for the construction of the Panama Canal. Under treaty, as amended, the United States agrees to pay Panama in perpetuity $1,930,000 annually as compensation for the rights granted to the United States in the Canal Zone. $1,500,000 of the annual treaty payment is to be irrevocably assigned for 30 years to The First National City Bank of New York, fiscal agent for the bond issue, so that the bank will receive the annual payment directly from the United States Treasury and apply it to the full payment of principal and interest when due.

Proceeds of the bonds are to be applied, partly, to the redemption of certain outstanding debt of the Republic and, partly, to the costs of Panama's feeder road program. The Inter - American Highway from the Panama-Costa Rica border to Panama City and Colon has been previously financed and a large part of it has been constructed. The feeder roads to be constructed will afford access to the Highway from many areas of the nation, thereby greatly improving the economy of the country.

Spokesmen at Lehman Brothers said that the offering date and terms of the bonds can not be determined until an Securities and Exchange Commission registration statement has been filed and has become effective and that every effort is being made to file the statement at an early date.

Panama in 1950, through Lehman Brothers, placed privately $10,500,000 similar bonds in the United States at a 3% interest rate and with the security of $430,000 of the annual treaty payment.

Wm. E. Donovan Joins Philip Leserman Assoc.

Philip Leserman, III, President of Philip Leserman Associates, Inc., financial relations consultants, New York City, announces the appointment of William E. Donovan as Vice-President in charge of their Southern California operations with offices to be located in Los Angeles.

Mr. Donovan has lived in California for the past 17 years and, during this period, has been actively engaged in the public relations and financial fields. He was a publications manager for the University of California, publicity director for the Southern California Symphony Association and, subsequently, a registered representative with J. A. Hogle & Co. and Francis I. DuPont & Co.

Now With Marvin Yerke

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Jerome Kohn has become affiliated with Marvin C. Yerke & Associates, Inc., 40 West Broad Street.

Hafley & Co. Opens

HOUSTON, Tex. — Girard D. Hafley, Jr. has formed Hafley & Co. with offices at 5537 Schuhmacher Lane to engage in a securities business. Mr. Hafley was formerly with the First Gulf Coast Corp., Harding & Co. and Vickers Brothers.

Securities Salesman's Corner

By JOHN DUTTON

Over the years we all meet people we admire, and sometimes they are an inspiration to us as well as to others. Their lives are examples of courage and kindliness, and many of these people have triumphed over difficulties that would have been too much for others to bear. I write about such individuals because I am certain that most of us (regardless of where we strive and live) have a deep need for encouragement and for understanding of our place in this brief existence as human beings. Some of us sell securities, others offer their services, skills, and aptitudes in different ways that benefit mankind and help to make this a better world. Some of us fare better than others in material rewards that is only natural. But none of us can be without the faith that makes what we do valid and worthwhile, not only to others, but to ourselves.

Cynicism, materialism and the current day emphasis upon "getting" rather than "giving" is a growing cancer among the young people and the nation as a whole. It is not good and no amount of greed, selfishness, and self-centeredness will ever lead the rest of the world into the pathways of peace, abundance, and the better life the founders of this Republic envisioned for us. But I am not writing this piece to moralize or preach about what used to be the "obvious." When I was a boy 40 years ago you didn't have to use restraint in voicing such ideas. But be that as it is, I want to tell you about a man in the investment business who has by his example proved that "living with faith" can lead to personal success and serve as an inspiration to his many friends and associates.

If you will enter an office of an investment firm in New York and go into the trading department of this busy organization you will see a man now in his middle 50s sitting at a wheel chair; with canes leaning against the arms of the chair, busily answering telephones, talking, leading, and directing an office full of people, some who have been associated with him for 20 years or more. There is an atmosphere in the room of cheerfulness, cooperation and activity. During the busy day, amid many interruptions, this man now seldom leaves his wheel chair. He takes his lunch in the sky-top room of a club in his building after he has wheeled himself into an elevator, then through the long hall of the clubroom, and finally with the aid of two canes he lifts himself into his chair at the luncheon table.

Seventeen years ago the doctors told him he would never get better and that as the years passed he would become weaker and less able to move his body—there was no more. But when you sit with him at the luncheon table, when you talk with him in his busy office or over the telephone, you don't see the wheel chair, you don't even know the canes that serve as his legs are there. You are only aware that there is a man who is living each day as fully and completely as he can—he has erased from his mind the verdict the doctors gave him 17 years ago. He is still living, doing, creating and building. His son sits beside him in his office, the men who started in his firm years ago still look at him across the trading table, and he said this to me as we talked for several hours in the restful lounge of this club high above Manhattan one afternoon several weeks ago. "I enjoy what I am doing. Life has been good to me. I have a fair degree of material success, and every day is a new start and a new **adventure** in living."

Then he told me that for years he has made a habit of keeping a pad of paper and a pencil on his night table near his bed. Sometimes when an idea comes to him he writes it down so he won't forget it in the morning. The night he went to his bed after the doctors had given him the verdict (he would not recover) he told me he had a dream and it awoke him about four in the morning. This dream was so vivid he started to write, and in his own way he penned the following lines which he jokingly entitled "More Truth Than Poetry."

"They call it muscular atrophy
Which is supposed to be a terrible catastrophe,
For 'tis progressive, too, they say
And should get worse day by day.
The doctors are pessimistically inclined,
A more discouraging lot is hard to find.
They say there's nothing they can do,
To which I reply, 'nuts to you.'
For God in his mercy and infinite love
Looking after his children from way up above
Has planted within us the will to do
I'll place my trust in him, he'll see me through.
Though the doctors nod their heads in deep despair,
Their gloom and pessimism I cannot share,
As to when I'll get better, who can tell,
But this much I know, **I will get well!**"

And so it goes—some men give up when even small obstacles stand in their way—others call upon their faith, and the courage that comes when you ask for it and it enables them to live a life that is successful, and inspirational. Not only is my friend a good investment banker but he is also a pretty fair rhymster. We will finish this week's piece with another one of his little verses. I like it and I hope you will too.

The Human Mind

There is a story I would like to tell
Of a man who for years was in a cell,
For days and nights he'd sit and groan
"If I could but get out," he'd moan,
But, alas, his freedom he did not get
And all he did was fume and fret.
But one day as he leaned against the iron door
It suddenly opened; he fell to the floor.
As he picked himself up, thoroughly shocked
He realized the door had never been locked.
Many humans like the man in this tale
Lock themselves up in an imaginary jail,
Yet all they need to open the door
Is discard negative thoughts forevermore.

Dillon Now Under Secretary of State

Former ambassador and investment banker who had been Deputy Under Secretary of State for Economic Affairs is promoted to Under Secretary for Economic Affairs as a result of recent changes in Mutual Security Act.

C. Douglas Dillon, formerly Deputy Under Secretary of State for Economic Affairs, was sworn in as Under Secretary for Economic Affairs by Secretary of State John Foster Dulles, on July 1, 1958.

C. Douglas Dillon

This new office, which becomes the third ranking in the Department, was established under the Mutual Security Act of 1958. President Eisenhower signed the legislation and nominated Mr. Dillon to fill the post. Provision for the new office was made by an amendment introduced in the Senate by Senator H. Alexander Smith of New Jersey and by Senator Mike Mansfield of Montana.

In establishing the new office the Conference Report on the Mutual Security Act of 1958 stated that "the new position will give further emphasis to congressional insistence that the Mutual Security Program is an integral part of United States foreign policy and, as such, is under the immediate direction of the Department of State."

Mr. Dillon has been Deputy Under Secretary since January, 1957. In December, 1957, Secretary of State Dulles delegated to that office the responsibility of coordinating various parts of the Mutual Security Program, including both military and non-military programs.

Former Ambassador

Mr. Dillon was appointed Ambassador Extraordinary and Plenipotentiary to France on Feb. 27, 1953. He acted as an advisor at NATO Council meetings in Paris and observer at meeting of the Organization for European Economic Cooperation, and he has accompanied Secretary of State Dulles to several Foreign Ministers meetings.

Mr. Dillon was born in Geneva, Switzerland, on Aug. 21, 1909, the son of Clarence and Ann Douglass Dillon. He graduated from Groton School in 1927 and from Harvard University in 1931. Mr. Dillon was a member of the New York Stock Exchange from 1931 to 1936. In 1936 he became a director and subsequently President of the United States and Foreign Securities Corporation and the United States and International Securities Corporation.

In 1938 he became a Vice-President and director of Dillon, Read and Company, and was made Chairman of the Board in 1946. Mr. Dillon was commissioned an ensign in the Naval Reserve in 1941, and rose to the rank of Lieutenant Commander during four years' active duty. For his services at Guam, in Saipan, and in the Philippines he received the Legion of Merit and the Air Medal. He is a member on leave of the Board of Governors of New York Hospital, the Board of the Metropolitan Museum and the Harvard Board of Overseers.

Mr. Dillon is married to the former Miss Phyllis Ellsworth and they have two daughters, Mrs. Mark Collins and Mrs. James B. Mosely.

Francis J. McDonald With McCormick Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Francis J. McDonald has become associated with McCormick & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. McDonald in the past was Manager of the Sales Department in the Chicago office of Lee Higginson Corporation.

Graham & King Formed

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Graham & King Inc. has been formed with offices at 16 Court Street to engage in a securities business. Officers are Fred A. King, President; Hugh J. Graham, Jr., Treasurer; and Raymond W. Thibault, Secretary.

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such shares. The offering is made only by the Prospectus.

389,577 Shares

TEXTRON INC.

Common Stock

Par Value 50¢ per Share

Rights, evidenced by Subscription Warrants, to subscribe for these shares at $9.75 per share have been issued by the Company to holders of its Common Stock of record July 14, 1958, which rights expire July 30, 1958, as more fully set forth in the Prospectus.

The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, during and after the subscription period, may offer shares of Common Stock as set forth in the Prospectus.

Copies of the Prospectus may be obtained in any State only from such of the several Underwriters as are registered dealers in securities in such State.

Blair & Co. Incorporated — Scherck, Richter Company

Bache & Co. — Ladenburg, Thalmann & Co. — G. H. Walker & Co.

Hayden, Stone & Co. — The First Cleveland Corporation

Francis I. duPont & Co. — A. M. Kidder & Co., Inc.

July 16, 1958.

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from first page

Alaska Development

private enterprise of these National Forest areas, so rich in resources.

In addition to this work with the Federal Forest Service on the National Forests I have continuously participated in studies of resource development problems throughout the whole of Alaska and have worked in Washington and with the Territorial legislature for changes in the administrative laws and regulations and in the applicable tax structures with a view to stimulating development of the Territory as a whole.

I am continuing these activities for the furtherance of Alaska's growth, since my retirement from the position of Governor last year.

Today there is a wider and more serious interest in Alaska by the people of Continental United States than ever before. This is due, apparently, to three things:

Lists Reasons for Alaska's Increased Importance

First is the issue of statehood. The creation of a new state in our country is a history-making event and does not occur very frequently. New Mexico and Arizona, which came into the union as states in 1912, were the latest, before Alaska. The daily newspapers and news weeklies are putting out information on the Alaskan economy and on all phases of life in Alaska. Incidentally, Congress passed the Alaska statehood bill on June 30 and it has been signed by the President.

The second feature of interest in our northern territory stems from the fact that aerial warfare has awakened us to the realization that Alaska is no longer the remote area so many of us have long considered it to be. This is due to its position. It is on the shortest route—the trans polar route—for military airplanes and missiles between Russia and the United States. (Also, people now recall that Alaska and Siberia are only 55 miles apart at Bering Strait.) Enormous sums of money have gone into defense projects in Alaska in the past 15 years. These defense activities have had, of course, a tremendously stimulating effect on the population growth and regional economy. New residents have poured in from every state of the Union.

A third and highly important reason for a growing interest in Alaska has been due to the rapidly expanding population of the United States. The question comes up of the ability of Alaska to absorb some considerable portion of this increasing population within the next decade and thereafter.

On this point I would say that in the light of what we know of Alaskan resources and on the basis of the economic and cultural attainment of the equally far-northern and quite heavily populated countries of Norway, Sweden and Finland, I am confident that Alaska is destined to have and can easily support in the American way of living a very great increase in the present population of 200,000. Its potential should compare favorably with that of most Western states. Its area is 586,400 square miles, one-fifth the area of Continental United States, with a present year-round population of only 200,000. Its population ratio per square mile is approximately 1/165th that of the average of Continental United States. Surely there is plenty of room here for growth.

Industrial Promotion

Not only Alaska, but the whole of the area we term the "North Country," which includes the Northwest sections of Canada bordering on Alaska, some 1,250,000 square miles, is now starting on what promises to be a phenomenal growth. The Canadian sections have surged ahead of us as Canada offers inducements to industry that the United States (which holds 99% of the area of Alaska) has not offered in Alaska, but recently our country has been improving its laws and regulations and other inducements to resource development. Too, the Alaska legislature, by recent action, has provided for tax adjustments to promote industry which are proving effective. Under the statehood enabling act, Alaska will receive land grants of over 100,000,000 acres, an area larger than the State of California, and we can expect that the state will go as far in offering terms which will be so attractive to prospective users of the resources of its lands as is consistent with the present and long term public interest.

The public is beginning to realize that Alaska is not a land covered with ice and snow. In fact, perpetual ice and snow fields cover a very small portion of the country and this is largely confined to the high mountains.

The whole of the South Coast, bordering the Pacific Ocean, has a climate somewhat resembling that of Puget Sound. This is due to the presence of warm ocean currents which modify the climate of the whole northwest coast of the continent south of the Aleutian Islands.

Interior Alaska, which embraces more than half of the country has a climate quite similar to that of the prairie provinces of Canada and these provinces have attracted vast numbers of settlers and supply large and growing industries.

Only the Arctic region, covering one-fourth of the area of the territory and bordering the Arctic Ocean, has a really forbidding climate and thus offers formidable obstacles to development.

On the whole, I should say that the mode of living in Alaska is not unlike that of our northern tier of states.

The Territorial form of government we have had since 1912 is quite similar to that of state governments with the exception that the Governor is appointed by the President. It includes an elected legislature and the usual administrative offices. The services offered by the territory in the field of health, education and welfare can be described as strictly modern. The usual Social Security and unemployment benefits are also in effect.

Territorial taxes are fairly high, due in part to our small population and the public demand for practically all of the public services provided by the states. The Territorial government collected and spent approximately $22 million in the fiscal year 1957. It had no outstanding debt at the end of that year. Alaskans are subject to the same Federal taxes as residents of the states and in fiscal year 1957 paid $65 million into the Fedeal treasury.

Seasonal Labor Force

The greatest problem we have and the one we are striving hard to overcome results from the prevailing seasonal employment of most Alaska workers. Fishing, mining and military construction work on which much of our economy now rests are largely seasonable industries. Consequently a large percentage of the men who are employed on Alaska projects, live in the Pacific Northwest and spend only the working season of eight months or less in the territory, while permanent Alaska residents have to stretch eight months of wages over a 12-month period of living. This seasonal employment has largely been responsible for the high wage rates for which Alaska is known but as year-long employment becomes more common we look for the wage scales to decline substantially. Most of the industrial enterprises we are seeking for Alaska will operate throughout the year.

Industries Promoted

Among the industries we are promoting are, first, the forest industries. The National Forests on the South Coast contain extensive stands of the heavy Pacific Coast type timber and are to be used primarily for the production of pulp and paper with lumber and plywood as associated industries. Within the past five years two pulp mills with investments of about $55 million each, have been established in the Tongass National Forest area and a third plant, of equal or larger size, is planned. A fourth, one-half as large as the other three, is also in prospect. These timber using plants will contribute greatly to the working force and to the economy of the Territory. Also, it should be noted that the National Forest timber allocated to the support of these mills is managed on a basis of assured reforestation and sustained yield and thus the mills can depend on having a supply of raw material in perpetuity.

The minerals we are trying to bring into use include iron ore, nickel, copper, tin and other metallics as well as several non-metallics. Also, we are hoping for some action by the government that will insure the gold producer a higher return of his products. Alaska, long a heavy gold producer, has slumped greatly in recent years under the price of $35 per ounce, established in 1934, when wages and material cost were far below present levels.

Water power is one of our great natural resources. Huge rivers and high lakes offer opportunities for large hydro power plants and these plants can be interconnected by transmission lines into very extensive power systems leading down to tidewater ports to provide energy there for industries such as the processing of aluminum which are very heavy users of power. Some of the largest remaining undeveloped hydro power sites on this continent are located in Alaska and the adjoining sections of Canada. This is especially true of the sites on the Yukon River.

Coal is abundant in the Alaska Railroad belt. This coal is largely lignite but some of it is of the higher grade — bituminous. On the south coast close to tidewater coking coal is available. Alaska coal is now used only locally but studies are now being made by large coal operators of the possibilities of developing Alaska coal, and especially that of coking quality, for sale in the markets on both sides of the Pacific Ocean.

The great commercial fishing industry has slumped badly in the past 15 years due to an unexplained decline in the Salmon resource. Salmon and halibut are the principal species now processed but other kinds of fish offer possibilities for an expansion of the industry.

Very few people think of agriculture, including stock raising, as a potential industry of Alaska, but the experimental work that has been done and is being done on grains and forage crops and on farm and range animals to develop strains suitable for northern conditions, and the importance of this industry in Scandinavia and Siberia show that agriculture can be successfully practiced in subarctic regions.

Petroleum Prospects

The greatest thrill in the past few years to come to us who are working for Alaska development has resulted from the prospects for petroleum production. The outlook is very promising over great sections of the Territory from Southeastern Alaska to the Arctic Ocean coast and west to the Alaska peninsula. Dozens of substantial companies have taken up or have applied for oil leases on more than 35,000,000 acres of Federal land and many of these companies are making extensive studies of geological structures and have started or are preparing to do exploratory drilling. We think that petroleum will prove to be one of Alaska's greatest assets and as such will contribute immeasurably to the wealth of our proposed new state.

As the Federal Government owns 99% of the area of Alaska the resources we want to see developed are almost entirely under Federal administration. By and large we think the Federal Government has been doing a fair job **in the last few years** in making these resources available to individuals and companies for use. However, we believe the government of the proposed State of Alaska should be able to do a far more effective job in getting our resources developed as the state will have much greater interest in the matter and being closer to the problems involved can have better knowledge of the action which will bring results. Consequently, we are pleased that the new state is to receive land grants totalling more than 100,000,000 acres or 30% of our total land area plus the tideflats and the submerged lands out to the three-mile limit. With an estimated 25,000 miles of shoreline along our mainland and the many adjacent islands, these shallow water areas are immense and of great present and potential value.

Transportation is often spoken of as the "Key to Development" of a frontier region and this is especially true of Alaska, detached as it is from Continental United States by 500 miles and having distances within its own boundaries of as much as 1,500 miles, not counting the long chain of the Aleutian Islands. We are served principally by water out of the Puget Sound ports and by three highways and a railroad all leading inland from towns on our south coast to the largest cities, Anchorage and Fairbanks, situated in the heart of the country. The Alaska Highway built in 1942 as a military defense measure, leading from the road system of Western Canada to Fairbanks and Anchorage, is our only land transportation connection with Continental United States.

Excellent airplane service is provided to the Pacific Northwest and direct to the Orient while local air service to the larger towns is available from every village and hamlet. Nowhere is there heavier travel per capita than in Alaska. Everyone, including trappers and prospectors traveling to and from their remote fields of work, makes use of the "bush planes" which will fly anywhere a body of water or a sandbar for a landing place is available. The Eskimo has gone direct from kayak and the dog team to the airplane for all but his purely local travel.

Water cargo rates to and from Puget Sound have been high, principally because of the seasonal and usually the north-in-the-spring and south-in-the-fall character of heavy freight traffic. With the beginning of such year round and heavy cargo traffic as now furnished by the large pulp mills, the carrying charges are coming down substantially and through freight rates by water and rail from Alaska points to the midwest and eastern seaboard of the United States can now be obtained. These better rates are recent developments and indicate the changes which are taking place in favor of the installation of Alaska enterprises to supply outside markets.

Alaska, however, is in need of a greatly expanded highway system. It needs more main highways but even more it needs feeder roads to these highways to open up new and promising areas for resource development. Our total road system, of all classes, now approximates only 5,000 miles. I think statehood will greatly improve the chances of more low cost roads to isolated but rich resource areas. Congress has recently shown its concern for highway connections with Alaska. It has established a Commission to study the need for, and the feasibility of such facilities.

Tourism, an industry which is increasing rapidly in Northwest Canada and Alaska, would be a great and immediate beneficiary of such additional arterial highways into the north country.

No "Boom and Bust"

Alaskans want to avoid the chances of getting a "Boom and Bust" type of development anywhere or for any type of industry. We believe that this can be prevented by a reasonable amount of realistic planning and by not crowding for an earlier development of an industry than is justified on the basis of the market possibilities for the commodity as shown by careful study. However, with the increasing population and our even higher standard of living in America, industry is constantly reaching further out for natural resources for processing to meet the expanding needs and we are confident that many Alaska products, which were classed as too remote or possibly strictly marginal, are now, or soon will be within reach of the general market.

Statehood will doubtless bring many changes to Alaska and a transition or stabilization period lasting a few years and bringing vexing problems may be expected. This was true of many of our western states but they came through without permanent scars and I am confident that Alaska will do as well. A very encouraging feature is that public revenues of the Territory have been increasing at a healthy rate for a long period and continued improvement is foreseen. The financial problems of the new state should thus prove to be manageable.

Blyth Group Offers Pacific Ltg. Shares

Blyth & Co., Inc., and associates brought to market yesterday (July 16) 980,000 shares of common stock of Pacific Lighting Corp., a utility holding company whose operating subsidiaries distribute natural gas in 12 counties of Southern California. The stock was offered at $47.25 per share.

The company proposes to use the net proceeds from the sale to finance in part costs of the construction and expansion programs of its subsidiaries, which, for the 19-month period ending Dec. 31, 1959, are estimated at $155,600,000.

Consolidated operating revenues of the company and subsidiaries for the 12 months ended May 31, 1958 amounted to $264,884,414 and net income to $23,269,642, equal to $3.12 per common share, compared with revenues of $239,615,387 and net income of $19,108,339 or $2.42 per share during the calendar year 1957.

The company has paid dividends on its common stock in each year since 1908. On June 20, 1958 a quarterly dividend of 60 cents per share was declared.

With Schwerin, Stone

Great Neck, N. Y. — Schwerin, Stone & Co., Great Neck Road, members New York Stock Exchange, announce that Donald D. Jacobson has become associated with them.

gitized for FRASER
p://fraser.stlouisfed.org/

Continued from page 15

Where Do Drop Forgings Stand In the Metalworking Industry?

tomer's products. It includes creating new markets.

Frankly, I doubt that the forging industry has done an outstanding job, as an industry, in that area. And where an industry is conservative, at appears to be difficult for a single company to step out and do an outstanding job.

The aluminum industry offers a good reverse example.

Two decades ago, we had only one primary producer of aluminum in the U. S., The Aluminum Co. of America. It was a fairly progressive company and enjoyed a steady growth. In 1937, it produced 146,000 tons of aluminum.

Then came World War II and a vastly expanded demand for aluminum to build aircraft. New reduction mills and finishing plants were built with government money and with private capital. Instead of one producer, we had three. When that war ended, demand practically disappeared. We thought it would take a generation or two before demand could catch up with supply.

But Reynolds, Kaiser, and Alcoa set out to develop new markets and create new demand. Soon they were utilizing all the surplus plant we thought we would have to junk and were building new capacity.

Most of you are familiar with the story of do-it-yourself aluminum, of aluminum foil, aluminum boats, and many other applications.

Last year, we produced 1,650,000 tons of primary aluminum, an 11-fold increase in two decades. And the aluminum industry is only getting started.

So I suggest that, as an industry, you pay more heed to market development and market creation.

Product Improvement

Second, I suggest that you continue to pay heed to product improvement. Notable progress already has been made by your industry in designing out weight, in surface improvement, and in meeting closer tolerances. More will have to be done.

We are moving inevitably toward a more automated industry. If you don't like the word automation, call it four roses. But remember that as your customer increases his mechanization, even minor dimension variations will not be tolerated.

Third you will have to handle the newer materials and metals. You already are doing an excellent job on the special alloys of steel, titanium, and aluminum. But new metals and materials are coming across the horizon regularly. You'll have to learn to work with them.

One outstanding metallurgist assures me that we soon will be forging ceramics. At first, that sounded pretty ridiculous, but I'm not so sure he was talking through his hat.

Fourth, you will have the continuing problem of cost reduction. This is a problem that you can never lick. But as an industry, as well as individually, you will have to keep pounding away at it. You can be sure your competitors will be finding ways to improve their efficiency.

Now, while business is somewhat less than pressing, it might be a good time to take a look at how to lower your unit production costs through the introduction of more efficient equipment, the better arrangement of equipment you now have, better material handling, and, of course, better methods.

This year the editors of "Steel" have been sponsoring a cost crisis competition on ways to reduce unit production costs through the use of more efficient capital equipment. Some of the savings shown by our contestants, all metalworking companies, are fantastic.

Pooling Knowledge

Fifth, I suggest that the forging industry learn better how to share its knowledge and information. To us, and to other editors as well, the forging industry is pretty conservative. We find it difficult to obtain really good stories from the industry. Generally, this is because of a reluctance to disclose trade secrets or methods. That, of course, is your business, but I am always reminded of what a top executive of Du Pont told me years ago: "When you lock the door, you always lock out more than you lock in."

Possibly, your association is trending toward revealing to each other and to the public more information that you once considered sacred. I believe that you are. But I do know that when I was seeking some figures for today, I had a rather tough time getting them.

Finally, there is the problem of people. What is the forging industry doing to attract trained personnel? In visiting technical colleges, I have noted relatively few courses in forging. This raises the question: Where do you get trained engineers? Can you use the universities to help you train people? Are you doing enough to help the universities?

That certainly looks like an industry job, and it ties in with the suggestion for opening your doors a little wider to everyone — the press, the public, your customers, and your suppliers.

Those are some of the problems that I believe the forging industry will have to tackle if it is to stay ahead in the race that will characterize the new economy—a grand economy for those prepared to fulfill its requirements.

J. F. Magurno Forms Co.

CLEARWATER, Fla.—James F. Magurno is engaging in a securities business from offices at 601 Court Street under the firm name of Magurno and Company. Mr. Magurno was formerly with Pierce, Carrison & Wulbern and Leedy, Wheeler & Alleman.

Form Public Development

PHOENIX, Ariz. — Public Development Corporation has been formed with offices at 2300 North Central Avenue to engage in a securities business. Officers are Robert C. Bohannan, Jr., President; George B. Sharp, Secretary; and Paul Totel, Treasurer.

Form J. M. Tenney Assoc.

J. M. Tenney Associates, Inc. has been formed with offices at 525 Fifth Avenue, New York City, to engage in a securities business. Officers are Jerry M. Tenney, President; Ira J. Hechler, Treasurer; and Robert K. Lifton, Secretary.

James F. McDonnell, Sr.

James F. McDonnell, Sr. passed away July 10 at the age of 78 after a long illness. Mr. McDonnell was the founder of McDonnell & Co. which he established in New York in 1917.

Railroad Securities

Western Pacific Railroad

Western Pacific is one of the few select roads which is expected to maintain its dividend rate this year despite a drop in revenues and earnings. Currently the carrier is on a $3 annual dividend basis, which at current levels brings a return of around 6%.

For the first five months of this year, the road reported net income of $1.47 a share as compared with $3.02 a share in the like period of 1957. However, the management is believed to hold the opinion that earnings comparisons over the balance of the year will make improved showings with a year ago, with the possibility that for the full year it might be able to come up with as much as $5 a share as compared with $7.54 a share reported in 1957. Of these earnings, it is estimated that more than $2 a share in each of the years would represent amortization tax deferment.

Western Pacific is dependent to the extent of about 60% on its connections with other railroads for a large part of its traffic. It also is faced with a high degree of competition from larger carriers in the service territory.

For some time the management has had an intensive drive to attract new plants to its right-of-way. An average of 60 new plants annually have been located on line in recent years, including the large Ford Motors assembly plant at Milpitas, Cal. In addition a number of existing plants have enlarged their facilities. As a result, tonnage originated on line is increasing in importance. From a low of 2,300,000 in 1949, tonnage originated reached a new peak of 2,867,000 in 1956 and declined only slightly to 2,851,000 in 1957. It might be noted this was well above the volume originated during the Korean War period.

The company owns well-situated industrial acreage which it is expanding. It is in a good position to further increase originated tonnage as a result of expected continued growth of the territory served. Last year 61% of total tonnage was derived from connections and, consequently, the road still has a long way to go to establish a better traffic balance. Western Pacific might receive some important traffic from its wholly-owned Sacramento Northern in the future. Earnings of the latter are not presently consolidated with those of the parent company.

The Sacramento Northern, which was reorganized in 1956, has been undergoing a rehabilitation program, including the abandonment of unprofitable mileage. This subsidiary, which is debt free, had substantial earning power during World War II and the Korean conflict. Since that time earnings have been down and also have been badly effected by a number of floods.

Cash resources, although ample, have declined in recent years. On April 30, cash amounted to $2,694,000 and current liabilities totaled $13,052,000, while $4,506,000 was held in special deposits to cover Federal income taxes accrued and other liabilities. Net working capital mounted to $4,843,000 down from $5,833,000 at the end of 1957 and $6,422,000 on April 30, 1957. There are two sources which could bolster cash during the balance of the year. The cash flow from depreciation is estimated at $3,540,000 compared with equipment trust maturities this year of $2,140,000 and sinking fund requirements of $720,000. The second is the possibility of a sizeable tax refund claim arising out of book losses sustained in the reorganization of the Sacramento Northern. It is believed the subsidiary road has a comfortable cash and working capital position which could be drawn down by Western Pacific as needed.

The Western Pacific comprises some 1,200 miles of road, extending from Salt Lake City to the Pacific Coast, with an important 112-mile line running north from Bieber to Keddie, Cal. This is a part of the "inside route" from Southern California to the Pacific northwest. It connects with the Atchinson, Topeka & Santa Fe on the south and the Great Northern Railway on the north. These three roads are in direct competition with the Souther Pacific for traffic. The main line connects with the Denver & Rio Grande Western at Salt Lake City, forming part of a transcontinental route. About 183 miles of line between Oakland, Cal., and Salt Lake City are paired with Southern Pacific and are used jointly by the two roads giving both systems in effect a double track over this mileage.

The Western Pacific has cutback on its ambitious improvement program to cut down expenses and this, coupled with an upturn in traffic over coming months, should produce better earnings and also bolster the cash position.

Keenan & Clarey Branches

MINNEAPOLIS, Minn. — Keenan & Clarey has opened the following branch offices: Crookston, Minn., under the direction of Gordon Emerson; Duluth, Minn., under the direction of John L. Banks, Jr.; Shakopee, Minn., under the direction of Richard Mertz; New Ulm, Minn., under the direction of Theo. H. Furth; Sleepy Eye, Minn., under Donald Schmid; and at 1090 Ohio Street, St. Paul, under the management of Quintin J. Thul.

First Angeles Corp.

LOS ANGELES, Calif. — The First Angeles Corporation has been formed with offices at 210 North Carolwood Drive to engage in a securities business. Officers are Mark D. Leff, President; B. C. Leff, Secretary, and Stephen B. Scougall, Vice-President.

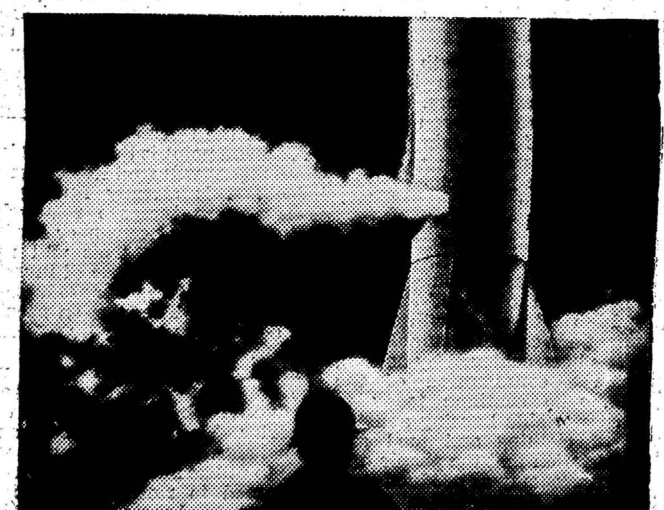
With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — James O. Hillyard, Jr. has been added to the staff of Merrill Lynch, Pierce, Fenner & Smith, Dixie Terminal Building.

Opens Investment Office

PHILADELPHIA—Mrs. Lennie D. Benner is engaging in a securities business from offices at 7252 Limekiln Pike. Mrs. Benner was formerly with Auchincloss, Parker & Redpath.



United Press International

FILL 'ER UP. Pre-launching fueling operations for Jupiter-C, —the rocket that carried America's first satellite into orbit.

Rockets fly 'out of this world' on high-energy fuels—Blaw-Knox pioneered every full-scale high-energy fuel plant in America

Blaw-Knox designed and built the nation's first high-energy fuel plant in 1949 . . . then pioneered with a fully-integrated plant for commercial production of boron chemicals. In fact, for its clients Blaw-Knox has designed, built, or performed inspection work on every full-scale plant in the country for making boron high-energy fuels that are propelling America into the space age.

But then, pioneering throughout industry is a job that Blaw-Knox is geared to tackle. What are your company's plans? If bigger profits can come to your company through advances in rolling or fabricating metals . . . in road building, chemicals, processing or communications—Blaw-Knox is the forward looking company that can help you. To find out about our products and services for industry, send for our brochure "This Is Blaw-Knox."

BLAW-KNOX COMPANY

1231 Blaw-Knox Building • 300 Sixth Avenue

Pittsburgh 22, Pennsylvania

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 5

Time Is Running Out in The Economic Cold War

aims in even more decisive, and flamboyant, language when he said: "We will bury you. Watch out, we are stepping on your tail." One of the remarkable facts of very recent times is that the Soviet Union has emerged as an important factor in world trade, and it has launched far-reaching programs of economic development aid and technical assistance to the underdeveloped nations of Asia and Africa. So far as we can tell, these Soviet foreign aid programs are now involving something of the order of half to three-quarters of a billion dollars a year.

Takes U.S.S.R. Boasts Seriously

You may very well ask: Do the facts about Soviet economic growth cause us to take the boasts of Khrushchev and the Communist Party seriously? I think that, when we look at the facts, the answer is a rather sober, "yes." While reliable economic statistics, comparable to United States figures on our gross and our net national production, are lacking for the Soviet Union, all of the expert studies on Soviet economic growth converge on the conclusion that since the second World War, the real Soviet gross national production has been growing at a rate of about 7% a year. This is a rate approximately twice the rate of growth in the real output of the U. S. economy since World War II.

The high Soviet growth rate in recent years has been brought about by several factors. In the first place, there has been a very rapid increase in the labor force, the number of people at work on Soviet farms and in factories. The annual increase has ranged between one and two million persons, which is about double the annual gain in the U. S. working force. In the second place, there has been in the Soviet Union a very high rate of growth in investment and capital accumulation. This has been achieved by holding down the consumption of the people, who continue today to lack comfortable housing and the kind of clothing and food and transportation that the people of a Western economy as productive as that of the Soviet Union would normally expect to have. In the third place, there has been in the Soviet Union a very high rate of expenditure on research and development and on scientific education and technical training. These outlays have paid off in an extraordinary increase in the annual gain in productivity, that is, in the output per man-hour.

As a result of a single-minded drive to build up heavy industry, which, of course, supports an immense war machine, the Soviet Union is now producing about 52 million tons of steel a year. Our steel capacity is more than double this amount, but this is about as much steel as we're actually producing at the present time of recession. The Soviet Union is now producing about 80% as much coal as we produce. The most recent figures indicate that it is producing more machine tools than we are currently producing. These figures alone are highly misleading, because the output of consumer goods, of cars and refrigerators and home appliances and all of the services and goods that consumers use in our country, is in the Soviet Union microscopic compared to ours. But if we average the goods in the production of which they're moving up rapidly with those in which they're backward, the aggregate real product of the Soviet economy today is probably between 35 and 40% of that of the United States economy operating at capacity. . . .

This is a very impressive achievement, considering the fact that it is only about 30 years since Stalin first consolidated his internal power in 1928, and launched the first Five-Year Plan under forced draft. This gain in output was brought about, as we know, by ruthless suppression of personal freedom, and by the starvation of millions of peasants, who were forced to deliver their farm products to the State in order to supply the industrial workers with food in this period of forced industrialization.

Sees Slower U.S.S.R. Growth Rate

Will the output of the Soviet economy continue to grow at this fantastically high rate of 7% per annum? I think there are several reasons for believing that the future growth rate will be somewhat less than it has been in the past. In the first place, beginning now and continuing until the late 1960's, the Soviet population of working age will grow relatively little, if at all. The reason for this is that we are now coming into the period in which the babies born during World War II and immediately thereafter will be reaching working age. We know that the Soviet birth-rate in those years was very low, and that the infant mortality was very high. Of course, our own country will suffer the same kind of disability, but in much less degree than the Soviet Union, which bore the full brunt of the German attack.

A second point is that the Soviet Government will find it necessary, indeed, it is already finding it necessary, to increase relatively the production of consumer goods, including housing. This will reduce its very high rate of investment and capital goods production in the future. The Russian people are demanding better living conditions.

Finally, as the Soviets use up the opportunity to increase their productivity by drawing upon the superior Western methods and knowledge, which they have been able to utilize heretofore, they will be forced to find technical improvements of their own. The rise in productivity will not be as great as in the future.

I think this is a rather important point. Has it occurred to you that the Soviet economic objective is a very simple one to formulate—to catch up with the United States? But what is our economic objective? We have nobody to catch up to! We have the task of formulating new economic objectives for ourselves. As the Soviet economy moves up, it will, I believe, face real and difficult problems. As their economy becomes more oriented to the needs of consumers, the planners will come up against these difficult and fundamental problems of what consumers want.

We should not exaggerate Soviet achievements. A number of myths have been fabricated, cultivated, and are being spread in the world which ought to be punctured. One hears it said, for example, that the Soviets have done in 40 years what it took 175 years for the United States to do. This is absolutely false. The Soviet economy was about as advanced as United States economy of, let us say, 1875 or 1880 when the Communists seized power in 1917. Now, 40 years later, the Soviet economy has achieved about the same overall stature as the U. S. economy had achieved in 1920. If you really look at the facts, the growth of the Soviet economy under a brutal form of Communism probably hasn't been any greater than the growth of the U. S. economy between 1880 and 1920 under democratic capitalism. We ought to not lose our sense of perspective in viewing the economic achievements of Communism. Nonetheless, we would be foolish not to regard them very seriously.

One of the most important facts for Americans to understand is that, according to the most reliable estimates, the Soviet economy is graduating each year about twice as many scientists and engineers as is the United States. This is most important, because these graduates will support basic research on a much larger scale than will our own country in future years, unless we change our course.

Explains U.S.S.R. Economic Advantages

We know that developing science and technology lie at the basis of our future economic growth. Just as we have learned, through Sputniks I, II, and III, to know the U.S.S.R. as a formidable potential military adversary, we should now recognize the Soviet Union as an equally formidable adversary in the global economic conflict. The productive power of the Soviet economy will continue to grow rapidly, in all likelihood, and it will enable the Soviet economy — this is the point I'm coming to—to support a massive program of technical assistance and development loans to other countries that it wishes to bring within its orbit and to satellize.

Apart from their rapid economic growth, the Soviets enjoy certain advantages in this economic conflict that we're faced with that we should not overlook. In the first place, the Soviet economy and those of a good many underdeveloped countries of the world are more complementary than is the U. S. economy with those of the underdeveloped countries. Russia needs food and fiber. The U. S. has surpluses of these things to dispose of, as a result of our short-sighted policy of supporting agricultural commodity prices at high levels over many years. As a result, it is often easier for these underdeveloped countries to find a basis for commodity trade with the Soviet Union than it is with the United States.

In the second place, the Soviet Union can and does cut prices in order to foster trade for its political ends. Our foreign trade is conducted, as it should be, by private enterprises that have costs to meet, and who can't cut prices for political purposes. They have to make a profit or at least avoid a loss to their stockholders. This is something that a State-controlled economy need not be concerned about.

Another disadvantage that we face at the present time is that the Soviet Union is able to offer a larger variety of goods suited to underdeveloped countries than is the United States. By and large our equipment is of advanced design, suited to U. S. conditions. Soviet equipment, such as their automotive equipment, trucks, cars, etc., is simpler, more rugged, more easily kept in operation, and better suited to a primitive country.

The fourth Soviet advantage is even more important. The Soviet Union sends its technicians along with its goods. I met many of them in India. They are trained in the language of the country to which they go. They can be drafted for foreign service by their Government. They teach the natives the use of the Soviet equipment. We Americans, by and large, are poor linguists. Economic opportunities are so attractive at home that it's hard to attract able, young Americans abroad. Unlike the Soviet Government, our Government does not draft able young people as technical experts for its foreign service.

Our Advantages Cited

We should bear in mind our handicaps as we go into this economic conflict. But, on the other hand, America and the West possess very important advantages over the Soviets. Most nations do not like to barter, which is the form of trade that the Soviet Union with its Socialist system usually insists upon. Most nations prefer to *sell* their goods for hard currency, for money that's convertible into any other currency which they can spend anywhere and for the products that they want. Our system of private enterprise, competition, open markets, and freely convertible currencies is, therefore, one that has a very basic appeal throughout the world. Many nations have seen the course of events in Eastern Germany and in Hungary. They understand that heavy dependence upon Soviet trade leaves them open to a loss of their political independence and to their ultimate satellization. So our proper course of action is to overcome those handicaps that we now possess, and to spread the great moral, political, and economic advantages of freedom of enterprise and freedom of trade throughout the world, with which personal dignity and political freedom are closely allied.

What should we do about it? There is not time here to trace all of the elements of the program of action that the U. S. will have to evolve to win this economic war. Perhaps, I can put forth a few thoughts about the nature of such a program.

Sets Forth Suggested Program

It is absolutely essential that we Americans understand the essentiality of binding more of the nations of the free world to our own in a mutually profitable network of trading and investing relationships. I dislike the phrase "foreign economic aid." It's a misnomer. What we are talking about is essentially *American* economic aid, because it involves trade and investment that will benefit ourselves as well as the peoples of these other countries. It will foster our own national security and raise our own standards of living. The purpose of our economic assistance to underdeveloped countries is not to "buy" friends. We provide economic assistance because it is in *our* interest that any country in the world is economically and politically strong enough so that it can be independent of *any* foreign domination, including domination by the United States.

The gains that the United States can make from freer trade and investment throughout the Free World, including those underdeveloped countries which include about two-thirds of the Free World's population, go far beyond our national security in a military sense, by which I mean getting U. S. bases abroad or preventing the Soviet Union from gaining foreign bases. The benefits that we can obtain are necessary to our continued economic progress.

May I call your attention simply to two facts. First, the United States urgently needs the raw materials of neutral and uncommitted countries throughout this world. We are no longer self-sufficient. We need the oil of the Middle East and the Caribbean. We need the copper, lead, tin and rubber of the Malayan Peninsula and of Latin America. We need the nickel, bauxite, iron ore and pulp of Canada and Brazil. Looking to the future, we know that the great undiscovered raw materials of the world lie in these neutral and undeveloped countries of Asia and Africa. Can we allow them to go behind the Soviet Iron Curtain?

Secondly, the underdeveloped countries offer huge potential markets for American products. As we become a more highly industrialized society, we shall need larger foreign markets for the products of our industry in order to pay for the rising volume of raw materials that we import from abroad. We cannot permit these markets to go under Soviet domination.

I can only sketch here the main elements of the kind of bold, but sound, program that we shall have

Let Us Save Ourselves!

"The Congress keeps its ear as close to the ground as the laws of physics permit. If public opinion is sound, and if it registers, the Congress will respond. But if public opinion is misinformed or mute, strong-lunged minorities will have their way.

"Consider, as a prime example, the continuing issue over our international position. The President has called for vigorous action on aid and trade, but the Congress has given hesitant and diminished consent. A Democratic Senator who has been supporting the President in these programs reports that his mail has run four to one against his course; he is notified in unconstitutional language (to which the Republicians at home contribute) that local or national needs must have attention rather than "foreign" aid.

"At the Capitol such international problems seem incredibly remote, as if the Communist challenges in these areas so vital to us were foreign and not national—more than that, local—concerns.

"This is the proposition put in the simplest of terms: the President proposes, but Congress disposes; Congress will not support the President unless it is convinced that public opinion is on his side; *ergo*, the leaders of the nation, official and unofficial, must rouse the people so that they can in turn rouse the Congress."—Lester Markel, Sunday Editor, in the New York "Times"

There can be no doubt that vox populi controls Congress—and most politicians. And there are so many false "leaders of the nation"!

Perhaps the fault will be our own if we presently become underlings.

gitized for FRASER
p://fraser.stlouisfed.org/

to work out to win the economic cold war.

First, we need progressive removal of restrictions on trade, whether they are tariffs or quotas or any other restriction. The other countries of the world have repeatedly told us, and they mean it, "We want trade, not aid." The renewal of the Reciprocal Trade Agreements Act by Congress was one of the most hopeful and inspiring events of recent times.

Secondly, we need to encourage American businesses to invest more abroad, by giving tax advantages and by other measures that can be devised.

Thirdly, we need to persuade other countries to improve the climate for American investment, by the adoption of proper investment codes which assure fair treatment of the property of foreign investors, of their employees, and of their profits. This is a subject on which we ought to be working more assiduously than we now are.

Fourthly, we must launch larger technical assistance programs to help other countries learn how to use capital more efficiently and thereby improve their productivity. This may ultimately require a new kind of foreign service, with better salaries and stronger inducements to capable and dedicated people to enter it.

Fifthly, I suggest that we ought to enlarge our own United States Development Loan Fund which was set up at the last session of Congress, and which finances nonbankable but economically sound development projects in other countries of the world.

Sixthly, I believe that we should sponsor an enlargement of the program of the International Bank, a very successful institution which finances bankable development projects throughout the world; and that, concurrently, we should also sponsor the establishment of an Economic Development Agency within the United Nations, to foster economically sound but non-bankable development in the less developed countries.

Now, it will take time to do all of these things. But time is running out. We would be wise to move more rapidly than we have been moving in the past. If we do move rapidly, then I have confidence that we shall be victorious in the economic conflict in which we are now joined with the Soviet Union. The society of free men and free institutions must prevail in the end.

Herbert Perry & Co. Formed in New York

Herbert Perry & Company, Inc. has been formed with offices at 70 Wall Street, New York City, to act as brokers and dealers in stocks and bonds. Officers are Herbert Perry, President; Harold F. Wolfe, Vice-President; and Vincent P. Barry, secretary-treasurer.

Diamond Co. to Admit

Diamond & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on August 1 will admit Louis F. Maged to partnership.

With Andersen, Randolph

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—George R. Hulbert is now with Anderson, Randolph & Co., Inc.

E. J. Bermingham

Edward J. Bermingham passed away July 13 at the age of 71 following a long illness. Br. Bermingham prior to his retirement was a partner in Dillon, Read & Co. and later in Lehman Brothers.

Public Utility Securities

By OWEN ELY

American Electric Power System

American Electric Power Company, formerly American Gas & Electric, controls one of the largest electric operating systems in the country. The interconnected properties of subsidiaries are concentrated largely in Ohio and West Virginia but also extend into Indiana, Michigan, Virginia, Kentucky, and Tennessee. The population of the area exceeds five million, although no large cities are served.

The territory is a rich farm area, with coal mining and oil refining important activities. Manufacturing industries include automotive products, rail equipment, steel and metal products, chemicals, textiles, glass, ceramics, rubber, cement and furniture.

System revenues in 1957 were 35% residential, 15% commercial and 39% industrial. Average residential rates were 2.32 cents per kwh, well below the national average of 2.56 cents; annual residential usage was correspondingly high at 3,587 kwh vs. the U. S. average of 3.174 kwh. The system's low rates reflect outstanding generating efficiency. The production cost of generating one kwh in 1957 averaged only 2.57 mills.

The system has grown rapidly in the postwar period, revenues increasing from $103 million in 1945 to $284 million in 1957. It has under way an $800 million five-year (1956-60) construction program — the largest ever undertaken by an electric utility. Of this amount $292 million were expended in 1956-57 and $180 million will probably be spent this year, leaving $328 million in 1959-60. By the end of 1960 the aggregate postwar expansion program should exceed $1.5 billion.

The system's generating capacity is nearly 4% of the U. S. total. At the end of last year it approximated 4.6 million kw and by the end of 1960 is expected to reach 6.4 million kw, or about triple the 1949 figure. It is estimated that this will give the company a 12% reserve margin above peak load. The program called for installation of six 225,000 kw units this year and a 450,000 unit in each of the two following years.

The company's growth is tied in with the rapid industrial development of the Ohio River Valley. Because of lagging hydro development in the Pacific Northwest and the rising cost of natural gas in the south, the aluminum industry has now turned to the Ohio Valley for cheap electricity. Kaiser Aluminum & Chemical Corp. began operating its $200 million aluminum plant at Ravenswood, W. Va. last November — a completely integrated operation. Another aluminum plant was scheduled to begin operation this spring at Clarington, Ohio — a reduction plant owned by Ormet Corp. and a rolling mill owned by Olin Mathieson Chemical Corp. The contract with Kaiser called for delivery of 300,000 kw (or more) over a 30-year period. The Olin-Ormet power requirements will come from the nearby Kammer plant. Two of the latter's three 225,000 kw units are owned by a subsidiary of Ormet but will be operated by the American System. These two developments promise further industrial activity in the area, plus increased residential business.

A wide diversity of other industries have also been coming into the area including Bohn Aluminum & Brass, Farnsworth Electronics, Jones & Laughlin Steel, Linde Company, Republic Steel, Union Carbide, U. S. Shoe, Vanadium, Weyerhaeuser Timber, etc. In addition expansion plans were under way last year for American Cyanamid, Anacoda Wire & Cable, Armco Steel, Babcock & Wilcox, Bendix Products, Celanese, Diamond Portland Cement, Food Machinery, Foote Mineral, Ford Motor, Mead Corp., and many others.

The system remains in the forefront of engineering progress. Last year it placed in operation the first "supercritical pressure" steam unit. In addition to using steam at 4,500 pounds per square inch pressure and 1,150 degrees temperature with "double reheat," the new unit is equipped with a gas-cooled generator, stator and rotor. It is the forerunner of the huge 450,000 kw units, which when installed in a year or so will produce new economies through space-saving and thermal efficiency. The company is continuing its researches along other lines, such as the use of char as fuel, the combined gas and steam turbine cycle, etc. In the field of high voltage transmission, it has now completed its 345,000 volt interconnection with Commonwealth Edison.

Increased efficiency is being sought in other departments. Work in electronic accounting continues and a planning group is developing electronic data processing, which may finally result in a single electronic accounting system for the whole system. Customer billing is now being done by a new electronic computer system in a number of system offices, and this is being extended. Digital computers are also used for engineering and operating applications.

American Electric Power's share earnings gained only slightly during 1947-51, but have increased steadily in the ensuing six years —$2.23 being reported last year compared with $1.42 in 1951. The dividend rate has been increased in each of the past five years, from 95 cents in 1952 to the present $1.60 rate, which in January was supplemented by a 2½% stock dividend. Earnings for the 12 months ended May 31 were $2.25 compared with $2.09 in the previous period. Deferred income taxes, which are fully normalized, would add about 72 cents to earnings on a cash flow basis.

The company did equity financing in 1949, 1951, 1952 and 1953. With increased cash flow no equity financing has been required recently to handle the big construction program, and none appears likely until around 1960.

The stock has been selling recently around 45, or at 20 times recent earnings, indicating that it is included in the select group of "growth utilities."

R. E. Meyers Opens

FT. WAYNE, Ind.—Robert E. Meyers is conducting a securities business from offices at 2324 Hiawatha Boulevard. Mr. Meyers was formerly Secretary and Treasurer of First Securities Corporation.

With Chace, Whiteside

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John H. Bartlett is now with Chase Whiteside & Winslow, Inc., 24 Federal St., members of the Boston S. E.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Stanley S. White has been added to the staff of Goodbody & Co., 140 Federal Street. He was formerly with Coffin & Burr Incorporated.

Banking's Trying Period

By W. R. MILFORD*

Honorary Chairman, County Trust Company of Maryland
Cambridge, Maryland
Former President, Maryland Bankers Association

Retiring Maryland Bankers Association's President notes almost unanimous opinion that many of the suggested slump cures would lead to inflation and its attendant dire consequences, and advises bankers, since there is no magic cure, to go about their daily tasks using "good common sense" with a determination to play their individual roles in licking the downturn. States banking's two principal areas of concern are "management succession and the present trend towards more and more bank mergers."

Banking throughout the nation is passing through a trying period. To one who started in a country bank where hand posting and many other now obsolete methods were in use, this electronic, atomic age is bringing about changes in operation which stagger the imagination.

W. R. Milford

Banks today serve the public in many ways. Retail banking, practically unknown in my early banking experience, and the tremendous growth of instalment credit in our banks have brought about great changes in the banking business. Equally, these changes have brought with them many new problems. It seems to me that banking at the moment faces two developments of immediate and pressing concern—the question of management succession and the present trend towards more and more bank mergers.

The days when young men found it a privilege to work in a bank are no more and our primary problem nowadays is to find ways and means of attracting young men of executive caliber into the banking field. I am confident that we can and will succeed in convincing young people that a career in banking has much to offer them.

Wave of Bank Mergers

The present wave of bank mergers — which appears to be the order of the day everywhere in the country—is bound to have a far-reaching effect on our financial structure and to bring about still further changes and developments in our procedures and methods of operation.

Whether or not the merger development is good for banking I leave to the experts. But it is certainly true that the trend towards bigness is by no means confined to banking. Business of all types is—and has been—traveling along the same road for some time. Volume operation in banking, as in other businesses, has become a stark necessity in these days of constant expansion and growth and banking must apparently follow the trend and hope for the best. Maryland banking has adjusted to new patterns and new requirements before and I am confident it will continue to grow and prosper.

It has been well said that the outstanding purpose of a state bankers association is to promulgate ideas and activities for the benefit and profit of all its members. Our Association, for example, tries hard to live up to these objectives. Considering its income, which is modest indeed in comparison with similar associations in nearby states, the Maryland Bankers Association's accomplishments I believe are quite impressive.

In a recent visit with the supervisory authorities in Washington —and incidentally this has become a very pleasant annual event—the question uppermost in the minds of the Maryland bankers delegation was "What about this recession? Where and how did it get started and when will it end?"

Of course there were different opinions as to the basic cause of the so-called recession, but I was impressed with the almost unanimous opinion that many of the suggested remedies would lead to another inflationary cycle with all the attendant dire consequences.

The consensus of opinion was that there is no magic formula to cure our present ills—but as good bankers we should go about our daily tasks using our good common sense with a determination to play our individual parts in licking the monster.

*From a talk by Mr. Milford upon retiring as President of the Maryland Bankers Association at Assn.'s annual convention held in Atlantic City, N. J.

Wm. J. Mericka Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Thomas B. Redinger has become connected with Wm. J. Mericka & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Dealer-Broker Addressing Service

As publishers of "Security Dealers of North America," we have a metal stencil for every firm and bank listed in this publication, which puts us in a position to offer you a more up-to-the-minute list than you can obtain elsewhere.

There are approximately 9,000 names in the United States and 900 in Canada, all arranged alphabetically by States and Cities.

Addressing charge $7.00 per thousand.

Special N. A. S. D. list (main offices only) arranged just as they appeared in "Security Dealers." Cost for addressing N A. S. D. List, $8.00 per thousand.

We can also supply the list on gummed roll labels at a small additional charge.

Herbert D. Seibert & Co., Inc.

Publishers of *"Security Dealers of North America"*

25 Park Place — REctor 2-9570 — New York City

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 14

Fixed vs. Free Interest Rates For FHA and VA Mortgages

gages in recent years of change in monetary policy is evident from the record. From 1952 when money was tight, and 1955, when it was easy, the annual net flow of funds into conventional home mortgages increased from $4.3 billion to $5.7 billion, a rise of about one-third. The subsequent decline to $5.3 billion in 1957 when capital markets were again tight, represented a drop of less than 9%.

During these same years, on the other hand, the net flow of VA mortgage funds was rising from a low of $1.4 billion to a peak of $5.3 billion, a nearly three-fold increase, and then dropping again to $2.3 billion, a decrease of well over one-half. Somewhere between these two extremes was the shifting flow of FHA mortgage funds.

Importance of Factors Other Than Monetary Policy

Before going on with my third point on reactions of lenders to monetary change, I want to stress the importance of being aware that other basic forces are always at work modifying the influence of monetary policies in the mortgage and housing markets. One of the difficulties of living and working in the real world rather than in the world of textbook economics is that, in attempting to assess the influence of one set of forces "all other things cannot be held equal." In our dynamic economy "other things" are always changing. Thus, not only monetary policy, but changes in the closely related area of fiscal policy, in markets for corporate and other securities, in flows of savings to financial institutions, and in other market forces, have played a fundamental role in influencing the course of mortgage market developments. Moreover, Federal policy actions in the area of housing finance, seldom coordinated with those of monetary authorities, have tended on occasion to limit as well as to increase the effectiveness of monetary measures. Thus, the influence of changes in Federal mortgage underwriting programs, in FNMA operations, in policies of the Federal Home Loan Bank System, must be carefully weighed in appraising the effectiveness of monetary policy.

While it is clearly hazardous to try to lend precision to the measure of influence of monetary measures, there can be little doubt that the effective operation of a flexible monetary policy has been of fundamental import in mortgage market activities. This policy had its postwar birth with the Federal Reserve-Treasury "accord" in March, 1951. Prior to that date financial institutions enjoyed unlimited liquidity as a result of unusually large holdings of Treasury securities and Federal Reserve support of their prices. Monetary policy was largely inoperative as investors were able to liquidate Government bonds readily and without penalty to acquire higher yielding assets, and in particular, to build up depleted mortgage portfolios. Thus, all major types of savings institutions steadily increased their share of capital market investments going into mortgages in the five years ending in 1950. That the same uniformity of behavior has not prevailed since early 1951 must be attributed an important measure to the reactivation of a positive monetary policy.

Response of Mortgage Lenders to Monetary Change

The major types of lenders have reacted differently to monetary measures, reflecting other basic and changing conditions, in part peculiar to the type of financial institution. Moreover, we find the same types of institutions reacting differently to similar monetary actions taken on separate occasions. Thus, notwithstanding the general tightening of credit between 1951 and 1953, and the accompanying marked reduction in the total net flow of VA mortgage funds, the mutual savings banks expanded their net VA mortgage investments by twofold. As a result, the participation of savings banks in VA mortgage markets increased from less than 10% in 1951 to more than 50% in 1953. This unusually large share has since been reduced, but savings banks have continued to be the largest VA mortgage investor through periods of both credit stringency and ease.

In contrast to the accelerated activity of savings banks in VA mortgage markets despite credit stringency, their investments in conventional home mortgages between 1951 and 1953 were being markedly reduced. During this same period, the total net flow of conventional home mortgage funds from all sources was nearly doubling.

Another way of saying these things is that during the 1951-53 period of credit tightening, savings banks were reacting in a completely opposite manner from life insurance companies and commercial banks. Both of these groups were curtailing their VA mortgage flows and expanding their conventional mortgage flows. Savings and loan associations were also increasing their conventional home mortgage lending in this period, but these institutions were expanding their VA loan activity as well.

Now, how did the main types of financial institutions react to monetary stringency in 1956-57? This time all investors, savings banks and savings and loan associations, as well as life insurance companies and commercial banks, sharply curtailed their VA mortgage activity. Conventional mortgage flows from these lenders declined by relatively small amounts.

During the intervening 1953-55 period of monetary and capital market ease, the greatest expansion in mortgage funds from all types of financial institutions occurred in the VA mortgage market. In periods of both ease and stringency, the timing and degree of change in mortgage flows varied considerably among investors. The response of life insurance companies, for example, was much stronger and involved a longer time lag behind changes in monetary policy than did responses of other types of financial institutions. This is a reflection both of the wider capital market investment opportunities available to life companies and the greater influence of the mortgage commitment process on their operations. In the savings banking industry, there is much less uniformity of operations, with some banks preferring to operate under a system of advance mortgage commitments, and others preferring to purchase on a spot basis in the open market.

What explanation can be offered for the uniqueness of the savings banks' action in aggressively seeking VA loans in the 1951-53 period of credit stringency, then reducing this type of activity by one-half in 1957 under similar credit conditions. The action of savings banks in Massachusetts in this respect was similar to that elsewhere, except that the 1951-53 expansion was much smaller, and 1956-57 contraction was much greater relative to all savings banks. The answer to these actions lies in large part, I believe, in the considerably different legal and portfolio situation which existed for savings banks in the two periods.

In 1951, you will recall that most savings banks had only recently acquired the right to lend beyond state boundaries, that many of the larger banks had more funds available for investment than could be absorbed in local markets, and that effective yields on VA loans after discounts in many out-of-state areas were favorable compared with local investments available in the capital surplus areas of the East. By 1956-1957, on the other hand, credit stringency found many savings banks with mortgage portfolios at close-to-desired levels, discount regulations on Federally underwritten loans increasingly restrictive, and the amount of discount required to compete with yields on other securities increasingly large, especially in view of unusually attractive corporate security yields.

In retrospect, I think we can agree that among the most significant developments influencing postwar mortgage operations of savings banks was the amending of state statutes to permit the acquisition of out-of-state Federally underwritten mortgages. Prior to this legislation, savings banks had been reducing steadily their relative participation in mortgage markets. In the subsequent years, they have become important national mortgage lenders — gaining and holding leadership, in fact, in the VA mortgage market, as previously noted—in addition to their traditional and still significant role as local lenders.

Implication of Present Mortgage Portfolio Composition of Savings Banks

Unless fundamental changes occur in the interest rate policy on Federally aided mortgages, these investments may be expected to continue to be particularly vulnerable to changes in monetary policy and in the general financial climate. And because the savings banks have such a large proportion of their total mortgage portfolio in FHA and VA loans — three-fifths, as compared with two-fifths for life insurance companies, one-third for commercial banks, and little more than one-fifth for savings and loan associatons — their overall mortgage operations may be particularly affected by changes in monetary policy as well as by unpredictable Federal statutory and administrative changes.

There are, of course, variations in portfolio composition among the savings bank states, let alone the individual savings banks. Here in Massachusetts, the percentage of Federally underwritten loans is 45, somewhat lower than for all savings banks, and if Boston banks are eliminated, the percentage drops to about 40, still higher than the average for most other types of financial institutions. The safety added to savings bank mortgage portfolios by the high percentage of Federally underwritten mortgage loans is, of course, comforting. It should be recognized, however, that to the extent that this portfolio composition reflects current lending policy of the industry as a whole, it will more sensitive to changes in monetary actions than that of mortgage lenders more actively engaged in conventional loan markets. Savings banks continue to be limited in their conventional mortgage lending activities to the 17 states in which they are located or to adjacent states, while savings and loan associations are widely dispersed throughout the country, including the faster growing areas, and life insurance companies can generally make conventional loans anywhere in the United States.

Recent and Prospective Mortgage Market Developments

For the future, potential changes in conventional loan arrangements may have an important influence on mortgage markets. Loan-to-value ratios of 90% and extended maturities are already in effect in New York State for savings institutions under certain conditions. Some form of mortgage insurance for conventional loans with flexible interest rates, probably under Federal sponsorship, may not be far off. The efforts of savings and loan associations in this direction are currently receiving serious consideration in Washington. All of this may mean important shifts in the structure of mortgage markets and in lender portfolio composition, with resulting changes in responses to monetary policy actions.

Meanwhile, overall 1958 mortgage market developments have followed a traditional pattern in a setting of monetary ease, reenforced by emergency housing legislation. As the business recession deepened, the Federal Reserve reversed its earlier policy and moved vigorously, beginning in November, 1957, to establish a credit environment conducive to business recovery. It has acted on four occasions to reduce the rediscount rate and lower bank reserve requirements, and through its open market operations has expanded the base of commercial bank credit generally. There has been a resulting precipitous drop in short-term yields which has carried over into the long end of the market, as investors receiving a greater inflow of savings than anticipated, have been actively competing for a limited supply of corporate bonds and mortgages.

In this setting, Federally underwritten mortgages have once again become attractive investments, the more so in view of the recent elimination of Federal controls on the amount of permitted discounts and the statutory increase to $4\frac{3}{4}$% in the contract rate of interest on VA mortgages. Some life insurance companies, however, have not yet been attracted to the VA market, because of previously built-up portfolios, and because discounts necessary to bring yields into competitive range are larger than they feel can be justified from a public relations viewpoint. Discounts required to bring yields on FHA mortgages into competitive range with other investments have declined throughout the country, and in some areas have disappeared. In Boston, the Boston Five Cents Savings Bank has ignored traditional market practice and is making FHA loans to borrowers at half a percentage point below the current administrative rate of $5\frac{1}{4}$%, rather than go to premiums. VA-guaranteed loans in this city are now being made at par or one point above par. The metropolitan Boston area is, of course, unique in its mortgage practices, as well as in other respects, and the current market situation here, is hardly representative of other parts of the country, nor even in other parts of Massachusetts, I am told.

Nonetheless, it is clear that there has been a turnaround in mortgage markets lagging customarily by several months behind the shift to monetary ease. Commitments from life insurance companies and savings banks have risen rapidly from low 1957 levels. Pension funds are becoming actively interested in FHA and VA loans after years of indifferences. Purchases of completed mortgages, especially from FNMA's portfolio, have increased considerably. Moreover, competition for mortgages may increase if the inflow of savings continues large, and the volume of new corporate security issues declines as is widely expected. Thus, contract interest rates on conventional mortgages are likely to decline further and prices for Federally aided loans may rise somewhat. In this kind of competitive situation, it is especially important that savings bankers and other investors guard against a possible deterioration in loan quality.

All in all, unless residential construction and purchases fail to live up to present prospects and the supply of mortgages becomes more limited, the flow of mortgage funds from all major types of financial institutions may be expected to rise appreciably this year over last. Partly because of lags in actual mortgage flows behind commitments and housing starts, I would expect mortgage lending to be even larger in 1959 than in 1958.

If this pattern is, indeed, realized then we will once again be on the upswing of the roller coaster path typically traced by FHA and VA mortgage flows. This path is hardly the road to high level stability in housing and mortgage markets. For as soon as business conditions change—as they surely will — and borrower demands increase, credit becomes less readily available, and monetary policy is directed against inflationary pressures, then the impact on the Federally underwritten mortgage sector will again be substantially greater than on other sectors of the capital market. A basic step towards reducing swings in this important area of the capital market, and of the economy as a whole, would be to permit the free interplay of market forces to set a price on Federal mortgage insurance and guarantee. To be sure, this step seems less urgent now that competitive yields have been reduced to the point where FHA and VA mortgages are once again attractive. But should we not prepare for the future, and reaffirm our belief in free markets, by taking action now?

Morgan Stanley Group Offers Southern Ry. 1st Mtge. $4\frac{1}{2}$% Bonds

Morgan Stanley & Co. and 10 associated investment firms offered for public sale yesterday (July 16), subject to approval by the Interstate Commerce Commission, a new issue of $22,000,000 Southern Railway Co. first mortgage collateral trust $4\frac{1}{2}$% bonds due Aug. 1, 1988. The bonds were priced at 100% and accrued interest. The issue was awarded to the Morgan Stanley group at competitive sale July 15, on its bid of 98.9199%.

The last public financing by the company was the sale jointly with the New Orleans & Northeastern RR. Co. in 1952 of $15,000,000 of joint bonds.

The carrier will use the proceeds of the sale to reimburse its treasury for expenditures in connection with maturing bonds, to provide funds, which with other company funds, will be used for capital expenditures and for other corporate purposes. The bonds will be secured by an equal principal amount of Southern Railway first consolidated mortgage 5% bonds due July 1, 1994.

Other than for sinking fund, the new bonds will not be redeemable before Aug. 1, 1963. Sinking fund payments beginning in 1959 will be sufficient to retire annually $440,000 principal amount of new bonds through 1968 and $660,000 in the years 1969-87. This is calculated to retire 77% of the issue prior to maturity. The sinking

gitized for FRASER
ttp://fraser.stlouisfed.org/

fund redemption prices range from 101% to the principal amount.

Optional redemption prices scale from 104% on or after Aug. 1, 1963 to the principal amount on and after Aug. 1, 1987.

During the ten-years 1948-57 Southern invested $104,585,737 for roadway and other capital improvements and $185,610,827 for equipment, and wholly-owned subsidiaries spent a total of $24,-632,436 for similar purposes. The carrier and affiliated companies operate approximately 8,100 miles of road serving practically all of the important commercial centers of the south, several mid-western cities and Washington, D. C. with traffic interchange connections with many other carriers.

The road's operating revenues in 1957 were $266,846,000. For the first five months of 1958 they were $103,346,000, compared with $114,463,000 in the corresponding period of 1957. Income available for fixed charges after taxes for 1957 was $45,465,000, $15,864,000 for the first five months of 1958 and $18,416,000 for the similar period of 1957.

With Leavitt, Spooner

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert A. Leyton is now with Leavitt, Spooner & Company, 585 Boylston Street, members of the New York Stock Exchange.

REPORT OF CONDITION OF

Underwriters Trust Company

of 50 Broadway, New York 4, N. Y., at the close of business on June 23, 1958, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS	
Cash, balances with other banks and trust companies, including reserve balances, and cash items in process of collection	7,748,418.43
United States Government obligations, direct and guaranteed	16,007,395.17
Obligations of States and political subdivisions	2,265,458.20
Other bonds, notes, and debentures	1,918,618.79
Loans and discounts (including $1,473.72 overdrafts)	16,375,828.02
Banking premises owned, none; furniture and fixtures	113,502.19
Other assets	184,639.91
TOTAL ASSETS	$44,613,860.71
LIABILITIES	
Demand deposits of individuals, partnerships, and corporations	$21,165,330.44
Time deposits of individuals, partnerships, and corporations	5,182,786.57
Deposits of United States Government	798,832.86
Deposits of States and political subdivisions	11,005,292.17
Deposits of banks and trust companies	1,150,297.47
Other deposits (certified and officers' checks, etc.)	1,567,203.59
TOTAL DEPOSITS	$40,869,743.10
Other liabilities	159,209.58
TOTAL LIABILITIES	$41,028,952.68
CAPITAL ACCOUNTS	
Capital †	$1,000,000.00
Surplus fund	1,000,000.00
Undivided profits	1,584,908.03
TOTAL CAPITAL ACCOUNTS	$3,584,908.03
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$44,613,860.71

†This bank's capital consists of common stock with total par value of $1,000,000.00

MEMORANDA	
Assets pledged or assigned to secure liabilities and for other purposes	$12,352,690.69
(a) Loans as shown above are after deduction of reserves of	169,233.75
(b) Securities as shown above are after deduction of reserves of	163,697.22

I, Kenneth W. Landfare, Secretary, of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

KENNETH W. LANDFARE

Correct—Attest:

CHRISTIAN W. KORELL
SUMNER FORD } Directors
JOSEPH B. V. TAMNEY

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market, with the aid of the Treasury, has been able to eliminate some of the speculative positions in the recently introduced bonds, especially the 2⅝s of 1965. The sharp decline which had taken place in the long-term bonds, led by the 3¼s of 1985, and the intermediate-term issues paced by the 2⅝s of 1965, had a demoralizing effect on the whole Treasury list, save for the shortest most liquid obligations. The intervention of the Treasury (and it may be repeated) which resulted in the purchase and retirement of a fair amount of the 2⅝s of 1965, and a modicum of the 3¼s of 1985, has had a stabilizing influence on quotations of government issues. This action should help the impending refunding operation of the Treasury.

The way in which the Aug. 1 maturity, and probably the September ones also, will be handled should be made known today. The guesses currently being made indicate only short maturities will be used, with an option deal expected. A one-year obligation along with a two or three-year issue are the ones that are getting most of the attention this time.

What the Treasury Did

The Treasury, to bring about some semblance of orderliness in the Government market last week, announced that a sizeable amount of the 2⅝s of 1965 had been bought in the open market. The bulk of these purchases were for their own account for retirement, with the balance for Treasury trust accounts. The reported figures showed that $456 million of the 2⅝% bonds were bought back for retirement and $133.5 million were bought for the account of Government investment funds. In addition, it was reported that $4.8 million of the 3¼% due 1985 had been purchased by the Treasury in the open market.

According to advices, the Treasury went into the open market and bought back its own bonds in order to ease the "disturbing effect" on the bond market of heavy sales of the issues (2⅝% due 1965) by speculators.

"Shooting Fish in a Barrel"

It has been known in financial circles for some time that the Government market was loaded with "free riders," "joy riders," and speculators, with specific issues being the bellwethers of the "shoestring" owners of Treasury issues. The 3½s of 1990; the 3¼s of 1985 and the 2⅝s of 1965, were very heavy with the quick profit operators, many of whom had, and were hoping again, to make a fast dollar by playing the margin for all it was worth. There was some precedent for such a hope, since those who had taken advantage of the earlier offerings by the Treasury, with the advent of the easy money policy which starter last November, had made sizeable profits from these purchases.

It was like shooting fish in a barrel and could be done with much less money than was needed for other more speculative ventures, even operations in the equity market.

Stabilizing the Market

However, the pyramiding which had gone on in the Government market had reached such proportions it was very top-heavy so that it didn't take more than some open-mouth operations and a few trial balloons, out of the nation's capital, about the possibilities of a change in monetary policy to bring about heavy liquidation in the Government bond market. As is always the case, when an element of uncertainty is thrown into the picture, there are no buyers and everyone wants to sell. This brought about disorganized conditions in the Government bond market until the Treasury stepped in and bought its own bonds. The Treasury, by making purchases of its own securities and retiring a part of them, does not add to the money supply, in fact retirement of debt extinguishes deposits which is a deflationary process.

On the other hand, the Federal Reserve banks, by not stepping into the market and making purchases of bonds, has been able to keep sacred its "bills only" policy. Purchases of Government bonds by the Central banks would have given much needed support to the Government market while at the same time it would have created deposits, and added to the money supply, which is the usual procedure when the economy is on the defensive, as it is at present.

An Attractive Issue

Even though it will take a longer time than was expected by certain money market specialists to absorb the 2⅝% bonds due in 1965, because of the speculative floating supply which has to be digested, this bond is still considered an attractive issue for investors that are interested in a good yield and not too long a maturity.

The trend towards the shortening of maturities still goes on among certain bank investors, with some of these institutions now taking losses in long-term issues in order to improve the overall portfolio picture.

Inv. Brokers of N. J.

NEWARK, N. J.—Investment Brokers of New Jersey, Inc., has been formed with offices at 60 Park Place to engage in a securities business. Officers are August Frittelli, President; Oscar H. Hennings, Treasurer, and Robert G. Dabler, Secretary.

With Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Durno Chambers, Jr., is now with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

Professional Inv. Serv.

LEAWOOD, Kans.—Professional Investment Services, Inc., has been formed with offices at 9318 State Line to engage in a securities business. Lyle E. Dutoit is a principal.

The firm also has an office at 4900 Lister Avenue, Kansas City, Missouri.

Frank McMahon Co.

SYRACUSE, N. Y.—Frank McMahon is now conducting his investment business from offices in the State Tower Building under the firm name of Frank McMahon Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

THE TRAVELERS INSURANCE COMPANY OF HARTFORD

This company, chartered under Connecticut laws in 1863, began business in 1864, its initial capital being $200,000. By 1892, this had increased to $1,000,000 through stock dividends. It has since grown to $10,000,000, with, at the 1957 year-end, special surplus funds of $7,395,000 and unassigned surplus funds of some $71,845,000. In 1955 at the time of the latest 25% stock dividend the old $100 par were split 20-for-1, with the par value now at $5.

The original charter restricted the writings to accident insurance, but in 1865 life was added, general liability in 1889, health in 1899, and other lines came along soon after the turn of the century. It is the leader in the Travelers fleet of companies, as follows:

The Travelers Insurance Co.
The Travelers Indemnity Co.
Charter Oak Fire Insurance Co.

It is one of our leading multiple-line companies, with about 50,000 agents. Life coverage accounts for about 27% of consolidated premium volume; accident and health 26%; automobile 23%; workmen's compensation 10%; and fire-marine, general liability-property damage 10%. While automobile lines represent a substantial total when compared with other casualty companies, it is small enough in Travelers' total so that its life coverage is a heavy offset, and Travelers is thus better situated than many casualty units that have no life business to bolster their results during this period of severe underwriting losses in the fire and casualty fields.

The company is licensed throughout the United States and Canada. All of its life business is in non-dividend form. The mortality rate is favorable; lapses low; net cost to policyholder low.

Travelers is a very large writer of group insurance, and in 1957 wrote a total of new group business of over $2,316,000,000, more than double the new writings in this line in 1956.

In 1957 new life insurance was written in the amount of $660,-800,000, excluding group insurance. This compared with 626,-800,000 a year earlier.

Total premium income in the past seven years (Life Department) was:

1951	$392,765,000
1952	447,571,000
1953	516,793,000
1954	542,375,000
1955	582,371,000
1956	641,010,000
1957	737,760,000

Total life insurance in force follows:

1951	$11,387,000
1952	12,638,000
1953	14,120,000
1954	15,375,000
1955	17,003,000
1956	18,718,000
1957	21,701,000

Travelers has enjoyed an expanding trend in its total of insurance in force. In 1945 it was $6,556,000,000. By the end of 1957 it had grown to $21,702,000,000, a three and one-third fold increase.

In its investments, bonds constitute about 59% of admitted assets, stocks 4%, mortgages 27%, and real estate 1%. Its net interest earned is approximately 3.61%, which is about average for the industry. Its realty is carried at 68% of cost. A break-down of the company's portfolio into principal categories follows:

Cash and Gov't Securities	23.9%
Real estate	1.4
Mtgs. and collateral loans	35.0
Policy loans	3.6
Other bonds	33.4
Stocks	2.7

The company made some new highs in 1957: premium income exceeded $991 millions; new life insurance exceeded $660 millions; new group coverage exceeded $3 billions; life insurance in force passed $21.7 billions, income from premiums and investments exceeded $1 billion.

A new family contract was introduced in 1957, providing life insurance protection for all members of the family, and was well received.

Travelers writes a large amount of fire and casualty coverage. Its problems in this connection have been the same as those of the industry; meagre rates, large volume of losses. But, as indicated above, Travelers has the benefit of the offsetting life lines which make a big difference in its results. The general tendency for fire-casualty companies either to take over, or establish new, life companies puts Travelers far in front in the major portion of the industry. More thoroughly integrated business is the order of the day; but Travelers saw the wisdom of such a set-up half a century or more ago.

With Fordon, Aldinger

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Frederick F. Fordon is now with Fordon, Aldinger & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges.

Two With Goodbody

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Paul R. Howen and Robert F. Schiffer have joined the staff of Goodbody & Co., Penobscot Building. Mr. Schiffer was previously with G. H. Walker & Co. in Providence, R. I.

Two With Andrew Reid

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Richard W. Fairgreive and Peter W. Wozena are now affiliated with Andrew C. Reid & Company, Ford Building, members of the Detroit Stock Exchange.

NATIONAL OVERSEAS AND GRINDLAYS BANK LIMITED

Almalgamating National Bank of India Ltd. and Grindlays Bank Ltd.

Head Office:
26 BISHOPSGATE, LONDON, E.C.2

London Branches:
13 ST. JAMES'S SQUARE, S.W.1
54 PARLIAMENT STREET, S.W.1

Bankers to the Government in: ADEN, KENYA, UGANDA, ZANZIBAR & SOMALILAND PROTECTORATE

Branches in:
INDIA, PAKISTAN, CEYLON, BURMA, KENYA, TANGANYIKA, ZANZIBAR, UGANDA, ADEN, SOMALILAND PROTECTORATE, NORTHERN AND SOUTHERN RHODESIA.

THE HANOVER BANK NEW YORK

Bulletin Available

Laird, Bissell & Meeds
Members New York Stock Exchange
Members American Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)
Specialists in Bank Stocks

gitized for FRASER
ttp://fraser.stlouisfed.org/

Continued from page 3

The Economics of the Recession

and distribute it; and these incomes are at the same time the purchasing power potentially available to buy back the total national output. Hence, there is always enough purchasing power, if spent, to buy the national output at prices that will cover its cost; and if the costs of the total output offered in the market are thus fully covered, the economic machine gets all that is necessary to make it continue full speed ahead—expanding output as productivity rises and as more people enter the process of production.

Some Explanations

This description gives the essential features of the economic process in its relation to the market, although it is a simplified and hence not fully accurate or complete account. Thus, the costs of the total national output include the costs of imports, payment for which does not go into the incomes of domestic consumers. But, conversely, domestic incomes are being supplemented from production for export that does not compete for buying power in the **domestic** market. Also, the incomes of those who participate in the process of production do not fully remain to them as potential buying power—they are in part taken away by taxes; but these taxes are either in payment for services (which form part of the national output that the citizens buy by paying taxes) or become the income of other individuals (transfer incomes) for whom they do constitute potential buying power.

The effects of these gaps in our description thus cancel out in their bearing upon the process that we aim to clarify.

Saving and Investment

There is, however, another gap in our presentation that needs to be filled before we can fully understand the issues. It is related to the fact that people do not as a rule, and should not, spend all of their income as it accrues; and to the further fact that not all production is output for current consumption that seeks buying power in the market **now**, while at the same time the incomes that accrue in **that** production (which we may call investment) **are** now available buying power.

The essential condition of equilibrium in the market for our national output produced for current disposal is the condition that the incomes that have been paid out to produce that output be actually spent to buy it back. **They must be so spent,** otherwise there is trouble ahead. But do they have to be so spent by the same individuals who have produced the consumable output? The answer is, of course, **no**. These incomes may well be spent by that part of the population that is engaged in producing output not yet consumable, or not yet to be consumed in a current period at which we happen to look; this part of the national output, as just stated, we call investment, defined as an addition to the stock of wealth or real capital.

How do people engaged in the production for investment acquire purchasing power for such expenditure on consumable output, or output for current consumption? Ordinarily, this amount of buying power, roughly representing the cost of investment (the incomes of those producing it), comes out of that part of the whole nation's income that is not currently spent, but is saved. Saving thus is the excess of currently earned income over consumption.

Ex Ante and Ex Post

In order to be reasonably correct even in a simplified presentation of a complicated subject, we will, in the following text, from time to time use the expressions "intended saving" and "intended investment." A complete explanation here would burden the discussion with too much theoretical economics. Suffice it to say that, in a deeper sense, "saving" always equals "investment" in real terms—but not until after possible inequality between "intended saving" and "intended investment" has forced undesirable adjustments to bring about that equality either by imposing "unintended" or "involuntary" changes in "real saving" or in "real investment."

Thus, for example, an excess of intended saving over intended investment will withdraw demand from the markets of output intended for current disposal. This will make goods accumulate on the shelves of retailers, wholesalers, and manufacturers. This accumulation of stocks is of course investment in the terminology of economics and corresponds to that excess of saving. It thus makes total investment equal to total saving. But this type of investment is unintended, and is forced upon those who accumulate the stocks, by the deficiency of demand. And it has, therefore, dire consequences: new orders will be withheld, output will be curtailed.

Another example would be an excess of intended investment over intended saving. Bank credit would fill the gap in needed finance for such investment. This additional buying power would bid up prices, and would thus reduce "real" expenditure and thereby would impose upon the community at large the needed additional saving that had not been made voluntarily. Such a development also has unfavorable consequences in that it constitutes inflation.

Some economists refer to EX ANTE aggregates of saving and investment, when they mean "intended" saving and investment. Actual or ultimately realized saving and investment are referred to as EX POST magnitudes.

The Fundamental Condition for General Equilibrium

It is by the amount of these savings that demand falls short of buying back the national output if not all of them are spent on investment and thus create incomes and buying power in like amount. If they are so spent, the gap in demand is closed: total national output is bought back and the condition necessary to make the process of production continue is fulfilled. It is in this sense that we say that intended investment must at least equal intended saving to prevent contraction of the economy.

Budget surpluses—meaning net withdrawals by the government from the income stream — or repayments on consumer credit balances or on other outstanding debts are tantamount to elements of net saving by the community. Conversely, budget deficits and additions to outstanding consumer credit balances or to other debts are tantamount to elements of negative saving of the community. In the aggregate, all of the positive and negative saving items added together algebraically would normally approximate the incomes of those participating in the production of output for investment. This is the condition that characterizes, and is a prerequisite of, stable growth of the economy; goods and services produced for current consumption then clear the markets at prices covering costs in the sense of reasonable incomes of the factors of production; and incomes prove "reasonable" in the sense of insuring that the factors of production continue to give their services to the extent that the needs of a growing economy require.

Partial Disequilibria

Of course, even with global equilibrium in this sense, divergent cost and price formation for individual products may from time to time force changes in the composition of our total national output; demand may begin to favor some products over others, or productivity (output per unit of input of labor and other means of production) may rise or decline in some lines of production more than in others, thus changing the previous balance of costs of production as among individual products. If there are many lines of output where demand and costs have thus become disjointed there may be a slight set-back even in **total** output and employment, as output is being revamped towards a new balance among individual products. This kind of dip has more recently been described as a "rolling adjustment." It is of comparatively short duration and mild impact on total income and employment. It is not the problem that we are faced with in a depression.

General Disequilibrium

Today we are concerned with problems of **general** disequilibrium. It should be clear from the outset that saving is not to be made the whipping boy, and spending is not to be idolized. These phenomena should be considered purely from the functional point of view—their bearing upon the stability, or otherwise, of desirable economic growth. If there were to be a value judgment attached to saving and spending the personal inclination of most of us would be to deprecate excesses of either as immoral and unimaginative; while within reasonable proportions we would consider restraints on spending morally superior to restraints on saving and more intelligently calculated to serve the aims of good public policy.

First we should note that a certain measure of net investment and, hence, of net saving—5, 10, 15% of the national income — is necessary to expand production both to employ, and to supply with their livelihood, the annual increment of the working population, and to provide for continued increases in productivity and, hence, in per capita income and/or leisure. Private enterprise and government, gauging such increased needs of the future, normally see to it that such desirable investment is undertaken. Rates of investment and of saving change from year to year; but rates of intended saving tend to be more stable than rates of investment.

As stated before, the fundamental condition for general equilibrium is **a cost value of intended investment that equals intended saving.** This condition characterizes, and is a prerequisite of, stable growth of the economy. If intended investment exceeds intended saving, an economy with idle resources is on its way toward expansion to full employment. If this condition persists when full employment is virtually reached, we have inflation or, if prices are not permitted to rise, physical shortages at high levels of consumption and demand. If investment does not voluntarily take up the volume of intended saving, the economy shrinks and more and more labor and other resources become unemployed, the more so the more resistance there is to price and wage reductions (or possibly insistence on paradoxical price and wage **increases**).

The American economy finds itself at the present time in a situation in which spending on investment does not fully fill the gap between incomes currently paid out and their current expenditure on output for current consumption; which is another way of saying that intended investment does not fully take up the volume of intended saving. As a result, a gap has developed, and persists, between the demand for output for current consumption and the available supply at present prices. There are a number of reasons, to be discussed presently, for the insufficiency of intended investment in relation to intended saving that is at the root of our present troubles. And it is an insufficiency in investment, rather than a sudden rise in intended saving, that accounts for the imbalance.

The Factors in Our Imbalance

We know the **general** character and **general** cause of the decline that has occurred: for some time past, perhaps as far back as the spring of 1957, spending on current consumption plus spending on investment have fallen short of the incomes currently created by the total volume of the production of goods and services. Since to maintain or increase that volume of production total spending must at least equal the total of those incomes which are the costs of production, the economy has been exposed to a downward spiral of pressure. Involuntary or forced investment (accumulation of inventories) could not but for a short period fill the gap. Of course, adding to inventories is at times an entirely voluntary investment: for example, when new orders show a persistent uptrend and manufacturers as well as the trade want to maintain or even increase their capacity, in relation to total business, for quick delivery; or if manufacturers and trade are particularly optimistic about the business outlook, expect shortages, price increases, and so forth. Such developments or considerations, however, as the data on unfilled orders show, were not the causes of the continued but sluggish increase in inventories in 1957.

The great pressure towards a reduction of total investment stemmed from the record addition to plant facilities and equipment from 1955 to 1957. Some of these additions to plant facilities may have been based on outright misjudgment of demand prospects for the near as well as the more distant future in specific individual lines of production. Others might have been spread more evenly over a longer period—but were bunched together in a comparatively short period of time, with consequently more drastic impact upon employment of their cessation when completed. All expansion in plant and equipment from 1955 to 1957 taken together, however, does indicate that it went beyond the expansion of capacity needed to take care of the requirements for output of goods and services for current consumption for some time to come. This is not surprising. The impetuous growth of output after the war, spurred by seemingly insatiable consumer demand, made for exaggerated expectations on the part of producers. The Gross National Product and personal consumption expenditures during the first 10 postwar years trended upwards by roughly 4% per year, in real terms. In the period 1953 to 1957 that trend rate averaged only 3% per annum. Yet, expenditure on new plant and equipment in the same period continued at an annual average of 5%.

The distribution over time of expansion in plant facilities and other investment will remain a problem of the private enterprise economy. For many years past economists and businessmen have advocated a reasonable stabilization of the total volume and growth of investment, and hence of economic growth, by more adequate timing of public investment. For on a moderation of the fluctuations of total investment hinges the avoidance of depressions and unemployment. The minimum that we should achieve is a substantial improvement on the not altogether perfect postwar record of fiscal policy in that respect. Sometimes spending was stepped up when it ought to have been reduced, and was reduced when more spending was needed to help a sagging economy.

Naturally, government expenditure cannot be exclusively oriented towards stabilization of economic growth; and some of the fluctuations in such expenditure are determined by fluctuations in defense and other needs that require their own and proper timing. But we can no doubt improve the phasing of public investment by better planning and preparedness. Every public servant concerned with this subject should be made acutely aware of the crucial need for an adequate management of total investment in the economy.

Closing the Gap

As stated above, "intended investment must at least equal intended saving to prevent contraction of the economy." And intended investment must somewhat exceed saving if reduced activity is to be lifted towards full employment levels. This, then, should be the essence of any policy to assist the economy in resuming a favorable rate of growth.

The present excess of intended net saving over intended net investment, or short-fall of intended net investment compared with intended net saving, can of course be corrected by reducing saving or by increasing investment, or both. We have already stated our preference for the latter, but should not rule out the former as, perhaps, a more quickly effective component in a composite set of measures. "Investment," which we defined as an addition to the stock of wealth or real capital, comprises all output that does not add any supply of goods and services to the stream that currently moves into ultimate consumption. And "saving," which we defined as the excess of currently earned income over consumption, comprises all sorts of "non-spending" of currently earned incomes — savings in the narrower sense, repayment of debts, accumulation of budget surpluses out of taxes on current income. Negative investment (or dis-investment) is, of course, the opposite of positive investment and, as a reduction in the stock of real capital, comprises all releases into the domestic market of goods and services whose production did not create domestic incomes in the same period: releases from stocks previously accumulated, imports, etc. Negative saving (or dis-saving) represents the excess of consumption over currently earned income and thus comprises all expenditures that do not originate in domestic incomes of the same period: expenditure of savings previously accumulated, going into debt to spend, incurrence of budget deficits.

Accordingly, if we were to attempt to correct the existing imbalance between intended saving and intended investment by measures on the saving side, any induced reduction in personal saving, incurrence of debts, incurrence of budget deficits (by cutting taxes or increasing spending) would help towards that goal, unless the particular measure we chose were itself to evoke offsetting reactions. Conversely, if we were to concentrate on measures on the investment side, induced increases in industrial and residential construction, in the accumulation of stocks, in exports, in public works would all be steps

gitized for FRASER
p://fraser.stlouisfed.org/

in the right direction. Both actions, those on the "saving" as well as those on the "investment" side, by closing the mentioned "gap," will serve to lift the economy to higher levels of output and employment, and thereby to raise the nation's income. But additional investment alone will not only do this much but will also create improvements in the nation's capital and future earning capacity by enlarging and improving facilities for production, for distribution and transport, for housing, health, recreation and education.

Crying Need for Community Facilities

As indicated before, the present shortfall in investment is to a large extent due to over-investment in new plant and equipment in 1955 to 1957. On the other hand, **total** investment in the economy was just about right; its size was fully needed to assure the then current level of income and employment. This is a reasonable assumption since the inflation that we did have in those years was on a modest scale and was not demand inflation (that would indicate relative total over-investment). Now, if there was nothing wrong with the total size of investment, while we had over-investment in industrial plant and equipment, it follows that there was not enough investment in other projects. What are such "other projects?" They are either investment for defense or investment for housing and for civilian public use. Investment for defense and for housing must more prominently be determined by needs other than the need for assuring steady and substantial growth of the economy. Hence, we may say that, in a sense, it was over-expansion in unneeded industrial capacity to the neglect of investment for civilian public use—of investment for education, health, welfare, for which there is a crying need—that accounts for our present set-back.

It is for this reason, too, that for such investment for public consumption we should envision a key role in overcoming the present recession and in giving well-organized protection for the future. If this idea were to be accepted and aided by ample loan finance at an irrestible rate of interest, all over the country Federal, state and local authorities would go all out in putting into operation their readied plans for the construction of schools, hospitals, roads, and recreation facilities. And they would ready an additional program for these types of investment to make up existing deficiencies and to cover generously needs for five years ahead—plan in detail and set up a shadow organization to swing into action on a few weeks notice. In this manner we would be better prepared to have an immediate, desirable, and highly productive substitute for possible future deficiencies in private investment, whether these deficiencies be due to previous over-investment or to a more permanent change in the nation's consumption function, no longer, perhaps, supporting recent propensities for gadetry, immature outdo-your-neighbor demand, and relentless pursuit of the "bigger-hence-better" principle for material welfare.

A program of this kind should be an integral part of any policy of combatting the present recession and of preparing to eliminate or lessen possible similar difficulties in the future. It might be thought of as a risk-less, commonsense corrolly to additional injection of buying power of a more quickly effective type, now partly under way in the form of rising Federal, state, and local deficits that have been variously estimated at anywhere from $5 to $10 billion above those for the fiscal year 1958. These deficits arise automatically from increased expenditure and reduced receipts of the insurance trust accounts, including the needed extensions of unemployment compensation; and from expanded expenditures on defense and under the emergency housing and highway construction acts. Such sums as these would represent substantial infusions of buying power. They are, however, at least in part offset by a continued excess of intended saving over intended investment. On consumer credit alone the excess of repayments (saving) over last year's excess of new indebtedness (dis-saving) constitutes a withdrawal of buying power, compared with last year, at the annual rate of $4 billion. On the other hand, once a determined government program has been started, the replationship between intended investment and saving in the private economy will gradually improve and shift from contraction to expansion. On balance, it would seem that a substantial **net** infusion of buying power is needed now to lift back quickly, and thereafter to maintain, national output on a trendline of substantial growth.

Any injection of buying power into the income stream, so long as there is unemployment of complementary resources, will of course increase income by more than its own amount. The recipients of the initial injection will spend part of it and to this extent will create income elsewhere, and that income's expenditure too will create additional income, and so on and on—in the fashion so well described by J. M. Keynes and his disciples. It is because of these dynamic relationships that a relatively modest injection of additional buying power may produce a relatively large total income effect.

The Role of Monetary and Fiscal Policies

In order to carry out effective anti-recession measures it is, of course, necessary that monetary policy and fiscal policy be properly coordinated in support of the basic aim of getting the economy quickly back on a trendline of substantial growth. So long as there is under-investment, interest rates and reserve ratios should be kept at low or moderate levels. At the same time, no undue stimulus should be given to private investment in new plant and equipment if capacities appear ample for some time to come. Frequent consultations between Reserve Banks and Member Banks assist in feeling the pulse of the economy and in determining needed attitudes in credit policies.

At all times there must be a clear realization that fiscal policy has to perform two functions that fall upon governments everywhere (and in which monetary policy must also aid): (1) to provide the wherewithal for needed services that only government at Federal, state and local levels can provide; and (2) to use the vast economic influence of government, as a collector and distributor of purchasing power and provider of essential services, for the purpose of keeping the **total** economy on a reasonably even trendline of substantial growth.

The essence of the process is that the first function, valuable and indispensable in itself, is performed in such a manner as will accomplish the second function at the same time. If we keep this essential task of government in mind, we will see difficult questions of fiscal policy in truer perspective; and some of its time-honored notions will reveal themselves as dangerous superstitions.

Above all there is the notion of a balanced budget as something virtuous or desirable or as a purpose in itself. Those who think that a nation's fiscal budget can be compared with that of a family household should reflect that a family that spends everything it earns is, to say the least, not very provident. The comparison is more likely to fit the national accounts of national income analysis—though even here the similarities do not go very far. Budget balance, budget surplus, and budget deficit have long been recognized as tools of deliberate economic policy for the exercise of the second function mentioned above—the preservation of society's welfare by creating the conditions that will make private and public enterprise keep the economy on an even trend of growth.

We have seen in earlier parts of our analysis that, given any proportion of spending to total income, the level of the nation's employment and income up to full utilization of all resources in complementary combination is at all times determined by the size of net investment in the economy. At any time, therefore, a certain size of net investment must be undertaken (or, failing this, the proportion of spending to income must be raised) if the economy is to be adequately employed. If that much investment is not forthcoming automatically in the course of the day-to-day decisions and business operations of private and public enterprise, and if in the case of under-investment our built-in stabilizers do not sufficiently raise the proportion of spending to earned income, then the government must deliberately fill the gap by doing either the one or the other, or both.

Now, of course, it must be understood that neither public investment, nor public spending to raise consumption, would have the additionality that is needed for that function if such action had to be undertaken out of a balanced budget. Rather it **must** be financed through a budget deficit. If, for example, taxes were raised to pay for the additional investment, the gap would remain unaffected.

It must be clearly understood that, if we are for saving, we must also be for going into debt. For saving and going into debt are the two sides of the same coin. In our market economy much of the investing is done by people other than the savers. But, if the saver does not invest himself, saving must necessarily mean a simultaneous incurrence of debt, either by private enterprise or by public bodies. If private enterprise, perhaps for good reasons, temporarily does not choose to invest all of society's intended net saving, public bodies must fill the void. In that case a rising public debt is simply a necessity.

Sees "Public Debt" Myth

Much of our popular thinking about the public debt is a myth. Thus it is not often realized that the public debt is not in actual fact a burden upon us. Since we borrow, not abroad, but at home, the fact is that we owe this debt to ourselves—it is we who hold the government securities and it is we who get the government's interest payments from the taxes we pay. And we do not, through the public debt, pass a burden on to future generations; our children inherit not only the debt but also the securities that stand for it and represent the great physical assets of the public and defense domain that were at one time created by public expenditure.

There is no continued sacrifice implied in a public debt that already exists and is handed down through the years. A sacrifice is only made at the time the government **incurs** the debt, if it borrows from us what we otherwise might have consumed; this was the case during the war, but even that sacrifice we made in our own behalf—for the defense of our country. In most circumstances, the act of public borrowing implies no sacrifice on anybody's part: if the public expenditure absorbs saving that might otherwise not have been absorbed at all and gone to waste. And not only does public borrowing in such circumstances not imply any sacrifice for the population at large — it even means positive benefits, of the dual nature that was mentioned above. It is this particular case that is germane to discussions of the present recession.

To Sum Up

To sum up: Much of the needed infusion of buying power will automatically issue from the rising deficit of the insurance trust accounts, increased by the needed extensions of unemployment compensation; from expanded expenditure on defense and under the recent emergency housing and highway construction acts; and from the decline in tax receipts. Additional infusion of buying power is, however, needed and should in the first place be provided by a massive and immediate expansion of construction activities under useful community facilities programs.

We must also keep in mind that, if our programs of foreign aid and foreign lending must be maintained and, if posible, expanded under foreign policy points of view, this will also be in the interest of an effective policy for economic recovery in the United States. Foreign aid and foreign lending, either directly or indirectly, mean exports — and increases in exports are equivalent to increases in investment, which is precisely what is needed to correct the condition of under-investment with which we are faced. A maintenance of exports would also make it easier for the United States to maintain imports. And the maintenance of U. S. imports, plus foreign aid and foreign lending, by supplying foreign nations with buying power, strengthen international liquidity—the capacity of countries to purchase in foreign markets in relation to their desire to do so. Such strengthening of international liquidity would lessen the ill effects that the U. S. recession might have upon the economies of other countries, and would serve to prevent the reintroduction of restrictive trade policies which, in turn, would react unfavorably upon the U. S. situation.

Looking Beyond

Our wartime and postwar experience gives most impressive support for the general thesis that this review has tried to develop. In a period of enormous expenditure, not on great productive installations for peace and prosperity, but on the gigantic waste required by war and defense, our standards of living and capacities for production rose at fabulous rates, simultaneously with the public debt. And our standards of living and productive capacities continued to rise through a period of lavish postwar aid to our friends and allies abroad. The fact that, despite a more active economic policy in the thirties, we still had, in 1939, unemployment to the tune of 17% of the workforce only means that the boldness of our policy was just not bold enough; it took a war to bring about the infusion of buying power that was necessary to throw the economy into full gear.

Compared with that infusion, only a pittance is required today to get us back into our pattern of growth. There is no better time than this to push ahead with community facilities—with a really generous effort all over the country to make good our past sins. If government expenditure must take up the slack in private investment to lift the whole economy out of its decline, what an opportunity for us at the same time to fill the crying need for schools and hospitals and roads and other community services! This need not be a slowly moving program if we push it with determination and enlist the enthusiasm of those who realize the exigencies and the opportunities of the moment. Very little in addition to such a program may be required if we move ahead quickly.

Beyond that we should in general contemplate the possibility of a future in which, with rising productivity and expansion of output and income, buying for personal consumption and investment may not keep pace. And we should prepare for this possibility by a program to stimulate spending, not for immediate consumption, but for less ephemeral purposes. We should, in brief, take a long view of the short run by combining the accepted short-run goal of the maintenance of buying power with a long-term aim of equal or even greater importance: resource conservation. For the short run, economic policy, by **laissez-faire** or by intervention, must look after the maintenance of buying power, such as is the subject of present discussions of anti-recession measures; for the long run, economic policy must be concerned with the conservation and management of resources. And to take that long view of the short run means to combine the two purposes — maintenance of buying power and conservation of resources. As a part of this effort the policy of not permitting deflation to croke off or seriously retard economic and social progress must have its counterpart, during prosperity, in a policy of avoiding inflation. For inflation erodes the very substance of social justice and destroys the basis for systematic and foreseeable behavior of the economy and hence the effectiveness of economic policy. In order that the maintenance of purchasing power also serve the conservation of human and natural resources and do not increase the disposition towards inflation, it must concentrate on investment for such conservation and for such services as will increase social productivity and will further broaden the general welfare. An anti-recession policy that emphasizes public investment for community facilities for health, welfare, and education is a first step towards those broader horizons.

vigilance

Final victory over cancer will come from the research laboratory. But there are victories today. Many cancers can be cured when detected early and treated promptly. *Vigilance* is the key to this victory.

There are seven signals which might mean cancer. Vigilance in heeding them could mean victory over cancer for you.

1. Unusual bleeding or discharge. 2. A lump or thickening in the breast or elsewhere. 3. A sore that does not heal. 4. Change in bowel or bladder habits. 5. Hoarseness or cough. 6. Indigestion or difficulty in swallowing. 7. Change in a wart or mole.

If your signal lasts longer than two weeks, go to your doctor to learn if it means cancer.

AMERICAN CANCER SOCIETY

igitized for FRASER
tp://fraser.stlouisfed.org/

Continued from first page

As We See It

expense of perpetual depression. We were unable to agree with the gentleman at the time, and are still quite unconvinced, but it seems clear to us that anti-recession measures now in popular favor could succeed in maintaining full employment (if they could do so at all) only at the expense of perpetual inflation.

A Sad Commentary

It is a sad commentary either upon the understanding or upon the sincerity of the New Dealers in and out of politics that they profess great concern about the "little fellow," and at the same time press forward with programs which must almost inevitably be his undoing. In this respect many of the follows of the man who is often thought of as the intellectual father of the New Deal fail convinced, but it seems clear to us that anti-depression miserably to measure up to the forthrightness of the master himself—who blandly termed the rentier of "functionless investor" and advocated his euthanasia. Such candor demands respect even if the reasoning employed seems wholly invalid.

Who is this "rentier" who has no economic function to perform and who should die painlessly? Well, he is the depositor in mutual savings banks and building and loan associations. He is a holder of life insurance policies. He is accumulating pension benefits, and in this capacity his name is legion. One needs but take a glance at the assets held by such institutions as these to understand the tremendous part they pay in financing American enterprise. Any claim that such investors are functionless or deserving of euthanasia is obviously without the slightest foundation in fact.

But the New Dealers, and a good many others who would never admit New Dealism, are never heard to say that these small savers are functionless, and certainly they would never talk about bringing them to a painless end. The fact remains, however, that they are the worst enemies these rentiers have in this world. They are poor friends of these "little fellows" for the reason that their policies, allegedly designed to further the interest of such elements in the population, actually tend very strongly to undermine the value of the savings so hardly accumulated and, for that matter, to make it doubly difficult for them to accumulate savings at all. The New Dealers, had they a true understanding of things economic and were they as frank as their intellectual godfather (John Maynard Keyes), would be obliged to express a low regard for the economic and social value of the smaller saver whose accumulations all taken together come to many billions of dollars.

A Few Proposals

It is but necessary to examine a few of the anti-depression proposals of the New Deal and its successors to see that they are definitely and inevitably inflationary in nature. Take, for example, the hue and cry that goes up from virtualy all the "advanced thinkers" insisting that the Federal Government spend more than it collects in taxes in order to spur economic activity. It is all but inevitable that such a course lead to bank absorption of Treasury obligations—in other words to the issue of the modern form of greenbacks. The mere fact that for the time being other types of borrowers do not come to the banks in such numbers for so large amounts as when business is booming does not render the Treasury program harmless. As soon as business becomes more active, the banks will be called upon to finance normal transactions again in the usual volume—and the net final result is undue expansion of bank money.

Then take the all but unanimous demand that the Federal Reserve do all that is in its power to encourage the growth of bank lending—regardless of the volume of natural demand for funds and without much reference to the nature of the assets to be acquired. Fortunately business ordinarily is not nearly so ready to rush to the banks for accumulation merely because it costs less than formerly. The experience of the 'Thirties made it clear enough that mere cheapness of money does not necessarily induce great use of it on the part of the business community. It must be said, though, that if policies of this sort have the effect hoped for by the modernist they are definitely inflationary and it must be added that in time and in combination with other factors the results must sooner or later appear particularly, possibly chiefly, in the form of higher prices.

Then another demand which has followers and which will have more followers should recession proceed much further, is that taxes be reduced forthwith regardless of the state of the budget or the financial position of the Treasury. The thought, or the wish, is obviously that owners of funds which otherwise would go to the Federal Treasury would be taken to the market for goods and services while the Treasury would continue to spend as before by means of borrowing. Could anything be more obviously inflationary? And could anything be more clearly harmful, if not disastrous, to men and women dependent upon small fixed income?

Continued from first page

Recessions and Remedies

object of much controversy among economists for some hundred and fifty years.

As we have consistently pointed out in our writings since 1907, the causes are to be found partly in human nature, in man's perpetual inclination towards increasing his capital—an inclination which, as has been stated by Adam Smith as well as by many others, largely overshadows his desire to increase his consumption—, and partly in the technical organization of industrial production in economically advanced countries. The result is a continued expansion of national economies with a tendency towards overcapitalization and overproduction, interrupted by readjustments made necessary by periodic overproduction. We do not mean overproduction in the sense that the goods produced are in excess of the requirements of the population. In a boom period, both the entrepreneur and the wage earner continually increase their consumption. But there comes a point, not necessarily at the same time for all products, when the prices of consumer goods no longer correspond to the actual needs for such goods by the mass of the consumers. Prices must then come down in line with the reduced marginal utility of goods for the consumer in order to stimulate additional buying.

Once prices drop below production costs and manufacturers are unable to reduce their costs sufficiently, they are obliged to reduce production by shutting down their least efficient plants and releasing part of their personnel. Since production costs depend largely on wages, the rigidity of wage scales is the chief obstacle to an adequate reduction in production costs. Labor contracts, unemployment insurance, resistance on the part of unions and workers prevent a quick readjustment of wages to the utility of the product. The decline in production continues until the rise of the utility of the product, resulting from a shortage on the one hand and from reduced wages on the other, brings about a pickup in business.

Statistical evidence on hand seems to bear out the fact that between 1955 and 1957 the increase in productive capacity in the United States was particularly large and exceeded the possibility of being fully utilized at normal output levels.

Recession's Peculiar Features

Usually the turning point in economic activity is clearly apparent. After having reached its summit, production suddenly begins to decline. The present American recession differs in that production, having reached its summit in December, 1956, was maintained at almost that level for several months, with production declines in certain branches of industry being offset by continuing expansion in others. Thus, the lack of balance which had developed during the period of expansion, was partly adjusted before the decline had become general. This early partial readjustment will most likely have a favorable influence on the course of the recession. However, the drop in production and the number of unemployed have already exceeded those of the two previous recessions, and the business decline continues.

Another peculiar feature of the present American recession is the absence of the overall decline in prices which normally accompanies economic crises, stimulating consumption and the absorption of excess production. The cost-of-living index has continued to rise since October, 1956. This is however largely due to increased food prices following unfavorable weather conditions. The prices of non-ferrous metals and some other raw materials which are governed by world markets have dropped, in most cases heavily, but the prices of manufactured goods have largely remained unchanged. It is typical that steel production has dropped to almost 50% below plant capacity, yet steel prices have been maintained. It shows that industrialists prefer to cut production rather than to stimulate consumption through price reductions. This attitude on the part of the producers is partly due to the fact that production is concentrated in the hands of powerful concerns and partly due to the rigidity of wage scales which are often tied to the cost-of-living index and therefore continue to rise in certain branches of industry.

It is normal that, in our era of the Welfare State, those who suffer under crises and recessions turn to the State and demand from it measures to stop the decline in production and the increase in unemployment. At the same time, democratic governments feel that they cannot avoid the obligation of taking certain measures regarded as likely to halt the decline in business activity or at least to slow it down.

We shall here describe these measures and examine their effects, summarizing briefly the views we have advanced and explained in detail in our works and reports dealing with these matters.

Discount Rate Misunderstood

The first measure demanded is the reduction of the official discount rate; this is expected to reduce production costs and, above all, to liberalize bank credits.

During the period of expansion interest rates increase steadily following the increased profits made by industry and the continued demand for additional capital for new investments. At the beginning of a crisis, interest rates remain high owing to increased demand for credit on the part of those enterprises which are particularly hard hit by price declines or by the reduced demand for their products, but they soon show a steady downward trend as profits begin to drop. Usually the official discount rate only follows the interest rates of the free money market and its impact is chiefly psychological: a signal heralding a new trend of the country's economy.

Yet, a reduction in interest rates can only have a minute effect on the cost price of a product. In the United States, for example, the interest on borrowed capital accounts for barely one-half of 1% of the overhead in industry, while interest on short-term borrowings represents only a fraction of this percentage.

There is a considerable and widespread misconception concerning the effect of the discount rate on the volume of credit, and, hence, on the volume of investments. Disregarding the movement of capital to and from abroad, the volume of investment in the national economy is limited and regulated by the volume of savings. For the national economy in general, savings spell investments, i. e., the creation of productive capacity, the production of durable goods and even of stocks of consumer goods of all kinds instead of goods produced for current consumption only. Now, whilst an individual can temporarily invest his purchasing power acquired in cash in return for his services to the national economy at the expense of other holders of cash or lend his money to other individuals who wish to invest it, the mass of individuals in the national economy have no means of keeping savings inactive, i. e., of not investing, contrary to what is generally believed by the public which perceives only the superficial aspects of economic phenomena.

Keynes' Error

This, then, as we outlined as far back as 1907, is the nature of savings; the fact has since been recognized by a great number of eminent economists, and no one has been able to refute it. J. M. Keynes later on popularized this idea with the Formula S=I (Savings equal Investments), but he failed to grasp its full implications. It follows that the volume of investments depends only on the volume of savings and is independent of the discount rate. The latter can only influence the choice of investments: An increased interest rate will attract the available savings towards the most profitable investments, whereas the reduction will make savings available for less profitable investments.

The nature of savings as shown above proves that the policy of cheap money followed since the last war by several countries was unjustified; it prevented the efficient utilization of available capital and encouraged credit abuse and monetary inflation.

Banking's Inflationary Credits

Savings, in other words, the individual's acquired but unexercised rights to a share in the national product, usually find their way into various credit establishments in the form of deposits. The banks cede those rights to a share in the national product to industrialists who wish to utilize them for the manufacture of other goods. Generally speaking, the banks can grant credits in excess of the savings deposited with them only in cooperation with the Central Bank, which issues additional currency for this purpose. However, credits granted with the help of the additional currency issues do not constitute real savings, in the sense of existing national product, but nominal purchasing power which only helps to increase the price of goods on the market.

These inflationary credits can be of use to the individual enterprises to whom they are granted, but only at the expense of other enterprises and the national economy as a whole. The resulting increase in prices, uneven at first, will eventually add to the difficulties of the producers. At the same time, by reducing the purchasing power of all consumers to the advantage of a small number of enterprises benefitting from these credits, overall consumption will be forced down, and the leaning toward increased saving will be strengthened at a time when the national economy is suffering from a lack of balance between capitalization and consumption. It is therefore a grave misconception

gitized for FRASER
ttp://fraser.stlouisfed.org/

to consider inflationary credits as a weapon against crises and depressions. It is rather like throwing sand into a clogged-up engine to make it run better. One of the great fallacies spread by J. M. Keynes is that an increase in the supply of money will stimulate effective demand and put the unemployed back to work. This is confusing money as a means of exchange with capital, and nominal demand with real demand.

Price reductions are the normal and natural way to increase consumption and to achieve outlets for excess production. In order to stimulate consumption, economic policy measures are often recommended.

Unemployment Benefits

Following this line of thought, unemployment benefits are generally considered as a means of automatically maintaining consumption, and it has even been advocated to increase unemployment benefits during periods of recession. Unemployment benefits are useful and necessary, but one should not overestimate their importance as a weapon against recession. They are a means of helping the unemployed at the expense of the community. They cannot, therefore, have much influence on consumption as a whole.

The funds for the payment of unemployment benefits can originate from three sources: economies made on other public expenditures, new taxes, or loans. All these changes in the allocation of the national revenue cannot affect the volume of effective overall demands, nor can they prevent the gradual decline of this volume as long as the recession lasts. There will not even be any marked changes in the distribution of consumption, except in the last case where the available purchasing power is switched from capital goods to consumer goods.

Public Works

Among anti-depression measures, public works are particularly popular. It is believed that they provide the unemployed with the possibility of drawing normal wages and of thus maintaining consumption, whilst at the same time works are carried out for the benefit of the community. This too is a great illusion. Such works can in certain cases usefully replace unemployment benefits as a means of combatting unemployment, but they are useless as a means of fighting crises and depressions. They consist of building roads, dams, public buildings, etc. These are long-term projects requiring much time for completion. Once completed they may increase the country's productivity, but in the interim they add nothing to the products at the disposal of the country for consumption or investment. They must therefore be undertaken from the current product of the national economy. The resources for their completion can thus only come out of new taxes or loans. They do not increase overall demand.

Such works, moreover, whilst being less productive, are very expensive, since their organization involves considerable expenditures and since they often require costly relocation and housing of unemployed workers, who may often be employed in jobs for which they are not qualified. These are the reasons which obliged the British Government in 1925 to abandon this method of fighting unemployment. It was considered that the expenses involved in carrying out these works were channelling capital away from more productive uses, and that it was cheaper to pay unemployment benefits than to undertake special projects, even when of a productive nature.

Must we remind ourselves that between 1933 and 1938 the United States allocated $10.5 billion to public works, which provided work for only 10% of the total number of unemployed, and which did not prevent their number from remaining at nearly 10 million throughout this period?

Special Government Purchases

What we have said about special public works also applies to special Government purchases. In order to pay for these goods, less urgently required and thus of less use than normal purchases, the Government must float loans and, consequently, channel available capital away from more productive uses. It is thus an illusion to believe that these goods effectively increase the gross national product. By acting in this manner, the State only reduces the productivity of the national economy and increases its debt. On the other hand, if the Government has recourse to monetary inflation to secure the necessary cash, it will only add to it the ill effects of such an inflation.

In 1949, the United Nations experts in their report on full employment recommended the use of fiscal policy as a weapon against depression. They considered that by reducing income taxes and Social Security contributions and by increasing family allowances, the purchasing power of the consumer and thus overall consumption would be increased. Yet, the State can afford such largesse only by floating new loans. In this case it must withdraw purchasing power earmarked for investments and put it at the consumers' disposal. The overall volume of demand thus remains unchanged.

In this context it should be noted that during a period of expansion savings increase more rapidly, percentagewise, than overall consumption of goods, thus creating a lack of balance between capitalization and production on the one hand, and overall consumption on the other. In a recession, the opposite takes place and savings, originating mainly from profits, decrease much more rapidly than overall consumption. It follows that even in this phase of economic evolution a certain volume of savings is necessary for maintenance and repairs of industrial equipment and urgent investment in industry or in fields not affected by the crisis.

Lighter Tax Load Discussed

It seems to us that if the fiscal system is to be used as a weapon against depression, it would be more appropriate temporarily to lighten the tax burden which is hampering production, especially in the branches of industry most affected, thus enabling the producers to reduce their costs and thereby to lower the price of their product. But here again, a tax reduction must be offset by loans, and the shortcomings of these temporary measures are well-known.

Lower Wages Proposed

At the beginning of this study, we have cited the rigidity of wage scales as one of the main causes of depression. Cannot the Government intervene to bring wages in line with the utility of industrial products when the utility decreases as a result of improvements in industrial equipment and production? Does not the United States Government fix minimum wages and the French Government impose a sliding minimum wage scale tied to the cost-of-living index? There is no lack of precedents for such a policy, and measures of this kind have been taken by several governments of all political leanings during the great depression which followed the crisis of 1929. In 1930, the Italian Government reduced the salaries of civil servants and at the same time organized an extensive propaganda campaign advocating a general reduction of salaries of about 10%. In 1931, the Australian Arbitration Court decreed an average reduction of 10% of the real basic wage for all workers under its jurisdiction. In the same year, the Arbitration Court in New Zealand reduced wages by 20%. In Germany, the decree of Dec. 8, 1931, reduced wages to the level of Jan. 10, 1927, canceling all raises which had taken place during the boom period 1927-1929. However, the majority of States did not dare take such direct and courageous measures and preferred to follow the example of the British Government which, in 1931, arrived at the same result by a more devious method, namely, by a devalution of the currency.

Relying on the relative rigidity of nominal wage scales, this measure was aimed at reducing real wages by artificially bringing about a rise in prices. This action, however, shook the whole basis of economic life and arbitrarily and unjustly upset the entire distribution of wealth and revenue at the expense of the mass of small savers, pensioners, and retired people, whilst at the same time bringing the risk of reprisals from other governments and monetary wars. And all this for a few months of respite after which the Trade Unions reopened the struggle for a readjustment of wages in relation to prices, accompanied by social troubles and serious losses to the country's economy. The detrimental effects of this remedy are in the long run infinitely greater than its advantages.

Under present circumstances there is no possibility of government-ordered wage cuts. On the other hand, nothing should be done to prevent wage cuts, and any agreement to that end between management and labor can only improve the situation of the industries most affected.

Having examined all government measures usually taken or recommended to fight a recession, we can only retain one as being more or less practicable, namely, the reduction of taxes in the depressed industries. We have discarded all other measures as being either ineffective or as dealing with economic problems from the point of view of private economy rather than that of the national economy. The organization of the economic life of a great and vastly industrialized country is a very complex and delicate one, which is badly suited to any outside interference. Under these circumstances, it is better to let the recession run its normal course. Just as the human organism produces antibodies to defeat germs, the economic life finds its own remedies to restore the lack of balance developed during the period of expansion. One can only subscribe to President Eisenhower's opinion that we must have "faith in the inherent vitality of the free economy," and to beware of "unsound programs which would do great damage instead of contributing to economic strength."

Human pride may suffer from this inability to interfere successfully, but the country's economy will benefit from it.

Our opinion on the economic policy to follow with regard to crises and depressions has not changed since December, 1932, when a member of the "Brains Trust" instituted by the President-elect Roosevelt for the purpose of preparing his economic policy visited Europe to consult with a number of European economists, the writer among them, on measures to combat the depression from which the United States and the entire world were then suffering. It was then our opinion that the economic life of the United States had, since July of that year, entered upon the upward phase of the economic cycle and that nothing should be done to trouble its normal course. We also argued very forcefully against a devaluation of the dollar which the "Brains Trust" had apparently contemplated. But there was great pressure to overcome the depression in a hurry, and there was a strong belief that this could best be achieved by extraordinary measures, inspired by an ideology which was fashionable during that era. The catastrophic effects of the measures then taken should serve as a lesson today.

IBA Southern Group Names Labouisse Gov.

NEW ORLEANS, La.—John P. Labouisse was elected a Governor of the Investment Bankers Association of America at a meeting of the Association's Southern Group in New Orleans on July 10.


John P. Labouisse


Jac P. Ducournau


James E. Roddy

Mr. Labouisse, a partner in the New Orleans investment banking firm, Howard, Weil, Labouisse, Friedrichs and Company, will serve a three-year term. He previously served as Chairman of the Southern Group.

Louisiana and Mississippi investment bankers elected to the Executive Committee of the Southern Group at the July 10 meeting are: Jackson P. Ducournau, partner, Ducournau and Kees, New Orleans; James E. Roddy, Vice-President, Scharff and Jones, Inc., New Orleans; J. B. Sanford, partner, White, Hattier and Sanford, New Orleans, and Ed S. Lewis, Jr., Lewis and Company, Jackson, Miss.

Cleveland Trust Sees Better Business Prospects

Significant business indicators cited by Cleveland Trust shows business improved at end of second quarter compared to beginning. Believes there is likely prospect for more than seasonal upturn in fourth quarter.

According to the Cleveland Trust Company's July "Business Bulletin," "business as a whole looked better at the end of the second quarter than at the beginning. That is because the steady decline which commenced last fall was halted in May and June. Thus the Federal Reserve index of total industrial production fell from 145 in August of 1957 to 126 in April, but then edged up to 127 (preliminary) in May. Based on the few available weekly series, the June index is likely to show a further rise. In the first two or three weeks of June, after seasonal adjustment, gains occurred in the output of steel, electric power, soft coal, and petroleum, and also in rail freight carloadings.

"Aside from recent increases in production, notably of steel, several other important business indicators have been exhibiting signs of improvement after allowance for seasonal variation. Among these are the following:

Significant Indicators

"(1) Manufacturers' new orders and sales. After a lengthy downswing, new orders rose substantially in March, slipped a little in April, and then moved up in May to the March level. Much of the gain stemmed from larger military orders, which have climbed well above the period of cutbacks during the summer and fall of 1957. Sales were steady in April and increased in May, while inventories continued to decline. Consequently the ratio of stocks to sales dropped noticeably from its March peak, which suggests that inventory liquidation is well along toward completion.

"(2) Construction. Although outlays for all construction put in place have been sliding, contract awards—which precede the above—recorded a marked gain in May. The residential sector has picked up, as measured by the number of new dwelling units started.

"(3) Personal income. This has been rising gradually since February. Total wage and salary payments are down moderately from the level of late 1957, but that has been offset by increases in unemployment compensation and some other kinds of income.

"(4) Employment. In May, after seasonal adjustment, the downtrend in nonfarm employment was reversed; average weekly hours worked in factories moved up; and unemployment as a percent of the labor force turned down.

Conclusion

"Developments such as these have improved business sentiment. This does not mean that one should go overboard on third quarter prospects, which seem rather indecisive at this stage. But there is more hope for up turn of somewhat greater-than-seasonal dimensions in the fourth quarter."

With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Ray A. Ricketts, Jr. has been added to the staff of B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange. He was previously with H. O. Peet & Co.

Digitized for FRASER
http://fraser.stlouisfed.org/

Offers by Burroughs Corp. Underwritten By Lehman Group

Public offering of $25,000,000 Burroughs Corp. 4⅜% sinking fund debentures due July 1, 1983 is being made today (July 17) by an underwriting group managed by Lehman Brothers. The debentures are priced at 100%.

Burroughs Corp. at the same time is offering to holders of its common stock the right to subscribe for 550,058 additional shares of common stock at the rate of one share for each 11 shares held of record on July 16, 1958. The subscription price is $27.50 a share. The rights to subscribe will expire on July 30, 1958. This offering is also being underwritten by a group managed by Lehman Brothers.

Of the net proceeds to be received by Burroughs from the offerings approximately $18 million will be applied to the retirement of installment notes. The balance will be applied initially to the reduction of current indebtedness. The obligations to be retired were incurred to meet increased working capital requirements of the company arising from larger investments in receivables and inventories as well as increased fixed assets representing equipment leased to customers. The proceeds of the sale of common stock will of course serve as additional equity under presently outstanding and future borrowings of the company.

Sinking fund provisions of the debentures become effective on July 1, 1963 and require the company to retire a minimum of $1,000,000 principal amount annually during the period July 1, 1963-1982 inclusive. At its option Burroughs may retire up to an additional $1,000,000 of debentures annually. For the sinking fund the debentures will be redeemable at par. They also are redeemable at the option of the company in whole or part at anytime at prices ranging from 105% to par, except that they may not be redeemable prior to July 1, 1963, with proceeds of a refunding operation with an interest cost to the company of less than 4.46% per annum.

Consolidated sales and other income during 1957 totaled $282,774,000 and net income was $10,075,000, equal to $1.67 a share on the average number of shares outstanding during the year.

Burroughs Corp. and its subsidiaries are engaged in the production, distribution and servicing of more than 200 different models of business machines including a line of electronic data computing systems, a line of office supplies and a line of business forms. In addition the company is a supplier of military goods with specific emphasis on electronic systems and control apparatus of various kinds.

FIC Banks Place Debs.

The Federal Intermediate Credit Banks are offering today (July 17) a new issue of approximately $117,000,000 of 2% nine-month debentures dated Aug. 1, 1958 and maturing May 4, 1959. Priced at par, the new debentures are being offered through John T. Knox, fiscal agent of the banks, and a nation-wide selling group of securities dealers.

It was also announced that an issue already outstanding with a maturity of Dec. 1, 1958 was reopened for $4,000,000 and was sold at a premium for delivery Aug. 1.

Proceeds from the financing will be used to refund $106,000,000 4⅞% debentures maturing Aug. 1, 1958, and for lending operations.

Continued from page 4

The State of Trade and Industry

and Philadelphia clearings reached $948,000,000 in 1958 compared with $946,000,000 or an increase of 0.2%.

Auto Makers Cautious in Steel Buying

According to "The Iron Age," national metalworking weekly, it looks as though Detroit will be of little help to the lagging steel market in the near future.

"Iron Age" says the word from the automakers is that they plan to go slow on new model output until they see how sales are going. And they are placing their orders for steel on that basis.

"It means," reports the metalworking magazine, "that the automakers are buying only what they think they will need to build the cars they have scheduled.

"Steelmakers are trying to convince them they should build their steel inventories as well. No one is sure how the new model cars will go over with the public. But having spent the better part of the present model year adjusting material inventories, the carmakers don't want to go through the process again next year. 'So,' they reason, 'buy what you think you need. If you need more, you can always get it'."

Meanwhile, says "Iron Age," the furor over the delay in the steel price rise has died down. Everyone seems to be marking time until U. S. Steel Corporation makes up its mind to move on prices. It still looks as though August will be the crucial month, although there is little if any hedge buying on that basis.

Incoming orders during the past week have shown seasonal declines, but practically all steelmakers look for some improvement in August. The market situation varies by districts. In at least one area some steel firms report new business is equal to the same period in June, when orders were fairly high.

"Iron Age" says that one encouraging angle of the June steel order bulge was that only about 20% of it represented price hedging. "This would indicate that the great majority of customers who have been placing orders during the last 40 days have been doing so because they need the steel quickly and not because they are speculating on the timing of the expected price advance."

Steel stocks in the hands of most users are at low ebb. Metalworking companies are assuming they can get more steel in a hurry when they need it. "This," says "Iron Age," "will lead to short-term pinches in steel supply even though the overall availability of steel is plentiful."

"Steel" magazine stated on July 14 many steel companies will operate in the red this quarter if they delay long in raising steel prices.

Demand for steel won't pick up markedly before September, when inventory reductions will have run their course and automakers will be turning out '59 models. If nothing is done until then to compensate for the higher labor costs they incurred July 1, many companies will be in trouble. No amount of cost cutting will save them from deficit operations.

The company most observers think will lead the parade to higher prices, U. S. Steel Corp., is the one that can best afford to stand pat, the metalworking weekly said. It earned 7.8 cents on its sales dollar during the first quarter when the industry average was 5 cents and did as well or better during the second quarter. Its breakeven point is one of the lowest of major producers.

The main reason for U. S. Steel's "wait and see" attitude is that business conditions aren't right for an increase.

If prices aren't advanced by mid-September, look for one or more of the other big mills to take the lead in raising prices.

Steel users will absorb more of the coming price increase than in any postwar hike, "Steel" survey indicates. Respondents are nearly unanimous in believing that the boost will come, even though it didn't arrive on July 1.

How much of the increase will be absorbed depends on the size of the increase and the industry in question. But partsmakers will absorb 55% of a $6-a-ton raise; makers of capital goods will absorb 80%; manufacturers of consumer durables will soak up 90% of a $6 hike; and makers of construction equipment will absorb 60%.

Reports from Pittsburgh and Detroit indicate that automakers are anxious to get started with '59 models. At Pittsburgh, Chevrolet's stamping plant is asking suppliers to deliver sheets two weeks ahead of schedule. At Detroit, Chrysler Corp. is ordering bars for late August delivery. (They'll be used in suspension systems, unchanged for 1959.) General Motors Corp. and Ford Motor Co. are ordering stainless for delivery in late August and early September. Long leadtimes suggest that car builders want to protect themselves against a fall rush.

Steel production rose a half point last week to 53.5% of capacity. Output was about 1,445,000 net tons of steel.

"Steel's" composite on the prime grade of steelmaking scrap held at $35.67 a gross ton last week.

Further Rise Is Scheduled in Steel Output for This Week

The American Iron and Steel Institute announced that the operating rate of steel companies will average 94.3% of steel capacity for the week beginning July 14, 1958, equivalent to 1,515,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *89.8% of capacity, and 1,442,000 tons a week ago.

Output for the week beginning July 7, 1958 is equal to about 53.4% of the utilization of the Jan. 1, 1958 annually capacity of 140,742,570 net tons. Estimated percentage for this week's forecast, 56.1% of capacity, up from 53.4%, the second straight weekly advance from the July 4 holiday period when output declined to an 8 week low of 1,376,000 tons or 51% of capacity, the American Iron & Steel Institute reported.

For the like week a month ago the rate was 109% and production 1,751,000 tons. A year ago, the actual weekly production was placed at 2,030,000 tons or 126.4%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Slightly Higher the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 12, 1958, was estimated at 11,851,000,000 kwh., according to the Edison Electric Institute.

For the week ended July 12, 1958, output increased by 641,000,000 kwh. above that of the previous week. However, it was 113,000,000 kwh. below that of the comparable 1957 week and 973,000,000 kwh. above that of the week ended July 14, 1956.

Car Loadings Again Show Decrease

Loadings in the week ended July 5 totaled 457,661 cars, the Association of American Railroads announced. This was a decrease of 77,673 cars or 14.5% below the corresponding week in 1957, and a decrease of 20,636 cars or 4.3% below the corresponding week in 1956.

Loadings in the comparable weeks of 1957 and 1956 were affected by the July 4 holiday and the coal miners' annual vacation. In addition, loadings in the 1956 week were reduced further due to the nationwide steel strike.

Loadings in the week ended July 5 were 168,912 cars or 27% below the preceding week.

Passenger Car Output Near Normal Level

"Ward's Automotive Reports" is on record that passenger car and truck production at United States plants bounced back this week to near-normal levels, more than doubling the abbreviated volume of last week's holiday-shortened schedules.

The week's output, as tabulated by "Ward's," was comprised of 73,846 cars and 15,275 trucks against 35,273 cars and 7,742 trucks during the July 4 week.

However, "Ward's" noted that compared to the same week in 1957, car output lagged 34% while truck-making was off 32.4%. Last year at this time, factories had turned out 111,943 cars and 22,610 trucks for the week.

General Motors was primarily responsible for this week's production spurt. Except for Buick which has gone down for model changeover, the various GM divisions resumed car assembly, "Ward's" said. Last week only a few Chevrolet units were operating.

Studebaker-Packard at South Bend was the only car company idle this week, although many plants of other companies were down for the week, "Ward's" observed. Others worked four days.

Lumber Shipments Were 16.5% Above Output In the Week Ended July 5, 1958

Lumber shipments of 480 reporting mills in the week ended June 28, 1958, were 16.5% above production, according to the National Lumber Trade Barometer. In the same period new orders were 37.8% above production. Unfilled orders amounted to 36% of stocks.

Compared with the previous week ended June 28, 1958, production of reporting mills was 36.7% below; shipments were 33.3% below; new orders were 12.3% below. As against the corresponding week in 1957, production of reporting mills was 9.0% above; shipments were 2.1% above; and new orders were 11.1% above.

Business Failures Again Lower

Commercial and industrial failures fell to 275 in the week ended July 10 from 292 to the preceding week, reported Dun & Bradstreet, Inc. However, casualties remained higher than the comparable week of last year and the 272 in 1956. Failures were 1% higher than in the comparable prewar week of 1949 when 272 were recorded.

Failures involving liabilities of $5,000 or more declined to 236 from 258 in the previous week but exceeded the 216 last year. Small failures, those with liabilities under $5,000 edged to 39 from 34 in the similar week of 1957. Fifteen businesses succumbed with liabilities in excess of $100,000 as aginst 26 in the preceding week.

Retailing casualties were down from last week to 128 from 156 and manufacturing down to 54 from 57. Meanwhile, wholesaling casualties edged up to 26 from 20, construction to 41 from 39, and commercial service to 26 from 20. More businesses failed than a year ago in all industry and trade groups except retailing.

Wholesale Food Price Index Slips Somewhat

There was a fraction decline in the Dun & Bradstreet wholesale food price index. On July 8 it slipped 0.2% to $6.65 from $6.66 a week earlier, but was 6.1% higher than the $6.27 of the corresponding date a year ago.

Commodities quoted higher in wholesale price this week were lambs, barley, lard, sugar, eggs, cottonseed oil, and potatoes. Lower in cost were hams, hogs, wheat, corn, rye, oats, coffee, and cocoa.

The Dun & Bradstreet wholesale food price index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. It chief function is to show the general trend of food prices a the wholesale level.

Wholesale Commodity Price Index Down

There was a slight decline in the general commodity price level this week, reflecting lower prices on some livestock, grains, and coffee. The Dun & Bradstreet daily wholesale commodity price index dipped to 279.11 on July 7 from 279.45 a week earlier. On the comparable date a year ago the index stood at 292.11.

Hot Weather Boosts Retail Trade Volume

Hot weather in many areas in the week ended July 9 sparked consumer buying of summer apparel, air conditioners, fans, and picnic foods, and total retail volume equalled that of the similar week last year. Spot reports indicated that sales of new passenger cars slipped somewhat from a week earlier, and remained noticeably below a year ago.

The total dollar volume of retail trade in the July 9 week was from 2% below to 2% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc.

There was a upsurge in the buying of women's swimwear,

Digitized for FRASER
http://fraser.stlouisfed.org/

sportswear, and cotton dresses during the week, and interest in summer suits and coats matched that of the prior week. Overall volume in women's apparel fractionally exceeded that of a year ago. Despite numerous reduced-price sales promotions, the call for men's lightweight suits, sportswear, and bathing suits fell moderately below the similar week last year.

Appliance dealers reported a sharp rise in sales of air conditioners and fans, and volume was close to a year ago; appreciable year-to-year declines continued in refrigerators and laundry equipment. There were substantial gains from the prior week in purchases of barbecue supplies, garden implements, and outdoor furniture, but interest in upholstered chairs, draperies, and floor coverings was unchanged from a week earlier. Retailers blamed the hot weather for the lack of interest in linens, as sales fell moderately from both the preceding week and last year.

In preparation for the long holiday week-end housewives stocked up on fresh fruit and vegetables, smoked meats, soft drinks, baked goods, and frozen foods. There was little change in volume in dairy products, fresh meat, and canned goods.

Sales of women's apparel exceeded those of a year ago most noticeably in Philadelphia and New York. Chicago stores reported the best results in volume in men's clothing.

Wholesalers were pleased with the good attendance at the New York Furniture Exchangethis week, and orders matched those of a year ago; best-sellers were bedroom sets, upholstered chairs, and case goods. There was a noticeable rise in re-orders for air conditioners and fans, but bookings in laundry equipment and refrigerators lagged. Showings in many markets stimulated interest in housewares, floor coverings, and draperies, and sales were close to those of the similar events last year.

Retailers stepped up their buying of back-to-school clothing this week, with principal gains in girls' sweaters and skirts and boys' sports jackets and slacks. Volume in women's fall dresses, millinery, and accessories rose appreciably and equalled that of a year ago, while bookings in summer clothing slackened noticeably. There were some scattered re-orders for men's lightweight suits, beachwear, and sportswear.

Reflecting numerous shutdowns for vacations, orders taken by textile mills fell moderately during the week. Trading in woolens, worsteds, and carpet wool declined considerably, especially in Philadelphia and Boston. Despite some scattered orders for print cloths and sateens, transactions in cotton gray goods lagged. Interest in industrial fabrics and man-made fibers equalled that of the prior week.

Food wholesalers reported substantial gains in picnic food specialties this week, especially cold cuts, baked goods, soft drinks, and ice cream. The call for canned goods and frozen foods remained at the level of a week earlier, while purchases of fresh produce climbed noticeably. Trading in rice was sustained at a high level, and wholesale inventories continued to dwindle.

The book value of manufacturing and trade inventories fell moderately during May to $87 billion, after adjustment for seasonal factors, according to the United States Department of Commerce. The most noticeable decline occurred among manufacturers of durable goods; wholesale stocks slipped fractionally, while those of retailers were unchanged.

There was a 15% rise in initial claims for unemployment insurance in the week ended June 28, reflecting further layoffs in the automotive industry as a result of shutdowns for the model changeover process. Although unemployment in mid-June rose to 5.4 million, the highest level since August 1941, the number of employed advanced, with manufacturing sharing in the increase for the first time in 18 months, according to the United States Departments of Commerce and Labor.

Some plant shutdowns for the Independence Day holiday and the model changeover period cut automotive output by 62% this week to the lowest level since early October, last year's model change-over period. The total production of passenger cars from Jan. 1 to July 5 of this year was 34% less than in the comparable 1957 period. Some makers reported scattered labor difficulties.

Following a week of reduced operations due to the holiday, steel output is slated to rise 6% this week. Except for some bookings from farm implement manufacturers and oil refiners, new orders for steel lagged. Some steel officials expect a substantial gain in new orders in August, when automobile manufacturers will begin producting 1959 models. Most anticipate that July orders will be below June, but the postponement of price increases may help lessen the month-to-month decline.

With many mines closed for vacations, bituminous coal production slid 86% this week, and was down 17% from a year ago. While petroleum output rose fractionally during the week, it remained close to last year. Gasoline stocks fell moderately below both the prior week and the same 1957 period. Heating oil supplies continued to rise seasonally.

Paperboard producers increased output 23% over the comparable week last year, but new orders were down 4%. There was a year-to-year decline of 7% in lumber production, and shipments fell 6%.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended July 5, 1958, increased 1% above the like period last year. In the preceding week, June 28, 1958, a decrease of 4% was reported. For the four weeks ended July 5, 1958, a loss of 3% was recorded. For the period Jan. 1, 1958 to July 5, 1958, a decrease of 3% was reported below that of 1957.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 5, 1958, increased 11% above that of the like period last year. In the preceding week, June 28, 1958, a gain of 1% was reported. For the four weeks ended July 5, 1958, a 1% gain was reported. For the period Jan. 11, 1958 to July 5, 1958, a 1% gain occurred from that of the corresponding period in 1957.

Philadelphia had the biggest increase or 18% in week ended July 5 and Dallas the sharpest decrease, off 10%.

Continued from page 5

Observations . . .

put still another sector of the citizenry on the inflation-escalator and further reduce the sorely-needed opposition to unsound fiscal policies.

* * *

From the Champion's Corner

(A Communication)

DEAR MR. MAY:

Absolutely absurd are the views on conducting the company annual meeting communicated to you by Messrs, George Meyer and Paul Herold, V. P. of the Investors' League, following your article on "Heckling The Hecklers."

A little over a year ago a pro-management writer in a New York evening paper in discussing the conduct of the managers and the independent shareholders at annual meetings wept for his friends in these terms:

"Putting up with these people has become one of the bitter crosses that company brass has to bear."

A year has passed and the strength of the independent shareholders who know their rights and duties at the annual meeting continues to mount. Those they support become increasingly directors of corporations, and pledge themselves to support the platform the independents insist on — with rights of the shareholders rated over management where shareholder and management rights conflict.

Weeping of the Terrorized

Naturally this strikes more and more terror in the ranks of the old guard of management. Latest signs of this weeping as cited by you in the above-mentioned article, comes from a credit man on the management team and a vice-president of an organization which secures a good part of its backing from management contributions.

The independents at the annual meetings smile at these people. They know what they want and where they are going as they build anew the interests of the shareholders of the United States.

In contrast to the thinking they look upon with scorn, they applaud statements such as this which appeared in the April issue of "The Exchange" published by the New York Stock Exchange. Entitled "Annual Meeting Month" the article starts "At least once every year, the stockholder is king." At the annual meeting, the shareowner—whether he holds 10 shares or 10,000—can exercise his right to cross examine, criticize, condemn or commend the Chairman of the Board, the President or other executives of the business enterprise whose shares of stock he owns."

The representatives of the small shareholders on the floors of the annual meetings intend to speak for and to be heard on behalf of those whose proxies they hold in addition to their own holdings. That they represent correctly the thinking of those who ask them to do so can be seen from this extract from a recent letter from a new investor:

Said William J. Shine in this letter: "I became a stockholder for the first time last spring. While I had some knowledge of business operations and the stock market, there were huge gaps of ignorance. . . . In an era of conformity and complacency it is encouraging to know that you and your colleagues are thinking and expressing vigorous opinions. The typical books concerning management, e.g., William H. Whyte's 'The Organization Man,' portray executives as titans firmly entrenched in their citadels of power. In view of this situation your invasions of the annual stockholder meetings . . . are all the more remarkable." Mr. Shine continues, "It is important that a stockholder participates more actively at annual meetings. . . . If the stockholder does not express his views he will be lost in the giant complex."

The Attitude of Intelligent Management

Intelligent management instead of fighting rear guard actions with the aid of stooges, customers, friends or those doing brokerage with the directors does not waste time trying to buck what they cannot prevent—the right of free discussion at the annual meeting, the forum provided for the expression of free speech.

Let us look at several announcements of management which are thinking in terms of the future not of the past.

For example, there is this from Westinghouse Airbrake's recent proxy statement:

"The management of Westinghouse Air Brake is certainly to be congratulated on taking the steps described in their proxy notice:

"In order to make it more convenient for shareholders, the annual meeting of your company will be held in downtown Pittsburgh for the first time since 1896. The meeting will be held in the Pittsburgh Room of the Penn-Sheraton Hotel."

"The annual meeting is the only time regularly set aside each year for us to become better acquainted. Other members of your management will be there and we all look forward to seeing you at 1:30 p.m., on Monday, April 21, 1958."

Or this from the President of Vanadium Corporation, William C. Keeley:

"Once again it is my pleasure to extend a cordial invitation to you as a stockholder to attend our annual meeting of stockholders to be held in the Perroquet Suite of the Waldorf-Astoria Hotel, 50th Street and Park Avenue, New York, N. Y."

"These meetings are the best opportunity each year for you and your management to discuss the affairs and future of the company. . . . A summary of the proceedings will be sent to stockholders shortly after the meeting. . . . A report also will be given on the corporation's operations . . . and I am looking forward to discussing questions which you have on the corporation's affairs."

These samples of good management stockholder relations speak for themselves. And what of those who dislike the new trends and who would attempt to suppress discussion? Since we have not the slightest intention of permitting it and any attempts at it always end in dramatic scenes which only secure for the independents that which opponents of their views fear the most—more publicity for their objectives — the defense of shareholder rights—the inevitable result is simply ever growing shareholder democracy.

Jackson vs. Marshall

To those who hate it and hope to see it throttled in one way or another, we merely remind them of the time that Chief Justice John Marshall made a weak decision from the bench of the Supreme Court. That great fighter for economic and political democracy in America, President Andrew Jackson merely retorted "John Marshall has made his decision, now let him enforce it."

In other words, let misguided Chairmen try to stifle discussion, let stooges try to support the Chairman in hurrying a meeting to a close when the owners have not had a proper opportunity to make their legitimate comments and suggestions, the resultant wild disorder will merely prove the validity of the comments of Jackson.

So we would suggest to your misguided pro-management correspondents that instead of indulging in hopeless and vain dreams of trying to stop what cannot be stopped, the old guard simply should adopt as their own slogan the famed one of Voltaire: "I disagree completely with what you have to say, but I shall defend to the death your right to say it."

LEWIS D. GILBERT

New York City
July 14, 1958.

(Mr. Gilbert is the well-known "champion" of the public stockholder's rights; on which "crusade" he attends over 150 meetings annually—Ed.)

And from the Legal Corner

DEAR MR. MAY:

The problem of the "professional heckler" mentioned in your June 19 article appears to me to be rather exaggerated. There is a "lunatic fringe" in every democratic society and it is hard to find practical means for dealing with them without destroying or unduly limiting democratic processes. It should not be too hard for presiding officers to keep them in bounds by the judicious use of parliamentary procedure. Where, as in some instances, these individuals exceed the limits of propriety—as when they become personal in their vituperation or hysterical in manner which is characteristic of some of them—there are means readily available to the chair for depriving them of a forum for their exhibitionism.

However, the wide open stockholders meeting surely is an improvement over the old days, and managements simply have to get used to the idea of an annual affair which at times may be turbulent but which is a necessary part of the corporate form of doing business.

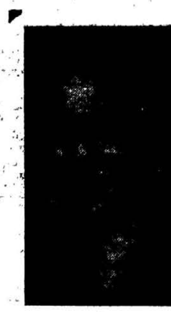
EUGENE FREDERICK ROTH

New York City
July 15, 1958.

(Mr. Roth is a lawyer who has taken a prominent part in acting for both management and independent stockholders in proxy matters.)

Wall Street Post 1217 Elects Officers

Announcement has just been made of the election of James L. Cooke, Asst. Trust Officer at the Manufacturers Trust Co., as Commander of Wall Street Post No. 1217 of the American Legion. Oliver J. Troster, of Troster, Singer & Co. was elected First Vice-Commander. Others elected were: 2nd Vice-Commander — Daniel Brown, White Weld & Co.



Oliver J. Troster

3rd Vice-Commander—John C. Courtney, Thomson & McKinnon.

Adjutant: Fritz K. Johnson, John J. O'Kane & Co.

Meetings are held in Federal Hall Memorial Building on Wall Street, the second Tuesday of each month.

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 16

News About Banks and Bankers

Assistant Trust Officers of **Manufacturers Trust Company, New York,** are announced by Horace C. Flanigan, Chairman of the Board.

Both Messrs. Buono and Byrne are assigned to the bank's corporate trust department at 45 Beaver Street.

* * *

THE CORPORATION TRUST COMPANY, NEW YORK

	June 23, '58	Dec. 31,'57
Total resources	$3,636,156	$3,6[illegible]3,637
Deposits	288,607	497,786
Cash and due from banks	1,732,619	1,638,602
U. S. Govt. security holdings	435,653	435,644
Undivided profits	564,485	417,277

* * *

FEDERATION BANK AND TRUST COMPANY, NEW YORK

	June 30,'58	Mar. 31,'58
Total resources	$146,206,894	$128,190,462
Deposits	134,103,193	116,633,175
Cash and due from banks	10,197,926	21,448,620
U. S. Govt. security holdings	35,430,164	30,407,233
Loans & discounts	59,029,446	52,021,086
Undivided profits	929,480	869,011

* * *

Stephen D. Corriss, former Assistant Secretary, has been appointed Assistant Vice-President of **Chemical Corn Exchange Bank, New York** it was announced by Harold H. Helm, Chairman. Mr. Corriss is a regional credit officer, located at the Brooklyn Office of the Bank.

Mr. Helm also announced the appointment of John G. Riddell Investment Trust Officer and James W. Welsh, Jr., Trust Officer.

Mr. Riddell joined Chemical Bank in 1950 as a security analyst, Investment Division. In 1953 he was appointed an Assistant Trust Officer, Personal Trust Department, and in 1957 a Trust Officer, Investment Division. Mr. Welsh has been with the bank since 1933, and has been Assistant Trust Officer, Personal Trust Department, since 1954.

* * *

Mrs. Marie J. Paonessa, hitherto Assistant to the Treasurer, was elected at the July board meeting Assistant Treasurer of **American Trust Company, New York,** according to Harvey L. Schwamm, Chairman.

Mrs. Paonessa will be in charge of personnel. She has been with the Bank for about five years.

* * *

James A. Smith's resignation as Eastern Representative of **Firstamerica Corp., San Francisco,** and his election as president of **American Trust Company, New York,** was announced July 15 in a joint statement by Oscar H. Keller, Firstamerica President, and by Harvey L. Schwamm, Chairman of American Trust. Mr. Smith will assume his new office Aug. 15.

Mr. Smith's previous connections included **East River National Bank, New York; Bank of America, N. A., New York; Bank of America, N.T.S.A., San Francisco.** In his last post as Eastern Representative of Firstamerica, bank holding company-successor to Transamerica, he represented 23 banks in 11 Western states.

* * *

Mrs. Marjorie Carlin Smith has been elected a Director of the **Lafayette National Bank of Brooklyn, N. Y.** Mrs. Smith, the first woman to serve on the bank's board, is the daughter of the late Walter Jeffreys Carlin, one of the founders of the bank and later its President and Chairman.

* * *

THE MEADOW BROOK NATIONAL BANK OF FREEPORT, NEW YORK

	June 30,'58 $	Dec. 31,'57 $
Total resources	362,002,634	337,005,691
Deposits	329,906,239	306,408,968
Cash and due from banks	37,384,779	31,688,227
U. S. Govt. security holdings	105,546,297	84,930,123
Loans & discounts	139,855,219	139,188,564
Undivided profits	1,953,596	2,726,430

Announcement was made on July 9 by President Francis A. Smith of the **Marine Trust Company, Buffalo, N. Y.,** that approval has been received from the State of New York Banking Department for the formation of Marine Realty, Inc., a wholly-owned real estate subsidiary of The Marine Trust Company of Western New York, for the purpose of acquiring title to the Bank's larger office buildings.

Marine Realty, Inc. will acquire title to the Rand Building, the Marine Trust Building including the recent Administration Building addition, and the new Third Street Building now under construction at Niagara Falls, N. Y. These assets will be sold to the subsidiary at the value at which they are carried in the bank's statement.

Arrangements have been made by Marine Realty, Inc. for financing the purchase through a 25 year loan in the amount of $8,000,000 from the Metropolitan Life Insurance Company and with cash realized on the sale of its capital stock to the bank.

The bank, which will lease back these properties from its wholly-owned subsidiary, will continue to operate the buildings as heretofore, and there will be no change in the relationships with the tenants.

Officers of the new subsidiary are: Francis A. Smith, President, Albert L. Sanderson and August G. Haselbauer, Vice-Presidents, John W. Livingston, Vice-President and Secretary, and Edward J. Roetzer, Treasurer.

* * *

Mr. Francis A. Smith, President, **Marine Trust Company of Western New York, N. Y.,** announced the appointment of Harry W. Faath, Jr. as Assistant Manager, New York office, and R. K. Hartshorne as Assistant Manager, Sales, New York office, of the bank's Municipal Securities Department.

Mr. Faath joined the Marine Trust Company in December 1957, and Mr. Hartshorne joined the Marine Trust Company in June 1957.

* * *

THE MASSENA BANKING AND TRUST COMPANY, MASSENA, N. Y.

	June 23,'58	Dec. 31,'57
Total resources	$12,290,207	$10,603,826
Deposits	11,371,834	9,778,502
Cash and due from banks	2,067,416	1,402,206
U. S. Govt. security holdings	4,886,295	3,985,068
Loans & discounts	950,235	660,753
Undivided profits and reserves	127,052	102,043

* * *

The Tinker National Bank of East Setauket, New York increased its common capital stock from $150,000 to $175,000 by a stock dividend and from $175,000 to $200,000, by sale of new stock effective July 9 (number of shares outstanding, 8,000 shares, par value $25).

* * *

The office of the Comptroller of the Currency issued a charter to the **Hampton National Bank, Hampton, N. H.,** to open a new bank. President is William W. Treat and Cashier is Charles K. Nutter. The bank has a capital of $100,000 and a surplus of $30,000.

* * *

The First National Bank of Smithfield, Slatersville, R. I., with common capital stock of $100,000, has gone into voluntary liquidation by a resolution of its shareholders dated June [illegible] effective at close of business June 30.

Liquidating agent: Mr. Earl R. Kenyon, Jr., care of the liquidating bank.

Absorbed by: **Industrial National Bank of Providence, R. I.**

Shareholders of the **First National Bank and Trust Company of Scranton, Pa.,** the **Wilkes-Barre Deposit and Savings Bank, Pa.,** and the **Markle Banking and Trust Company of Hazleton, Pa.,** voted overwhelmingly at separate meetings in each of the three cities to merge their organizations into one new area bank, effective Aug. 1.

The new Bank, to be known as **Northeastern Pennsylvania National Bank and Trust Company,** will have combined resources approximating $145,000,000. Its headquarters will be in Scranton.

The move is subject only to final approval by the Comptroller of the Currency.

The Northeastern Pennsylvania National Bank and Trust Company will be the largest bank in Pennsylvania, exclusive of metropolitan Philadelphia and Pittsburgh.

All eight offices of the merging institutions will be maintained.

The merger will result in an increase in the number of shares in the new bank from 250,000 to 303,000.

In addition to resources of approximately $145,000,000, Northeastern National will have about $130,000,000 in deposits and roughly $13,000,000 in capital funds.

Frank E. Hemelright, President of The First National Bank of Scranton will be President of the new Northeastern Pennsylvania National Bank and Trust Company.

* * *

J. Malcolm Johnston, retired Senior Vice-President of **Girard Trust Corn Exchange Bank, Philadelphia, Pa.,** has resigned as a member of the bank's Board of Directors, it is announced by Geoffrey S. Smith, President.

Last January, Mr. Johnston retired as an active officer of the bank after 42 years of service. At that time he continued as a Director.

* * *

The Abington Bank and Trust Company, Philadelphia, Pa., was merged into **Fidelity-Philadelphia Trust Company, Philadelphia, Pa.**

* * *

John R. Park, has been elected to the Board of Directors of **Girard Trust Corn Exchange Bank, Philadelphia, Pa.,** it is announced by Geoffrey S. Smith, President.

* * *

BROOKLINE SAVINGS AND TRUST COMPANY, PITTSBURGH, PA.

	June 30,'58	June 30,'57
Total resources	$32,801,841	$27,953,181
Deposits	28,169,643	23,897,354
Cash and due from banks	2,942,354	2,072,726
U. S. Govt. security holdings	4,675,103	4,675,286
Loans & discounts	20,203,708	16,871,468
Undivided profits	509,947	419,459

* * *

THE FIFTH-THIRD UNION TRUST COMPANY, CINCINNATI, OHIO

	June 30,'58 $	Dec. 31,'57 $
Total resources	367,987,671	372,927,964
Deposits	332,726,957	338,928,235
Cash and due from banks	76,393,511	87,831,680
U. S. Govt. security holdings	114,285,048	97,386,371
Loans & discounts	158,256,122	168,444,882
Undivided profits	4,603,995	5,368,590

* * *

The Second National Bank of Towson, Md., with common capital stock of $300,000, has gone into voluntary liquidation by a resolution of its shareholders dated June 17, effective June 30.

Liquidating agents or committee: Messrs. Thomas W. Offutt, Chairman; J. Jackson Smith, Secretary; J. Cooper Graham and Chas. D. Harrington, care of the liquidating bank.

Absorbed by: **The First National Bank of Baltimore, Md.**

* * *

The First National Bank of Newport News, Newport News, Va., with common stock of $500,000; and **Warwick National Bank, Warwick, Va.,** with common stock of $200,000, have merged, effective as of the opening of business July 1. The consolidation was effected under the charter of The First National Bank of Newport News and under the title **First National Bank of Newport News.**

* * *

Stanley G. Harris, Jr., was elected a Vice-President of **Harris Trust and Savings Bank, Chicago, Ill.** The announcement was made by Kenneth V. Zwiener, President, following the monthly meeting of the Board of Directors. Mr. Harris is the son of Stanley G. Harris, Chairman of the bank's Executive Committee.

Mr. Harris joined the bank in 1944 after working for the **National Bank of Commerce of Seattle, Wash.** He has served as Assistant Vice-President of the bank since 1952. In his new position, he will concentrate his activities in serving customers of the bank located in the Chicago area.

* * *

AMERICAN TRUST COMPANY, SOUTH BEND, IND.

	June 30,'58	Dec. 31,'57
Total resources	$25,508,145	$26,154,079
Deposits	23,258,952	23,996,805
Cash and due from banks	7,139,700	6,184,989
U. S. Govt. security holdings	8,850,220	9,824,158
Loans & discounts	8,662,118	9,314,732
Undivided profits	448,189	314,694

* * *

Roy Clifton Osgood, a former Vice-President of the **First National Bank of Chicago, Ill.,** died July 8. His age was 83. Mr. Osgood, who served the bank forty years had charge of the trust department from 1919 until his retirement in 1946.

* * *

Harold E. Foremen, President of the former **Foreman Brothers Banking Company of Chicago, Ill.,** and Chairman of the Board of the **Foreman State National Bank, Chicago, Ill.,** died July 13. His age was 69.

* * *

THE DETROIT BANK & TRUST COMPANY, DETROIT, MICH.

	June 30,'58	Dec. 31,'57
Total resources	$979,167,341	$990,573,107
Deposits	897,379,387	911,629,386
Cash and due from banks	167,360,792	176,586,226
U. S. Govt. security holdings	367,562,952	316,236,145
Loans & discounts	328,065,940	387,247,026
Undivided profits	12,516,180	9,784,202

* * *

CITIZENS FIDELITY BANK AND TRUST COMPANY, LOUISVILLE, KENTUCKY

	June 30,'58 $	Dec. 31,'57 $
Total resources	247,420,883	267,364,430
Deposits	225,716,475	245,782,979
Cash and due from banks	82,077,209	86,610,702
U. S. Govt. security holdings	50,875,959	54,412,748
Loans & discounts	105,228,310	116,038,844
Undivided profits	2,567,933	1,899,828

* * *

Fidelity State Bank, Minneapolis, Minnesota, has changed its title to **Fidelity Bank and Trust Company.**

* * *

By the sale of new stock, the common capital stock of **The First National Bank of Norman, Oklahoma** was increased from $200,000 to $300,000, effective July 3, 1958 (Number of shares outstanding, 3,000 shares, par value $100).

* * *

By a stock dividend the **Union National Bank of Little Rock, Ark.,** increased its common capital stock from $2,000,000 to $2,250,000, effective June 30. (Number of shares outstanding—112,500 shares, par value $20.)

* * *

The American National Bank of Bowling Green, Bowling Green, Ky., with common stock of $100,000; and **Potter-Matlock Bank and Trust Company of Bowling Green, Bowling Green, Ky.,** with common stock of $100,000, have merged, effective as of the close of business June 30. The consolidation was effected under the charter of The American National Bank of Bowling Green and under the title **The American National Bank and Trust Company of Bowling Green.**

* * *

The Board of Directors of **Trust Company of Georgia, Atlanta, Ga.,** has recommended to its stockholders that the capital stock of the bank be split on the basis of 10 shares for every share held, and that the par value of the stock be reduced from $100 per share to $10 per share, and the number of shares increased from 40,900 to 409,000 shares.

The board indicated that, circumstances permitting, the quarterly dividend of the new shares would be 65 cents, or an annual rate of $2.60 per share on the new stock, which is equal to $26 per share on the present stock as compared to $22 per share now being paid on that stock. This announcement was made by John A. Sibley, Chairman of the Board, following the meeting of the Board of Directors on July 8.

The stock split is subject to the approval of the bank supervisory authorities and the stockholders of the trust company. A meeting of the stockholders is called for July 23, and if approval is given to the plan, new stock certificates will be issued as of Aug. 18. Capital, surplus and undivided profits of the trust company were over $17,000,000 on June 30 of this year.

* * *

The First National Bank of Eustis, Fla., changed its title to **The First National Bank & Trust Company of Eustis, Fla.,** effective June 30.

* * *

The common capital stock of the **First National Bank of Dunedin, Fla.,** was increased from $300,000 to $350,000 by a stock dividend and from $350,000 to $400,000 by the sale of new stock, effective July 2. (Number of shares outstanding—16,000 shares, par value $25.)

* * *

The First National Bank of Miami, Fla., increased its common capital stock from $5,000,000 to $6,000,000 by the sale of new stock, effective June 30. (Number of shares outstanding — 600,000 shares, par value $10.)

* * *

The common capital stock of the **Commercial National Bank in Shreveport, La.,** was increased from $4,500,000 to $5,000,000 by a stock dividend, effective July 1. (Number of shares outstanding—200,000 shares, par value $25.)

* * *

The First City National Bank of Houston, Texas will sell the 24-story skyscraper it now occupies and build a new banking house and office building across the street from its present structure in downtown Houston.

The present First City National Bank Building has been a Houston landmark since its completion in 1947.

The First City National Bank became the largest in Houston and third largest in the South in 1956 when the **City National Bank, Houston, Texas** organized in 1924, consolidated with the **First National Bank, Houston Texas,** which opened its doors in 1866.

Resources of the bank, as of June 23, 1958, were approximately $702,000,000, reflecting an increase of about $75,000,000 over the approximately $627,000,000 in resources in June, 1957.

* * *

American National Bank of Houston, Houston, Tex., with capital stock of $200,000, was converted into a state bank under the title **American Bank and Trust Company, Houston, Tex.,** effective as of the close of business June 30.

* * *

By a stock dividend the **First National Bank at Brownsville, Texas** increased its common capital stock from $300,000 to $400,000, effective July 10 (number of shares outstanding, 80,000 shares, par value $5).

* * *

The Board of Directors of **The First National Bank of Fort Worth, Texas** announce the election of J. Lee Johnson, Junior Chairman of the Board and Chief Executive Officer, Murray Kyger

gitized for FRASER
p://fraser.stlouisfed.org/

President, Frank W. Adams, Executive Vice-President, and as Members of the Board of Directors: R. E. Cox, Junior, S. J. Iverson, Thomas M. Ryan, and Frank W. Adams, Executive Vice-President.

* * *

ZIONS FIRST NATIONAL BANK, SALT LAKE CITY, UTAH

	June 23,'58	Dec. 31,'57
Total resources	$128,693,592	$124,723,456
Deposits	112,112,382	109,532,357
Cash and due from banks	18,540,742	22,413,335
U. S. Govt. security holdings	42,634,355	42,246,547
Loans & discounts	56,144,675	42,389,021
Undivided profits and reserves	3,228,379	3,002,550

* * *

By a stock dividend, the common capital stock of **The American National Bank of San Bernadino, Calif.**, was increased from $700,000 to $800,000, effective June 30. (Number of shares outstanding—8,000 shares, par value $100.)

* * *

Officials of both banks have announced arrangements for the **Seattle-First National Bank, Washington**, to buy the **North Western Bank of Spokane, Wash.** If the transaction is approved by the Comptroller of the Currency, the Seattle-First National will take over the Spokane Bank in August.

* * *

Gordon J. Touchie has been appointed an Assistant General Manager of **The Bank of Nova Scotia**, according to a statement released by F. William Nicks, General Manager. Mr. Touchie had been Branch Manager in Toronto since 1956.

Arthur H. Crockett, who was the bank's Special Representative in New York from 1946 to 1949, has been named to succeed Mr. Touchie in Toronto. Mr. Crockett had been the Montreal Branch Manager.

* * *

J. F. Smith has been elected special Far Eastern representative of the **Royal Bank of Canada, Montreal**, with headquarters in Hong Kong. He was previously Manager of the bank's main branch in Port of Spain, Trinidad.

* * *

V. W. P. O'Neill has been elected North American representative of the **Bank of London and South American, Ltd. London, England.**

Continued from page 16

The Outlook for Business And Economic Growth

consumers have been shifting their pattern of purchases. Although total consumer expenditures moved ahead during 1956 and 1957, consumers were allocating a smaller share of their expenditures to such durable goods as autos, refrigerators, washing machines, and the thousand and one appliances which Americans count heavily among their blessings. In the third quarter of 1957, consumers were spending $30 billion more than at the beginning of 1956; yet their expenditures on durable goods showed no increase at all. Now, such a pronounced shift in consumer preferences, if it is not foreseen far enough in advance, and if its effects are not accurately incorporated in the capital spending plans of manufacturers, must lead to an excess of capacity for durable goods.

But remember too that while all this new plant and equipment was being built, that is before it was installed and turning out goods, manufacturers were operating close to 100% of their capacity. Optimism was the order of the day. But soon many new factories became available and a multitude of new tools were on hand to turn out a larger quantity of products than ever before. With the increase in capacity, the production rate dropped below 100%. Many businessmen began to doubt whether their former optimism was really justified. As production dropped steadily below capacity, businessmen became convinced that the last thing they needed was more plant and equipment. Capital appropriations began to contract and soon capital outlays started on a downward course.

(2) At the same time as businessmen were realizing that they had overbuilt their productive facilities, the Federal Government contributed to the slowing down in business activity. No more inopportune time could have been selected. Early in 1957, outlays on national security began to level out. After the summer, defense expenditures actually headed downward as the Treasury approached its debt ceiling and had to cut back slowly on its contracts for new orders.

(3) Towards the end of 1957, as capital spending plans of business were being seriously curtailed, as government outlays were dropping, and housing expenditures were sagging, businessmen began to reconsider the size of their inventories. Businessmen began to ask themselves whether there was any sense in continuing to order goods for inventory purposes while final demand was dropping. The answer was clear: inventories too had to be cut back.

It is my view that if our economy had undergone merely the adjustment in plant and equipment spending and the stretching out in government and housing outlays, the present recession would have resulted in nothing more serious than a brief pause in our long-term rate of economic growth. I doubt that we would have had much of a contraction in business at all.

Singles Out Inventory Drop

The new villian, responsible for two-thirds of the recent drop in output, has been inventories. Let me explain what I mean.

The past three years, but especially 1956, were years of inventory accumulation. When a part of our total production is destined not for current use but for inventory accumulation, it means that our economy is producing more than is needed on the basis of current demand. On the other hand, when in a period of adjustment, a part of current demand is met *not* by current production but by drawing down previously stored inventories, current production declines by more than the drop in actual demand. Thus, inventories are a very volatile sector of the economy. When business is booming, when sales are rising, businessmen are prone to run up their inventories. On the other hand, when sales are dropping and the outlook seems dim, businessmen tend to cut back on their inventories with a vengeance.

This is precisely what has happened to the economy. During the peak quarter of 1957 that is the third quarter, businessmen were accumulating inventories at an annual rate of $3 billion. This means production had to be $3 billion greater than final demand to meet the new orders for building up inventories. Now, during the first quarter of 1958—just a half year later, businessmen were depleting their inventories. They were living off the goods already piled up on their shelves, at an annual rate of $9 billion. By meeting final demand through the liquidation of inventories, businessmen were depressing current production by $9 billion.

Now I think that any C. P. A. would agree that when the economy shifts from a +$3 billion in its inventory accounts to a —$9 billion, there is a net reduction in output of $12 billion. The important point to remember is that there has been a total reduction in output since the peak quarter of last year of $18 billion. Two-thirds of this $18 billion drop, or $12 billion, is attributable solely to the turnabout in inventories.

The $18 billion drop in gross national product has put us squarely in the middle of a recession. Industrial output, which has been hit much harder than services, has fallen nearly 15% during the past year. Unemployment now stands at 7.2% of the labor force, which means that more than five million people are looking for, but are unable to find work. During periods of prosperity, we usually have no more than 4% of our labor force idle. As many of you know from close personal observation, business profits are falling faster than sales.

So much for what has been happening. What of the future?

The Months Ahead

Will we be able to restore full employment to the economy and do it soon? What will be the pace of business at the end of this year?

To get an idea of what business will be like by the end of the year, I have estimated the amount by which gross national product would have to rise by December to restore full employment to the economy. Remember, full employment means a rate of joblessness not exceeding 4%.

To reduce unemployment to only 4% means that we must absorb 2½ million persons presently unemployed. But if I stated that full employment by December depended upon creating 2½ million more jobs, I would be overlooking the need for growth, which I stressed earlier.

An important fact to remember about our economy is that we cannot afford to stand still. The old world saying "to stand still is to retrogress" describes the American economy just perfectly. So does Alice's contention that we must run very fast to remain where we are.

Every year we add many hundreds of thousands of person to the labor force. Unless we can absorb these people by enlarging the size of the economy, we are bound to increase the number of unemployed. Between now and the end of the year, we must create jobs for about half million people who will be entering the labor force. They will either find jobs available or join the ranks of the unemployed.

What's more, nearly every year we improve our productive efficiency by something like 2 or 3%. With all the new productive facilities now in place, the productivity factor this year is likely to be especially large. This means that by the end of the year we will probably be able to turn out the present volume of gross national product with a half million fewer workers. These workers, displaced by improved methods of production, can usually be absorbed by the *normal growth* in the economy.

It is clear that full employment by December requires 3½ million more jobs than we now have—2½ million to reduce unemployment to the 4% level, ½ million to take care of the growth in the labor force, and another ½ million to absorb the labor released by the rise in productivity.

To have 3½ million more jobs by December calls for a rise in gross national product of $22 billion.

I do not think we can achieve this goal. In years of prosperity, gross national product has been rising by about $20 billion over 12 months. I do not think we will have this much growth in only six months. In short I do not expect a return to full employment by the end of the year.

At or Near Bottom

How close to full employment —that is to this $22 billion rise—are we likely to get?

There is good evidence that we are at or near the bottom of the recession. I won't bore you with all the statistics which bear out this statement. Without doubt, the rate of decline has slowed. Seasonally adjusted production rates in such basic industries as steel, paper, oil, and lumber, have hit their low points and some have shown recovery. Carloadings are up. The entire construction industry is showing real strength.

In the months remaining this year, I expect some but not total recovery. The failure of the Administration to press for an across-the-board tax cut means that consumer spending will not rise as rapidly as I had hoped. This, in turn, will prolong the period of inventory liquidation, and mar the chances of a strong business recovery in the immediate future.

By the end of this year, I expect Federal Government purchases to be up by about $3 billion (annual rate). A rise of this amount would be just sufficient to offset the probable decline in business capital spending, so that there will be no upward effect from these two spending forces.

State and local government spending, however, will rise by about $2 billion, and the encouraging news from the residential construction industry seems to indicate an additional increase of $1 billion from this area. Without any tax action to stimulate consumer spending, consumer purchases will probably rise by about $5 billion by year-end. I base this increase on an equivalent rise in disposable personal income stemming from (a) increased pay rates to the military and post office workers, (b) extension of unemployment payment periods, (c) continued pay increases under existing or new union contracts, and (d) the effect of rising government expenditures.

This rise of $8 billion in state and local government, residential construction, and consumer expenditures will improve inventory-sales ratios sufficiently so that businessmen are likely to slow down the rate at which they are liquidating inventories. Remember that if businessmen liquidate their inventories at only a $4 billion rate, instead of the $9 billion rate, we will add $5 billion to current production, in turn stimulating employment, income, and spending. I am betting that business will rely increasingly on current production than on their stock of inventories to meet the fourth quarter demand for goods and services.

Instead of the $22 billion rise needed to restore full employment by the end of the year, I expect our national output to rise by only $13 billion. The rate of unemployment will drop to 6%, reducing unemployment by about a million persons. It will be 1959 before prosperity and full employment return.

A Possible Danger

These are my expectations if all goes well. But I would be neglectful if I did not describe a danger which lurks in the background. The danger is that confidence will suddenly crack, that businessmen will curtail their spending more drastically than our surveys indicate, that consumers will begin to hoard cash balances, and that a cumulative process of decline will begin to set in. I do not think this will happen, but in this uncertain world, it is a possibility to be watched very carefully. Even the modest recovery I have been talking about depends upon a maintenance of general confidence.

What about the outlook for prices? I am seriously concerned about the long-term danger of inflation in this country, particularly after we have recovered from the present slump. This recession has demonstrated convincingly that the forces now making for inflation cannot be contained even by an important setback in overall demand. We now have a substantial excess of capacity in most basic industries. No one can say that the upward march of consumer prices today is due to too large a demand chasing too few goods. Inflation today is the result not of a demand-induced rise in prices but of a steady upward pressure on costs of production. In recent years wage increases have outstripped our gains in productivity by a wide margin. Union contracts have provided for productivity increases as well as cost of living adjustments. Employees in the rising service industries, where productivity gains are small, have obtained wage increases comparable to those in manufacturing. As a result, costs in general have gone up. These cost increases have been passed on to the consumer, especially in those industries where price competition is not looked upon with favor.

In the months ahead, the consumer price index is likely to move sideways for a number of reasons. First, some of the recent rise in food prices has been due to unusually bad weather conditions. Second, the recession is likely to restrain wage increases in industries where contracts are currently expiring. Third, in every recession we have had, prices have always lagged behind business activity. Already, there are signs of some price concessions, especially in consumer durables, in an endeavor to stimulate consumer demand.

In the long run, it seems to me, we must concern ourselves with the problem of overcoming all the inflationary biases which have been built into our economic system. But in the year ahead, our real problem will not be inflation but how best to combat the recession and to restore full employment.

I believe firmly that we shall have the wisdom to infuse our economy with the incentives of growth in the years ahead. I believe that just a few decades from now, we shall enjoy a standard of living so high as to seem visionary today, just as our present standard of living would have seemed unattainable a few decades past.

The great need is for us to get on with the job of economic growth—and to do it now.

Form Kohn Bros., O'Keefe

Kohn Bros., O'Keefe & Co. has been formed with offices at 130 West 42nd Street, New York City, to engage in a securities business. Gerald Kohn is a principal.

Arnold Ross Opens

Arnold S. Ross is engaging in a securities business from offices at 666 Fifth Avenue, N. Y. City.

Robert A. McCurdy

Robert A. McCurdy, member of the New York Stock Exchange, passed away on July 3.

With R. C. O'Donnell

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Raymond C. O'Donnell, Jr. is now connected with R. C. O'Donnell & Company, Penobscot Building, members of the Detroit Stock Exchange.

Digitized for FRASER
http://fraser.stlouisfed.org/

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

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 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 172,162 shares of common stock (par $1) being offered for subscription by holders of outstanding common stock at the rate of one new share for each five shares held on July 7, 1958. **Price**—$14 per share. **Proceeds**—To pay off an equivalent portion of the company's current bank loans which, at May 15, 1958, amounted to $8,450,000. **Underwriter**—None. Statement effective July 7.

★ **Arizona Color Film Processing Laboratories**
July 14 filed 500,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For land, building and equipment, and working capital. **Office**—Scottsdale, Ariz. **Underwriter**—None.

Associated Grocers, Inc., Seattle, Wash.
June 30 filed 4,788 shares of common capital stock (par $50) and $1,500,000 of 5% subordinated registered debenture notes, second series, and $606,000 of 5% coupon bearer debentures. To be offered to members of the association. **Proceeds** — For working capital. **Underwriter**—None.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga **Underwriter**—None.

Bankers Management Corp. (7/28)
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bankers Southern, Inc.
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

★ **Bettinger Corp.**
June 27 (letter of notification) 75,000 shares of common stock (par $1). **Price** — $4 per share. **Proceeds** — For working capital. **Office** — Gore St., Waltham, Mass. **Underwriter**—None.

★ **B-I-F Industries, Inc.**
July 9 (letter of notification) 4,756 shares of common stock (par $10). **Price**—$45 per share. **Proceeds**—To repay current bank loan. **Office**—345 Harris Ave., Providence, R. I. **Underwriter**—Brown, Lisle & Marshall, Providence, R. I.

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.**
June 25 filed $30,597,600 4½% convertible subordinated debentures due July 1, 1980, being offered to stockholders for subscription at the rate of $100 principal amount of debentures for every 23 shares of capital stock held on July 15; rights expire on July 29. **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.

★ **Book-of-the-Month Club, Inc.**
July 9 (letter of notification) 25,000 shares of capital stock (par $1.25) to be offered to key employees pursuant to a restricted stock option plan. **Price**—Not less than 85% of the fair market value on the date of the granting of options, but not less than $1.25 per share. **Proceeds**—To be added and used as a part of the general funds of the club. **Office**—345 Hudson St., New York 14, N. Y. **Underwriter**—None.

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.**
June 27 filed 550,058 shares of common stock (par $5) being offered for subscription by holders of outstanding common stock at the rate of one additional share for each 11 shares held July 16, 1958; rights to expire on July 30, 1958. **Price**—$27.50 per share. **Proceeds**—For the retirement of instalment 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.

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.

★ **CGS Laboratories Inc., Ridgefield, Conn.**
July 11 filed 60,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To repay short-term bank loans, for construction and working capital. **Underwriter**—Hayden, Stone & Co., New York.

★ **Coastal Caribbean Oils, Inc.**
June 30 (letter of notification) American voting trust certificates for 78,397 shares of common stock (par 10 cents). **Price**—At the market (estimated at $1.12½ per share). **Proceeds**—For corporate and administrative expenses; mineral exploration and acquisition. **Office**—33 Central Ave., Panama City, Panama. **Underwriter**—None.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York **Offering**—Indefinite

Consolidated Cuban Petroleum Corp.
July 1 filed 419,000 outstanding shares of common stock (par 20 cents). **Price**—Related to the current market price on the American Stock Exchange. **Proceeds**—To selling stockholders. **Underwriter**—None.

Cooperative Grange League Federation Exchange, Inc.
June 20 filed $400,000 of 4% subordinated debentures, 10,000 shares of 4% cumulative preferred stock (par $100) and 200,000 shares of common stock (par $5). **Price**—At par. **Proceeds**—To be added to working capital. **Office**—Ithaca, N. Y. **Underwriter**—None.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

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. (7/18)**
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.

★ **Delhi-Taylor Oil Corp., Dallas, Texas**
July 15 filed 575,869 depositary units for the class A stock of the Houston Corp., to be offered for subscription by the holders of common stock of Delhi-Taylor of record May 23, 1958. Each depositary unit will represent (a) the beneficial ownership of one share of class A stock of the Houston Corp. and (b) an irrevocable option to purchase 3,945/10,000ths of one additional share of class A stock of Houston during a two-year period commencing on Aug. 15, 1959, or such earlier date as may be determined. **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

● **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. Statement effective July 3.

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. **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.

★ **Diversified Industries of Colorado, Inc.**
July 9 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For home construction; industrial scaffolding and ladder division and working capital. **Office** — 3175 South Clarkson, Englewood, Colo. **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.

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.

Digitized for FRASER
http://fraser.stlouisfed.org/

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.
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. **Offering**—Expected today (July 17).

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. (7/24)**
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** — Blyth & Co., Inc., San Francisco and New York.

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 .. filed 5,000 shares of common stock. **Price**—$5,000 per share. **Proceeds**—For investment. **Business**—To invest primarily in share accounts insured by the Federal Savings and Loan Insurance Corp., in savings and loan associations throughout the country. **Underwriter**—None. Ben H. Hazen is President.

International Opportunity Life Insurance Co.
June 2 filed 5,000,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and other corporate purposes. **Office**—Denver, Colo. **Underwriter**—Columbine Securities Corp., Denver, Colo.

● **Jetronic Industries, Inc.**
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. **Offering**—Expected today (July 17).

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

Continued on page 36

NEW ISSUE CALENDAR

July 17 (Thursday)
Tampa Electric Co.________________________Bonds
(Bids 11 a.m. EDT) $25,000,000

July 18 (Friday)
Dayton Aviation Radio & Equipment Corp.__Com.
(McDonald, Holman & Co.) $500,000
United Artists Corp.____________________Common
(F. Eberstadt & Co.) 300,000 shares

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

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

July 23 (Wednesday)
Otter Tail Power Co.______________________Bonds
(Bids 10 a.m. CDST) $9,000,000
Washington Water Power Co._______________Common
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co., and Laurence M. Marks & Co.) 200,000 shares
Washington Water Power Co.________________Bonds
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co., and Laurence M. Marks & Co.) $15,000,000

July 24 (Thursday)
Idaho Power Co.__________________________Common
(Blyth & Co., Inc.) 350,000 shares
Montrose Chemical Co.____________________Common
(Van Alstyne, Noel & Co.) 277,320 shares
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
San Diego Imperial Corp._______________Preferred
(J. A. Hogle & Co.) $700,000

July 28 (Monday)
Bankers Management Co.__________________Common
(McDonald, Holman & Co., Inc.) $400,000

July 29 (Tuesday)
Michigan Gas Utilities Co.________________Common
(Offering to stockholders—underwritten by G. H. Walker & Co., Kidder, Peabody & Co. and Stone & Webster Securities Corp.) 36,408 shares

July 30 (Wednesday)
Missouri Public Service Co._____________Preferred
(Bids 11 a.m. EDT) 30,000 shares
Witco Chemical Co., Inc._________________Common
(Smith Barney & Co. and Goldman, Sachs & Co.) 200,000 shares

July 31 (Thursday)
CGS Laboratories Inc.____________________Common
(Hayden, Stone & Co.) 66,000 shares
Ludlow Typograph Co._____________________Common
(Offering to stockholders—to be underwritten by Shearson, Hammill & Co.) 106,156 shares

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)
Norfolk & Western Ry.____________Equip. Trust Ctfs.
(Bids to be invited) $2,340,000
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 23 (Tuesday)
Consumers Power Co._______________________Bonds
(Bids to be invited) $25,000,000
Consumers Power Co.____________________Preferred
(Bids to be invited) $25,000,000

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

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 35

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.

★ **Ludlow Typograph Co., Chicago, Ill. (7/31)**
July 11 filed 106,156 shares of common stock (par $10) to be offered for subscription by common stockholders of record about July 31, 1958, on the basis of one new share for each two shares held; rights to expire on Aug. 14, 1958. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Composing room equipment and printing machinery and equipment. **Underwriter**—Shearson, Hammill & Co., New York.

● **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. **Offering**—Expected in latter part of August.

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.

★ **Michigan Gas Utilities Co. (7/29)**
July 9 filed 36,408 shares of common stock (par $5) to be offered for subscription by common stockholders of record July 28, 1958, on the basis of one new share for each 10 shares held; rights to expire on Aug. 14. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, will be used for repayment of bank loans and for construction purposes. **Underwriter**—G. H. Walker & Co., of St. Louis, Mo. and New York and Kidder, Peabody & Co. and Stone & Webster Securities Corp., both of New York.

★ **Mid-West Durex Co., Kansas City, Mo.**
July 14 filed 725,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of plant and for working capital. **Underwriter**—Investment Sales, Inc., Denver, Colo.

● **Missouri Public Service Co. (7/30)**
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. **Bids**—Expected to be received up to 11 a.m. (EDT) on July 30.

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. (7/24-25)**
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.

★ **Motion Picture Investors Inc.**
July 11 filed 200,000 shares of common stock (par $1). **Price**—$10.75 per share. **Proceeds**—For investment. **Office**—Kansas City, Mo. **Underwriter**—None.

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 (7/24)**
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 (7/24)**
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.

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. (CDT) on July 23 at 11 South La Salle St., Chicago, Ill.

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. **Office** — Washington, D. C. **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. Statement effective June 27.

★ **Peruvian Oils & Minerals Ltd., Toronto, Canada**
July 11 filed 200,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Doolittle & Co., Buffalo, N. Y., and Davidson Securities Ltd., Toronto, Canada.

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.

★ **Psychological Corp.**
July 3 (letter of notification) 6,000 shares of capital stock (no par) to be offered to present stockholders on a pro rata basis. During the period commencing on the date of the offering and ending on Nov. 1, 1958, cash stockholder may purchase 3 shares for each 4 shares held, or 3 shares for 2 shares or 2 shares for 1 share held; unsubscribed shares will be offered to officers, directors and employees and stockholders without limitation. **Price**—$41.50 per share. **Proceeds**—To be added to working capital and to retire bank loans. **Office**—304 E. 45th St., New York 17, N. Y. **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.

Digitized for FRASER
http://fraser.stlouisfed.org/

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.

★ **St. Regis Paper Co.**
July 10 filed 250,000 shares of common stock (par $5) to be offered from time to time to certain employees, including officers of the company and its subsidiaries pursuant to the terms of the company's Employees' 1958 Stock Option Plan.

San Diego Imperial Corp., San Diego, Calif. (7/24)
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.

★ **Security Thrift & Mortgage Co.**
July 3 (letter of notification) $300,000 of 4½% non-transferable time certificates payable upon demand. **Price**—At par (in denominations of $1 to $5,000). **Proceeds**—For real estate loans and purchasing and acquiring various interests in real property and leases; also working capital. **Office**—655 Broadway, Denver, Colo. **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 thea ssets of Johnston. Statement effective July 2.

★ **State Life, Health & Accident Insurance Co.**
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

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.

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.**
June 20 filed 389,577 shares of common stock (par 50 cents), being offered for subscription by common stockholders of record on July 14, 1958, at the rate of one new share for each 10 shares then heled. Rights expire July 30, 1958. **Price**—$9.75 per share. **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. Statemente ffective July 3.

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.

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. (7/18)**
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 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.

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 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.

Continued on page 38

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 37

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.

★ **Witco Chemical Co., Inc. (7/30)**
July 10 filed 200,000 shares of common stock (par $5) of which 50,000 shares will be sold for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — To be used for general corporate purposes, including the construction and expansion program on which the company is currently engaged. **Underwriters**—Smith, Barney & Co. and Goldman, Sachs & Co., both of New York.

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.

★ **Austria (Republic of)**
July 15 it was announced that the country contemplates the issuance and sale of $30,000,000 bonds. **Proceeds**—For electric power projects and other improvements. **Underwriter**—May be Kuhn, Loeb & Co., New York. **Offering**—Expected in October or early November.

● **California Electric & Power Co.**
July 14 it was announced company contemplates marketing between $5,000,000 and $7,000,000 securities in the Fall of 1958. Neither the exact date of the offering nor the nature of the securities to be offered has been determined. Decision on these two points will probably not be reached until mid-August or early September.

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. (9/23)**
July 14 it was announced that the company plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Proceeds** — For expansion and improvement of service facilities. **Underwriter**—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). **Bids**—To be received on Sept. 23.

● **Consumers Power Co. (9/23)**
July 14 it was announced that the company plans to issue and sell $25,000,000 of preferred stock. **Proceeds**—For expansion and improvement of service facilities. **Underwriter**—May be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Bids**—Expected to be received on Sept. 23.

● **Container Corp. of America**
July 7 it was reported that the company plans to issue and sell $25,000,000 sinking fund debentures due 1983. **Underwriter**—Kidder, Peabody & Co. Inc., New York. **Offering**—Temporarily postponed.

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.

★ **Keystone Tax-Exempt Bond Fund**
July 14 it was announced that this proposed fund will be a continuation of the present Keystone Custodian Fund, Series B-1. **Underwriter**—Lehman Brothers, New York.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

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. (8/20)**
Bids are expected to be received by the company on Aug. 20 for the purchase from it of $2,340,000 of series D equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co.
June 10 it was announced company will sell this September $20,000,000 mortgage bonds providing new gas supply from Northern Natural Gas Co. is approved by Federal Power Commission. In event this project has to be deferred, company will likely issue $10,000,000 bonds later in the year. Company's 5-year construction program calls for $90,000,000 outlay. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidders—The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ **Panama (Republic of)**
July 14 it was announced a public offering is expected of approximately $26,000,000 external bonds. **Proceeds**—To redeem certain outstanding debt and for Panama's feeder road program. **Underwriter**—Lehman Brothers, New York.

Digitized for FRASER
http://fraser.stlouisfed.org/

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.

• **Southwestern Bell Telephone Co. (9/30)**
July 10 it was announced Missouri Public Service Commission authorized the company to issue $110,000,000 of 35-year debentures. **Proceeds** — To refund outstanding issue. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

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.

★ **Thiokol Chemical Corp.**
July 14 it was reported that the company plans a rights offer to stockholders on a 1-for-10 basis. **Underwriter**—Kidder, Peabody & Co., New York.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

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

Dealer-Broker Investment Recommendations & Literature

Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

Federated Department Stores—Memorandum—Green, Ellis & Anderson, 661 Broadway, New York 6, N. Y.

General American Trasportation — Data — Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are data on **U. S. Freight Co., American Express Company, Ampex Corporation, Dictaphone Corporation, National Cash Register, D. S. Kennedy & Co.,** and **Eitel McCullough.**

Great Western Financial Corporation—Analysis in current issue of "ABC Investment Letter"—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. Also in the same issue are brief reviews of **Safeway Stores, Inc., Consolidated Edison Company of New York, Ketchum & Co. Inc.,** and **Three States Natural Gas Co.**

Guild Films—Report—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

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

International Nickel Company of Canada Limited—Analysis—Baker, Weeks & Co., 1 Wall Street, New York 5, N. Y.

Louisville & Nashville—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are brief analyses of **Chicago, Rock Island & Pacific, Shamrock Oil & Gas,** and **Smith-Corona-Marchant.**

Marquardt Aircraft Company—Report—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is a bulletin on **Douglas Aircraft Co.**

Marquette Cement Co.—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Massachusetts Protective Association Inc.—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Federal Paper Board Company.**

Pittston Company—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Public Service Company of New Mexico—Analysis—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Hagan Chemicals & Controls, Inc.**

Roadway Express Inc. — Memorandum — Fulton, Reid & Co., Union Commerce Building, Cleveland 14, Ohio. Also available is a memorandum on **Steel Improvement & Forge Co.**

Simplicity Pattern — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **Transamerica Corporation.**

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

Sundstrand Machine Tool Co.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Thatcher Glass Manufacturing Co.—Memorandum—A. C. Allyn & Co., 44 Wall Street, New York 5, N. Y.

Thermo King Corporation—Analysis—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y.

Traders Finance Corporation Ltd.—Analysis—McLeod, Young, Weir & Company, Ltd., 50 King Street, West, Toronto, Ont., Canada.

United States Life Insurance Company of the City of New York—Analysis—William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Whiting Corporation—Analysis—Straus, Blosser & McDowell, 39 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Pepsi Cola General Bottlers, Inc.**

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

$300,000,000 U. S. Steel Debentures Marketed By Morgan Stanley & Co. and Associates

A new issue of $300,000,000 United States Steel Corp. 4% sinking fund debentures due July 15, 1983, was placed on the market yesterday (July 16) by an underwriting group headed by Morgan Stanley & Co. and comprising 301 investment firms. The debentures were priced at 100½% and accrued interest to yield approximately 3.97% to maturity.

The issue will rank among the largest debenture offerings ever made by an industrial company. The underwriting group is one of the largest ever formed to participate in the distribution of an industrial bond issue.

Purchasers will have the option of making payment for the debentures on either July 23 or Sept. 10.

The debentures are not refundable prior to July 15, 1963 at a lower interest cost to the corporation. The sinking fund, retiring $15,000,000 annually in the years 1965-82, will retire at least 90% of the issue prior to maturity. The corporation may double sinking fund payments in any year. The sinking fund redemption price starts at 100½% on July 15, 1965 and decreases thereafter to the principal amount after July 15, 1978. Prices for optional redemption start at 105½% to and including July 14, 1959, and decrease thereafter to the principal amount after July 14, 1978.

Offering of the debentures marks United States Steel Corp.'s first entry into the capital market since July, 1954, when it issued $300,000,000 of ten-year serial debentures.

The corporation will add the net proceeds received from this sale to its general funds to restore in part working capital expended in its expansion and modernization program which involved total expenditures of $1,655,300,000 in the five years 1953-57, and will be used for corporate purposes including future expenditures for property additions and replacements. The expenditures still to be made at the beginning of 1958 plus new expenditures authorized in the first half of the year total more than $1 billion.

Total revenues of the corporation for the latest calendar year, 1957, were $4,413,800,000 and net income was $419,400,000. For the three months ended March 31, 1958, when ingot operations averaged 54.1%, total revenues were $800,100,000 and net income was $62,400,000, compared with $1,166,500,000 and $115,500,000 in the like period of 1957 when ingot operations averaged 95.7%.

Our Reporter's Report

One of the largest banking syndicates ever put together handled the marketing of this week's $300 million issue of 25-year sinking fund debentures.

Representing just about a full line-up of the country's underwriting strength, this group did not shy away from the task despite the none-too-reassuring behaviour of the securities markets since the turn of the week.

And as things turned out they seemed to have been quite well-rewarded for their decision to go ahead with the business for the issue met a decidedly good reception when the offering books were opened.

Though a few prospective buyers reportedly revised their original ideas downward a little, the consensus was that an early sell-out of the deal appeared assured.

Carrying a 4% coupon and priced to yield 3.97%, this issue of the world's major steel producer quite evidently caught the fancy of major institutional investors, including a number of the big pension funds.

It remained to be seen however, whether this was the issue destined to give the market a new footing after its protracted period of adjustment in the wake of recurrent softness in the Treasury list.

Much will depend, it appeared, upon the terms fixed by the Treasury for the refinancing of its impending maturities. Data on the new issues are expected probably over the week-end.

Freeing Up Capital

With virtually the entire capital of the underwriting fraternity mustered for the task of handling Big Steel's debentures, it was certain that a number of existing syndicates would be terminated.

Those bound together by such agreements naturally were anxious to have a part in the big offering and this meant getting their capital free from existing operations.

Where these syndicates were closed out the issues involved naturally settled back rather sharply from the initial offering prices. Consolidated Edison Co. 4s, for example, dipped to a price of 98¾ bid from the original figure of 102.655 where the yield was 3.85%.

Boeing Pares Offering

Taking its cue from the market Boeing Airplane Co., which had set plans for raising more than $90 million of capital in the market, revised that figure downward a bit.

The big plane builder had set its operation up in two parts, one $30,597,000 of convertible subordinated debentures being offered to shareholders of record July 15. **The balance was to have been raised through sale of $60 million of sinking fund debentures. But this total was cut back to $40 million.**

Slow Week Looms

Unless there are some quickies hidden around, it appears that next week will be a relatively slow period for the underwriters and dealers. And it will be pretty evenly divided between debt securities and equities.

Largest bond issue is Washington Water Power Co.'s $15 million offering due up for bonds on Wednesday, the same day that Otter Tail Power Co. is slated to open bids for $9 million bonds.

Biggest stock offering on tape is Tennessee Gas Transmission's 1,084,054 shares of common, slated for offering on Thursday unless there is a change in plans.

Digitized for FRASER
http://fraser.stlouisfed.org/

Wellington Fund Sets Sales Records

Wellington Fund sales for the first six months of 1958 were more than $6,500,000 higher than for the same period in 1957, according to A. J. Wilkins, Vice-President.

This trend was climaxed in the month of June by gross sales of over $9 million, which is the highest total for any June period in Wellington's history.

Total assets of the Wellington Fund on June 30, 1958 were $709,642,000.

The comparable six months figures are as follows:

1958	$53,533,000
1957	47,019,000
Increase	$6,514,000

The June comparable figures are:

June 1958	$9,036,000
June 1957	7,005,000
Increase	$2,031,000

June Sales of Broad Street Investing Up 20%

June sales of new shares of Broad Street Investing Corp., a 29-year old diversified mutual fund, were up 20% from the May level, it was reported by Milton Fox-Martin, President of Broad Street Sales Corp., national distributor of shares of the Broad Street Group of Mutual Funds.

The 54,834 new Broad Street Investing shares sold during June added $1,210,927 to the assets of this $100 million investment company. This compared with $1,010,529 in May and made June the best month for 1958 to date.

In contrast with the gain in sales, redemptions of Broad Street Investing shares by stockholders declined by 21% to $259,597. As a result, net new money invested in the mutual fund in the month of June increased by about 40% to $951,330.

In making these figures available, Mr. Fox-Martin commented on the fact that the gains for this established mutual fund in June seem especially significant in view of the large sums of money invested in the shares of new mutual funds offered by underwriters during the past month or so.

INVESTING for FUTURE INCOME?
Incorporated Investors
Established 1925
A mutual fund invested in a list of securities selected for possible growth of capital and income in the years ahead.

INVESTING for CURRENT INCOME?
Incorporated Income Fund
A mutual fund whose first objective is to return as large current income as may be obtained commensurate with the risk involved.

A prospectus on each fund is available from your investment dealer.
THE PARKER CORPORATION
200 Berkeley Street
Boston, Mass.

Mutual Funds

By ROBERT R. RICH

SEC Reviews Quantity Discount

On May 28, 1958, the Commission issued release No. 2718 inviting all interested persons to submit comments on its proposed Rule N-22D-1 relating to permissible variations in the sales load discount on quantity orders of securities of registered investment companies. Oral argument before the Commission on the proposed rule will be held on July 23, 1958 at 10 a.m. in their Washington offices.

It should also be understood that this proposed rule will cover letters of intent, various exemptions from Section 22D but the most important is the discount on quantity orders.

The reason for the recommendations for amending 22D in regard to the discount is the belief that there has been some discrimination to the public and investment company shareholders by the practice of assembling groups of purchasers to obtain quantity discount prices. Action to discourage these practices has been suggested by the National Association of Investment Companies and the National Association of Security Dealers.

Another factor which will be, and has been considered, is the filing of letters of intent in order to obtain a quantity discount. In many instances there has been the intent to purchase over a period of time a fixed number of shares but at a later date there has been a default in the securities purchase program. In the meantime, the discount had already been given and thus here again there becomes a benefit to the defaulter which would not be readily available to the public. Different plans are being considered so that if there is a default the securities will have been held in escrow and the discount will be substracted before delivery is made to the purchaser.

In general, the amendment of Section 22 (d) will be of benefit to the industry and to the general public due to the fact that there will be less chance of discrimination in the distribution of shares of investment companies.

Chemical Fund Net Assets at Record High

Chemical Fund's net assets on June 30, 1958 were at the highest level of any quarter-end in the Fund's 20-year history, according to the quarterly report mailed July 15 to stockholders.

Net assets totaled $153,886,575 on June 30, 1958 equal to $16.44 per share. This compared with net assets of $151,006,754, equal to $17.65 per share on June 30, 1957. The June 30, 1958 asset value of $16.44 **does not include** the 56 cents per share capital gains distribution paid in December, 1957.

"On July 7, 1958," the report continued, "Chemical Fund completed its 20th year of operation. Since its organization, net assets of the Fund have increased from $100,000 to $153,886,575, and net asset value per share has increased from $5.00 to $16.44. In addition, $4.43 per share has been distributed from realized net capital gains. Dividends paid from net investment income have increased from $.109 per share in 1939, the first full year of operation, to $.40 per share in 1957."

In commenting on the Fund's growth, F. Eberstadt, Chairman, and Francis S. Williams, President, stated that "new products and more efficient processes developed through research have been an important factor contributing to the Fund's investment performance during this period."

Turning to current operations and outlook, Messrs. Eberstadt and Williams noted that "596 manufacturing companies reported an average decline of 35% in net income for the first quarter of 1958, compared with the same quarter of last year." By comparison, Chemical Fund's Portfolio companies reported average decreases of 17%, in income for the same period. Most of the pharmaceutical companies and the chemical process companies producing non-durable consumers' goods continued to do relatively well.

Chemical Fund's management has continued to emphasize selection of investments in companies serving the non-durable consumers' goods field. More than half of the Fund's net assets are now invested in such companies. Major portfolio changes during the 12 months ended June 30, 1958, included an increase in drug, pulp and paper, and corn products' holding while oil and general chemical holdings were reduced.

New Booklet Is Available

A new booklet, just off the presses and issued by the National Association of Investment Companies is titled "Planning Your Future With Mutual Funds." This latest piece of literature is in handy pocket form and states the advantages of the mutual funds, as well as giving information on how to choose a fund in accordance with individual needs. Single copies can be obtained from the National Association of Investment Companies, 61 Broadway, New York 6, N. Y.

Kalb, Voorhis Co. Fund Sales Courses

Kalb, Voorhis & Co. has inaugurated the first of a series of comprehensive courses devoted to the selling of mutual fund shares. The first class was held in Washington, D. C., attended primarily by salesmen currently engaged in mutual fund selling and a few who are just entering the field.

A variety of dealer firms, including firms in the middle and far west, have enrolled salesmen in the courses which are being conducted by Ray Jacobs.

Successful completion of the course involves attendance at 10 three-hour meetings. In Washington seven classes are being formed for the month of July. Some will be held alternate evenings; some on alternate afternoons. It takes three weeks to complete the course on this basis, but accelerated courses are available to those desiring to attend both afternoon and evening meetings for one full week.

Tuition for the complete course is $200 and those who attend all sessions, or make-up sessions, and pass the quizzes and classroom exercises are awarded certificates of completion.

After the completion of the courses in Washington the classes will be offered in other large cities. Currently it is Kalb, Voorhis' plan to conduct the sessions in New York City starting Sept. 8.

Wiesenberger States Mutual Funds Just Beginning Biggest Growth

"Mutual funds, which have already experienced a phenomenal expansion in the United States during the less than four decades of their existence, are now on the threshold of infinitely greater achievement," according to Arthur Wiesenberger, senior partner of the New York Stock Exchange firm of Arthur Wiesenberger & Company.

The firm has just published the 18th edition of its annual reference work, "Investment Companies," recognized as the "bible" of the mutual fund industry. The 384-page, $25 book contains the essential data and records on every important open-end and closed-end investment company, as well as 21 chapters providing complete information about mutual funds in general, their uses and their integration with insurance and with other investments.

"Many prominent firms have long been an important part of the mutual fund picture," Mr. Wiesenberger went on. "They have done an outstanding job, and their efforts have met with so much well-deserved public acceptance that some of the elite of the financial world have now begun to look upon mutual funds as "the wave of the future," better geared to serve tomorrow's investors than anything else yet devised.

"The industry as a whole is now undergoing significant changes, with the increasing acceptance of this investment medium by many of the oldest and best-established investment banking houses. Lehman Brothers has launched its new One William Street Fund with noteworthy success — Lazard Freres has just announced its sponsorship of the first mutual fund in its more-than-a-century-old history—and there is no doubt that other great Wall Street banking firms will enter the field within a very short time."

This development, Mr. Wiesenberger feels, marks the coming-of-age of the mutual fund idea. "On the one hand, there is the constantly increasing use of investment companies by the general public," he pointed out, "on the other, the establishment of new companies backed by firms with considerable resources, extensive research facilities and long-established worldwide connections. Together, they place the "seal of approval" on mutual funds as an investing way of life which still has much of its life way ahead of it.

"Since the 1920's, when mutual funds really gained a foothold in this country, the industry has passed through two major stages," the financier observed. "First, its original establishment, with the inevitable trials and occasional errors that must accompany any important new concept. Second, the consolidation and confident building upon the experience of the past.

"The third stage—the expansion certain to take place once the original concept has been accepted —has barely begun. The next 10 years will see a growth of the investment company idea far beyond the wildest imaginings of a mere 10 years ago. This growth is already strongly in progress—and it is firmly rooted."

During the 18 years in which

Axe Fund Assets Up 17 Percent

Total net assets of the five mutual funds sponsored by Axe Securities Corporation rose more than 17% in the first half of 1958. All five funds participated in the advance which, according to preliminary figures, lifted the total from $128,513,978 on Dec. 31, 1957 to $150,639,276 on June 30, 1958.

Asset value of the funds' shares also increased as follows: Axe-Houghton Fund A, from $4.78 to $5.17; Axe-Houghton Fund B, from $6.73 to $7.62; Axe-Houghton Stock Fund, from $3.28 to $3.62; Axe Science & Electronics Corporation, from $9.06 to $9.93; Axe-Templeton Growth Fund of Canada, from $18.54 to $22.27.

Shareholders on June 30 numbered 90,744—up from 89,142.

Boston Fund
MASSACHUSETTS INVESTORS GROWTH STOCK FUND
Massachusetts Investors Trust
Century Shares Trust
CANADA GENERAL FUND LIMITED
The Bond Fund OF BOSTON
A prospectus relating to the shares of any of these separate investment funds may be obtained from authorized dealers or
VANCE, SANDERS & COMPANY
111 DEVONSHIRE STREET
BOSTON
NEW YORK 61 Broadway
CHICAGO 120 South LaSalle Street
LOS ANGELES 210 West Seventh Street

Digitized for FRASER
http://fraser.stlouisfed.org/

the Wiesenberger firm has published its annual editions of "Investment Companies," the mutual fund industry has seen many changes, as has the American economy generally. These changes have naturally been reflected in the book. Among the important new material added to the latest edition is a section devoted to life insurance and its integration with investments. It shows how life insurance can be most effectively employed by the average individual and how the investor can determine his true insurance needs.

National Shares Cites Increase in Net Asset Value

National Shares Corp., closed-end investment company managed by Dominick & Dominick, reports a net asset value of $21.66 per share on June 30, 1958 after deducting dividends of 12 cents per share and an extra dividend of 4 cents payable July 15, 1958. This compared with an asset value of $19.93 per share on March 31, 1958 and $24.61 per share on June 30, 1957. There are 1,080,000 shares of capital stock outstanding.

Common stock held at June 30, 1958 represented 88.1% of total assets; corporate bonds, 8.3%; U. S. Government obligations, cash and receivables (net of liabilities), 3%; and preferred stock, 6/10 of 1%.

Changes in holdings of common stocks during the three months ended June 30, 1958 included new purchases of 4,000 Crown Cork & Seal and 2,500 Penn-Dixie Cement. Holdings of Royal Dutch Petroleum, Ingersoll-Rand and American Natural Gas were increased and those of General Dynamics and U. S. Plywood were sold.

Net Asset Gain for U. S. and Foreign

United States & Foreign Securities Corp., one of the larger closed-end investment companies, reports net assets of $110,758,229 as of June 30, 1958, equivalent to $33.45 per share on the 3,310,815 shares of common stock outstanding. This compares with net assets of $103,599,326 or $31.29 per share on March 31, 1958 and $103,456,893 or $31.25 per share on Dec. 31, 1957.

The June 30, 1958 asset value was after deducting two dividends of 40 cents per share paid March 31 and June 30, aggregating $2,648,652. Of each payment 15 cents per share was from net ordinary income and 25 cents per share from net realized capital gain.

Classes of common stocks held on June 30, 1958 represented the following approximate percentages of total assets: Oil, 44%; chemical and drug 16%; metal and mining 10%; manufacturing and miscellaneous 7%; electric utility 2%; natural gas 2%; and merchandising 1%. U. S. Government obligations amounted to 16.44% and cash .98%.

Inventory Buildup Seen Sparking Business Recovery

Business activity is heading upward and before the year is ended National Securities & Research Corp. believes "An unmistakable recovery will be evident." This opinion is expressed in a special mid-year report prepared by the investment company which sponsors and manages the National Securities Series of mutual funds with assets exceeding $325 million.

"The stock price averages, which months ago anticipated the recovery, have seen their 1958 lows but not their highs," National believes.

Staff members recently returned from a series of visits to key industrial areas and the report indicates that expected stepped-up sales early in the fourth quarter will result in significant inventory replenishment. "Steel, petroleum and other major industries that have worked off excessive inventory are now in a good position to move ahead," the fund managers feel.

Personal income has been holding up well and with the $1.5 billion pay rise going to government employees, the investment company expects new highs will be achieved in consumers' expenditures for services and non-durable goods. Government spending is seen moving slowly upward. "Owing to the complexity of modern military technology it takes time to get the new space-age weapons into production, but once the production stage is reached there will be startling increases in expenditures with inflationary implications."

With regard to the railroad industry, National believes the carriers have at last made some inroads in convincing the public and the Congress that they deserve more consideration, and further legislation affording them more equitable treatment is likely to be enacted.

Total construction activity is seen establishing a new record as home building and stepped-up programs for highways, schools and other public facilities more than offset the indicated decline in industrial construction.

Fleetwood Sec. Corp. to Sponsor Electronics Fund Sales

A group of prominent Californians has just established headquarters in New York City to sell an investment program in the fastest growing industry in America — electronics! Under the banner of the Fleetwood Securities Corp. of America, this group, headed by Charles E. Salik, San Diego financier and owner and operator of Television and Radio stations, is the sponsor for the Electronics Investment Program for the accumulation of shares in the Electronics Investment Corp., a $16 million mutual investment fund.

Charles E. Salik

Back in 1954, Mr. Salik, an electronics engineer, decided that the electronics industry could be an excellent investment medium for Americans of average income. Convinced of the continuing growth of electronics, Salik decided he would do something about it. His plans materialized in the form of a mutual investment fund, Electronics Investment Corp.

Mr. Salik selected for his board of directors specialists in electronics, investments and business. He also appointed a Technical Advisory Board of nationally prominent electronics experts who inform the directors of new developments, inventions, and changing trends in the electronics industry. They are Dr. Charles Stark Draper, Professor, Massachusetts Institute of Technology; Dr. Joseph M. Pettit, Professor of Electrical Engineering, Stanford University; Henry P. Kalmus, Electronics Research and Development Scientist.

Mr. Salik told the story of the growth of electronics and its dynamic future to a group of leading brokerage firms. This resulted in an underwriting syndicate selling $10 million worth of stock in the new mutual fund, the Electronics Investment Corp., back in 1955. Today, the fund is solidly established, having more than 20,000 shareholders in the 48 states, Alaska and many foreign countries.

"Only 6% of Americans invest in all phases of the securities market," Mr. Salik said in 1957 when addressing a group of securities dealers at a mutual fund convention. "Our job is to convince at least 50% of our adult population of the advantages of being part owners of American industry."

Today, Charles Salik, through his newly formed Fleetwood Securities Corp. of America, is teaching modern selling techniques of presenting the story of electronics growth to the public. Chief of these operations is Peter J. Piper, Executive Vice-President, who assisted Mr. Salik in forming Electronics Investment Corp. in 1955.

T. Rowe Price Growth Stock Fd. Names Directors

Three new members have been elected to the Board of Directors of T. Rowe Price Growth Stock Fund, Inc., an open-end mutual fund with officers in Baltimore, Md. They are Lewis C. Perkinson, William M. Dougherty and Clark W. Davis.

Mr. Perkinson is Vice-President and Director of American Cyanamid Co., Mr. Dougherty is Secretary and Director of U. S. Rubber Co., and Mr. Davis is General Manager of the Grasselli Chemicals Department of E. I. duPont de Nemours & Co.

This Fund, which is primarily a common stock fund, was organized in 1950. As of June 30, 1958 there were 3,026 stockholders and net assets totaled $11,909,093.

Aberdeen Fund Assets Reach All-Time High

As of June 30, 1958 the assets of Aberdeen Fund amounted to $10,564,425 and $10,511,491 after latest dividend declaration.

This represents a new all-time peak in asset value for the fund. Total assets are up 27% from the low point reached last October. Approximately 40% of the increase was due to the net increase in fund shares sold over shares redeemed, while 60% of the gain was the result of appreciation of the portfolio securities.

The fund is now owned by close to 6,000 shareholders in virtually every state in the country. Aberdeen is becoming an especially popular fund for young professional and business people as a vehicle for regular investing under the accumulation plan. There are now over 900 regular participants in this plan which was started in 1956.

In recent months there has been added Abbott Laboratories and Food Fair Stores to the portfolio. Several holdings have been increased. Aluminium, Ltd. and American Metal Climax have been eliminated.

Commonwealth's New Fund Reflects Anti-Cyclical Trend

S. Waldo Coleman, President of North American Securities Co., investment managers of the Commonwealth mutual funds, said on July 7: "The newest of our three funds, Commonwealth Income Fund, has just completed its first six months of operation with total net assets of over $5½ million as compared with $100,000 when the fund began last year. One reason for this growth is that the investing public is showing what might be called an increasingly anti-cyclical attitude in relation to their investing programs."

Mr. Coleman explained, "Previously, during other downward swings of the economic pendulum, investment purchases usually fell off, too. However, the rapid growth of Commonwealth Income Fund occurred during the present widely publicized recession. It is an indication that more and more men and women of moderate and larger earnings see the diversification offered by mutual funds as a means of participating in the American economy over longer periods of time, regardless of how the pendulum may swing in shorter intervals."

Mr. Coleman is recognized as one of the pioneers of the mutual fund movement in America. Although the Commonwealth Income Fund is a relatively new fund, with its first six months report just issued, it is supervised by North American Securities Co., one of the oldest management organizations in the country. North American Securities Co. currently surpervises more than $145,000,000 in investment company assets.

The report states that the net asset value per share had risen from an initial figure of $7.36 and $7.41, as of Nov. 30, 1957, to $8.17 per share, May 31, 1958. During the first six months of operation, two dividends of 10c per share each have been paid from investment income.

Lehman Corp. Reports Increase In Net Asset Value

Total net assets of $227,121,998, equal to $23.69 per share, was announced jointly by Robert Lehman, President, and Monroe C. Gutman, Chairman of the Executive Committee, in The Lehman Corporation's report for the six months ended June 30, 1958. This compared with a net asset value of $21.71 per share at the end of the previous quarter and $20.76 per share at the end of 1957.

During the quarter ended June 30, 1958 the corporation purchased portfolio securities on balance, the cost of securities purchased, other than U. S. Government Obligations, amounting to $6,647,518, and the proceeds from securities sold amounting to $5,187,110.

Common Stocks in the corporation's portfolio had a value of $210,973,839, or 92.6% of net assets as against $190,516,296, or 91.2% three months earlier.

New additions to the portfolio shown by the report were 50,000 shares of United States Steel; 10,000 shares Eastern Industries; 10,000 shares Haloid Xerox Inc.; 71,500 shares Texas Company, which was received in exchange for 71,500 shares of Seaboard Oil, and 15,000 Arizona Public Service. Other purchases included 5,000 shares Ideal Cement; 5,000 shares Trane Company; 10,000 shares MacMillan & Bloedel, Ltd. "B," and 5,000 shares of Mead Johnson Co.

Among the sales were: 15,000 shares Babcock - Wilcox; 4,600 shares Columbia Broadcasting; 3,000 shares Massachusetts Protective Association: 2,900 shares Great Northern Paper; 11,500 shares West Virginia Pulp & Paper; 4,000 shares Barber Oil; 38,000 shares International Petroleum; 7,000 shares Signal Oil & Gas "A"; 5,000 shares of Pennsylvania Power & Light, and 3,800 shares Public Service of Indiana.

Affiliated Fund

A Common Stock Investment Fund

Investment objectives of this Fund are possible long-term capital and income growth for its shareholders.

Prospectus upon request

LORD, ABBETT & CO.

New York — Chicago — Atlanta — Los Angeles

Write Commonwealth about investing for

☐ BALANCE: Commonwealth Investment Co. provides a balanced investment program through a diversified ownership of bonds, preferred, and common stocks selected for reasonable income and possible growth of principal.

☐ GROWTH: Commonwealth Stock Fund invests in common stocks of well-established companies selected for their possibilities of long-term growth of principal and income.

☐ INCOME: Commonwealth Income Fund is a mutual fund investing for current income.

FREE prospectuses about these mutual funds from your local investment dealer or:

North American Securities Company

Russ Building, San Francisco 4

Digitized for FRASER
http://fraser.stlouisfed.org/

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 20	§56.1	*53.4	64.9	79.3
Equivalent to—					
Steel ingots and castings (net tons)	July 20	§1,515,000	*1,442,000	1,751,000	2,030,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 4	6,423,685	*6,381,535	6,255,935	6,952,115
Crude runs to stills—daily average (bbls.)	July 4	¶7,461,000	7,541,000	7,690,000	7,840,000
Gasoline output (bbls.)	July 4	27,282,000	27,061,000	27,165,000	25,876,000
Kerosene output (bbls.)	July 4	1,831,000	1,649,000	1,725,000	1,743,000
Distillate fuel oil output (bbls.)	July 4	11,128,000	11,229,000	12,251,000	12,446,000
Residual fuel oil output (bbls.)	July 4	6,723,000	6,625,000	6,775,000	7,730,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 4	183,407,000	186,486,000	193,025,000	185,920,000
Kerosene (bbls.) at	July 4	24,454,000	23,855,000	22,344,000	28,597,000
Distillate fuel oil (bbls.) at	July 4	106,571,000	103,353,000	93,037,000	119,592,000
Residual fuel oil (bbls.) at	July 4	64,772,000	63,697,000	62,810,000	46,248,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 5	457,661	626,573	612,715	535,334
Revenue freight received from connections (no. of cars)	July 5	456,463	523,114	495,052	522,615
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 10	$558,996,000	$466,263,000	$505,535,000	$325,465,000
Private construction	July 10	100,845,000	103,425,000	200,577,000	111,090,000
Public construction	July 10	458,151,000	362,838,000	304,958,000	214,375,000
State and municipal	July 10	260,924,000	192,504,000	196,178,000	124,359,000
Federal	July 10	197,227,000	170,334,000	108,708,000	90,016,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 5	1,240,000	8,930,000	7,775,000	1,474,000
Pennsylvania anthracite (tons)	July 5	65,000	571,000	388,000	69,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 5	102	*110	135	101
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 12	11,851,000	*11,210,000	12,109,000	11,964,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 10	275	292	254	256
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 8	5.967c	5.967c	5.967c	5.967c
Pig iron (per gross ton)	July 8	$66.49	$66.49	$66.49	$64.76
Scrap steel (per gross ton)	July 8	$36.50	$35.17	$35.50	$54.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 9	25.100c	25.175c	24.500c	28.775c
Export refinery at	July 9	24.050c	23.800c	22.850c	27.100c
Lead (New York) at	July 9	11.000c	11.000c	11.000c	14.000c
Lead (St. Louis) at	July 9	10.800c	10.800c	10.800c	13.800c
‡Zinc (delivered) at	July 9	10.500c	10.500c	10.500c	10.500c
Zinc (East St. Louis) at	July 9	10.000c	10.000c	10.000c	10.000c
Aluminum (primary pig. 99%) at	July 9	24.000c	24.000c	24.000c	25.000c
Straits tin (New York) at	July 9	94.000c	94.375c	95.125c	97.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 15	93.92	92.94	95.59	87.36
Average corporate	July 15	96.07	96.38	96.54	92.50
Aaa	July 15	101.64	101.97	103.13	96.54
Aa	July 15	99.04	99.52	99.68	94.56
A	July 15	95.62	96.07	95.92	93.23
Baa	July 15	88.67	88.67	88.27	85.98
Railroad Group	July 15	91.77	92.06	92.06	90.34
Public Utilities Group	July 15	97.31	97.62	97.78	93.38
Industrials Group	July 15	99.20	99.52	100.00	93.52
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 15	3.12	3.12	2.88	3.59
Average corporate	July 15	4.00	3.98	3.97	4.24
Aaa	July 15	3.65	3.63	3.56	3.97
Aa	July 15	3.81	3.78	3.77	4.10
A	July 15	4.03	4.00	4.01	4.19
Baa	July 15	4.51	4.51	4.54	4.71
Railroad Group	July 15	4.29	4.27	4.27	4.39
Public Utilities Group	July 15	3.92	3.90	3.89	4.18
Industrials Group	July 15	3.80	3.78	3.75	4.17
MOODY'S COMMODITY INDEX	July 15	396.6	396.7	399.0	429.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 5	229,248	272,519	304,529	238,939
Production (tons)	July 5	193,815	277,429	248,617	158,025
Percentage of activity	July 5	61	89	77	54
Unfilled orders (tons) at end of period	July 5	391,454	356,484	404,015	446,373
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	July 11	110.07	109.99	109.79	110.22
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 21	1,698,500	1,706,210	1,594,440	1,544,090
Short sales	June 21	375,540	356,480	349,040	277,620
Other sales	June 21	1,367,950	1,290,360	1,243,410	1,228,100
Total sales	June 21	1,743,490	1,646,840	1,592,450	1,505,720
Other transactions initiated on the floor—					
Total purchases	June 21	409,710	429,240	415,170	253,850
Short sales	June 21	42,650	39,500	37,200	20,300
Other sales	June 21	332,100	385,260	351,400	268,600
Total sales	June 21	374,750	424,760	388,600	288,900
Other transactions initiated off the floor—					
Total purchases	June 21	573,030	550,780	535,542	562,635
Short sales	June 21	129,990	169,320	195,760	93,460
Other sales	June 21	667,046	610,562	591,156	641,606
Total sales	June 21	797,036	779,882	786,916	735,066
Total round-lot transactions for account of members—					
Total purchases	June 21	2,681,240	2,686,230	2,545,152	2,360,575
Short sales	June 21	548,180	565,300	582,000	391,380
Other sales	June 21	2,367,096	2,286,182	2,185,966	2,138,306
Total sales	June 21	2,915,276	2,851,482	2,767,966	2,529,686
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 21	1,203,989	1,131,478	1,047,318	1,321,026
Dollar value	June 21	$55,272,322	$51,566,564	$46,619,209	$71,218,077
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 21	1,177,664	1,185,603	1,057,724	1,099,282
Customers' short sales	June 21	10,510	10,219	14,088	8,895
Customers' other sales	June 21	1,167,154	1,175,424	1,043,636	1,090,387
Dollar value	June 21	$51,551,872	$51,758,079	$44,130,710	$57,518,106
Round-lot sales by dealers—					
Number of shares—Total sales	June 21	396,590	408,580	361,250	297,550
Short sales	June 21	------	------	------	------
Other sales	June 21	396,590	408,580	361,250	297,550
Round-lot purchases by dealers—					
Number of shares	June 21	389,510	360,880	378,790	469,070
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 21	744,580	748,710	837,500	465,770
Other sales	June 21	13,516,790	12,805,500	12,180,160	10,968,610
Total sales	June 21	14,261,370	13,554,210	13,017,660	11,434,380
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 8	119.1	119.2	118.8	117.7
Farm products	July 8	95.5	96.5	95.2	91.5
Processed foods	July 8	112.8	*112.8	112.9	106.4
Meats	July 8	115.9	115.3	114.9	97.1
All commodities other than farm and foods	July 8	125.5	125.3	125.0	125.4

*Revised figure. ¶Includes 990,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of February	121,980	139,910	119,059
Stocks of aluminum (short tons) end of Feb.	178,536	176,069	166,324
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	7,132,000	*6,301,159	9,391,402
Shipments of steel products (net tons)—Month of May	4,649,499	4,372,971	6,972,091
AMERICAN PETROLEUM INSTITUTE—Month of April:			
Total domestic production (barrels of 42 gallons each)	211,714,000	219,146,000	250,881,000
Domestic crude oil output (barrels)	188,631,000	194,472,000	226,231,000
Natural gasoline output (barrels)	23,053,000	24,652,000	24,630,000
Benzol output (barrels)	30,000	22,000	20,000
Crude oil imports (barrels)	25,835,000	31,366,000	27,716,000
Refined product imports (barrels)	17,934,000	*19,186,000	19,059,000
Indicated consumption domestic and export (barrels)	260,824,000	*281,446,000	282,957,000
Decrease all stock (barrels)	5,341,000	11,748,000	‡‡14,699,000
AMERICAN TRUCKING ASSOCIATIONS, INC. —Month of May:			
Intercity general freight transported by 351 carriers (in tons)	4,674,920	4,557,216	4,962,713
AMERICAN ZINC INSTITUTE INC.—Month of June:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	66,967	71,018	90,719
Shipments (tons of 2,000 pounds)	54,658	51,519	69,957
Stocks at end of period (tons)	252,979	240,670	133,455
COAL EXPORTS (BUREAU OF MINES)—Month of April:			
U. S. exports of Pennsylvania anthracite (net tons)	116,990	129,603	362,198
To North and Central America (net tons)	60,789	81,556	102,520
To Europe (net tons)	53,355	45,296	248,673
To Asia (net tons)	2,846	2,729	11,005
To South America (net tons)	------	22	------
Undesignated	------	------	------
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100— Month of June:			
Adjusted for seasonal variation	134	133	138
Without seasonal adjustment	127	130	131
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate customers—Month of April (000's omitted)	45,263,167	46,702,575	45,671,071
Revenue from ultimate customers—month of April	$776,596,000	$797,337,000	$751,689,000
Number of ultimate customers at Apr. 30	55,345,055	55,289,179	54,219,919
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of May:			
Contracts closed (tonnage)—estimated	224,308	208,161	331,227
Shipments (tonnage)—estimated	328,180	323,574	377,304
METAL PRICES (E. & M. J. QUOTATIONS)— June:			
Copper—			
Domestic refinery (per pound)	24.689c	24.298c	30.334c
Export refinery (per pound)	23.670c	21.944c	28.410c
††London, prompt (per long ton)	£194,613	£178,798	£227,132
††Three months, London (per long ton)	£196,185	£180,756	£228,809
Lead—			
Common, New York (per pound)	11.224c	11.712c	14.320c
Common, East St. Louis (per pound)	11.024c	11.512c	14.120c
††London, prompt (per long ton)	£73.277	£72.137	£91.688
††Three months, London (per long ton)	£74.155	£72.473	£91.987
Zinc, (per pound)—East St. Louis	10.000c	10.000c	11.360c
§§Zinc, prime Western, delivered (per pound)	10.500c	10.500c	10.860c
††Zinc, London, prompt (per long ton)	£64.176	£61.854	£74.303
††Zinc, London, three months (per long ton)	£64.652	£62.262	£73.868
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.625c	88.625c	90.456c
Silver, London (per ounce)	75.274d	76.101d	78.283d
Sterling Exchange (check)	$2.81111	$2.81572	$2.79024
Tin, New York Straits	94.665c	94.563c	98.060c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$228.120	$229.231	$255.000
¶Antimony, New York boxed	32.590c	32.590c	36.590c
Antimony (per pound), bulk Laredo	29.000c	29.000c	33.000c
Antimony (per pound), boxed Laredo	29.500c	29.500c	33.500c
Platinum, refined (per ounce)	$67.000	$68.154	$92.000
†Cadmium, refined (per pound)	$1.55000	$1.55000	$1.70000
‡Cadmium (per pound)	$1.55000	$1.55000	$1.70000
§Cadmium (per pound)	$1.55000	$1.55000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.00000
Aluminum, 99% grade ingot weighted average (per pound)	26.100c	26.100c	27.100c
Aluminum, 99% grade primary pig	24.000c	24.000c	25.000c
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of June:			
Industrials (125)	3.98	4.12	3.79
Railroads (25)	5.91	6.06	6.31
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.33	4.40	4.96
Banks (15)	4.53	4.58	4.84
Insurance (10)	2.99	3.08	2.97
Average (200)	4.15	4.27	4.05
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of June:			
Total number of vehicles	406,857	424,273	593,387
Number of passenger cars	337,564	349,802	500,669
Number of motor trucks	69,183	74,236	92,349
Number of motor coaches	110	235	369
PORTLAND CEMENT (BUREAU OF MINES)— Month of May:			
Production (barrels)	29,274,000	*24,001,000	27,485,000
Shipments from mills (barrels)	30,525,000	25,318,000	28,940,000
Stocks (at end of month—barrels)	33,674,000	*35,170,000	33,176,000
Capacity used (per cent)	92	79	92
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of May:			
Total operating revenues	$758,937,768	$743,689,988	$907,916,869
Total operating expenses	621,365,019	609,877,186	714,591,074
Taxes	69,384,212	72,006,442	91,116,724
Net railway operating income before charges	43,992,811	36,900,978	80,845,271
Net income after charges (estimated)	24,000,000	16,000,000	61,000,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ‡‡Increase all stocks.

Digitized for FRASER
http://fraser.stlouisfed.org/

Babies and Business In the Oncoming Years

By ROGER W. BABSON

Until the baby boom starts rolling again—which Mr. Babson believes may rise to 60% twenty years from now, going from present annual birth rate of 4,250,000 to 7,000,000—American business is expected to face hard years of greatly intensified competition and continued high cost. Writer sees no virtue in population growth by itself, and forecasts continued good population growth in Florida, California, Far Western and Southwestern states and steady growth in the magic circle which has as its center, Eureka, Kansas.

For the first time since 1950, our birth rate is declining. Perhaps this is due to the current recession. Or perhaps it is because of a small downturn in the number of women in the 18-to-34 age group. I look for a further near-term drop in the birth rate and do not visualize a new baby boom for several years.

Pay Heed to the Economic Factor

Some population experts anticipate a new wave of birth in the early 1960's. They base their forecasts chiefly on the fact that the number of women in the 18-to-34 age group (which breeds the most children) will soon increase rapidly as the war and early postwar babies reach maturity. But the fact that there will be more women of child-bearing age does not necessarily mean they will bear more children.


Roger W. Babson

Years ago, the demographers, or population experts, were consistently on the low side in their forecasts. Many of my readers remember that we were told in the 1930's that the U. S. population had just about reached its peak. Then came World War II and an economic boom which encouraged a record increase in the birth rate. This was at a time when we were making great strides in prolonging the lifespan. Again the demographers missed the boat, with forecasts too low. Now their predictions appear too high! They are too eager to make simple projections of recent trends without taking into account the economic, social, and psychological factors which determine fertility response.

Trend Toward Later Marriages

During the first quarter of 1958, marriages were down about 10% below the number a year earlier. To me this indicates a trend toward later marriages. Assuming the present recession extends into 1960 and possibly beyond, barring war—then this trend toward later marriages will continue and could mean further cutbacks in our birth rate.

For this reason, I predict that the next baby boom will not really get going until the late 1960's and that it will extend well into the 1970's. I assume, of course, that today's depressed economy will have rebounded to new highs in the mid—or late—1960's. My forecast is that 20 years from now our annual birth rate will be in the neighborhood of 7,000,000—up some 60% from this year's estimate of 4,250,000.

Long-Term Effect on Business

There is no doubt, in my mind, about the impact on business of a new heavy wave of births. It could be tremendous! But before any such baby boom gets rolling, American business faces some hard years of greatly intensified competition and continued high costs. Business should pay more attention to young adults, as this group—the fathers and mothers of tomorrow — will expand rapidly over the next 10 years.

However, population growth by itself cannot provide the environment that will assure our meeting the needs of a bigger population. We have ample proof of this in the examples of China and India. A larger population has greater needs, but it takes favorable economic conditions to stimulate the demand which guarantees a broadened market. If business confidence should be weakened by further sniping at the incentives which have made our free enterprise system excel, it will take more than another baby boom to set things right again.

Population Shifts

Even though the great population shifts of the early postwar period have largely subsided, there are still many more people moving each year than was the case before World War II. I look for continued good growth in Florida, California, and other Far Western and Southwestern states. In addition, I forecast gradual, though steady, growth in that area which is the very heartland of the nation — the "Magic Circle." With its center at Eureka, Kansas, the Magic Circle extends in a radius of 400 miles to include six Midwestern states — Iowa, Missouri, Arkansas, Nebraska, Kansas, and Oklahoma — as well as smaller portions of eight others. The Magic Circle has already produced some of the nation's greatest leaders, including Presidents Hoover, Truman, and Eisenhower, and Generals Pershing and MacArthur. Its growing forests, valuable minerals, virgin prairies, and vast hydro - electric energy would easily support a tenfold increase in population.

Francis F. Randolph Dir.

Election of Francis F. Randolph, investment banker and senior partner of J. & W. Seligman & Co., to the Board of Directors of The Grand Union Company has been announced.

One of the nation's leading financiers, Mr. Randolph has been a senior partner of J. & W. Seligman since 1940. He is also Chairman of the Board, President and a member of the executive committee of the Tri-Continental Corporation, National Investors Corporation, Broad Street Investing Company, Union Service Corporation and the Whitehall Fund, Inc.

Now With Stix & Co.

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Leslie C. Avery is now connected with Stix & Co., 509 Olive Street, members of the Midwest Stock Exchange. He was previously with Stifel, Nicolaus & Co., Incorporated.

George Beardsley With B. J. Van Ingen & Co.

CHICAGO, Ill. — George E. Beardsley has become associated with B. J. Van Ingen & Co. Inc., municipal bond underwriters and dealers, as manager of their midwest buying department. Mr. Beardsley will be headquartered at the Chicago office of the Van Ingen organization, 135 South La Salle Street.

Prior to joining Van Ingen, he was associated with Cruttenden, Podesta & Co. as manager of their buying department. Mr. Beardsley has specialized in covering midwest states.

With Kidder, Peabody

(Special to The Financial Chronicle)

BOSTON, Mass. — Francis E. Park, III, is now with Kidder, Peabody & Co., 75 Federal Street.

DIVIDEND NOTICES

AVISCO ®
American Viscose Corporation

DIVIDEND NOTICE

Directors of the American Viscose Corporation, at their regular meeting on July 1, 1958, declared a dividend of twenty-five cents (25¢) per share on the common stock, payable on August 1, 1958, to shareholders of record at the close of business on July 16, 1958.

WILLIAM H. BROWN
Vice President and Treasurer

235th CONSECUTIVE CASH DIVIDEND

A dividend of twenty-five cents ($.25) a share has been declared upon the stock of Burroughs Corporation, payable Oct. 20, 1958, to shareholders of record at the close of business September 26, 1958.

Sheldon F. Hall,
Vice President and Secretary

Detroit, Michigan,
July 11, 1958.

Burroughs

COMMON STOCK DIVIDEND

The Board of Directors of Central and South West Corporation at its meeting held on July 10, 1958, declared a regular quarterly dividend of forty-two and one-half cents (42½¢) per share on the Corporation's Common Stock. This dividend is payable August 29, 1958, to stockholders of record July 31, 1958.

Leroy J. Scheuerman
Secretary

CENTRAL AND SOUTH WEST CORPORATION
Wilmington, Delaware

DIVIDEND NOTICES

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 78

A regular quarterly dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable September 12, 1958 to stockholders of record at the close of business on August 29, 1958.

H. D. McHENRY,
Vice President and Secretary.

Dated: July 11, 1958.

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

32 cents per share on its Common Stock ($15 par)

all dividends payable September 1, 1958, to stockholders of record August 15, 1958.

EDWARD L. SHUTTS,
Chairman

July 15, 1958

PUNTA ALEGRE SUGAR CORPORATION

The Board of Directors has declared a dividend of $2.00 per share on the capital stock of the Corporation, payable September 2, 1958, to stockholders of record at the close of business August 15, 1958.

WILLIAM C. DOUGLAS,
Chairman

July 10, 1958.

O'okiep Copper Company Limited

Dividend No. 47

The Board of Directors today declared a dividend of six shillings per share on the Ordinary Shares of the Company payable September 2, 1958, subject to the approval of the South African Exchange Control.

The Directors authorized the distribution of the said dividend on September 12, 1958 to the holders of record at the close of business on September 5, 1958 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $.84 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to September 2, 1958. Union of South Africa non-resident shareholders tax at the rate of 6.45% will be deducted.

By Order of the Board of Directors,
F. A. SCHECK, *Secretary.*

New York, New York, July 15, 1958.

DIVIDEND NOTICES

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.
July 9, 1958

A quarterly dividend of twenty-five (25c) cents per share was declared, payable September 25, 1958, to stockholders of record at the close of business September 11, 1958.

JOHN G. GREENBURGH,
Treasurer.

WOODALL INDUSTRIES INC.

A regular quarterly dividend of 31¼¢ per share on the 5% Convertible Preferred Stock has been declared payable September 2, 1958, to stockholders of record August 15, 1958.

A regular quarterly dividend of 30¢ per share on the Common Stock has been declared payable August 29, 1958, to stockholders of record August 15, 1958.

M. E. GRIFFIN,
Secretary-Treasurer

R. J. Reynolds Tobacco Company

Makers of
Camel, Winston, Salem & Cavalier cigarettes
Prince Albert, George Washington
Carter Hall
smoking tobacco

QUARTERLY DIVIDEND

A quarterly dividend of 90 cents per share has been declared on the Common and New Class B Common stocks of the Company, payable September 5, 1958 to stockholders of record at the close of business August 15, 1958.

W. J. CONRAD,
Secretary

Winston-Salem, N. C.
July 10, 1958

Public Service Electric and Gas Company

NEWARK, N. J.

QUARTERLY DIVIDENDS

The Board of Directors has declared the following dividends for the quarter ending September 30, 1958:

	Class of Stock	Dividend Per Share
4.08%	Cumulative Preferred	$1.02
4.18%	Cumulative Preferred	1.045
4.30%	Cumulative Preferred	1.075
5.05%	Cumulative Preferred	1.2625
$1.40	Dividend Preference	.35
	Common	.45

All dividends are payable on or before September 30, 1958 to stockholders of record August 29, 1958.

F. Milton Ludlow
Secretary

PUBLIC SERVICE
CROSSROADS OF THE EAST

DIVIDEND NOTICE

THE SOUTHERN COMPANY
(INCORPORATED)

The Board of Directors has declared a quarterly dividend of 30 cents per share on the outstanding shares of common stock of the Company, payable on September 6, 1958 to holders of record at the close of business on August 4, 1958.

L. H. Jaeger,
Vice President and Treasurer

THE SOUTHERN COMPANY SYSTEM
Serving the Southeast through:

Alabama Power Company
Georgia Power Company
Gulf Power Company
Mississippi Power Company
Southern Services, Inc.

Digitized for FRASER
http://fraser.stlouisfed.org/

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Dr. Milton S. Eisenhower's visit to Latin America is well timed in this country's good neighbor policy with our neighbors to the South. The President's younger brother should do some good during the next weeks with his informal discussions of some of the problems that beset those countries.

Dr. Eisenhower, President of Johns Hopkins University, is visiting countries Vice-President Nixon did not visit on his trip South in May. These include, in addition to Panama which was his first stop, the Central American countries of Honduras, Costa Rica, Nicaragua, El Salvador and Guatemala.

While Latin America generally is edging slowly up the economic ladder, the drop in coffee prices has begun to be felt. Today Latin America is facing a recession. The greatest coffee crop of all time is forecast for both Latin America and Africa, thus providing a big surplus.

Some of the Pan-American embassies in Washington have been reporting for several months that a big carry over of coffee appears inevitable. Estimates are the carry over of more than 20,000,000 pounds will be large enough to supply coffee for the United States for a year or more. Furthermore, the Department of Agriculture says that the world consumption of coffee will amount to about 38,000,000 bags.

Brazil Supplies Half

The United States is the No. 1 coffee drinking nation of the world. This country uses about 20,500,000 pounds a year, or about two-thirds of all the coffee grown in the world. Other major importers of coffee include France, Belgium, Italy, Canada, Great Britain and Sweden.

While 16 Latin American republics depend on coffee for a substantial part of their economy, Brazil continues to grow about half of the world's supply. Columbia is the second largest coffee growing republic. Most of the nation's coffee is imported through New York and New Orleans.

Dr. Eisenhower is expected to get the whole Latin American side of the story about the coffee dilemma on this trip. He is also expected to hear an unusual request. Latin American repersentatives are suggesting at every opportunity that they think it would be a good idea for the housewives in the United States and elsewhere, but particularly in America, that they pay a few cents more per pound to help stabilize the economy and save those countries from a severe economic setback.

However, it seems that the housewives of this country are already paying enough subsidies pertaining to our own agricultural products, without helping to subsidize other countries, including our own neighbors to the South. Nevertheless, it is to the good of the economy of the United States that the economy of Latin America remain stable.

Two years ago Dr. Eisenhower accompanied President Eisenhower to Panama where some 19 heads of state, the greatest assemblage of heads of state in world history, met for an important Western Hemispheric Conference. There President Eisenhower was given a hero's welcome by Panamanians on two different occasions as he rode through the thronged streets of Panama City.

Ike's Canadian Visit

The visit of President Eisenhower himself to Canada recently should well serve as a good purpose. More and more official Washington has begun to realize that we have not always used prudent judgment relative to the good neighbor policies of our next door neighbors, Canada and the Latin American countries, our biggest customers by far.

Former Canadian Foreign Minister Lester Pearson succinctly expressed Canadian sentiment currently prevailing in this eloquent manner: "We were once sensitive about Canada being considered merely a colonial extension of Britain. We are now even more sensitive about being considered a northern extension of the United States."

SBA Now Permanent

Ever since the liquidation of the Reconstruction Finance Corporation, it has appeared that the time would come when another similar Federal lending agency would be created and would operate under a different name.

The other day Congress sent to the White House a bill making the Small Business Administration a permanent agency. Created in 1953 as a temporary agency—like so many bureaus and departments of the government see the light of day—it has become a permanent agency. It is like levying a temporary tax, like the wartime transportation tax, which for all practical purposes has become a permanent tax after 12 or 14 years.

The Small Business Administration should be appraised now as another example of a big, mushrooming Federal Government. The ceiling on individual loans made by the Small Business Administration is $350,000. The question immediately arises once again: What is a small business? Any business that can wrangle a $350,000 loan at 5½% interest rate from Uncle Sam, probably can be constituted as quite a sizable business.

Home Loan Insurance

The United States Savings and Loan League probably will not get their legislation through this year, but they appear to be making some headway in its effort to get Congress to insure the top 20% of savings and loan association mortgages. The 20% would be on the 90% of the appraised value.

The American Bankers Association and the mutual savings banks have been throwing road blocks in the way of the League. It seems at this time, according to some of the House and Senate banking committee members, that the proposal will expire with the session, but it will be revived again, in all likelihood, when the new Congress convenes next January.

The greatest growth in the United States in savings since World War II has been in building and loan association institutions. The facts are that many people in this country stopped buying U. S. E and H bonds and started obtaining shares in building and loan associations for the simple reason they get more interest per dollar and they feel that their savings are secure.

Oil Import Curb

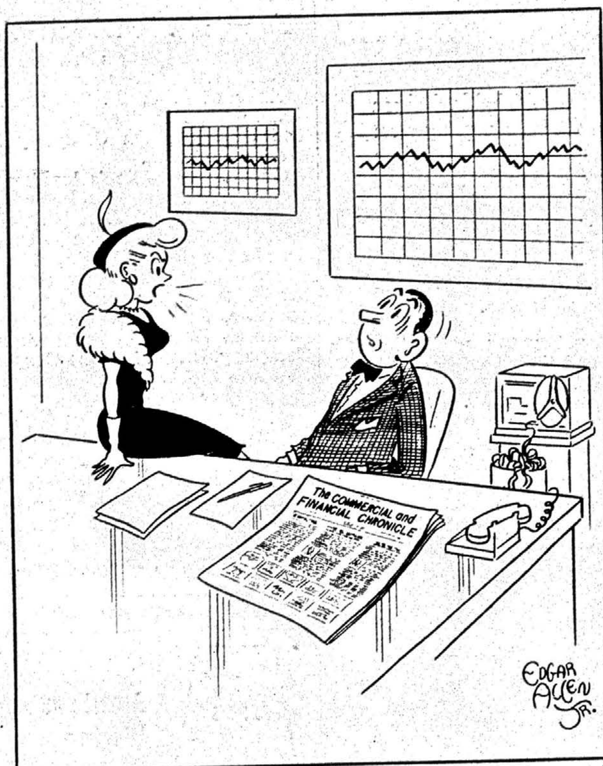
One of the real controversial provisions in the foreign trade bill approved by the Senate Finance Committee comes under the so-called "defense amendment" to the measure. Under this amendment the President can limit oil imports if he determines that the impairment to the security of the country is being threatened by imports.

The defense amendment unquestionably will evoke a great amount of debate on the Senate floor. Senator Robert S. Kerr, Democrat of Oklahoma, one of the wealthiest men in Congress, led the efforts to get the oil import amendment adopted in the Senate Finance Committee. Senator Russell B. Long of Louisiana, who represents the No. 2 oil and natural gas producing state, supported Senator Kerr in committee.

Secretary of Commerce Sinclair Weeks has already warned that the Eisenhower administration will fight the "escape clause" procedure on the ground that it "emasculates" the whole trade bill. Meantime, a considerable amount of crude oil continues to be imported. Oil product imports in the last four weeks ending July 4 were 636,000 barrels daily, an increase of 198 barrels or 45% greater than the corresponding period a year ago.

[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



"Never Mind Potato Futures—It's Time You Talked About OUR Future!"

Business Man's Bookshelf

Airline Traffic and Financial Data —Quarterly review—Air Transport Association of America, 1000 Connecticut Avenue, N. W., Washington 6, D. C.—paper.

American Housing and Its Use: Demand for Shelter Space — Louis Winnick—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y.—$5.50.

Annual Review of British Industry —Economist Intelligence Unit Ltd.—British Book Centre, Inc., 122 East 55th Street, New York 22, N. Y.—cloth—42 shillings.

Bituminous Coal Facts 1958 — National Coal Association, Southern Building, Washington 5, D.C. —paper.

Cotton Production in the United States: Crop of 1957—U. S. Department of Commerce—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. — paper — 15c.

Economic News Service — Chamber of Commerce of Czechoslovakia (published in German and English)—13, ul. 28, Fijn, Praha 1, Czechslovakia—paper.

Fiscal Policy Implications of the Current Economic Outlook: Hearings before the Sub-committee on Fiscal Policy of the Joint Economic Committee of the Congress of the United States—Superintendent of Documents, U. S. Government Printing Office Washington 25, D. C. —paper—55c.

How to Build More Income and Capital Through Tax Protected Investments — J. K. Lasser Tax Institute and John C. Dunnion — Business Reports, Incorporated, 2 East Avenue, Larchmont, N. Y.—cloth—$12.50.

Investing for Retirement — J. K. Lasser Tax Institute and Sam Shulsky — Business Reports Incorporated, 2 East Avenue, Larchmont, N. Y.—paper—$3.

Journal of the Institute of Bankers June 1958 including articles on the President's Visit to the U. S. S. R.; Dilemma of Central Banking; Finance for the Motor Trade; etc.—Institute of Bankers, Lombard Street, London E. C. 3, England—paper.

Oregon Securities Law and Crimes Involving Securities — Corporation Commission, State of Oregon, Salem, Oreg.—paper.

Pricing in Big Business: A Case Approach—A. H. Kaylan, Joel B. Dirlam and Robert F. Lanzillotti—The Brookings Institution, 722 Jackson Place, Washington 6, D. C.—cloth—$5.

Proceedings of the Fifty-First Annual Meeting of the Life Insurance Association of America — Life Insurance Association of America, 488 Madison Avenue, New York 22, N. Y.

Research Organizations and Research Workers—A bibliography —Selected References, Industrial Relations Section, Princeton University, Princeton, N. J. —paper—30c.

Savings and Loan Fact Book 1958 — United States Savings and Loan League, 221 North La Salle Street, Chicago 1, Ill.—paper.

Schedule of Par Values—International Monetary Fund, Washington, D. C.—paper.

Scientific Programming in Business and Industry — Andrew Vazsonyi—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y.—$13.50.

Some Relationships Between U. S. Consumption and Natural Resources 1899-1947-1954—Bureau of Business and Economic Research, University of Maryland, College Park, Md.—paper.

University of Chicago Press: Books for Fall 1958—Catalogue—University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill.—paper.

Volume of Mortgage Debt in the Postwar Decade—Saul B. Klaman—National Bureau of Economic Research, 261 Madison Avenue, New York 16, N. Y.—paper—$2.

FOREIGN SECURITIES

CARL MARKS & CO. INC.
FOREIGN SECURITIES SPECIALISTS
20 BROAD STREET • NEW YORK 5, N. Y.
TEL: HANOVER 2-0050 TELETYPE NY 1-971

TRADING MARKETS

American Cement
Botany Mills
Wurlitzer Co. Com.
Fashion Park
Indian Head Mills
United States Envelope
Morgan Engineering
National Co.
Cormac Photocopy Corp.

LERNER & CO.
Investment Securities
10 Post Office Square, Boston 9, Mass.
Telephone HUbbard 2-1990 Teletype BS 69

itized for FRASER
://fraser.stlouisfed.org/