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NR & Cab'd

EDITORIAL

As We See It

Trouble, even crisis, in the Middle East is hardly new. The geographical position of this region made it strategically vital to Britain long before oil became so vital as it is today—Britain with her far flung domain on which, so she used to boast, the sun never set. Various other countries for various other reasons had a vital interest in this section of the world—and some of them at least were more or less content to have it under British control so long as they felt confident that access to it and through it would not be denied them. But, of course, Russia, long before the Bolsheviks were ever heard of, had been casting envious eyes upon the warm water ports located in these regions.

In more recent years, the Middle East has taken on additional importance by reason of the fact that Europe has become dependent upon it for oil, and oil has become so essential to life in Europe as well as elsewhere. Here we now have not merely a passage way between East and West, not only a matter of a profitable investment, but for Europe at least a necessary product so largely controlled by these lands and these peoples. Even the problem of dealing with the Middle East powers concerning oil is nothing really new, and of itself hardly presents an insoluble matter. The oil episode in the case of Iran a few years ago was not particularly pleasant and certainly not profitable, but after all it seems to indicate that European capitalists and governments can do business with the governments of the Middle East even though they, like so many others all over

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The Price of Expediency

By DR. HARLEY L. LUTZ

Government Finance Consultant to the National Association of Manufacturers

Public finance specialist reiterates NAM's theses for economy; discredits the notion of public spending as a recession cure; and criticizes present Congress for failure to deal boldly and directly with oppressive tax rate structure, excessive government spending and wage-cost squeeze on profits. Dr. Lutz propounds an anti-recession and economic growth specific, and takes exception to Keynesian cure of discouraging and disparaging capital formation in pointing out we do not have adequate capital and should encourage capital formation by tax reform. Notes that Rockefeller Report recommends foreign governments adopt tax incentive measures and reform tax structure to attract investments and holds we should similarly apply this here.

Throughout its long, useful career as a policy arm of the NAM, the Government Economy Committee has stood firmly against Federal spending in amounts or for purposes beyond the bona fide needs and functions of the government. Consistent with this objective has been the Committee's steadfast opposition to the expansion of Federal activities by the introduction of new spending programs, and its screening of the budget to sift out other programs that should be eliminated or curtailed in scope. In connection with its study of the 1958 budget, the work of the Committee contributed substantially to the wave of popular protest which resulted in Congressional action to reduce appropriations by some $5 billion.

Harley L. Lutz

In view of the deterioration of the economy drive this year as compared with a year ago, it is desirable that the reasons underlying our philosophy of Federal economy be recalled to mind as an antidote to the current spending

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Stock Market Outlook and Investment Opportunities

By N. LEONARD JARVIS*

Partner, Hayden, Stone & Co., New York City

Wall Street partner informs Western Germans: (1) we are on the point of emerging from our economic slump and are counting on an upsurge in the economy in the relatively near future; (2) that despite high level of stock prices investment opportunities abound here and that this is not the time to look for defensive situations exclusively; and (3) what he believes are the industries which present the most favorable aspect. Mr. Jarvis recapitulates evidence we have hit bottom, are levelling off with ameliorating signs of recovery and, after an indeterminant period, will resume normal growth pattern. Also explains why bright long-range prospects has great bearing on present and future action of the stock market.

DUSSELDORF, Germany—At the present juncture in history, describing the economic situation in my country as being fraught with opportunity may seem, to say the least, inopportune. The United States presently finds itself in the depths of its "worst" business slump since the war. Statistics compiled by the Federal Reserve Bank show that industrial production is off nearly 10% from this time last year, almost five million workers are out of jobs, and a number of "blue chip" industrial firms are reducing their dividends. There even have been rumors of an impending currency devaluation, via an increase in the dollar price for gold. It is a strange anomaly that, ever since the first of the year, the stock market has been flying in the face of the bad news; the averages have gained back more than half of their losses of last year, and only the other day they attained a new high

N. Leonard Jarvis

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*An address by Mr. Jarvis before the Industrie Club, Dusseldorf, Germany, July 21, 1958.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 37.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

WARREN H. CROWELL

Partner: Crowell, Weedon & Co., Los Angeles, Calif.

Members: Pacific Coast S. E.

Western Natural Gas

A relative newcomer in the field of petroleum and natural gas production, Western appears richly endowed with the three main prerequisites for success, namely, **land, money,** and **management.** Also, it offers a remarkable speculation in **four major** plays: important explorations and developments are underway in the Peace River Area, Canada; the Four Corners Area, States of Arizona, Colorado, New Mexico and Utah; Louisiana Tidelands; and the Lake Maracaibo region of Venezuela. In the latter area Western Natural has some excellent company. Its partners include Phillips Petroleum, El Paso, Sunray Mid-Continent, Ashland Oil and Canadian-Atlantic Oil.

Warren H. Crowell

Much publicity has been given to the exploration efforts currently under way in Venezuela, supposedly one of the most prolific areas in the world, and prices paid for acreage by American oil companies seem to bear out this assumption. Western's Venezuela interests are impressive. In February, 1957, the company acquired a 10% interest in Block 10 (25,000 acres) in Lake Maracaibo, a 3.25% interest in Block 17 (25,000 acres) in Lake Maracaibo, and certain other interests in eastern and western Venezuela. Phillips Petroleum Co. was chosen as operator on both blocks. Early this year the group's initial test, located in the northwest portion of Block 10, was completed as a discovery well producing 4,080 barrels a day through a three-quarter inch choke from the Eocene formation.

As of Dec. 31, 1957, Western Natural and its subsidiaries owned an interest in 5,302,868 gross acres, and a net ownership of 2,400,704 acres. The company and its subsidiaries, as of this date, owned 63.22 net producing oil wells and 204.06 net producing gas wells. By far the largest portion of these properties is located in the Peace River Area of Alberta and British Columbia, Canada. Geologists say that this area has close similarity to conditions as they were in the South Texas and Permian Basin areas of 25 to 30 years ago. In those regions, as now in the Peace River section, there were widely scattered gas fields and gas showings coming from many different geological horizons. From facts on hand it seems certain that present known fields will be extended and many others discovered as exploration and development continues.

Linked With El Paso

Western Natural was incorporated under Delaware law in June of 1935 by Mr. Paul Kayser, President of El Paso Natural Gas Company, under the name of Gulf States Oil Company. In 1947, Western Natural Gas Company, a wholly-owned subsidiary of El Paso, was merged with Gulf States Oil, forming Western Natural. Mr Kayser is President of Western Natural and owns 8½% of the outstanding stock, and El Paso owns 23%. This connection with El Paso has been extremely beneficial. Western being too small at the start to command much respect in the oil and gas business on its own, has been given the opportunity to participate with El Paso in the attractive developments mentioned in preceding paragraphs.

The latest development of importance, the acquisition of the Cameron Parish Corporation, La., became effective on Feb. 12, 1957. This merger was beneficial to Western as the company needed the cash income of Cameron properties to effectively carry on the exploration and development of their acreage. By acquiring Cameron, Western Natural will receive production payments of about $120,000 per month and total production payments should yield $13 million over a period of nine to ten years.

In the foregoing paragraphs I have dealt with the exploration and development potential of Western Natural. In this business we tend to emphasize the future and to forget the present. Western Natural is presently a well-capitalized and successful producer of natural gas and oil. The company holds important sales contracts with some of our top transmission lines and public utilities such as El Paso Natural Gas, Tennessee Gas Transmission, Transcontinental Gas Pipe Line, Texas Eastern Transmission, Cities Service Company, and others. As a result of these connections, Western Natural's gross earnings have increased from $6.5 million in 1955 to over $9.1 million in 1957. This is an increase of roughly 39%. Net income for common stock in the same period has increased from $703,000 to $1,647,000, an increase of 131%. Per-share earnings likewise increased from 15½ cents in 1955 to 38 cents a share in 1957. It is important to note that approximately 40% of Western's natural gas production becomes subject to price redetermination in 1959. It would be reasonable to expect that this adjustment will result in additional revenues as contract prices for natural gas are adjusted upward.

The company's capitalization as of Dec. 31, 1957, showed long-term debt amounting to $15,206,000. Junior to this there was $11,402,000 of $30 par value convertible preferred stock and 4,474,953 shares of $1 par value common stock. There is a leverage factor of roughly 6-7 to 1 working in favor of the common stock.

In conclusion, the company is a successful producing unit supplying some of our top pipeline companies with part of their requirements, and offers speculative possibilities in the four prominent developments mentioned above. The successful completion of any of these, in my opinion, would be of sufficient magnitude to materially improve the company's reserves and also the market quotations for its common stock. I like it as a long-term hedge against the inflationary characteristics of today's world economy. Both the preferred (currently yielding about 4% and having appreciation possibilities) and the common stock (most attractive from an appreciation standpoint) are actively traded in the Over-the-Counter Market.

KENDALL H. LUTES

Director of Research

A. C. Allyn & Co., Chicago, Ill.

Aztec Oil & Gas Company

For those investors who are willing and able to assume the risk inherent in an independent oil and gas exploration company, I select the common stock of Aztec Oil & Gas Company as the security I like best. Aztec is a small vigorous oil and gas producing company which has built up its reserves quite dramatically in recent years. It holds substantial acreage in the San Juan Basin of New Mexico, the Paradox Basin in the Four Corners area, the Permian Basin in New Mexico, and also recently filed applications for 100,000 acres of Federal leases in Alaska.

Kendall H. Lutes

The buildup in oil and gas reserves has been quite sharp since the beginning of independent operations of this company in 1954, when it had 1,080,000 barrels of crude oil and 264,000,000 mcf of natural gas reserves. At the end of 1957, Aztec had 18,470,000 barrels of crude oil and 774,700,000 mcf of natural gas reserves.

Aztec is engaged primarily in the exploration for, and the production and sale of, natural gas and crude oil at the wellhead. The company primarily operates in the Four Corners area (where Utah, Arizona, New Mexico and Colorado touch) but they are also in the Permian Basin area of southeastern New Mexico. The company also recently stepped out in the Kaiparowits Basin of north central Arizona and south central Utah. This is a wildcat area and the accumulation of acreage at an early stage in this area is reminiscent of Aztec's aggressive activities in other areas. The company had their substantial acreage holdings in the Paradox Basin of southeastern Utah considerably in advance of the drilling activity that occurred there which sparked off the current interest in the Paradox Basin oil play.

This company's policy has been to acquire promising oil lands in areas which show signs of considerable promise but as yet are undeveloped. However, once drilling activity enters into one of these areas, Aztec farms out some of their acreage to the larger integrated companies to do the original exploration drilling. Under this policy, Aztec shifts the cost of the first well to another company, which thereby earns a percentage of Aztec's interest in the block so drilled, and the cost of subsequent wells on the block is shared proportionately by the joint lease holders.

Oil revenues have been an increasingly important part of the total revenues of the company,

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Mid-Year Economic Appraisal And Advice to Investors

By JOHN L. ROWE

Resident Manager, Blair & Co., Tulsa, Okla.

Investors who "feel secure and smug with their choice of common stocks" are vividly appraised of the international and domestic political, scientific and economic dynamic changes and mounting hazards to show how foolhardily anachronistic it can be to hold on to investments without timely review and change. It is Mr. Rowe's contention that "with common stocks, nothing is more certain than change" and adds that "times earning ratios, book value, and hope eternal are no longer effective yardsticks for the evaluation of industrial shares." Cautions that managerial skills of 160 different funds vary and points out individuals have available at their disposal research aid of many New York Stock Exchange member firms.

It is rightfully claimed that keeping money is more difficult than making it. Because money is generally accumulated from business pursuits, success in both business and investing is not necessarily compatible. The world is full of people who enriched themselves in business, then dissipated their rewards as investors. It is the time-worn story . . . failure to heed the everchanging political and economic scene.

John L. Rowe

That bad times follow good is common knowledge. Trade charts with their peaks and valleys attest to this fact. We are now in such a valley. For most of us, this trek should not prove difficult.

The Trade Agreement Act should be renewed for another five years. This is critically important. It could keep alive, perhaps even widen, our circle of well-being. No country can prosper in isolation. Our endless scientific and technical achievements must be made available to all our friends. Given a temperate and cooperative political climate, our vigorous enterprise system will eventually resume its traditional and dynamic growth.

There are mountains of dollars. Currency in circulation exceeds $30 billion. It was $11 billion in 1942. Commercial bank deposits are near $200 billion. Here are fluid deposits. Federal debt-money in certificates and bills, with a year maturity or less, hover at $80 billion. More fluid funds! Building and loan deposits total $50 billion. Millions of thrifty people own these shares. Life insurance companies were never so wealthy. Effective insurance now exceeds $100 billion. Insurance policies, like bonds, are constantly maturing. Add these sums and the total exceeds $450 billion. Is it any wonder economists and banking authorities concern themselves with inflation—not deflation? This mountain of debt-money and deposits poses a frightening picture. Yet for those concerned with securities—bonds and shares—there is reason for vigilance, alertness and vision.

There is a Congressional election next November. The Democratic Party should widen its majority. Events in California and elsewhere are straws in the wind. The great body of Americans seemingly likes the dynamic and disturbing economic innovations which characterize 20th century Democratic political leadership.

Ponders Foreign Events and D-J Drop

Any mid-year appraisal of the stock market is now closely tied to a grave foreign picture. Nasser like Hitler, has written a book. Published in 1955, its title is, "Egypt's Liberation: The Philosophy of the Revolution." Nasser is proving himself a determined and dedicated leader. Permitted to wrest the Suez from the British and French, Nasser's new goal is related to expanding the United Arab bloc. The Middle East is seething! France, for having been on the winning side in World Wars I and II, is near bankruptcy. The French are staring at civil war and outright currency repudiation. Conflict could be the only device left to assure France a permanent military receivership. Critical foreign events might trigger the 50 to 70-point drop for Dow-Jones envisaged by certain stock market technicians. Like last year, October and November could be ominous months.

Because we have so heavily mortgaged our future, no general stock market appraisal should extend now beyond the close of our government's next fiscal year. This new year commenced on July 1. Our spendthrift politicians are smack up against a statutory debt ceiling. While Congress can appropriate new billions, the executive branch, via its multiple agencies, must spend the money. Will we forever open-end the Federal debt to allow the spending agencies to function? What about the 48 states? They need new millions to expand facilities—roads, schools, pensions, unemployment insurance and pay advances required by those in public service. Can we effectively continue this debt expansion without new Federal and State taxes of some kind? In Louisiana, Oklahoma and Texas, the tax target is natural resources. Oklahoma already imposes a 5%

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Observations . . .

By A. WILFRED MAY

MORE ON MEETING-MANNERS

—From All the Corners—

The ensuing letters from Messrs. Paul J. Herold and George J. Meyer, with the "re-rebuttal" from Mr. Lewis D. Gilbert, follow communications previously-published here, from them and others, by way of comment on the item "The Hecklers Heckled" in our column of June 19. We therein cited the worry evinced by Henry H. Heimann, Executive Vice-President of the National Association of Credit Men, over the activities of volunteer spokesmen for the independent stockholders, particularly at annual meetings. He advocated that management adopt direct and uniform procedures, to supplant its prevalent technique of "strategic politeness" in dealing with the "disturbances" at meetings.


A. Wilfred May

* * *

From Management's Corner

DEAR MR. MAY:

Our friend, Mr. Lewis D. Gilbert, in his letter published in your column of July 17, seems to have missed the boat completely, in that he assumes that we are unsympathetic to abuses of corporate management. Had he, or any other individual, invested his savings in the shares of any corporation in the expectation of making reasonable dividends and profits on his investment, and then discovered that management was treating him unfairly; and if I, likewise, had the same kind of legitimate investment in the same stock, I am sure that I would be the first one to aid and abet Mr. Gilbert in his criticism of such management.

I think that perhaps Mr. Gilbert and others like him, have done good in certain instances in alerting the corporate investors to management abuses which creep up here and there at times. In general, however, it must be apparent that seemingly high salaries, options, pensions, etc. are brought about by competition for competent management in a market influenced by the unconscionably steep progressive rates of the Federal tax on income which leaves top management with a grossly inadequate take-home pay from salaries alone.

I certainly am an advocate of human freedom in every form, especially freedom of opinion, freedom of speech, and the right to disagree with anyone.

I do feel, however, that when one makes a business of buying into a company for the express purpose of using his trifling investment as a platform for building his own ego, he may completely lose his effectiveness and render an expensive disservice to the cause which he may honestly believe he is championing.

Personally, for various sound reasons, I am opposed to cumulative voting and competitive bidding because they have so often been employed by financial racketeers to take over and milk good companies for their personal benefit.

You may also care to inform Mr. Gilbert that the Investors League gets **none** of its funds from "management contributions."

PAUL J. HEROLD
Vice-President,
Investors League, Inc.

New York City
July 21, 1958

* * *

For Parliamentary Closure

DEAR MR. MAY:

This is in reference to the letter from "The Stockholders' Champion" [Lewis D. Gilbert] published in your column of July 17, maintaining as "absurd" the proposal that each stockholder's comment at the Annual Meeting be limited to five minutes.

Let's analyze a meeting. At this year's National Dairy meeting 1,800 stockholders attended; allowing each five minutes totals 9,000 minutes or a total of 150 hours, or 12½ 12-hour days!!! If everyone demanded unlimited time, say an average of one-half hour, the figure would be 900 hours or 75 12-hour days!!! And that would not include the 66,564 stockholders that did not come to the meeting.

. . . These are facts and figures that could happen by allowing unlimited speech time for all; meetings of AT&T, GE, and GM could last for months.

As "The Champion" cast me as a "Pro Management Stooge"—he forgets that I have helped him put over One Year Directors at National Dairy and defended him when he was called a name at a National Biscuit meeting—so one becomes a "Stooge" when one favors management rights as one sees them.

Many others beside "The Champion" have done their share of improving stockholder rights with less time and better results. To ask polite questions is one thing; to accuse or imply is another.

Re Those "Voltaire" Rights

I do not know what Voltaire-given rights he has as a part owner at an annual meeting that he conflict with the chairman's and other majority stockholders' rights, which would interfere with a motion to stop his unending speeches. As per Cushing's Manual of Parliamentary Practice, permission to speak and its time limitation can always be controlled by the chairman or a motion from the assembly. The chairman is in charge of the meeting. In reading opinions on speaking at meetings, I find that all advise speaking in the briefest manner possible as long speeches not only tire the audience but also makes them antagonistic. I always write out my comments and never take over five minutes, and I feel others can do the same unless it is a matter of unseating bad managements, checking raiders or hogging the meeting.

The opposition to longer speeches can best be judged by attending the meetings, as well as reading the articles in the "Chronicle."

GEORGE J. MEYER

Forest Hills, N. Y.
July 19, 1958

The "Champ's" Re-Rebuttal

DEAR MR. MAY:

The great fallacy in the imaginary arithmetical calculations of my good friend George Meyer in regard to 1,800 owners wanting the floor at the meeting is that of course they do not all want it. Time and time again, after the writer or Wilma Soss has concluded the questioning, a speaker has arisen and said "I had many questions to ask, but they have now been put so well that except for one question, which I will now put to you, my questions are answered."

On the contrary, we have noticed that most of those who are impatient to "get on with the meeting" when questions are the business of the meeting, have nothing to say other than praise of management and only pretend to be interested in not having the meeting "monopolized" etc. Nor have I ever noted a case when an owner asked for the floor because he had imperative reasons to leave, that the floor was not yielded to him for such a proper purpose. This is entirely different than attempting to stop the free flow of discussions which we favor.

Mr. Meyer seems to think questions or criticism should be made "politely." When management is polite and its supporters are polite, the treatment is reciprocal, but owners of American corporations are not charity patients but free American shareholders with a property stake they intend to protect as they see fit.

Replying to Mr. Herold

Turning now to Mr. Herold's reply to my comments. He seems to labor under amazing illusions for a man who considers himself a well informed investor. Had he taken the trouble to read "Dividends and Democracy," now in its second edition (royalties due me go to the small shareholder movement and not to my personal benefit), he would have known by now that the investments made by me in corporations over the years are hardly of the size he imagines. He would know that ours is an avocation, not a business, when it comes to protecting our rights and that of other investors at annual meetings. And even if the person attending the annual meeting had only a share of stock or none at all, as too many directors have and which he never complains about, if that person represents many owners and brings up proper matters he still would be doing a public service and I would be prepared to champion him.

I am also amused to see Mr. Herold concerned about shareholder "ego"—generally I find it is managerial "ego" which is the reason for many blunders. But of course when management is constantly in the limelight it is not "ego" but "genius." Fortunately we intend to see that the shareholders have much more to say, whether or not he chooses to consider it as "ego" or any other name.

As to his being concerned with the plight of the shareholder when its interests conflict with management, I have yet to see Mr. Herold arise on the floor of any annual meeting and dare to do his duty. The proof is in the eating of the pudding and when I see it, I will take another look at the gentleman. As to his opposition to the great protection of the shareholder cumulative voting, that is his personal right, but a reading of our annual reports will show how the right protects the shareholder, not management, by giving him proportional representation. Perhaps this is why he objects to cumulative voting, under the cloak of high sounding phrases in his letter.

In regard to his "rationalization" of the reasons for option, pension, executive compensation abuses, he reminds me of the labor leaders who also rationalize about the need for ever increasing wages for the same reasons.

As to the organization he represents, he takes issue with my statement about its managerial bias stating that it gets none of its funds from "management contributions." I wonder what he calls the mailing out of its leaflets, at corporate expense, as it has done over the years at a number of corporations. Does he think that this places his organization in any position to attack management policies in regard to options, bonus payments, holdings of directors, use of stagger systems and other cases where there is potential conflict between the interests of management and the shareholders?

LEWIS D. GILBERT

New York City,
July 22, 1958.

T. J. MacDonald Opens

John T. MacDonald, Jr. has formed MacDonald & Co. with offices at 76 Beaver Street, New York City, to engage in a securities business.

Forms Karen Inv.

BROOKLYN, N. Y. — Everett Ward Fleisig is engaging in a securities business from offices at 426 East 22nd Street, under the firm name of Karen Inv.

HELEN SLADE

Mrs. Helen Slade Sanders, prominent economist, editor and author, died of a blood disease Friday, July 18, in New York City. Widely known under the name of Helen Slade, she was in recent years very active in the affairs of The National Federation of Financial Analysts Societies. Founder of the "Analysts Journal" in 1944, she served as its managing editor until her death. She was Secretary of the New York chapter.


Helen Slade

The New York chapter of the American Statistical Association was initiated through the joint efforts of Miss Slade and Dr. W. Randolph Burgess former Under-Secretary of the Treasury and now U. S. Ambassador to NATO; and she served as its first President.

Miss Slade served for the past 12 years as a member of the annual economists' meeting of the National Industrial Conference Board, whose analyses and forecasts of business conditions were widely publicized. She conducted seminars on financial affairs at the New School for Social Research and the Women's National Republican Club. She was a prolific writer, with contributions to "The Commercial & Financial Chronicle"; "Barron's"; "Forbes Magazines"; and several British publications. Biographical articles about her and her intriguing activities have appeared in numerous periodicals, including the "New Yorker"; "Fortune"; and "Business Week".

Her many communal activities included leadership of boys and girls clubs at the Henry Street Settlement in New York City.

Miss Slade was born in California of a southern family. She studied at the University of California and at Columbia University, specializing in economics and journalism. She is survived by her husband, Henry S. Sanders who is a Vice-President of the Bankers Trust Company of New York, and a sister, Mrs. Beatrice Goring of Greenwich, Conn.

Plans are under way to establish a scholarship fund in memory of Helen Slade at the Columbia School of Journalism for the development of higher standards in financial writing.

Powell Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

FAYETTEVILLE, N. C.—George L. Lyon, Jr. is with Powell & Company, Inc., 120 Anderson St.

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The Security I Like Best

representing 43% of 1957 income, while accounting for less than 15% in 1950. Following are the impressive operating highlights that characterize the activities of this company:

Operating Highlights	1957	1956
Proven Oil Reserves (Barrels)	18,470,000	14,600,000
Proven Gas Reserves (MCF)	774,700,000	546,300,000
Net Oil Production (Barrels)	400,916	324,701
Net Gas Production (MCF)	15,037,562	13,357,296
Net Wells (Oil)	51.98	38.5
Net Wells (Gas)	211.83	200.6
Net Lease Acreage Owned	185,613	174,098

In my opinion, Aztec has the necessary prerequisites for successful oil and gas exploration, i.e., excellent management which knows the oil business, adequate cash to do the development necessary to find oil reserves, and a good acreage spread in interesting areas. Substantial values in excess of the current market price of Aztec common now exist, and future additions to these values seem assumed. I consider Aztec common, now selling around 17 in the Over-the-Counter market, very attractive for those investors seeking representation in natural resources.

Of Brine and Boron

By DR. IRA U. COBLEIGH

Enterprise Economist

A short study of an unusual enterprise long a producer of basic agricultural and industrial chemicals; and steadily broadening its research, development and combination of the mineral elements of the future—American Potash and Chemical Corp.

Mojave is an Indian name. It also is the name of a desert in California. In that desert is a lake —Searles Lake—about 170 miles from Los Angeles. It really isn't a lake at all — it's a dried up one, and what was once its bottom is now a fabulous briny deposit containing a rich assortment of valuable inorganic chemicals. American Potash and Chemical Corp. by virtue of fee ownership of most of this lake bed, and by leases from the Governemnt, has been privileged to "work" this vast deposit since 1912 (through predecessor company). At its main plant in Trona, Calif., it extracts commercially four major chemical items from this defunct and saline lake bed: salt cake, potash, soda ash and borax.

Ira U. Cobleigh

Now the uses of salt are well known but who uses salt cake? It's heavily used by the paper (especially kraft) industry in the Northwest and in the Southeastern States; and in industrial detergents—both expanding markets. APO is the largest American salt cake producer accounting for about 1/5th of domestic production.

Potash is one of the three basic plant foods. APO turns out about 6% of the potash in the U. S., most of which finds its way into fertilizer. Potash is currently in easy supply all over North America due to extensive deposits in the Southwest, and sizable newly found deposits in Canada. APO, however, enjoys a considerable economic advantage due to its nearness to large West Coast markets and relatively low transportation costs.

Soda ash has a broad range of industrial uses—in insulating and fiber board, soaps, detergents and glass. Soda ash sales are quite stable but do not represent an important "growth" element in the APO picture.

In borax, American Potash and Chemical and two other companies, U. S. Borax and Stauffer Chemical, practically control U. S. production through ownership of major known domestic borax reserves. Boron chemicals (which are derived from borax) accounted for over 18% of APO sales in 1957 and are believed to have an exciting future. Present major boron uses are in the glass industry: for porcelain glazes and enamels; for fiber glass; and in the production of glues, starches, soaps, detergents and fire retardants. Considerable romance has attached to the use of boron in high energy fuels. Fuel research is presently conducted by AFN, Inc. (50% owned by APO, 25% by Food Machinery and 25% by National Distillers). Both the raw boron materials and intermediate elements such as borix oxide, boron trichloride and trimethylborate (now in production) are expected to add importantly to the future earning power of American Potash with sales, for the most part, to the Government.

Other boron compounds, too, are being researched — boron-phosphorus, one which can become a base for plastics, borides for extreme hardness; and boron-carbon and boron-nitrogen compounds for indicated broad synthesized usage in plastics, pharmaceuticals and agriculture, quite possibly in competition with silicones. (APO is today the second largest producer of boron products.)

By company acquisition APO has broadened its horizons. Merger by share exchange brought first Eston Chemicals into the APO orbit in 1952. This company had specialized in refrigerants and insecticides. Then Western Electrochemical was merged; and on May 1st of this year Lindsay Chemical Co. of Chicago, renowned pioneer in thorium (a basic ingredion in fission reaction) was acquired in exchange for 362,000 shares of APO common plus 3,750 shares of 5% preferred. Lindsay not only has extensive government contracts for delivery of thorium (through 1959) but has developed unique talents in the processing and treatment of "rare earths." These are special elements believed to have great future utility in metal alloys and in the glass and textile industries. The names of some of these elements are out of this world—yttrium, for example!

In yet another mineral APO has attained an important position — lithium. Through its 56.7% ownership of both American Lithium Chemicals, Inc., and of San Antonio Chemicals, Inc.; and its 21.25% interest in Bikita Minerals (with large lithium ore reserves in South Africa) American Potash ranks among the three largest producers of lithium chemicals. Lithium is widely used in ceramics, welding, pharmaceuticals, greases and storage batteries but its scientific and strategic potentials are of especial interest. Lithium is used in the hydrogen bomb, as an oxidizer in solid propellants for rockets and missiles, and may be applied in ion propulsion for space flights.

Finally, APO is heavily interested in electrolytic chemicals including sodium chlorate used for bleaching in the paper industry; ammonium and potassium perchlorates used in solid full rocket propulsion; and manganese dioxide used in batteries. A new $4½ million electrolytic chemical plant is being built at Aberdeen, Miss. for operation this Fall.

APO had but one plant in 1952. It has seven today (not counting Aberdeen) and will spend $8 million, in total, on capital improvements this year—about $7 million of the funds being supplied from depreciation and retained earnings.

Apart from mergers, and eager entry into new and promising chemical and mineral areas, an important part of the forward motion at APO is derived from research. Since 1953 over 3½% of net sales in each year has been applied to research. For 1957 the percentage was 3.9% ($1,700,000) and much of this work is in the area of "pure science" wherein practical money-making results may be years away.

Giving full effect to the Lindsay merger, net sales for 1958 should run to about $47 million against $42.8 reported for 1957. Actually, on a *pro forma* basis for Lindsay, this would represent a $5 million total sales decline from combined 1957 results. This may be attributed partly to the general business recession affecting APO's basic inorganic chemical sales, and to some decline in operations at Lindsay.

For 1957 per share APO earnings were $2.35. They will probably wind up a little below $2 this year; but substantially improved results are expected for 1959 when merger assimilation will be complete, and especially the boron, lithium and perchlorates profits should increase. On current operation the present $1 dividend is amply covered, and should certainly be maintained. APO common is not a situation appealing to the buyer of cash dividend income since the company policy has been to retain a large portion of earnings, and to recognize increases in net worth by declaration of stock dividends. Along these lines there was a 10% dividend in 1955, 4% in 1956, 3% in 1957 and in addition to stock was split 2½ for 1 in 1956. Adjusted for these, APO common has ranged from a low of 10 in 1953 to a 1957 high of 67. The 67 price no doubt represented a surge of optimism about the romantic future possibilities in this equity. Today's price of 43½, however, is more realistic representing a price-earnings ratio of around 21.

APO common (2,270,058 shares outstanding, preceded by $5,673,-732 in preferred) is an interesting long range situation combining a steady business in basic inorganics, with aggressive expansion in boron, lithium electrolytic chemicals, "rare earths" and a number of the special elements needed for rocket and missile propulsion. From brine and boron APO has spread out into a variety of products essential in many peacetime industries, as well as in atomics and guided missiles for defense.

With Milwaukee Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Charles W. Koehn is now affiliated with The Milwaukee Company, 207 East Michigan Street.

V. H. Owen Jr., Opens

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Victor H. Owen, Jr., is conducting a securities business from offices at 480 North First Street.

The State of Trade and Industry

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

Three government departments' reports issued last week pointed to several new signs in June that would seem to indicate an upturn from the business recession.

For the second month in a row, the Federal Reserve Board reported that industrial production rose in June after reaching a recession bottom in April. The Labor Department reported that new and private construction climbed to a 34th month high in June while the Commerce Department stated that personal income shot up for the fourth straight month in June to approach the all-time high set last August, the rise centering in wage and salary payments although farm income dropped slightly.

The Federal Reserve Board report noted that loans at city banks expanded by some $2,300,000,000 from early June to early July. Almost half the rise reflected borrowing for purchase of United States Government securities.

Construction, which was started on private homes in June showed a 7% gain over May.

Steel mill operations increased 15% in June to 104% of the 1947-49 level, the Board commented.

The Federal Reserve report noted the advances in non-farm employment and retail sales. Personal income after seasonal correction increased $2,000,000,000 from May to an annual rate in June of $351,000,000,000 according to the Commerce Department estimates. That was about 2% above the February recession low and $300,000,000 below the record rate of August, 1957.

Fiscal Year Deficit of $2,800,000,000 Is Predicted

Preliminary reports show that the national budget would be $2,813,000,000 in the red at the close of the fiscal quarter June 30. The recession slump in individual and business earnings are considered responsible. This forecast is a preliminary prediction, five times greater than President Eisenhower's early January expectation and is subject to revision according to an announcement by Robert B. Anderson, Secretary of the Treasury and Budget Director, Maurice H. Stans.

Receipts for the fiscal year were $69,083,000,000 or $2,000,000,-000 less than fiscal 1957. Budget spending during the year was $71,900,000,000, an increase of $2,500,000,000 over fiscal 1957.

Bank Clearings Are 4.6% Above 1957 Week

Bank clearings this week 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 19, clearings from all cities of the United States from which it is possible to obtain weekly clearings will be 4.6% above those for the corresponding week last year. Our preliminary totals stand at $24,087,434,599 for all cities for week against $23,036,321,563 for the same week in 1957. At this center there is a gain for the week ended Friday of 14.8% the comparative totals for New York standing at $12,626,798,536 for week ended July 19, 1958, as against $10,999,818,975 in 1957; Chicago $1,213,953,004 as against $1,217,087,995 or a decrease of 0.3% and Philadelphia $1,040,000,000 as against $1,091,000,000 or a decrease of 4.7%.

June New Business Incorporations Higher

Following five straight months of year-to-year declines, the number of new business incorporations in June was higher than

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Fundamentals of Intelligent Investing

By JACOB GOULD SCHURMAN III
Partner and Manager, Investment Research Department,
Assisted by R. B. Johnson and Philip B. Thresher*
All of Schwabacher & Co., San Francisco, Calif.

A layman's guide to investing is trisected by members of a West Coast securities firm in order to impart in understandable sequence information investors should have, where to obtain it, and how to evaluate and use such information. Mr. Schurman, a partner in charge of research, explains why one must keep abreast of constantly changing information about firm, industry and economy; Mr. Johnson discusses such sources of information as research departments of investment banking and brokerage firms, corporation's own reports, and financial publications; and Mr. Thresher makes use of sample balance sheets and earnings statements to show how to digest financial reports and compute useful ratios for the investor.

PART I

We are all aware that a well-informed man or woman is one in a position, generally, to make wise decisions. In discussing the important subject of obtaining and interpreting financial information, I would add once again the importance of investigating *before* considering the purchase of any securities. This is not a dramatic topic, indeed it is not a particularly colorful one, but it is *vitally important*. Investigating involves work, hard work, basic work, sometimes fruitless work, but always interesting work. To those people who feel that fortunes come easily to those who know how to "work the trick" of playing the stock market—*beware* . . . it may be true that a very small number of people may acquire substantial funds without working—they may inherit wealth . . . they may find a boxfull of Spanish doubloons in the back yard . . . or they may win the Irish sweepstakes—but the rest of us—the vast majority of us—have to make our money (and keep it) by hard work.

J. G. Schurman, III

*From a series of talks delivered by Messrs. Schurman, R. B. Johnson and Philip B. Thresher to S. F. Junior Chamber of Commerce in cooperation with The Adult Education Division, San Francisco Public Schools.

Please notice the parenthetical "and keep it." The value of money is suffering a steady erosion, averaging close to 3% per year, due to inflation. Inflation is not new in our post-war economy. It has been with us since gold was first used as a medium of exchange.

Probability of Inflation

If you have money, there are a number of things you can do with it. First, you can spend it. You can buy things such as an automobile, or you can travel, or you can buy something that will retain its value over the years such as real property, or insurance, or marketable securities . . . or you can leave it in the bank—or, as a surprising number of people still seem to do today, you may keep it in your mattress or in a tin box in a secret hiding place under the floor boards of your bathroom. But, in passing, just bear in mind that in all probability, $1,000 kept under the floor boards for 20 years is liable to be worth only $500 in 1978.

If you decide to invest in securities, your problem becomes one of "in what should you invest?" We have heard about the types of securities which one can purchase, and about the risks and potential rewards that were involved in bonds, preferred stocks and common shares. While most of us, particularly those of us who are inflation conscious, think in terms of common stocks for our personal portfolios, regardless of the type of security, we should endeavor to obtain all the pertinent information about it before making our purchase.

It is sad but true that despite the tremendous efforts which have been made to prevent misrepresentation . . . despite the strict membership regulations of the New York Stock Exchange and the moral policing work done by the National Association of Securities Dealers . . . despite the setting up of the Securities and Exchange Commission in the early thirties, with its regional operations in all states and with strenuous efforts being made by them and despite the efforts by 99% of all investment houses and security brokers to protect the public, innocent people, nevertheless, today continue to buy shares in extinct mines in the mountain states, moose pastures in the North and other doomed or money losing enterprises. It is sad but true that a few unethical persons can still profit by operating a "bucket shop" which, in fact, may be nothing more than a telephone and a telephone directory.

However, this it not the whole story. Other innocent people lose money on tips, on something which they heard from their barber, on a scrap of information overheard at a bar or even from their closest and most reliable friend or even on a well meant, but poorly advised, comment from someone in the securities business. We hope to point out that there is really very little excuse for these losses and the people who suffer them are, frankly, foolish. One can feel sorry for them but one should not sympathize with them.

Information Is Available

There are mountains of information available to help investors make an intelligent appraisal of securities before they invest. To invest money on a tip, on a soliciting phone call from a stranger, or a rumor is generally an easy way of losing it. So it's silly and inexcusable to lose money by buying securities without first making a thorough investigation of what you are buying.

Where do you go to get information? How do you get it and what does it mean when you have it? What sort of information are you looking for?

Whether we are experienced in the workings of the stock market or just beginning our investment portfolios, there is information which you will need. There is information broadly speaking which you will either have already or which you should know how to obtain. And even after you have purchased a security there is information which you should keep up with so long as you hold it. For, from your point of view, it is often as necessary to make a decision, either to continue to hold or sell the security, as it is to buy it originally. In fact, most of us have found that it is much easier to decide to buy than it is to decide to sell.

This is not to say that once you have bought a security you should constantly worry about whether you should sell it any more than if you buy a corner lot and worry every day as to whether you should sell that. But as an investor, or for that matter as a prospective investor, you should keep yourself informed on general economic trends and business conditions in general. You should be on the watch particularly for events which may affect the fortunes of the companies in which your investments have been made or are contemplated. As you know, nothing is permanent except death and taxes. Our social conditions, or political systems, even our religious convictions are subject to change. But changing more violently and more frequently than any of these are economic conditions.

Changing economic conditions can and do start chain reactions. A new invention, a new scientific discovery, a change in the general standard of living or sometimes just a change in public taste can eventually effect whole industries. Within whole industries the individual companies which comprise it will be affected . . . some drastically, some hardly noticeably.

Obviously, it is what happens to the individual company which is the concern of investors . . . the shareowners of individual companies. In passing, it might be noted that it is the reaction of the present shareowners who might sell and of the prospective investors who might buy which broadly speaking sets the market price of any particular stock. Whether you decide to buy or sell a stock is a matter of judgment. You can never be sure that your judgment is correct until you have the benefit of hindsight but, by taking advantage of all available information, you can at least sleep peacefully in the knowledge that your judgment has been based on the best available information. Such information as you receive, such facts which you uncover, will cumulate in flashing signals suggesting possible buying opportunities or warning you to sell. "Well," you may say, "how do you follow economic conditions, how do you know even if you do follow them which way things are changing or are going to change?"

Economic Indicators

Without being unfair to them the answer to that is simply that the most expert of the economic forecasters can never be sure of the answers so that there is no need to feel too badly if *you* are sometimes wrong. But you *can* keep your eye on certain economic spotlights or economic indicators, as they are sometimes referred to. These mirror, or are supposed to mirror, business conditions in general. Among these are the gross national product which is the sum total of value of the goods and services produced in the country. You should watch relationships between the various major components which go to make up the over-all statistics: the durable goods, the consumer durables, and the non-durable goods, for example. Other indicators are the amount of disposable personal income, unemployment and payroll figures, level of commercial debt, population figures and trends.

Then there are the curves to watch, the curves of national production and consumption, of goods and services, of wholesale and retail sales and prices. There are, in fact, an armload of statistics which enable you to follow, more or less, the current trends in the economy. Unfortunately, statistics take time to gather and by the time they are published they are frequently out of date. Government agencies, however, are improving their methods and speed of disseminating useful business information and there is no question that this country is far ahead of most others in getting economic facts to the public. This is not to say that it is necessary for you to become expert statisticians in order to become successful investors, but it is useful to at least know the terms being used in current economic discussions so that you can get a general grasp of the vital facts and figures.

Comparing Industries

Next, we come to the separate industries which go to make up our economy. Those that interest you should have individual study and attention. You might wish to compare the long-term potentials of one industry versus those of another. Your choice of industry may be a personal one based upon your familiarity with it . . . or it may be due to the glamour and publicity pertaining to it. But whatever industry you are interested in, *before you invest* ask these questions about it. Is it growing, or static or even a declining industry? Is it an industry which is taking advantage of technological programs such as automation and atomic energy or, to give a specific example, the dieselization of the railroads or, in another field, consider the effects of television on the motion picture industry? How much does the industry you are interested in depend upon other countries both for raw materials and for sales? How much is it dependent upon national defense, how much of its production goes directly to consumer markets? Is it affected by seasonal or geographical factors? How susceptible is it to the seemingly inevitable fluctuations in the business cycle? Be satisfied that you have relevant facts on the industry you are interested in . . . that it is suitable for your investment program.

Let me comment here that it is possible for a well managed company in a declining industry to present good earnings prospects but generally speaking this is difficult. That is to say that it takes more research and astuteness to uncover these companies and you should be doubly sure before you invest in a company which, in your opinion, is in an industry which is either static or declining.

Studying Individual Firms

Now, at last, we come to making individual selections of companies. To guide you in your selection it will often help to make comparisons between companies—to study their comparative growth rates, their returns to net income, their relative profit margins and so forth. For these criteria provide important clues to the current efficiency and relative competence of the management of a company. Except in unusual circumstances, the best management can be expected to turn in the best financial results. As a corollary — other things being equal — better than average financial results, better than average profit margins, indicate better than average management.

I have stressed management here because unless you know the management personally, that is to say unless you know one or two of the individuals running the company, finding out about the real quality of a company's management is one of the most difficult things of all to do. Yet I believe that good management is, more than any other single item, the key to a company's success . . . the key to its ability to earn a reasonable return on its invested capital and hence to reward the shareowner. Another fact, closely related, which you should assess in a general way is the labor-management relationship. Labor is big business and a successful handling of its labor policy will be an important factor in the company's long term success.

Second only to management, particularly if you are looking at what are called growth companies, is the extent and effectiveness of the company's research program. How much does it spend on research in relationship to its total sales? How has the company improved its products, how many new ones has it produced in recent years? Think about how the company has developed, what is its general reputation in its field, how are its products regarded by those who buy them? How diversified are the company's operations and products? Is it likely to be able to maintain high levels of sales during a business recession, are its products subject to seasonal fluctuations? Are they, for instance, affected by the weather? To what extent is the company you are interested in dependent upon other companies for materials, to what extent is it dependent upon other companies for its sales? Does it distribute its own products and to which markets; and finally and inevitably as a potential investor, you must study the company's financial position. We will be coming back to this

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Williston & Beane Expands Research

Continuing its program of offering investors expanded and efficient facilities and services, J. R. Williston & Beane, 115 Broadway, New York City, members of leading securities and commodity exchanges, has announced that David B. Hill, Edward T. Martin, Gladys A. Villalobos and Maxwell R. D. Vos have been appointed to the staff of the firm's Research Department.

Alpheus C. Beane

Mr. Hill, formerly with Francis I. duPont & Co. and H. Hentz & Co., holds a degree from The College of the City of New York. He is a member of the New York Society of Security Analysts.

Mr. Martin, who will specialize in investment portfolio review for the firm's clients, is a graduate of Manhattan College and also studied at Columbia University and the New York University Graduate School of Business. He was associated with the Research Department of Merrill Lynch, Pierce, Fenner & Beane from 1941 to 1957 and previous thereto he was with Lazard Freres & Co. He is also a member of the New York Society of Security Analysts.

Miss Villalobos joins J. R. Williston & Beane after four years with Harriman Ripley & Co. Incorporated in the Division of Statistical Research. She is a graduate of Hunter College and N. Y. U. Graduate School of Business.

A native of London, England, Mr. Vos studied at Eton, Trinity College, and Cambridge University; worked as writer, lecturer and broadcaster on international affairs in Canada from 1949 to 1952, and as a security analyst from 1952 to 1955. Since coming to New York in 1955, Mr. Vos has specialized in international oils.

Alpheus C. Beane, who became directing partner of J. R. Williston & Beane on April 1 following his withdrawal from Merril Lynch, Pierce, Fenner & Beane, stated that the increase in the staff of the Research Department marks the most recent step taken by the firm in its continuing expansion program. Recently, a mutual fund sales department, municipal bond department and a commodity department have been added and the services and facilities of all other phases of operations have been expanded.

E. E. Steele Now With Purvis and Company

DENVER, Colo. — E. E. Steele has joined the staff of Purvis & Company, 1717 Stout Street, as an investment counselor. Formerly a Vice-President and partner in the investment firm of Ladet, Steele and McCune, Inc., he is a native of New York who has been active in the Denver investment field since 1953.

Robt. Tyson, Jr., With Wm. E. Pollock & Co.

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, announced that Robert W. Tyson, Jr. has become associated with the firm. In the past he was a Vice-President of Blair & Co. Inc.

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.**

Common Stocks for Institutional Investment—List of selected shares—Francis I. du Pont & Co., 1 Wall Street, New York 1, N. Y. Also available is a booklet on **"Building a Second Income."**

Glass Container Industry — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Anheuser-Busch Incorporated** and a **Review of the Stock Market.**

Government Bond Market—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, 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.

New York City Bank Stocks—Comparative figures as of June 30, 1958—The First Boston Corporation, 15 Broad Street, New York 5, N. Y.

New York City Banks—Review of first six months of 1958—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.

Northern New Jersey Banks—Comparative tabulation—Parker and Weissenborn, Incorporated, 24 Commerce Street, Newark 2, N. J.

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.

Petroleum Industry — Analysis in current issue of "Securities Outlook"—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

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

Steel Industry—Bulletin—Bache & Co., 37 Wall Street, New York 5, N. Y.

Treasure Chest in the Growing West—Booklet describing industrial opportunities in area served—Utah Power & Light Co., Department K, Box 899, Salt Lake City 10, Utah.

Treasury Financing—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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All Line Insurance Companies—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

American & Foreign Power Co.—Memorandum—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

Anaconda Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **General Motors Corporation.**

Bowater Paper Corp.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Cosden Petroleum Corporation — Annual report — Cosden Petroleum Corporation, Petroleum Building, Big Spring, Tex.

Curtiss Wright Corp.—Analysis—Cady, Roberts & Company, 488 Madison Avenue, New York 22, N. Y.

Curtiss Wright Corp.—Bulletin—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Eastern Stainless Steel — Analysis — Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Gross Telecasting Inc.—Bulletin—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Gulf Coast Leaseholds, Inc.—Report—Leason & Co., Incorporated, 39 South La Salle Street, Chicago 3, Ill.

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

Induction Motors Corp. — Report — Milton D. Blauner & Co., Incorporated, 115 Broadway, New York 6, N. Y.

Johns Manville—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **Pure Oil, New York, Chicago & St. Louis Railroad** and **Continental Steel.**

Lynch Carrier Systems Inc. — Analysis — P. W. Brooks & Co. Incorporated, 115 Broadway, New York 6, N. Y.

Nekoosa Edwards Paper Company — Analysis — Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a report on **Wisconsin Power & Light Company.**

Norfolk & Western Railway and **Virginian Railway Co.**—Discussion—Purcell & Co., 50 Broadway, New York 4, N. Y.

Northern Illinois Gas Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Polaroid Corporation—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Purex Corporation Ltd.—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Supercrete Ltd.—Study—Straus, Blosser & McDowell, 39 South La Salle Street, Chicago 3, Ill.

Telechrome Manufacturing Corp.—Memorandum—De Haven & Townsend, Crouter & Bodine, Broad & Chestnut Streets, Philadelphia 2, Pa.

Texota Oil Co.—Memorandum—Piper, Jaffray & Hopwood, 115 South Seventh Street, Minneapolis 2, Minn.

United Insurance Company of America — Study — Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

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

Essentiality of Regulation in The Transportation Industry

By GUY W. RUTLAND, JR.*
President, American Trucking Association, Inc.
Vice-President, Motor Convoy, Atlanta, Ga.

In no uncertain terms, organized trucking industry's spokesman underscores essentiality of transportation regulation and expresses shock that proposed Congressional study should cast any doubt as to its need. Mr. Rutland insists chaos would result without Federal-state regulation to protect, not the carriers, but the public against carriers' malpractices and carriers against competitive abuses and excesses. Believes truck hauling growth will exorably continue from over $6 billion presently handled by only 15% of total trucks registered in this country, and details why trucks now haul three out of four tons of freight moving in agriculture, industry and commerce. Charges regulatory bodies with obligation to provide people with efficient and economical land transportation.

We in the trucking industry were not always unanimously in favor of regulation of transportation, as some may recall. At the time the Motor Carrier Act was proposed, the industry divided rather sharply on the question of Federal regulation. I recall the circumstances surrounding this divided opinion as to regulation.

Guy W. Rutland, Jr.

What it amounted to was this: those carriers who came from states which had effective intra-state regulation of trucks were in favor of Federal regulation—those who came from states which at that time had no such regulation or limited regulation were inclined to oppose the idea.

Regulation or Chaos

Today, after more than 20 years of experience with Federal regulation and a good deal longer period of state regulation, I believe it is accurate to say that the trucking industry fully realizes that, so far as for-hire transportation is concerned, the choice is between regulation and chaos. It is a view shared by most transportation experts, and by all but an articulate minority of economists.

Nevertheless, there has been a steady drumfire of comment from a variety of sources, the burden of which seems to be that regulation, as such, is a pretty dreadful thing. Not the least significant of this comment was the editorial in "Life Magazine" back in early March of this year which proposed, that "to abolish the Interstate Commerce Commission altogether . . . or at least so far as its rate-making power is concerned."

Basic Reason for Regulation

What seems to have been lost sight of in all the pontificating about regulation of transportation is the elementary reason why such regulation was instituted. There is a vast misconception on the part of many people as to the origin of regulation in transportation. These mistaken observers all assume regulation was instituted to curb monopoly and to protect the carriers.

The record shows, however, that the basic reason for institution of regulation in transportation was to control the excesses and abuses of competition between the carriers and to protect the public against malpractices of the carriers. That record is clear.

I believe that the first duty of any regulatory commission, state or Federal, is to protect the public. This protection centers around such fundamental items as rates, availability and continuity of service and quality of service. Such protection of the carriers as arises, develops as incidental to, and flows out of, the discharge of this primary obligation to the public.

It is difficult for me to conceive of any thoughtful person failing to realize that the nature of certain public services requires regulation in the public interest. Moreover, it seems obvious that the imposition of such regulation cannot always be received with loud cries of joy by those who are so regulated. The very fact that a quasi-judicial body must be created to administer such regulation and given power to enforce findings, itself argues that some of these findings are bound to be curbs on what management seeks to do.

It Cannot Be Popular

What I am saying is that it seems quickly apparent that regulation cannot be completely popular with those regulated—that the mere existence of regulatory authority also calls for curbs and controls—and no one should be surprised that such restraints lie against those regulated. The test of successful regulation is simple enough, and it has little to do with popularity among those regulated. Rather the test always is, and must be, whether or not the regulation subscribes to the public interest.

I have no doubt that all or most of those present can recall findings and decisions by your own commissions which have been highly displeasing to those at whom they were directed. To me it seems clear that this reflects no discredit on either the fundamental necessity for regulation nor the particular finding or decision which is involved.

As for our industry, we too are deeply concerned about the attacks being made on the theory and practice of regulation of transportation. When the tally is taken on this difference of opinion, we will be found standing up to be counted on the side of those subscribing to the essentiality of

Continued on page 42

*From a talk by Mr. Rutland before National Association of Railroad and Utility Commissioners, White Sulphur Springs, W. Va., July 1, 1958.

Do Security Analysts and Investors Know How Sick the Dollar Is?

By FRANZ PICK*

Publisher, Pick's World Currency Report, New York City

Averring bonds are nothing "but certificates of guaranteed confiscation," foreign exchange specialist rebukes security analysts for not taking into account the toll of taxes and dollar purchasing power depreciation loss in bond yields, principal and classification of quality, and in analyzing corporate data based on fictitious dollar of nominal value only. Dr. Pick points out, for example, that an investor in a 50% tax bracket, desiring a 4% net yield after taxes for stocks, bonds or banking account, and conservation of purchasing power, requires a net yield of not less than 14.2% before taxes—based on 7.1% going to Treasury and 3.1% for annual average purchasing power dollar loss since 1940. Notes also that our astronomical one and a half trillion dollar public and private debt in real money shrinks to $712.5 billion in 1940 dollars or that $787.5 billion of purchasing power has been wiped out. Demands bankers and Treasury learn laws of currency theory and public change or stop dollar erosion trend in expressing pessimism about outlook for dollar's value.

Security analysts represent the most important instruments of digesting facts and information about corporations and of molding such statistics into final and readable form, which in turn should enable or persuade the mostly unskilled layman to put his money into the paper certificates of the respective company. Naturally, with the illusion to make money.

Dr. Franz Pick

In these often very complicated studies they try to get as near as possible to the truth. But such research activities, unfortunately, are—without exception — based on a measuring rod of constantly shrinking size. Many dig into available statistical material, analyze progress or decline of sales, earnings before or after taxes, dividend records, etc., without even stopping to think that the dollar in which these figures are expressed has, within the last 17½ years, lost more than 52½% of its purchasing power and has become a "dollarette."

Analysts base most of their statistical research work on the official figures that companies publish in the form of annual reports, which I can only call financial comic books. These reports, completely ignoring the factual debasement of the dollar, continue to set forth mostly illusory data at great cost to the currency-wise ignorant stockholders. There is even a special committee of judges to allocate special annual awards for "best reports," which are just as useless as the non-sophisticated ones. They avoid the real issue of corporate accounting in sticking to dream-like computations of absolutely unrealistic values. They compare the dollar of 1957 vintage without hesitation to the 1955 or the 1953 dollar. The difference between the first and the latter is just about 11%.

There is, to my knowledge, no security analyst who had had the courage or the skill to start a campaign for a return to accounting methods based on a real and not on a fictitious dollar of nominal value only.

Remember having paid only a nickel for a subway ride! We shell out three nickels now and will pay four nickels soon. But this fact does not lead to revolt against mail-coach methods of security analysts in a period of supersonic speed.

For most of us a dollar is simply a dollar. This is an easy conclusion to reach. You do not require any monetary knowledge to say it and always can use the limping excuse that all official statistical material is based on the paper dollar. Therefore, what is good for General Motors and the Government has to be good for multigraphed or printed studies of the very hypothetic value of "insecurities."

Let us have a look at what is really going on:

3.1% Average Depreciation Since 1940

The dollar, worth 100 cents in 1940, has now been debased to only 47½ cents or less of its purchasing power. According to my various studies on the subject, the average depreciation of the buying value of the dollar, since 1940, has been 3.1% a year. During the first five months of 1958 alone, the cost of living rose by 1.8%.

This procedure is labeled, by the illiterates of monetary theory, as inflation. Many analysts repeat this word in stock market comments. The terminology is absolutely wrong. We have no inflation, because there is no multiplication of instruments of payments in this country.

What we really have is the willful debasement of the purchasing power of the dollar in order to maintain full employment. This policy, based on the 1946 Employment Act legislation, has been proved wrong by the present slump. But it has destroyed hundreds of billions of value and will wipe out many hundreds more before the cycle of debasement has reached its end.

I do not want to bother you with too many figures. Let us therefore analyze only the most important complex of our currency cancer, namely, the total public and private debt of the United States.

According to official statistics, it amounts to about:

Paper, $1,500,000,000,000, or one and a half trillion. No country in the world can match this gigantic figure. If computed in 1940 purchasing power, or in stable dollars, the amount shrinks automatically to:

Real, $712,500,000,000.

Exactly $787.5 billion of this debt have been simply wiped out by destruction of purchasing power. These absolutely fantastic annihilations have never been commented upon by analysts and never have been the object of a prospectus for any kind of public or private bond issue. The SEC seems to ignore the fact, too.

But let us go a step further from here. Every new decline of the

Continued on page 20

*An address by Dr. Pick before New York Society of Security Analysts.

Financing Outlook for The Utility Industry

By DR. FRED P. MORRISSEY*
University of California at Berkeley

Unabated rapid growth and large demand for new capacity additions are predicted for nation's utility industry as a whole and at an even more intensified rate for 11 Western states by California professor. Dr. Morrissey agrees recession may slightly curtail projected greater growth but opines this will amount to a temporary postponement until growth rate resumes with recession's end. He stresses importance, even if unpopular during a recession, of not allowing shortsighted regulation to stifle adequate earnings, needed to attract senior financing, and points out that in today's capital market utilities must compete with others for funds and, also, must recognize mounting importance of institutional investors.

The utility industry — electric power, telephone and telegraph, gas and water—has been making enormous demands on the capital market in the postwar period, although the magnitudes may not be common knowledge. Last year 1957, $5.4 billion of securities were issued by these utilities. (See Table I). This total exceeded the sums raised in any other postwar period including that of 1954 when $4.4 billion was raised. The electric power industry has been responsible for the largest share of this capital with the natural gas industry usually holding second position and the communications group third—although in 1955 and 1956 the voracious appetite of the Bell System exchanged the relative positions of these two.

Dr. F. P. Morrissey

In the past seven years it may be noted these utilities have offered about 40% of total new corporate security offerings—and I include issues by manufacturing, mining, railroad, commercial and other corporations. If we make a comparison of the security offerings of these utilities with total offerings for cash, including the U. S. Government, State and Municipal securities as well as the corporate above, we find that the proportion was 13%-15% from 1951-1955 but increased to 17.5% in 1956 and 1957. Accordingly when put in these proportions, the demands of the utility industry for new capital becomes much more emphatic.

The utilities in the 11 Western States are no exceptions to this general picture. I have calculated that these utilities, some 31 in all, raised $554 million externally in 1952, and $1,054 million in the year 1957. Translated into the proportion of total U. S. utility security offerings, this means the West was responsible for 16% in 1952 and 21% in the 1957 period. The increasing proportion over time is worthwhile emphasizing. As has been noted, this Western region is truly a growth area.

Less Internal Financing

This reliance on public financing can be pointed out in another way —namely, by looking at the sources of funds for expansion in the postwar period. Looking at Table II we have a brief resume of the major sources of funds for the electric utility industry, Bell System, and all corporations. The ability of non-utility business to finance internally is striking with 75% of their sources of funds being generated internally; whereas Bell System produced 32% and the electric industry 38% from internal sources. The complements of these figures provide the relative reliance on external capital sources—and clearly indicate why the utilities have issued $28 billion of securities to the public in the past seven years. There can be no doubt that the utility industry has had to compete in the open-market for large sums of money.

Now, what of the future? Can we anticipate that the recent capital requirements are likely to drop off sharply as a result of the current recession or because of the predicted decline in household formation? For the very short run, say the next 6-18 months, there are some indications that projected expansion of facilities may be curtailed slightly particularly if the current recession continues, as I think it might well, for another 12 months. But at the present I believe these curtailments will be merely a postponement of new capacity additions and that the electric industry will continue its expansion at a 7%-8% annual rate, if not accelerate it—and I can see a similar pattern for the other industries.

Unabated Demand for Capital

There can be little doubt that the demands of these utilities over the past 5-10 years are not greater than their future annual needs will be — and the necessity for competing for large sums of money over the next decade or quarter of a century will continue unabated. Time does not permit justifying this forecast in detail but I can indicate informed opinions of others that support it. The Report of the President's Materiels on Policy Commission (the Paley Report) stated that electric generating capacity would have to be increased by about two and one-half times the 1950 level, from 83 million kilowatts to almost 300 million kilowatts, if projected needs in 1975 are to be met. This would require an average gross addition of 10 million kilowatts each year—an average we have not sustained to date.

Similarly, Mr. Philip Sporn has estimated that in 1975 the electric industry will be producing three times the current generation of 620 billion kilowatts. The summary of forecasts prepared by Dr. Morehouse for the National Bureau of Economic Research Conference on Regularization of Business Investment (Table 29 therein), while showing wide variation, substantiates the optimistic expectations of annual rates of growth of 6% or more for the electric power industry.

Most recently in an address before the Pennsylvania Electric Association, Mr. Charles E. Oakes reported on a study of the national requirements for electric capacity about 1970. Starting with an estimate of $600 billion Gross National Product there would be a need for over 310 million kilowatts of capacity by government and private sources — or nearly 200 million more than we had in 1956. He estimated the investor-owned portion would be 250 million kilowatts, and would require an additional $70 billion investment. If $25 billion could be financed from internal sources, there would be a residual demand of $45 billion from the capital market by the private electric industry alone.

Projects Industry by Industry Growth

Consequently, it is entirely likely that the electric utility industry alone will raise an average of $4 billion a year over the next 12 years—an amount almost equal to the average of the entire utility industry in the past seven years.

In the communications industry the same general picture is painted although forecasts of 20 years' duration are not available. One of the rapidly growing operating units of the Bell System has estimated that telephones in service in its territory will almost double and total plant investment which has increased by almost $1.5 billion since 1945, will increase by another $2 billion by 1965. This company alone can look forward to new capital requirements of over $200 million annually; whereas it has averaged about two-thirds of this amount annually in the postwar to date. It seems reasonable to expect that the recent total of $1.5 billion of security issues of the communications industry is likely to continue and be surpassed.

In the natural gas industry, shortages of available gas reserves may develop and slow down the growth of that industry, but it is reasonable at this time to expect a continuation of the unprecedented natural gas expansion particularly due to enlarging residential load and its expanded use in chemical production.

Intensified Western Growth

The growth predicted here for the nation as a whole, will be intensified for the West. As indicated earlier here, the most conservative estimate of population growth shows an increase of 16% between 1955 and 1970 producing a population of 195-200 million persons by 1970. This same projection points to an increase of about 38%, or 9 million additional persons in the West between 1955 and 1970—for a total of 35 million. (By 1965, this would be about 32 million).

This population increase will be accompanied by greater industrialization and diversification. The economic changes in this region were accelerated by World War II and the Korean War and now appear to be permanent. Defense production is a substantial element and while it was once considered temporary, its transitory nature is a thing of the past. Diversity of manufacturing, agriculture, extractive industries, and private and public construction will grow apace with population. This continued growth will demand utility service of a high quality available in large quantities.

Two indications of this continued growth can be noted in recent statements of two operating utility executives — Mr. E. M. Naughton of Utah Power & Light and Mr. J. E. Corette of Montana Power Company. Mr. Naughton reported that the utilities serving the Rocky Mountain Area expanded at a rate almost equal to a doubling of capacity every five years, as compared with a national average of about eight years. He expected that construction expenditures for the next five years would be maintained at least at the record levels of the past two years.

Mr. J. E. Corette, reporting on the North West, noted that in the past 10 years the investor owned utilities have added 1 million kilowatts and will add 1.7 million kilowatts more from 1958 to 1960. He estimated that $3½ billion will spent by Federal and non-Federal agencies in the next 10 years—with the non-Federal agencies providing $2 billion of this amount.

Need for Adequate Earnings

The financing of these capital requirements is a task of no mean magnitude—and promises a continuation of postwar financing problems. It emphasizes clearly the urgent need to continue an adequate level of earnings, strong capital structures, and every efficiency in management. Earnings must be maintained at levels which are attractive to the equity investment market. As one financial expert pointed out, the trend in earnings and the ability to secure equity money provide the base for successful senior financing—therefore if adequate returns are provided for the equity group, the coverage for the senior securities will be available. There is a danger present today that utilities and regulatory commissions may downgrade the importance of adequate earnings in view of the current recession, unemployment and dislike of raising prices. But regulation cannot take a day-by-day attitude toward this problem. It must be forward-looking and recognize utility planning should be a minimum of five years ahead and that financing, including current earnings must bear these long-run needs in mind.

I suggest Commissions might be well advised to work informally with the utilities under their jurisdiction to study the long-term demands they face and the financing problems to be encountered. It might also be appropriate for this group to set up their own study committee on the long-run economic outlook of this region.

Perhaps it might be mentioned that rapid growth means additional risk. The fact that rapidly expanding utilities are forced to sell securities so frequently, raises the problems of uncertainty of price, market reception, and perhaps even downgrading of quality in the eyes of investors. Similarly in these days of inflation, the addition of substantially higher cost plant reduces the return on invested capital — a point sufficiently well established that it needs little elaboration here. This "attrition" of earnings, as it is commonly called, has been recognized by several commissions including California's, by allowing a higher return in anticipation of a lower realized return in the future. Still a prevalent, yet intangible element of uncertainty arising out of the rapid addition of plant and personnel is the possibility that the market will not be there for the increased output of service, when it is available. One merely has to refer to the unsurpassed expansion of the 1920's when supply was vainly trying to keep up with actual and expected increased demand. The result was vast unused capacity for several years as the depression deepened and expected demand failed to materialize.

This danger of overbuilding is particularly real for a utility because management must be prepared to meet all actual demands, yet avoid large additions that may not be needed and would not contribute to earnings. The 3-5 year planning and construction period for utilities makes reliance on long range forecasts necessary and therefore even the best demand projections may be in error. As I have suggested elsewhere, because rapid growth produces additional risks and uncertainties some premium in the rate of return seems to be indicated.

Today's Capital Market

When one speaks of the capital market today it is worthwhile to mention two facts; the first is that utilities have no monopoly on the demand for funds — the very nature of the magnitude of their demands precludes any scarcity value to their securities. They have no preferred position with respect to the investing public and must compete with high earning industrial companies, the large and ever growing demands of state and local governments with their tax advantage, the Federal Government with its increasing deficit, and the multitude of mortgages in the housing market, to mention the more important. Competition at favorable cost in this market is only possible if the basic financial condition of the utilities is sound.

The second fact to be noted is the mounting importance of the institutional investor as a supplier of funds to the capital market. We have long known of the importance of Life Insurance companies in the long-term debt area—currently they hold about 50% of the outstanding debt of the utilities in their portfolios. But now we have the Pension Funds, and the Investment Trusts coming into the equity market in volume. I have made an estimate for other purposes which would indicate that over 85% of new corporate bond issues are going into the hands of institutional investors, and the latter are also investing enough

TABLE I

Security Offerings — Gross Proceeds From New Securities Offered for Cash

(Billions of Dollars)

	1957	1956	1955	1954	1953	1952	1951
All Offerings	$30.6	$22.4	$26.7	$29.7	$28.8	$27.2	$21.2
Corporate	12.9	10.9	10.2	9.5	8.8	9.5	7.7
Non-Corporate	17.6	11.5	16.5	20.2	19.9	17.7	13.4
Corporate Offerings							
Bonds	10.0	8.0	7.4	7.5	7.1	7.6	5.7
Preferred Stock	.4	.6	.6	.8	.5	.6	.8
Common Stock	2.5	2.3	2.1	1.2	1.3	1.4	1.2
Electric, Gas & Water							
Bonds	3.1	1.8	1.6	2.86	1.94	1.85	1.73
Preferred Stock	.2	.4	.3	.46	.35	.31	.27
Common Stock	.55	.3	.5	.39	.74	.51	.45
Total	3.9	2.5	2.46	3.71	3.03	2.67	2.45
Communications							
Bonds	1.3	.72	.99	.61	.79	.69	.51
Preferred Stock	.04	.01	.04	.03	.01	.02	.03
Common Stock	.10	.68	.11	.08	.08	.04	.06
Total	1.46	1.42	1.13	.72	.88	.76	.61
Total Utility	5.36	3.92	3.59	4.42	3.88	3.43	3.06
% Utility of Corporate	41.5%	36%	35%	46%	44%	36%	40%
% Utility of Corporate and Non-Corporate	17.5%	17.5%	13.5%	14.9%	13.5%	12.6%	14.4%

SOURCE—S.E.C. Statistical Bulletins 1951-1958.

NOTE—Total may not add due to rounding.

TABLE II

Sources of Funds

1945-1956

	Electric Utility Industry	Bell System	*All Corporations
Internal	38%	32%	75%
Reinvested Earnings	--	7	31
Depreciation	--	17	30
Other Internal	--	8	14
External	62%	68%	25%
Debt	41	23	19
Stock Issues	21	45	6

*U. S. Department of Commerce Statistics.

*An address by Dr. Morrissey before Mountain-Pacific States Conference of Public Service Commissioners at Portland, Oregon.

in equity securities to buy up over 60% of total new equity security offerings. Accordingly, because of their large continuing demands for new capital, utilities cannot afford to ignore this important source of new capital and must pay close attention to the views of these institutional managers.

I suspect one change that might be dictated here will be the emphasis on capital appreciation, rather than mere dividend payments as appears to have been the view of the individual investor. If so, this will call for lower payout of earnings providing a larger internal source of capital. Of course it will also mean professional management of the flow of funds and perhaps greater interest in and knowledge of efficiency in management. The actions of the regulatory agencies will also come under closer scrutiny as these informed investors direct the investment of large sums of capital. The day of the predominance of the small individual stockholder may be merely a memory—yet at least insofar as the pension funds are concerned, utility stocks may be moving to Main Street again.

Efficient Management

Another aspect of this growth problem concerns management almost exclusively. Efficiency of operation, flexibility and dynamicism can only be achieved with top quality personnel. To ensure the best in management practices, utilities must strive to recruit the most capable personnel, to train them with management development programs and to keep them happy with competitive salaries and interesting employment. My observations would indicate that utilities have not been able to attract their share of the top students upon graduation from college. This means, of course, that the group from which top management will be selected a decade or two hence will be of a lower quality. In an industry growing rapidly and needing dynamic ability, the quality and training of its leaders should not be neglected. To do so is false economy indeed.

In conclusion I might summarize briefly. The postwar history of the utility industry has been characterized by rapid growth and large demand on the capital market. The next decade promises more of the same, perhaps with some intensification of the problems encountered. The 11 western states made increasingly larger demands on the capital market, a trend that is likely to continue. Continued successful financing in a competitive capital market means adequate earnings over the long pull. Regulation cannot jeopardize the success of the utility growth by taking a short-run view of earnings. On the other hand, excessive earnings above financing needs and compensation for the risks of the industry will invite adverse public reaction. Utilities must look at the rising importance of the institutional investor as a supplier of funds and adjust their financial policies accordingly insofar as possible. Also, it seems necessary to pay much closer attention to the attraction of quality personnel through adequate remuneration, satisfying employment, and modern training methods. While providing no panacea, these suggestions will make the road ahead much easier for the utilities, consumers, investors and the economy as a whole.

Form Baylis & Geist

BALDWIN, N. Y. — Baylis & Geist Investment Associates has been formed with offices at 8 North Milburn Avenue to engage in a securities business. Partners are Robert W. Baylis, Laurence P. Geist & Edward Bialkoski.

Economic Consequences Of the Middle East Crisis

By PAUL EINZIG

The economic consequences of the Middle East crisis according to Dr. Einzig will be acceleration and accentuation of recovery that is now occurring, and main economic problem of accompanying, accelerating price inflation. Hopes that presently declining prices will continue to decline before price rise commences so that the shift will be from a lower base. Suggest measures that could be used to check inflation's return.

The immediate effect of the crisis in the Middle East was a weakening of sterling. The extent of its fall in Zurich has been, up to the time of writing, moderate, possibly owing to official operations to mitigate it. Sterling also weakened in relation to the dollar, in spite of the fact that the United States is involved in the military operations to the same extent as Britain. But the resources of the United States are capable of withstanding the extra pressure more easily than those of Britain. Even so, after dipping below $2.80 for a short time, sterling recovered to above par.

Dr. Paul Einzig

Allowing for all circumstances, the resistance of sterling to the additional pressure has been reasonably satisfactory. This shows that its basic position is now much sounder than it was at the time of the Suez crisis when the material effects of the pressure were greatly aggravated by its psychological effects.

As for the London Stock Exchange, like Wall Street, it took the crisis with calm. The equities of oil companies interested in the Middle East naturally suffered, and government loans were also weak. Taking markets as a whole, however, the tendency was erratic rather than weak. In particular industrial equities resisted the pressure remarkably well. The absence of any heavy selling is due to two considerations. The one is that the firm action taken by the United States and Britain is considered to have mitigated rather than increased the chances of a major war. The other is that the possibility of a minor war is expected to cause a reversal of the policy of disarmament.

The American-British intervention is believed to have checked the Soviet penetration in the Middle East, the progress of which might have led to a third World War. It is no wonder that the landing of troops in Lebanon and Jordan was followed by minor rallies on the Stock Exchange. But a much more important influence was the realization that, on the basis of the lessons taught by this experience, the Western Powers will feel impelled to reinforce their resources in conventional arms.

Accelerated Recovery Accompanied by Inflation

Such a change of policy is bound to reveres the business recession. In addition to its effect on the industries directly concerned with arms production, there is bound to be an increase in the demand for metals and other raw materials. It is true, even in the absence of these new developments, a revival would have developed in the course of the next few months. But the demand for materials and men resulting from a rearmament necessitated by the new situation is likely to accelerate and accentuate the recovery. It has now become quite evident that the possession of nuclear weapons does not obviate the necessity of maintaining great strength in conventional weapons. In situations such as the one that has developed in the Middle East the use of nuclear weapons does not arise. On the other hand the need for greater strength in conventional arms has become evident.

It seems probable, therefore, that the Western Powers will have to place more orders for arms in the near future. This will mean a reduction of unemployment and a development of labor shortages. In such circumstances it will be difficult if not impossible to resist pressure for higher wages. In any case the additional purchasing power that will find its way into circulation will make for increased consumer demand, leading to increase capital expenditure by industrial firms. So cost inflation will be accompanied by demand inflation.

Even before the change in the situation the deflation fears were grossly exaggerated. But now that we shall probably have to embark on some degree of rearmament it would be clearly absurd to continue to worry about deflation prospects. Once more the main problem—possibly the only problem—will be that of accelerating inflation.

It is of the utmost importance that the governments of the Western countries should do everything possible to mitigate the effect of the coming inflationary pressure. To that end it would be necessary to ensure that the recent fall in wholesale prices should lead to a fall in retail prices before the revival of inflation has cancelled it out completely. Wage demands could be checked or at least moderated if there should be a decline in the cost of living within the next few months.

Lowering Prices Now

Very little has been done so far in Britain to bring about such a decline. In themselves exhortations addressed to business firms are not sufficient. Employers are afraid that if they were to lower their prices they would have to raise them again as a result of the next wage increase. So prices are not reduced because of the anticipation of higher wages and wage demands are not moderated because of the anticipation of higher prices. This vicious circle must be broken somehow.

Every encouragement should be given to firms who reduce their prices. In addition to fiscal concessions, they should be given inducement in the form of favorable publicity. One method would be to persuade retail stores to display a list of the goods the prices of which have risen and another list of the goods the prices of which have fallen. It stands to reason that consumers would consult the list before deciding on their purchases and would make their purchases accordingly.

Unless a substantial reduction in retail prices can be brought about within the next few months we shall be in the throes of non-stop inflation which would proceed at an accelerating pace.

B. C. Ziegler Adds

(Special to THE FINANCIAL CHRONICLE)

WEST BEND, Wis.—C. Roland Krier is now connected with B. C. Ziegler and Company, Security Building.

Form Dearborn Co.

WASHINGTON, D. C.—Dearborn & Co. has been formed with offices at 14th & F Streets, Northwest, to engage in a securities business. Officers are James O. Baxter, President and Secretary; Ruben Morales, Vice-President, and David E. Atwill, Treasurer.

Guy R. Hogarth With Laird, Bissell & Meeds

NEW HAVEN, Conn.—Guy R. Hogarth has become associated with Laird, Bissell & Meeds, 44 Whitney Avenue, as General Manager of the Connecticut offices. Mr. Hogarth was formerly Vice-President of E. M. Bradley & Co.

Guy R. Hogarth

Pension Planning Co. Offers New Seminar

The Pension Planning Co., 625 Madison Avenue, New York City, announces that their next free one day seminar on pension and profit sharing plans will be held Aug. 21st in New York City from 10 a.m. to 4 p.m.

Rockford Sec. Dealers To Hold Outing

ROCKFORD, Ill. — The Rockford Securities Dealers Association will hold their annual Fling-Ding on Friday, Sept. 26, 1958 at the Mauh-Nah-Tee-See Country Club.

Now With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Stanley E. Henslee is now with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Bennett-Gladstone-Manning Co.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION CONVENTION

Our good friend, Lou Walker of National Quotation Bureau, has again shown his handsome support of our Association with a

Alfred F. Tisch

Louis Walker

half page advertisement in our annual convention supplement. We can always rely on Lou and appreciate being able to count on him.

ALFRED TISCH, Chairman
National Advertising Committee
c/o Fitzgerald & Company
40 Wall Street
New York 5, N. Y.

NATIONAL SECURITY TRADERS ASSOCIATION CONVENTION

The National Security Traders Association has announced that at their convention to be held Sept. 29 to Oct. 2 at the Broadmoor Hotel, Colorado Springs, principal speakers will be Dr. Lee A. DuBridge, President of the California Institute of Technology, and John Mitchell, Caldwell, Marshall, Trimble & Mitchell. Dr. DuBridge will speak on "Tech's Part in Launching Satellites." Mr. Mitchell's subject will be "New Types of State Financing."

The tentative program for the convention is as follows:

Monday—September 29

11:00 A. M.	Registration
6:00 P. M.	Reception
	Welcome to Colorado

Tuesday—September 30

8:00 A. M.	Past Officers Breakfast
10:00 A. M.	National Committee Meeting
10:30 A. M.	Ladies Walking Tour
12:30 P. M.	Luncheon, Speaker
3:30 P. M.	Trip to Garden of the Gods
5:30 P. M.	Cocktails
6:30 P. M.	Chuck Wagon Steak Fry

Wednesday—October 1

8:00 A. M.	Breakfast for Presidents of Affiliates
9:00 A. M.	Golf Tournament, Tennis and all Sports
1:00 P. M.	Leave for visit to Pueblo plant Colorado Fuel and Iron Corp.
1:30 P. M.	Leave for trip to Pikes Peak or Central City
6:00 P. M.	Cocktail Party
	Hosts — Colorado Fuel & Iron Corp.

Thursday—October 2

10:00 A. M.	National Committee Meeting Election of Officers
10:30 A. M.	Ladies Putting Contest or Shuffleboard
12:30 P. M.	Luncheon, Speaker
2:00 P. M.	Second Trip to Pueblo plant Colorado Fuel and Iron Corp.
6:00 P. M.	Cocktail Party
8:00 P. M.	Dinner
	Presentation of New Officers

TRAIN SCHEDULES TO COLORADO SPRINGS

(All time shown is Standard not Daylight Saving)

Saturday—September 27

5:00 P. M.	*Leave*	New York	Pennsylvania RR.
6:21 P. M.	*Leave*	North Phila.	Pennsylvania RR.

Sunday—September 28

8:00 A. M.	*Arrive*	Chicago	Pennsylvania RR.
3:00 P. M.	*Leave*	Chicago	Milwaukee Road
11:45 P. M.	*Leave*	Omaha	Union Pacific RR.

Monday—September 29

8:00 A. M.	*Arrive*	Denver	Union Pacific RR.
8:45 A. M.	*Leave*	Denver	D. & R. G. W. RR.
10:30 A. M.	*Arrive*	Colo. Springs	D. & R. G. W. RR.

RETURNING

Friday—October 3

2:30 P. M.	*Leave*	Colo. Springs	D. & R. G. W. RR.
4:45 P. M.	*Leave*	Denver	Union Pacific RR.

Saturday—October 4

3:00 A. M.	*Arrive*	Omaha	Union Pacific RR.
11:40 A. M.	*Arrive*	Chicago	Milwaukee Road
4:00 P. M.	*Leave*	Chicago	Pennsylvania RR.

Sunday—October 5

7:03 A. M.	*Arrive*	North Phila.	Pennsylvania RR.
8:30 A. M.	*Arrive*	New York	Pennsylvania RR.

THE ALL EXPENSE TOUR RATE TO COLORADO SPRINGS AND RETURN

	Two in Bedroom Each	Two in Compart. Each	One in Roomette	Two in Draw. Room Each	One in Bedroom
Chicago ____	$214.49	$215.30	$220.52	$228.06	$234.06
New York __	359.08	363.59	373.78	385.31	395.88
Omaha _____	149.41	151.00	154.31	158.87	162.77
Philadelphia	346.76	351.16	359.96	372.23	382.30

The Family Plan for man and wife will be $51.04 less for the wife from New York and $45.93 from Philadelphia. Family Plan will not apply west of Chicago.

The cost of the All Expense Tour includes Round Trip Rail and Pullman. All Meals on the Train, four days at the Broadmoor on American Plan (Two in Twin Bedroom) and transfers of individuals and baggage between train and hotel.

The Security Traders Association of Chicago will be Hosts at Brunch at the Drake Hotel, Sunday, Sept. 28 for those passing through Chicago enroute to the Convention.

For Reservations Communicate with:

DAYTON P. HAIGNEY	WALTER F. SAUNDERS
Dayton P. Haigney & Co. Inc.	Dominion Securities Corp.
Boston, Mass.	New York, N. Y.
JOHN M. HUDSON	EDWARD H. WELCH
Thayer Baker & Co.	Sincere and Co.
Philadelphia, Penna.	Chicago, Ill.

Securities Salesman's Corner

By JOHN DUTTON

What Investors Don't Know About Taxes

The force of habit is very strong, especially when it involves thinking about such compulsive investment ideas as income, capital, and the creation of an estate. Very few investors look beyond the gross income they receive from investments before taxes. This goes for investors in all classes of property including savings accounts, mortgages, savings and loans, real estate and securities. Ever since the schools have been teaching youngsters how to figure simple interest the idea has been drummed into people's heads that if you receive 3% on a savings account your annual interest increment is $3.00 on every $100 invested. Our schools should teach children how to figure their net return after the payment of income tax. However, disproving such a fallacy might not fit in too well with the current thinking of our political leaders, who must surely prepare the next generation to accept more raids upon their income and their future production.

Only the Few Are Aware

There is a very small minority of well informed, clear thinking, and successful investors who are aware of the crushing burden of taxes which they must pay—either now as charges against their income—or later in inheritances payable by their estates. So efficiently have the great masses of savers and investors been brainwashed, and so complicated have the tax laws become, that the subject of taxes and the ways and means that tax payers can use to legally reduce them that only a few individuals are interested in pursuing this subject. But the possibilities for increasing both the CAPITAL and the INCOME it produces in real dollars AFTER TAXES are greater today than most people would imagine.

The Opportunity for the Security Salesman

Certain investment men who are not content with this situation, through study and application, are increasing their business substantially by pointing out to their clients just how they can obtain these large tax savings through the use of legal methods of avoiding and reducing taxes. Although this field of activity does not offer a wide acceptance of investor interest (due to the indifference and mental laziness of many people) it is one wherein a lasting service offering great benefits will bring about referrals of substantial accounts.

Before this work is attempted, however, it is essential that a well grounded individual should prepare himself by study to insure that he knows his subject before he goes out to make recommendations. Also, no securities salesman should become a purveyor of legal or accounting advice. The salesman that enters this work should show investors the ways and means that they could use to achieve tax savings. Also, a close association with a cooperative attorney and tax counsel should be developed. All three can help each other in this work and in referrals to other clients. The necessary study can be done through the attendance of courses, if a University is available, or through home study. There are some excellent books on this subject available and the publishers of the better business publications will be pleased to recommend them to you if you write to them.

All These Methods of Reducing Taxes Are Legal

(1) Through the purchase of tax-free bonds.

(2) Through the purchase of common stocks that offer complete or partial income tax exemption, and where the tax-free portion of dividend income is used to reduce investment cost, and becomes to that extent, a producer of a taxable capital gain at a lower rate (if a profit is earned).

(3) Through the creation of various forms of living trusts, wherein the gross estate is reduced to a surviving spouse, yet the income benefits remain, and inheritance taxes collected against the estate payable to the survivors is substantially reduced.

(4) Through the use of reversionary trusts (or gifts that return) wherein property can be assigned in trust to persons in a lower income bracket from those in a higher bracket, and the income therefrom is subject to a lower income tax rate. After a stated period the principal is recaptured by the creator of the trust.

(5) Through the creation of a trust giving the principal to a charitable institution upon the death of the donor but where the creator retains the income for life. This reduces the income tax paid by the donor in the year he makes this gift (of a future interest) and reduces his estate taxes also.

(6) Through combinations of using trusts that combine gifts of both present and future interests when the situation calls for it.

(7) Through the proper use of life insurance, and the elimination of income tax on proceeds payable at death from the estate of the insured by using the provisions of the Internal Revenue Act of 1954 as it pertains to the making of gifts of all rights and ownership of insurance policies by the insured to a spouse, or other involved beneficiaries.

(8) Through the use of incorporated investment clubs which allows lower taxes on the first $25,000 of taxable earnings, and such a corporation, although taxed at the rate of 30% if it receives earnings from dividends pays a tax of only 15% of this amount. An incorporated investment club also has the right to accumulate surplus up to $60,000 the same as any other corporation.

(9) Through the use of profit sharing and pension plans, allowing for the accumulation of capital at net income received, compounded sans income tax, for eventual disbursal at low capital gain rates, or over extended periods on an annuity basis; and through the use of earnings that otherwise would be used to pay taxes at the current high corporate rates of from 30% to 52%.

(10) Through the use of marital deduction, the making of gifts that qualify for the lifetime exemptions and annual exclusions, and through the payment of gift taxes at a reduced rate.

This is only the most concise and general outline of the possibilities that are involved and some of the methods that can be used to reduce the impact of taxes and create more income and capital for investors. No one keeps a dollar of capital, or of income, until after the government takes its share first. A study of the legal methods of protecting capital and income from the crushing burden of current income and estate taxes will be rewarding to any salesman who does so, and who uses this knowledge to help his clients.

Eldridge Robinson Now With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Eldridge Robinson has become associated with Dempsey-Tegeler & Co., 209 South La Salle Street. Mr. Robinson was

Eldridge Robinson

formerly with Bache & Co. and prior thereto was an officer of Fairman, Harris & Co., Inc., with which he was associated for many years.

With Hecker & Co.

PHILADELPHIA, Pa. — Hecker & Co., Liberty Trust Building, members of the New York Stock Exchange and other leading exchanges, announce that Harvey F. Elfman and M. Bruce McLean have become associated with them in their Philadelphia office as registered representatives.

Building a Profitable and Effective Corporate Image

By WESTON SMITH*

Managing Director, Weston Smith Associates

Essentiality of financial advertising, to reach and influence the financial community and the investing public for capital and shareholder growth, is the thesis advanced by knowledgeable Smith in criticizing large majority of firms for treating such advertising as a step-child of the advertising budget. Mr. Smith terms the annual report the keystone to any intelligent financial public relations program and highly endorses annual report, quarterly dividend and institutional advertising in order to reach the financial professionals, particularly those who influence the influential security analysts. Recommends that firms nonconversant with financial public relations make use of it to influence and impress present and prospective shareholders.

My thirty years of experience in Wall Street, serving as financial statistician, security analyst, business editor and public relations director of an investment publication, and presently as a consultant to industrial management on financial public relations, have encompassed the most progressive era in corporate finance. During these past three decades, which have included two wars and one shattering depression, the number of stockholders has increased tenfold—from an estimated million in 1926 to around ten million today.

Weston Smith

We hear so much about the atomic age and the scientific marvels of this generation that we are inclined to overlook the fact that these industrial wonders would not be possible without the investments of millions of stockholders who also are substantial taxpayers. How to cultivate, and keep informed the investing public, and the professional investment advisers who influence their opinions, has become a primary concern of management in the increasingly competitive financial markets.

The intensified competition in the sale of consumer products and services is mild compared with the growing competition for the investors' dollars. A corporation, merchandising several brands of products, may have a dozen important competitors vying for customers. But the stock of the same company has hundreds of competitive issues seeking the investor's favor. Blue chip stocks compete with other investment issues, regardless of the industries represented, and the same goes for speculative securities. Yields, price-earnings ratios, dividend prospects, financial position, research, expansion and many other factors will influence the investor's judgment.

Today, there are several tested methods available to reach and influence the financial community and the investing public. Many case histories and success stories could be cited to provide the evidence of progress. However, I am convinced that the combination of a well-planned financial public relations program and a continuing financial advertising campaign will produce the most lasting results in broadening stock ownership.

One measure of the success of a combination program in financial public relations and investor advertising is in the increase in number of shareholders over a period of years. Five leading industrial companies, which are progressive in both their relations with stockholders and the financial community, and have maintained their advertising in investment publications during the past thirty years, show the following growth in their shareholder families:

	1926	1936	1946	Today
American Telephone & Telegraph	399,121	640,991	694,171	1,500,000
General Motors	50,369	342,384	428,874	650,000
Standard Oil (N. J.)	77,231	120,630	162,228	400,000
General Electric	46,200	190,044	242,176	366,000
United States Steel	149,117	228,662	226,255	323,000

This pattern of progress is reflected to a greater or less degree in the gain in numbers of stockholders of hundreds of other companies which have at least doubled their shareholder lists in the past twenty years. Those which have shown little or no growth in shareholder ownership, or have lost stockholders, during this period are neglecting their opportunities in both financial public relations and investor advertising.

Annual Report as the Keystone

The keystone of any intelligent financial public relations program is the annual report. For the more progressive companies this medium of communication has become the most important single document produced by the officers each year, because it is now distributed not only to stockholders but throughout the financial communities (bankers, brokers, security analysts, investment services, mutual fund managers, trustees of estates and other financial professionals), plus employes, labor leaders, government officials, opinion leaders, customers, suppliers and the general public.

But this once-a-year impression is not enough. As a result many companies also mail out copies of quarterly earnings statements, printed reports of the shareholders' annual meetings, dividend enclosures, and reprints of officers' speeches and magazine articles, plus a variety of trade catalogs, recipe booklets, road maps and other printed matter, depending upon the industry involved. However, with the increase in postage rates scheduled for Aug. 1st (33⅓% for First Class Mail, and 50% for Third Class Mail), many managements will review the number of mailings to shareholders, the financial community and various opinion leaders. Of course, the obvious economy for a dividend-paying company is to send quarterly reports, newsletters or reprints as free-riding enclosures with the dividend checks.

If a company has been sending its annual reports by First Class Mail, a substantial saving can be effected by switching to Third Class Mail. For example, an annual report mailed this year for 12 cents by First Class Mail will cost 16 cents next year. But if the same-size annual report is published early enough, it can be sent by Third Class Mail at 6 cents a copy for a saving of 10 cents per copy. By this means, a company mailing 100,000 annual reports can save $10,000.

For those managements, who are planning to send their annual reports by Third Class Mail, it is well to know that a sealed envelope is now permissable, thus eliminating the need for turning in the flap or utilizing a "Penny-Saver." Also, if the words "ANNUAL REPORT" are printed on the front of the envelope, many post offices will give this mail preference in delivery over catalogs, advertising matter and so-called "junk" mail.

Reaching Those Who Influence The Influentials

It has been estimated that there are between 20,000 and 30,000 financial professionals throughout the National who influence the opinions of 10 million investors. To reach this important group with a monthly or even a quarterly mailing is an expensive procedure. However, within this group are the members of the National Federation of Financial Analyst Societies, made up of 20 metropolitan city societies and numbering some 2,500 security analysts — these are the professionals who influence the influentials. Practically every bank, brokerage firm, financial publication, investment service, mutual fund, investment trust, pension fund, foundation and big estate or trust fund employs one or more security analysts.

The president of a corporation is invited to speak at a luncheon of the New York Society of Security Analysts only once every two years, and to other big city analyst societies even less frequently. Plan tours for security analysts are conducted by a relatively small number of companies, and those managements favoring this technique will seldom repeat it within a five-year period.

Of course, a certain amount of the financial publicity of a leading company will appear in the financial pages of metropolitan daily newspapers and in the investment weeklies. Too often, however, earnings reports and quarterly dividend announcements are relegated to the summary tabulations.

When the annual report of a company is covered in the news columns of the big city dailies, too often the headline features the negative side of the story. This explains why an increasing number of companies, both large and small, prefer to summarize their yearly financial statements and write their own headlines in annual report advertisements.

Annual Report Advertising Is Best

Of all of the tested methods for reaching and influencing the financial community and the investing public, the annual report advertisement has proved most effective because it has a hook in it: a copy of the report is offered to those who will write for it. Equally important, the annual report advertisement usually carries an adequate summary of comparative financial statistics to serve the requirements of the stockholder, whose shares are held in a broker's name, and to inspire the interest of security analysts, investment advisers and other professionals.

But in financial advertising, as in other forms of advertising, "Repetition Brings Reputation," and an annual report advertisement can appear only once each year. Next in importance, therefore, is the quarterly dividend advertisement. Once a purely classified matter-of-record announcement set in solid type, many dividend notices have been glorified with illustrations, including trademarks and products, plus maps, charts and photographs. The number of consecutive quarterly dividends is featured in the headlines of dividend advertisements of companies which have had unbroken records of payments for 10 or more years.

In its new form, dividend advertising is another tested method to keep the name of the company before the financial community and the investing public. This is the most economical form of financial advertising, but it is welcomed as bread-and-butter business by newspapers, financial weeklies and investment magazines. Some corporations repeat the same quarterly dividend advertising two or three times, usually in the following issues of the same publication to gain repetitive impact upon investors.

Institutional Advertisements

During the past decade, more and more corporations have scheduled institutional advertising campaigns, slanted to the financial community, and in leading investment publications. The public utilities, oils, steels, chemicals and electronics have been the most progressive in taking advantage of the opportunity to explain their affairs on a once-a-month or every-other-month basis. I sometimes think that there is more news, forecasts and estimates in many of these institutional advertisements than there is to be found in the articles of the magazine in which they appear. Perhaps this is why these advertisements are so often clipped and filed by security analysts, investment advisers and other professionals.

But I regret to say that the corporations today, which are taking advantage of the opportunity of annual report advertising, paid dividend announcements and especially institutional messages, are the small minority. For the large majority of national advertisers, financial advertising is the step-child of the advertising budget. Too few managements set aside a certain percentage of their annual advertising expenditures to reach and influence the financial community and the investing public who will provide the funds for future growth and expansion.

The growing population of this great country with the higher standards of living for wage earners assures that more and more of our citizens will become investors in American industry. If we have 10 million stockholders in the United States today, contrasted with only a million 30 years ago, I will venture to predict that there will be 20 million stockholders 10 years from now. Of course, it is obvious that the present trends of inflation are forcing more savers into common stocks as an inflationary hedge.

Will the number of stockholders in your company be doubled in the next 10 years? Is your management planning today for the additional capital which will be required to finance your progress in the coming years? Does your company have among its officers the experienced and qualified talent to build a strong and effective corporate image in the minds of the investing public and the financial professionals? If the answer is "NO" to these three questions, your management should retain an established financial public relations consulting firm to provide the guidance and carry out a program to utilize the tested methods which will impress and influence present and prospective shareholders.

*An address by Mr. Smith before the Association of National Advertisers, New York City, June 18, 1958.

Overton Adds Two

(Special to THE FINANCIAL CHRONICLE)

CORONADO, Calif.—Francis W. Bustard and Richard F. Long have become connected with J. A. Overton & Co., 1134 Orange Avenue. Mr. Long was previously with James Kyle Company.

What Do We Actually Do About The U.S.S.R. Trade Offensive?

By S. J. RUNDT*
Consultant on International Business, New York City

Our failure to recognize Soviet trade offensive as a state of war, without blood being spilled, is appalling to former economic intelligence officer and now international business consultant. Mr. Rundt urges extreme haste in employing credit as principal weapon to win the trade war now in progress. States it is mandatory that this be a joint private and government venture in order to compete successfully against Red State monopolies and achieve solely needed close coordination and information. Suggests Department of Commerce be placed in charge and that concrete plans be worked out regarding availability of public funds and/or credit for exports as well as direct foreign investment financing. Considers also need for pooled bids, Federal financial backing, trade and payments agreements, stockpiling and subsidies.

We are all aware of the trade war declared on us by the Soviets. Certainly we shall have to meet this attack with every weapon at our disposal and inevitably we shall have to compete with credit terms that may exceed anything that might be justified in ordinary international trade.

S. J. Rundt

The communist trade offensive focuses attention on the old question of credit competition. I for one could never understand why credit competition was considered immoral, illegal or unethical. We try to outdo each other on advertising, merchandising, sales, production, distribution, delivery, price and almost every other feature of a business transaction. Why shouldn't credit terms be included in this array? As a matter of fact, we have all been competing on credit terms domestically and in our international trade for many years but we will not admit it openly. With all the problems confronting us now it would seem that we should face up to this situation realistically and use every advantage we have in this trade war upon which so much depends and in which one of our greatest advantages is a dominant credit position and our ability as credit administrators.

Unprepared for Red's Trade War

Everybody is talking of the dangers of Red economic warfare, but as if there were no counterattack in the cards—nobody has so far done much about them in concrete tactical terms. As unprepared as we were for sputnik (and before it, for the Hungarian blood bath, the Suez Canal fiasco, the conquest of Syria by Nasser or the Lebanese rebellion), as little do we seem to be ready to meet and beat the Sino-Soviet business assault. And business is supposed to be what we here excel in. Instead of practical planning and purposeful action, most I can observe are theoretical discourses and dialectic acrobatics.

Naturally, I do by no means profess to know all that is being done in Washington. As a longtime intelligence officer of past years, I realize that some things must be secret. But permit me to say that whatever practical economic rearmament is being prepared by our Authorities—it is also unknown to the Top Management of some if not many U. S. corporations—else I should not be asked the sort of questions nowadays regularly posed to me in my capacity as a consultant.

Nikita Khrushchev has been good enough to declare "relentless" economic war upon us by formal announcement, but neither the high in official quarters, nor the mighty in free enterprise to the best of my knowledge have taken any discernible, definite steps in effective avoidance of what under existing circumstances would have to end in our defeat in a few years, unless we soon get cracking.

Essentially unprogrammed, occasional and sometimes sporadic public expenditures of funds—often haphazard—do not change this picture, but rather lend color to it.

To date, this appears to be the first case in recorded history where one world power, without ambiguity and publicly, has proclaimed the existence of a struggle unto death against another world power, and where the challenged nation for all practical purposes, at least to start with, has selected all but to disregard the state of war. If this had been done militarily, a Soviet fleet might lie off Manhattan, and, in due course, the Red Army would conceivably bomb St. Louis or occupy San Francisco.

Perilous Stance

In an era of widespread approval of mediocrity, of rampant hypocrisy and outright fear of facts, many of us entertain pious hopes that the Communists one day will either explode by internal combustion or simply fade away under their own steam. Meanwhile, we seem to preside over a steady deterioration, almost throughout the world, of our national prestige and international authority, and over a constant weakening of western cohesion. This trend is most perilous, at best, and it could become suicidal, if it were to persist.

It is now generally recognized as probable that the Sino-Soviet Bloc does not have the intention of fighting it out in the military field, although it is precisely in that sector where to date the Communists have most obviously progressed in relation to us. The Reds do not have to spill blood, because they are winning anyway. (The inutility of the so-called Eisenhower Doctrine in the Middle East appears to underscore this.) Clearly, Moscow and Peiping have for the time being decided to give battle in what we call business. And their propaganda campaign through both the lands of our Allies and the noncommitted countries is what we term business promotion.

Yet, although the Reds have parlayed some 8.8 million square miles with 171 million people into 13.5 million square miles with 945 million people since 1940, and although they have more recently scored notable victories in Afganistan, Korea, Indo-China, Egypt, Syria, Indonesia and Lebanon, our do-nothing attitude remains basically unchanged. While the Communist business drive is getting hotter by the day, in Latin America, in Canada, in Europe and in Asia, our complacency is interrupted chiefly by talk. We gab and kick, but fundamentally find it unpleasant to believe that the Reds will ever make the grade in trade. For the moment, we seem to abdicate in the face of the Barbarians, somewhat like decadent Rome before its fall.

Over-Estimating Ourselves?

To be sure, we are still far more potent than the entire Communist sphere, from the Elbe River to the China Sea, both in productive capacity and financially, although the rate of production increase—in output of many basic items, as well as of researchers and of engineers — behind the Iron and Bamboo Curtains is far above ours. We may still pride ourselves to have the great acumen, technical knowhow and "ultimate" strength. But do we not sometimes over-estimate ourselves? Do our hucksters not sometimes talk us into an overly rosy outlook?

With relatively small outlays and many promises (most of them still unredeemed), usually on a business basis rather than in terms of outright gifts, the Communists have achieved a good deal more in furtherance of their political aims, than we have, with enormous chunks from the American taxpayer's till, toward our goals.

Naturally, even the entire Sino-Soviet orbit is able to attack us economically only in certain places at a time, and only in some fields or commercial sectors. The Reds are not as yet capable of fighting us on all fronts and with all weapons. And we are in fact immune in such lines as, e.g., pharmaceuticals, because of our tremendous headstart. But please consider that Red China is now dumping tractors of good quality in South Asia; that Moscow has at its disposal $8 billion in gold and in annual production of precious yellow metal larger than that of South Africa; that, over protracted periods, Poland has been the chief supplier of coal to Argentina; that East German typewriters are on a victory march through Brazil; that the Reds have bought up glutted commodities from Burma to Uruguay and from Ceylon to Canada, thereby doing exactly the opposite of what we do with our dumping of farm surplus goods, at least in the eyes of many primary producer nations; and bear in mind that Soviet steel in most varieties is now as good as ours. Besides, the Communists are almost invariably willing to trade—or at least they profess to be willing—while we insist on quotas against Japanese goods; have a devil of a time getting the extension of the Reciprocal Trade Act through Congress without cutting out its very heart; and also, that in commerce we usually insist upon relatively short-terms and payment in U. S. dollars, while the Reds as a rule are a great deal more accomodating, both as to conditions of sale and payments.

In plain words, while the house is not yet aflame from cellar to roof, it surely burns sufficiently by now to make it more than timely that we form a fire-brigade.

Isn't there anything we have done so far to combat the Red trade offensive? And what can we actually do about the Communist business onslaught?

What Have We Done?

To answer the first question, we have of course placed into firing positions much heavy artillery in support of the Free World economies, and thus have indirectly accepted the Communist challenge. We have today Eximbank, the President's Development Loan Fund, the ICA, Point Four, P.L. 480 (which does about as much good as it does harm), and then there are the World Bank and the IMF, not to forget the credit lines and loans of our powerful commercial banks, which also prudently assist the weaker nations of the West.

But, these high-caliber artillery pieces fully recognized, where is the infantry, to take and hold ground? We do not directly come to grips with many of the Communist economic attacks. There is no close and coordinated interrelationship between free enterprise, i.e. the many highly mobile divisions in this war, and the top echelon fire power, capable of furnishing the covering barrage, mainly because supreme headquarters and division commands have not as yet established adequate lines of communications and the operating procedure for full logistical support.

Yet, it is axiomatic that neither free enterprises nor the Government is capable of waging war by itself. Without a close co-alignment of objectives between command and troops, there is but little hope of victory. Private business cannot fight a national war. And without enterprise, the Government cannot engage in a major economic effort. The twain are inseparable: and they must bring their activities vis-a-vis the the Reds upon a common denominator.

There are, to be sure, many fields where our Government and our industries should get together to block Communist economic advances. Our factories will probably have to pool their bids when answering tenders of some foreign buyers, and they may require financial backing from (Uncle Sam) when competing against the Red state monopolies. Trade and payments agreements may have to be worked out by our Government with other governments, again in intimate cooperation with private enterprise here. Clearing arrangements may have to be set up for the utilization of commodities now glutting the markets, in assistance of one-crop or one-product economies. Stockpiling and perhaps even subsidies may become necessary, much as we dislike the idea. In war, many civilian rules do not apply. Henry Ford might have lost the Battle of the Bulge, and General Patton would probably have been a very inadequate plant boss for River Rouge. In war, without doubt, if not indeed also sometimes in peace, what is good for a particular company or industry is not necessarily good for the United States.

Advocates Credit Weapon

In view of limitations one must set when discussing such a complex problem, I should like to stress only one point, where the capabilities of our private initiative and the abilities of our administrators should be merged so as to win the trade war now in progress. And permit me to add that I have been concerned with the East-West trade struggle since 1948, first as Chief of Economic Intelligence of the U. S. Army in Austria and as Military Member of the inter-departmental Vienna East-West Trade Committee, and then as a consultant to major U. S. concerns on international business.

One of the Great Weapons in Trade Is Credit. And credit competition is where we could easily lick anybody.

Commercial credit is one of the most dynamic forces which have uniquely contributed to the growth of this great nation. There is nothing sacrosanct about credit rivalry at home. Credit is "part of the deal." To compete with credit is neither immoral, illegal nor otherwise out of bounds. As we are old hands at competition in production, in sales, in price, in delivery, in service, and so on, why not admit credit rivalry. And we may as well also admit that in international trade there is also credit competition — and there surely is in a trade war.

We are accustomed to check and administer credit, terms and collection, as no other country in the world. Moreover, the Communists operate as state bureaucracies and have no private credit administration of the sort which has become an integral part of the blood circulation of our free enterprise system. And one of the great phenomena in the United States is the free exchange of credit information, even among competitors, within the framework of such membership-owned organizations as the FOREIGN CREDIT INTERCHANGE BUREAU of the National Association of Credit Management and others of its kind.

Not only is our financial power, on all levels from the plants throughout our land to the Potomac, and from the smaller banks in our thousands of towns to the skyscraper financial institutions in our big cities, far greater than that of even the combined Moscow-Peiping bloc, we also have more know-how than the Reds in what to do with commercial credit.

Now, U. S. exporting concerns cannot possibly grant credits of 2% and extended terms over many years as do the Communist state monopolies, even in areas of economic uncertainty, unless they be helped. Enterprise is traditionally guided by profit considerations and not by political aims. Surely, free enterprise would be willing to make every possible sacrifice in its role as an effective combat force in the struggle for liberty and the pursuit of happiness, but there are limitations in its path. As the Communists are predicating trade upon purely political goals, business here will have to coordinate its activities with the political aims of our nation and of the Free World at large.

Must Merge Government and Private Credit

To this end, I suggest that the administrators of credit in private American business and the Government of the United States get together to work out in concrete fashion via what channels and under which circumstances public funds and/or credits will have to be made available to enterprise, not as an encroachment by government upon free business, but because the economic war against the Communists makes it mandatory that enterprise and Government march together, rather, than apart.

I am thinking here of facilities for exports as well as private direct foreign investment financing.

To achieve the sorely needed close coordination, it would, above all, become necessary that all the many governmental agencies in the foreign economic field establish a common information and coalignment center. In recent weeks I have had the opportunity of listening to talks by representatives of various Washington agencies as well as private financial institutions, and it was appalling how one hand did not know what the other was doing. The various speakers talked each in his own ivory tower, blissfully ignorant and even uninterested in what was happening two blocks from him in another office. To plough through the many legal provisions, and all the printed material giving advice on available governmental facilities, has become a "science." Senior executives in business must spend many hours and even long nights at home trying to absorb what is going on. This is a ridiculous state of affairs. There should be a single center where the harassed businessman can get all the replies to his questions, including

*From a panel contribution by Mr. Rundt at Round Table Conference of the Foreign Credit Interchange Bureau of the National Association of Credit Men, New York City, June 30, 1958.

those on how he is to fight commercial Communism. I think that the Commerce Department, that most efficient and dedicated agency, be given the function and the funds to clear and to jell all the material pertaining to foreign financing, at least insofar as those are concerned who want the answers without getting blind from reading and without a run-around through the lovely avenues of our capital city.

Once a measure of coordination has been achieved, let the representatives of industry, commerce, finance and Government come up with a detailed plan to give business, i.e. to give the field divisions, full use of a basic weapon, an M-1 rifle if you want to call it that way, namely commercial credit, so that we will not sit on the battlefield with only heavy artillery, but also have on hand an instrument that can be carried by the infantryman—without whom, I venture to guess, no war will be fought, not even in a nuclear age.

To summarize: Let us be practical; let us be open-eyed; and, last but not least, let us make use of one of the finest pieces of materiel in our economic arsenal, namely credit, to meet and beat the enemy who has set out to undo us and our freedoms.

Tabell, Odlum, Rubin And Kinter to Speak At Investment Conclave

More than 1,000 members of investment clubs from coast to coast are expected to attend the eighth annual convention of the National Association of Investment Clubs at Chicago's Hotel Sherman on Friday and Saturday, Nov. 7 and 8.

A number of outstanding figures from the world of finance will appear on the program to foster the NAIC's primary purpose of increasing the amateur investor's financial knowledge.

Slated to speak on Saturday are Edmund W. Tabell, Director of Institutional Research for Walston & Co., Inc., New York City, who will explain "Charting the Market and Specific Companies," and luncheon speaker Floyd B. Odlum, President of Atlas Corporation.

Noted forecaster Edward P. Rubin, President of Selected American Shares, Inc., Chicago, will discuss "The Economic Outlook," while Charles V. Kinter, senior partner of Duff, Andersen and Clark, Chicago, will enumerate "Outstanding Investment Opportunities."

Members of a panel discussing how to evaluate management's ability will be David L. Canmann, Financial Vice-President of Elko Products Company; Forrest Wallace, Director of the Chicago office of McKinsey & Company, Inc., management consultants, and Roger Ballard, Clark Street Associates. Sam B. Lyons, editor of "Finance" magazine, will serve as moderator.

Topics to be spotlighted at workshop sessions on Friday evening include "How to Organize and Operate an Investment Club," "How to Use the NAIC Stock Selection Guide," "How to Get the Most Out of a Financial Report," "Legal and Tax Problems of Investment Clubs," and "Maintaining the Accounting Records of an Investment Club."

The National Association of Investment Clubs was founded in Detroit in October, 1951 by four Michigan clubs composed of 40 persons.

Today, the organization boasts 3,200 clubs and 43,500 individuals as members. NAIC clubs may be found in every State of the Union, Hawaii and Brazil, Saudi-Arabia, Japan, Canada, Mexico and the Panama Canal Zone.

Treasury Arguments Favoring Direct Borrowing Authority

By JULIAN B. BAIRD*

Under Secretary of the Treasury for Monetary Affairs

Successor to, now Ambassador, W. Randolph Burgess in managing our vast public debt presents Treasury arguments used in favor of perennial renewal of World War II measure allowing direct monetization of the Federal debt by sale of government bonds directly to Federal Reserve up to $5 billion outstanding. The St. Paul, Minn., banker who became Under Secretary of the Treasury in the fall of 1957, explains the provision permits Treasury to smooth out effects of its day by day operations on the economy, offers stand-by emergency protection, and has never been used except temporarily and occasionally not in excess of exceptional $1.3 billion high reached during World War II.

H.R. 12586 would extend until June 30, 1960, the present authority of the Federal Reserve Banks to purchase public debt obligations directly from the Treasury in amounts not to exceed $5 billion outstanding at any one time.


Julian B. Baird

The Treasury Department recommended that the proposed Financial Institutions Act, pending before this Committee, be amended to include a provision which would accomplish this 2-year extension. In view of the fact that the Financial Institutions Act has not yet been enacted and in order to avoid the lapse of this authority, we are requesting consideration of H.R. 12586. The extension has been endorsed by the Board of Governors of the Federal Reserve System.

Purposes and Background

I am sure you are familiar with the purposes and the background of this legislation. The Federal Reserve Banks under the original Federal Reserve Act had authority to purchase Government obligations either in the market or directly from the Treasury without limitation on their holdings up until 1935. The Banking Act of 1935 limited this authority, however, to open-market transactions. In 1942 the Second War Powers Act restored the authority of the Federal Reserve Banks to make purchases directly from the Treasury up to $5 billion outstanding at any one time. This authority, which was initially granted only through Dec. 31, 1944, was subsequently extended by Congress from time to time.

This direct purchase authority permits the Treasury, in cooperation with the Federal Reserve System, to smooth out the effect on the economy of short-run fluctuations in its cash receipts and disbursements. This is especially important at the quarterly tax dates. The short-run fluctuations involve large figures. For example, total deposits into the Treasury from all sources this month are estimated to exceed $13 billion, of which $11 billion will be concentrated in the last half of the month. During the fiscal year 1957, the total of all cash funds paid into the Treasury and out of the Treasury on all accounts, including budgetary operations, trust fund activities, and public debt issues and redemptions, exceeded $400 billion. These are tremendous amounts to deal with and the Treasury must have tools to operate efficiently and effectively. Sound financial management requires that the disturbing effect of such a tremendous flow of funds be held to a minimum. This direct borrowing authority is one of the tools that the Treasury and the Federal Reserve System use for this purpose.

Seldom Used

The authority is used only occasionally and for short periods. It was used last on March 17 and 18, 1958. On March 17, the Treasury borrowed $143 million from the Federal Reserve Banks, and on March 18 we borrowed $64 million. These amounts were repaid on March 19 from collections of the March 15 installment of corporate income taxes. There have been other quarterly tax dates when our advance estimates indicated there would be some necessity of utilizing this direct borrowing authority, but when the actual flow of receipts and expenditures was more favorable than had been estimated, the need for direct borrowing did not materialize. The attached table indicates the amounts of direct borrowings from the Federal Reserve Banks since January 1952.

During the war-time period of low and controlled interest rates, the Treasury paid interest at the rate of ¼ of 1% on these direct borrowings. Since the authority was so infrequently used, this rate carried over after the war without any change. Recently, however, the Treasury agreed with the Federal Reserve System that the rate on these special borrowings should be a more realistic rate. Effective in November 1957, the rate was fixed at ¼ or 1% less than the rediscount rate at the Federal Reserve Bank of New York. Currently this will involve a rate of 1½% as against the rediscount rate of 1¾% now in effect at that Bank.

Stand-by Emergency Measure

The direct borrowing authority is an essential tool to meet our temporary requirements in connection with the day-to-day operations of the Treasury. We should not overlook the fact also that it is a safeguard that could be used in the event of any sudden nation-wide emergency requiring heavy cash payments from the Treasury before public debt obligations could be sold in the public markets to provide such funds.

It has been the Treasury's policy never to use this borrowing authority on other than a temporary basis and we have no intention of changing this policy. We recognize that we are dealing with powerful forces because selling obligations of the Government direct to Federal Reserve Banks creates high-powered money, and it is for that reason we think the Treasury should make a biennial accounting to the Congress of the manner in which it has exercised this borrowing authority. The authority has been used, as the record shows, with great restraint, but it is the kind of thing that carries the possibility of abuse.

It has never been necessary to use as much as $5 billion but nevertheless we recommend continuation of the present $5 billion limitation to give the Treasury and the Federal Reserve System sufficient flexibility to cover emergency situations if they should arise. Any borrowing under the authority is, of course, subject to the statutory debt limit.

Direct Borrowing From Federal Reserve Banks

Year	Days Used	Max. Amt. At Any Time (millions)	No. of Separate Times Used	Max. No. Of Days Used At Any One Time
1942	19	$422	4	6
1943	48	1,320	4	28
1944	none	----	--	--
1945	9	484	2	7
1946	none	----	--	--
1947	none	----	--	--
1948	none	----	--	--
1949	2	220	1	2
1950	2	108	2	1
1951	4	320	2	3
1952	30	811	4	9
1953	29	1,172	2	20
1954	15	424	2	13
1955	none	----	--	--
1956	none	----	--	--
1957	none	----	--	--
1958	2	207	1	2

*From Mr. Baird's statement to the House Committee on Banking and Currency, Washington, D. C.

Joins Morgan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Arthur T. Dunivan has become connected with Morgan & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange. He was formerly with Marache, Dofflemyre & Co.

With Dean Witter & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert T. Heck has become affiliated with Dean Witter & Co., 632 South Spring Street.

Joins Lichtman, Mong Co.

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif. — Mrs. Laura Conn has joined the staff of Lichtman, Mong & Co., 1129 Chestnut Street. Mrs. Conn was previously with La Montagne, Pierce & Kielsmeir of Palo Alto.

With Stephenson Leydecker

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Albert E. MacKenzie, Jr. has become connected with Stephenson, Leydecker & Co., 1404 Franklin St.

With Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Philip H. de Roulet is now with Eastman Dillon, Union Securities & Co., 415 Laurel Street.

J. Barth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Mildred L. Clark has been added to the staff of J. Barth & Co., 404 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

With Davis, Skaggs & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Henry S. Eder has joined the staff of Davis, Skaggs and Co., 111 Sutter Street, members of the Pacific Stock Exchange.

THE MARKET . . . AND YOU

By WALLACE STREETE

The summer rally in the stock market continued to forge ahead this week despite the Mideast uncertainties, sporadic profit-taking, and a sprinkling of sour business and dividend news. In the process the list worked to its highest posting in nearly a year on high volume that saw a string of half a dozen three million share days put together. There hasn't been that much sustained activity since the list was posting the reaction lows last October.

* * *

What profit-taking came in was easily absorbed, despite the fact that there were some minor indications that the list was reaching a buying climax. The bulk of the bellwethers gave ground grudgingly and were quick to rebound once the pressure lightened.

* * *

Despite some recovery tendencies in governments and the bond market at times, the utility issues which are supposed to act in tune with them were the laggard items around as the emphasis shifted from defensive to the growth issues. Their average declined persistently for more than a week, although there wasn't much drastic about the reaction.

* * *

Some of the nonferrous metals were quick to hail the government stockpiling plans currently grinding through Congress. It made them a brighter section at times except for the coppers where some of the steam of recent weeks had oozed away.

Oils' Erratic Response

Oils continued to be somewhat erratic, firming on indications that Iraq's revolt won't upset the oil commitments, and then bumping into profit-taking. In the initial stage of the Mideast situation, the demand was concentrated on the domestic producers, which felt the brunt of the profit-taking while the international section was able to show reasonable stability.

* * *

Chemicals were back in popularity on something of a broad front more times than not although the concrete evidence to support them was a bit unclear and rested mostly on indications of a pickup in business during the second quarter of the year. So far the first half comparisons are somewhat short of being a comfort.

* * *

Similarly, there was little of sustenance in the auto reports, except for American Motors' Rambler success. Except for a dip in Ford after its replaced last year's first half profit of $171 million with an infinitesimal $5 million profit this year — and a $17 million second quarter deficit — the Big Three were reasonably stable on the as-yet vague hopes that the new model year will end all their troubles. General Motors, in fact, was on the new highs' list to start off the week, and toyed with its 1958 peak subsequently.

* * *

Rails were in spotty demand rather persistently, the thinking here centering on the increased flow of merchandise to the East ports to sustain the large-scale troop activities in the Mideast and elsewhere, and the fact that the division has been so badly battered it offers the best chance for a strong rebound on any business upturn. It has been quite a while since the rails have had any real following and vague tales of institutional interest in them have sparked a good deal of new attention.

Well-Acting Steels

Steels continue to be one of the better-acting sections of the market both because they have been able to hold up profits well on rather sharply reduced operations and on prospects that they, above all others, are definitely going to show a sharp Fall upturn when all the new auto model orders start to arrive. A score or so were able to march to new highs simultaneously when the going was good for the market generally.

* * *

Granite City Steel, as others in the industry, is one example of a company that has come a long way in changing over from a small, high cost operation to a modern, largely-integrated and efficient operation as the result of 10 years of effort to upgrade its operations. In addition, Granite City has a wide range of customers that makes it less vulnerable to the fortunes of any single line. Its auto customers account for less than a fifth of its output. In the first half of the year it held operations to 86% of capacity, consequently, while other mills were down to as low as 45% and the industry generally averaged around 55% of capactiy.

* * *

Granite City's earnings, moreover, are still hobbled by expansion costs which won't be ended until the current program ends late next year. Meanwhile the stock has dipped a third from its 1956 peak despite the fact that a marked upturn in business generally would go a long way toward boosting profits importantly and the assurance that as its expansion grinds to an end, the profit potential would automatically jump inevitably. Part of the weight on the issue was the action early this year of trimming the dividend to finance its expansion internally rather than resort to external financing.

Good Play in Tobaccos

Tobaccos generally have had a good play as they boosted output all along the line, largely because of new filter-tip creations. This was again pointed up this week with Reynolds Tobacco's sales and earnings records. The mundane item here, however, is Universal Leaf Tobacco which, since it buys, processes, and stores tobacco for foreign as well as domestic customers, stands to benefit from the general pickup in the industry. Yet the stock has still to carve out as much as an eight-point range for the year and in the last three and a half years has held in about a 10-point range. It has been available recently at a yield approaching 6%.

* * *

Shares of the meat packers were in some demand a bit back on expectations of a large increase in livestock supplies. This was somewhat premature since the large supplies have yet to materialize as farmers and ranchers continued to build up their herds. But it doesn't change the fact that long-range government forecasts are for a higher level of meat supplies in the last half of this year and continuing on until at least 1960.

* * *

Profit-margins in the packing industry are exceedingly small and any significant increase in supplies handled leads to substantially better profits. In addition, internal improvements and operating economies have been pursued vigorously. Of the major entities, Wilson & Co. is, perhaps, the more highly regarded since its dollar dividend is considered well sheltered and offers a return of around 4½%. The company in the first half of its fiscal year was able to boost earnings half again over last year's first half while the others showed spotty results, thus making Wilson stand out that much more prominently.

[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.]

Joseph E. Richards

Joseph E. Richards passed away July 6 at the age of 77. Prior to his retirement he had been senior partner in Richards & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

The question apparently on nearly everybody's lips is whether our landing troops in the Middle East means another Korea — that is, a prolonged struggle with the loss of thousands of American lives and a stalemate at the end.

Carlisle Bargeron

In the opinion of official Washington there is nothing in the landing itself to warrant the belief that it is another Korea. Of course, there is the possibility, as Mr. Eisenhower has indicated, that grave consequences will follow. This means the possibility that Russia will jump to the attack and World War III will follow.

The concensus in Washington is that more likely it will show up Russia for the big bluff that it is, whereupon the world can live in more peace. The belief is that this will be the situation if after having landed troops we do not just keep them there as sitting ducks for fear of what Russia may do.

This was the tragedy of Korea. It was enough of a tragedy that we sent troops there in the first place and committed them to heavy fighting with the resultant loss of lives. But then the Administration, or the government in power, got a great complex on Russia and was afraid to let them fight to a decision because it might bring Russia into the war.

Now if we have that same complex about Russia in the Middle East our troops will never be permitted to settle things decisively, they will back and fill, lose their men, shed a lot of blood and end up with a complete loss of face. There are already apprehensive signs that this is just what is in the making. The rebels in Lebanon seem to be intact and they have been sniping American soldiers with no return of fire.

Presumably American troops were landed in Lebanon to quell a rebellion which threatened the Lebanese Government. We could not permit, so we are being told, the Lebanese Government to fall because then the Russians would take over all of the Middle East. We having elected to be global leaders, this would seem to be quite logical. We had told Middle Eastern nations friendly to us that they could count on us, that we would protect them against all evil-doers.

The situation was such that the supposedly mightiest nation in the world did not seem to be able to take care of its own nationals. In neighboring Cuba, rebels held some 40 of our citizens with complete impunity while we negotiated as if they were another mighty government. In East Germany nine American military men were similarly held.

So there was no reason for the war lords of the Middle East to assume that they could not move freely. For the time being their bluff has been called. Unlike Korea the bluff has been called with plenty of force. There seems to be little doubt that Russia and Nasser are surprised. They doubtlessly didn't think it was in us.

But Russia is spitting fire and brimstone all over the place and the indications are that our Government is nervously looking over its shoulders at Russia in every move that it makes. If we do not get out from under the fear of Russia our troops in Lebanon, and the British troops in Jordan, will be merely ornamental pieces to be shot at by the rebels at will. In this event we would have nothing like the casualties of Korea but casualties we would have and after a prolonged trouble the troops would be withdrawn with their tails drooping behind them, no accomplishment, nothing settled.

I am old enough to remember our marines landing at Vera Cruz in 1914, to make the Mexican dictator Huerta salute the flag. They seized the customs house and for several months collected all the revenues of the port which I am pretty sure we subsequently restored to Mexico. But Huerta never did salute the flag, he was never harmed and after a time our marines were withdrawn. Never were the marines who were killed in landing avenged.

Then in 1916 we sent an expeditionary force into Mexico after the bandit Villa. His forces ambushed two of our cavalry troops and massacred them. We never caught Villa or killed as many Mexicans as we lost with the two cavalry troops.

It is to be hoped that now we are in the Middle East we shall so conduct ourselves as to let Russia know who is master of the region. If we do not accomplish this, why send troops there in the first place?

Carriers & General Assets Show Gain

Total net assets of Carriers & General Corporation, a closed-end investment company managed by Calvin Bullock, Ltd., at May 31, 1958 were $16,596,017, equal to $26.26 per share of stock.

This represents a gain of 12.8% over the net asset value per share of $23.27 at December 31. Hugh Bullock, President, told shareholders in the report accompanying the fund's 111th consecutive quarterly dividend.

The dividend, consisting of 15 cents per share from net investment income, is payable July 1, 1958 to shareholders of record June 10, 1958.

On May 31, 1958, 80.34% of the fund's assets were invested in common stocks, of which petroleum, chemicals and drugs, and utilities constituted the major groups. Government bonds and cash, representing investment reserves, were 11.75% of net assets.

"During the three months ended May 31, only minor revisions were made in the investments of Carriers & General Corporation," Mr. Bullock said. "Although there are encouraging signs indicating the possible ending of the decline in business, it is still too early to say that the evidence is conclusive. Retail trade has been satisfactory, raw material prices appear to be stabilizing, and steel and construction statistics have recently shown an upward trend.

"Nevertheless, such developments appear to have been generously discounted by common stock prices which, in relation to current and anticipated earnings, are selling at high levels. Under these conditions, your management has felt it prudent to maintain reserves of cash and U. S. Government bonds to take advantage of selective buying opportunities as adjustments take place."

Mrs. Kennedy Pres. of NY Women's Bd. Club

The Women's Bond Club of New York announced on July 22 the election of Mrs. Margaret E. Kennedy as President of the 1958-59 term.

Margaret Kennedy

Mrs. Kennedy, a partner of the New York Stock Exchange firm of Lubetkin, Regan & Kennedy, succeeds Miss Helen E. Dickinson, Executive Vice-President of Gartley & Associates, Inc.

The Women's Bond Club was founded in 1920 as the first organization of its kind composed of women executives in the investment field. Its members are engaged in the investment management activities of banks, insurance companies, brokerage houses, investment counsel firms and other financial institutions.

The club's other new officers are — Vice-President, Miss Ruth Hoffman, associated with the Investment Counsel Dept. of the Bank of New York; Secretary, Miss Marjorie H. Cruthers, Public Utility Dept., Irving Trust Co.; Treasurer, Miss Ida Cepicka, assistant treasurer, Teachers Insurance & Annuity Association.

Elected to the club's Board of Directors along with its new officers were Miss Sally Ronk, an economist for Bankers Trust Co.; and Miss Elsie Schuyler, Municipal Research Dept., Chemical Bank & Trust Co.

Miss Virginia Farnham, investment counselor for Scudder, Stevens & Clark; and Mrs. Marion Warner, transportation research, Brown Bros. Harriman & Co., continue as board members.

United Artists Stock Offer Oversubscribed

An underwriting group headed by F. Eberstadt & Co. offered for public sale on July 17 a total of 300,000 shares of common stock ($1 par value) of United Artists Corp. at $22.375 per share. This offering has been oversubscribed.

Of the offering 200,000 shares are being sold for the account of the company. The remaining 100,000 shares are being sold for the account of certain stockholders active in the management, who, after this sale, will continue to own all of the company's class B common stock representing approximately 43% of the voting stock.

The company, primarily engaged in the distribution of motion pictures made by independent producers to theatres in the United States and abroad, will use its share of the net proceeds of the sale to finance an expanded program of motion picture production and to broaden the company's activities in the television, recording and music publishing fields. During its career the company has distributed many of the notable film successes.

Giving effect to the sale of the 200,000 shares for the company account there will be outstanding 721,255 shares, along with 550,000 shares of class B common stock of $1 par value.

The company was formed in 1919 with Mary Pickford, Charles Chaplin, Douglas Fairbanks and D. W. Griffith among the principal sponsors. Securities of the company were distributed to public investors for the first time in April, 1957 when $10,000,000 of convertible subordinated debentures and 350,000 shares of common stock were sold by an investment group headed by F. Eberstadt & Co.

For the three months ended March 29, 1958 the company reported film rentals (with miscellaneous income) of $16,578,933 and net income of $636,010, equal to 59 cents per share on the 1,071,255 outstanding shares of common and class B common stock then outstanding. This compared with $14,500,880 and $569,397, or 53 cents per share in the corresponding period last year, based on 1,071,255 shares.

For the fiscal year ended Dec. 28, 1957 film rentals and other income amounted to $70,371,170 and net income was $3,262,466, equal to $3.05 per share based on the 1,071,255 shares outstanding at yearend.

$31 Million Issue of Ohio Bonds Marketed

Blyth & Co., Inc., Halsey, Stuart & Co. Inc., Lehman Brothers, B. J. Van Ingen & Co., Inc. and The Ohio Company are joint managers of a group that offered on July 22 an issue of $31,000,000 State of Ohio Major Thoroughfare Construction Bonds, series K, at prices to yield from .90% for those due March 15, 1959 to 3.05% for the 1971-72 maturities. The group's bid for a combination of 6, 5, 2½, 2¾ and 3% coupons set a net interest cost of 2.8811%.

These series K bonds, which are rated Aa by Moody's and A-1 plus by Standard & Poor's, are the 11th installment to be issued of $500,000,000 authorized by the electors by amendment of the State Constitution in 1953. An issue of $32,000,000 of series J bonds was sold in May of this year. They are being issued for the purpose of providing moneys for the acquisition of rights-of-way and for construction and reconstruction of state highways. They are payable, as to both principal and interest, solely from fees, excises or licence taxes levied by the State on vehicles and fuels. The constitution provides that a sufficient amount of the proceeds from these taxes be set aside each year for debt service on the bonds without legislative appropriation.

Bernard Lurie With Marache, Dofflemyre & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Bernard E. Lurie has become associated with Marache, Dofflemyre & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. Mr. Lurie was formerly Vice-President of J. D. Creger & Co. in charge of underwriting.

With Samuel B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Julian F. Fleg has become associated with Samuel B. Franklin & Co., 215 West Seventh Street. Mr. Fleg was formerly with Jonathan & Co. and Daniel D. Weston & Co.

Eisenhower's Economic Philosophy Expressed in Hauge's Resignation Letter

President Eisenhower tells resigning assistant Gabriel Hauge that passages in his letter of resignation mirrors his own economic convictions and that he wishes he could express them as well.

A succinct insight into President Eisenhower's economic philosophy recently became available as a result of the resignation of Dr.

Pres. Eisenhower Dr. Gabriel Hauge

Gabriel Hauge, special assistant for economic affairs for the past six years.

The bulk of Dr. Hauge's letter of resignation expressed his economic convictions and, in most reluctantly accepting the resignation, the President's reply stated in part, "I agree in your economic convictions; I cannot help wishing that I could express them so well."

Dr. Hauge will leave the Executive's office this coming fall. He will at that time become chairman of the finance committee of the Manufacturers Trust Company in New York. Before assuming his economic staff position in the White House in 1952, Dr. Hauge was associated with Elliott V. Bell when Mr. Bell was New York State Banking Commissioner and from there went with him to McGraw-Hill Publishing Company as an editor of *Business Week* magazine.

The following expressions of economic philosophy to which the President referred to and concurred with are taken from Dr. Hauge's letter of resignation to the President, dated July 15, 1958.

Economic Philosophy

"I have had happier tasks than to write this letter and to take the decision which requires it. These years in your service have been the most satisfying of my life. To the area of economic policy, where I have been privileged to work, you have brought a badly needed re-emphasis of some plain but oft-obscured truths. You have been concerned not only with remedying what is wrong in our economy but with invigorating what is right. You have restated the traditional American belief in incentive and reward for individual effort and excellence.

"You have reaffirmed the dignity of hard work and the need to be as concerned with earning one's pay as with receiving it. You have stressed integrity of the currency as essential both to healthy economic growth and to sturdy national character. You have reasserted America's vital interest in strengthening rather than weakening economic ties with other free nations. You have charted a true course amidst changing economic conditions and remembered the rightful claims of tomorrow in the policy decisions of today. You have shown how a firm floor over the pit of personal disaster can be built without disregard for our heritage of self-reliance. You have reminded us that only sensible economics, not razzle-dazzle substitutes, can truly serve the ends of equity and social justice. You have steadfastly refused to immerse the ever-present problem of making a living in a bath of partisanship and class strife. You have vigorously attacked ideas and policies which you regarded as wrong, but you have not impugned the motives of those who disagree with your views.

"You have emphasized that the production and distribution of more things are not ultimate means to a fuller life of ends, but mind and of the spirit. Because of your influence, the climate of controversy regarding economic matters has undergone a heartening change for the better. America, as a result, is stronger in body and soul and better prepared to meet the problems that loom ahead."

M. S. Martin With Kidder, Peabody & Co.

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, announce that M. Scovell Martin, until recently a Vice-President in the Business Development Division of Bankers Trust Co., has become associated with the firm.

Mr. Martin, who up until two years ago was in charge of the bank's corporate trust department, will be concerned at Kidder, Peabody with the development of new business and the private placement of securities issues. Mr. Martin was with Bankers Trust Co. for 13 years and before that with City Bank Farmer's Trust Co. and the National City Bank for 18 years.

He attended the University of Virginia, graduated in 1921 from the Columbia University School of Law and was a practising attorney until joining National City Bank.

Phila. Inv. Women Elect Officers

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia announces the following officers & standing Committee Chairman for the 1958-59 season, effective July 15, 1958:

President: Helen H. Holzman, Baxter & Stewart, Inc.; Vice-President: Margaret M. Fitzpatrick, H. A. Riecke & Co., Inc.; Secretary: Eileen M. Labrum, Penington, Colket & Co.; and Treasurer: Catherine M. Boyland, Suplee, Yeatman, Mosley Co.

Standing Committee Chairmen: Educational: Kathryn M. Duffy, Philadelphia-Baltimore Stock Exchange; Entertainment: Marie A. Weeks, Newburger & Co.; Membership: Elizabeth A. Booth, A. Webster Dougherty & Co.; and Publicity: Hilda Kolman, Butcher & Sherrerd.

Lunt & Mitchell to Be New Firm Name

BUFFALO, N. Y.—Chauncey J. Hamlin will retire from partnership in Hamlin & Lunt, Marine Trust Company Building on July 31st, and on the same date the firm's name will be changed to Lunt & Mitchell. Mr. Lunt will acquire the membership on the New York Stock Exchange previously held by Mr. Hamlin.

James U. Banta will also become a partner in Lunt & Mitchell on July 31st.

With H. Carroll Co.

BEVERLY HILLS, Calif. — Edward D. Garber has become connected with H. Carroll & Co., 324 North Camden Drive.

LETTER TO THE EDITOR:

California Reader Disputes Babson's Views on Gold

Correspondent Godschalk points out in answer to Roger Babson's column on gold (*Chronicle*, July 3rd) that: (1) Americans can own and store gold in its natural state here and/or abroad; (2) the price abroad is about $35 dollars; and (3) even if USSR were to issue a gold ruble no one would trust it. Adds that a higher U. S. A. mint price would aid Russia and "shake the last confidence in paper currency in the Western World which is what the Russians are aiming at."

Editor, Commercial and Financial Chronicle:

In your issue from July 3 Mr. Roger Babson wrote an article "What About Gold and Gold Stocks." First Mr. Babson says it is illegal for American investors to store any raw gold in safe deposit boxes in the United States or its possessions. If Mr. Babson means gold in its natural state this is incorrect. Any investor is allowed to buy gold in its natural state and hold it in safe deposit boxes in the United States.

Also, any American investor can buy and store any amount of gold he wants in Canada or England and only for a fraction more than $35 a troy ounce. Many writers regarding gold are giving the impression that gold outside the United States is worth more than $35 a troy ounce. Every day a price for gold is made in the London market and it is now about $35.10 a troy ounce. Up until last year end the price there was below $35. As regarding the fable that Russia will establish a gold ruble, who would trust a ruble backed by gold from a country that some time ago repudiated all bonds sold to their own citizens, not to speak about the two and one-half billion debt repudiated in 1918 owned by foreign nations.

Any rise in the price of gold now would only bring a large bonus to Russia and shake the last confidence in paper currency in the Western world which is what the Russians are aiming at.

WILLEM GODSCHALK

1415 Ocean Avenue
Santa Monica, Calif.
July 12, 1958

Continued from page 3

Mid-Year Economic Appraisal And Advice to Investors

gross tax on oil runs. Louisiana, in need of revenue, votes 2 cents tax per 1,000 cubic feet for natural gas. Any wild, starry-eyed guesses related to where the Dow index will climb between this July and next can only be predicated on run-away inflation. Have these Dow Theory addicts forgotten that rigid price, wage and credit controls are still in the Federal arsenal? Are they unmindful of this world commodity crisis which is imperiling financially those producing countries heavily dependent on exports of cotton, lead, zinc, copper, oil, coffee, aluminum, tin, etc? Deflation, not inflation, is our master now! Comparative profit margins could enlighten those who challenge this assertion.

Nathanael Davis, chairman of Aluminum, makes note in the annual report, that beginning 1957, conditions in the aluminum industry changed from shortage to oversupply. Since competition for aluminum comes chiefly from steel, copper, wood and plastic, price is important. Primary aluminum production in 1957 was 3,700,000 tons. An additional 1,500,000 tons has been planned by sundry producers throughout the world. Mr. Davis attributes the weakening price structure to overproduction and to price competition from the Soviet bloc. Says Mr. Davis . . . "Russian competition caused disruption in the market and did lead to some loss of business for us. In several instances, sellers of Russian metal have offered to maintain a differential below whatever price we might quote. . ."

Whether it is shares denoting claims on aluminum, steel, copper, oil, lumber or uranium, risk of loss is always present. In 1929, a peak business year, four out of 10 corporations reported losses. In 1957, another peak business year, the ratio would probably still be four out of 10. Recall that in the last 40 years, investors provided capital for over 1,500 passenger car and truck companies. Would you remember Stutz, Pierce Arrow, Cord, Stoddard Dayton, Saxon, Chandler, Franklin, Lozier, Apperson, Pope-Hartford, Flint, Stanley Steamer, Jordan and Durant? Someone kept these shares. Could it be that cautious, doubting investor who, if a gardner, would stay with the law mower? Doesn't the power mower imply risk and change from established custom?

Industrial and Scientific Revolution

For those who now feel secure and smug with their choice of common stocks, maybe the observations of a Johns Hopkins University scientist, Dr. Donald Andrews, will awaken investors to their peril. This government consultant in rocket research and atomic energy claims the great "come and get it" day is somewhere ahead when water can be burned like gasoline. He predicts a home nuclear-driven power unit producing heat, light and sufficient electricity to drive every conceivable home appliance. The yearly fuel cost would be less than is now paid for a postage stamp. Far in the future, Andrews forecasts a 1,000-mile journey without a plane. "You will put on a pair of wings, clip something resembling a fountain pen to your belt, touch a button, hop into the air and away you go. We know the concentration of power is now available to make this possible," concludes this distinguished scientist.

Our intense industrial and scientific revolution which is now engaging bold pioneers is continually reflected in the divergent price movements of common stocks. Swift-moving events have virtually obliterated the line of demarcation which in other years separated investment from speculation. Times earning ratios, book value, and hope eternal are no longer effective yardsticks for the evaluation of industrial shares. Would the investor last year exchange 100 Chrysler (then around 70, now 46) with 1957 earnings exceeding $13 per share for 1,100 shares of American Motors at 6 (now 13) with its 1957 deficit exceeding $2 per share? Result: $7,000 becomes $14,000 in a matter of months.

Would the investor last year exchange 100 shares of Pennsylvania Railroad with its unbroken dividend record dating to 1848, book value of $107 per share, for 250 Diners Club, Inc. (34, A.S.E) with its book value of $4, a dividend record commencing in 1956? Result: $2,500 becomes $8,500 in a matter of months!

Allied Stores pays a $3 annual dividend and at this writing trades around 42. The indicated return is 7%. Federated Department Stores trades near 38. Annual dividend of $1.60 per share indicates a yield of 4.2%. On $632,813,514 of annual sales, Allied carried to net last year $12,351,475. On almost identical sales of $635,501,528, Federated's 1957 net income was $24,973,512. Wouldn't this explain the difference in yield of 7% and 4.2%? Regardless of price or capital structure, yield still effectively values the degree of risk.

Sears, Roebuck at 29, with its indicated $1 dividend, yields 3.4%. Montgomery Ward, once a formidable competitor, yields 5.4% at $35 per share. Their dividend is $2 annually. Here again the market properly evaluates management. Doesn't the investor favor Ward because of the promised 2% advantage of current yield? Wouldn't the speculator, whose essential aim is multiplication of dollar wealth chose Sears?

Sperry-Rand, automation specialist, with its shares at 18, yields 4.4%. On June 5, 1958, it took the proceeds from 19 shares of Sperry-Rand (market 18) to purchase just one share of I.B.M. (market 350). To match a 1-point advance in Sperry-Rand, the shares of I.B.M. must soar 19 points. This has been happening in recent months. Wouldn't the investor choose Sperry-Rand over I.B.M.? Price and yield dictate the choice. With its indicated $2.30 cash dividend, I.B.M. returns less than 1%! Quality, not yield or price, makes I.B.M. the speculator's choice.

Would the investor have last year exchanged a share of Gulf Oil (then 144) for 8 shares of Universal Products (then 18)? Yet a year later, a Gulf share trades for 114 whereas the 8 shares of Universal Products (35, A.S.E.) aggregate $280—the equivalent of a 136-point advance in Gulf. (Gulf's 5% stock dividend is excluded from this calculation.) Major revenues for Universal Products come from thoroughbred racing. Their American Totalisator subsidiary leases pari-mutuel equipment to race tracks. Like golf, bowling, television and boating, thoroughbred racing caters to our growing leisure. Is more leisure, via a four-day work-week—a $2.50 per hour minimum wage—unpredictable? Our mechanical and scientific triumphs have brought us a long way since Henry Ford boldly and wisely initiated his $5 day.

Nothing Is More Certain Than Change

When the late Robert Young needed financial help to wrest managerial control of New York Central from Eastern interests, he turned to fellow Texans, Clint Murchison and Sid Richardson. These Texans came through with $25,000,000—an aside remark that their slide rule calculation indicated a climb for Central, then around 20, to above 40. For those who eye increased dividends and earnings, N. Y. Central shares attained merchandisable status during 1955-56. In identical years, Texas Instruments, Inc. ranged between 10 and 18. Book value of $3, earnings of 50 cents, compared to the N. Y. Central book value of $146, earnings of $3.78 per share. For those whose aim is to multiply dollar wealth via capital gains instead of dividends, a single N. Y. Central share was exchangeable during 1955-56 for at least $3\frac{1}{2}$ shares of Texas Instruments. Did not all signs then emphasize the promising growth prospects of electronics when compared to our matured and debt-ridden railroads? Today, the non-dividend Texas Instrument share trades at 36. Dividendless N. Y. Central is 16. Or, you can figure that $4,000 realizable from 100 N. Y. Central shares in 1956 would today be worth $12,600 in terms of Texas Instruments. With common stocks, nothing is more certain than change!

Certain oil company shares are as treasured now as were motion picture shares in their heyday before television. Who can be certain that the oil producer and automobile industry will always hang together? Isn't the natural gas industry still moving fast, criss-crossing the continent with its pipelines? Is not the Canadian Government now examining the export potential of Trans-Canada Pipe Line with a view to joining American interests in tapping the lucrative midwest and eastern U. S. industrial and residential market? Canadian reserves are now calculated at 24 to 27 trillion cubic feet. Indications point to 60 trillion cubic feet by 1967. The domestic oily producer has other problems. What about nuclear fuels? Are not scientists, friendly and unfriendly, pushing hard in a frightening race where chemical fuels will have expanding use in both military and civilian fields? Tobacco was in wide use before gasoline. Cannot shares denoting claims on tobaccos or chemicals prove a formidable match for certain oil shares when related to future increment — earned or otherwise?

What About Investment Shares?

If you believe now investment shares are your salvation, you can be both right and wrong. There are over 160 different funds. Managerial skills are by no means uniform. Some managements are exceptional. Other are fair. Many are mediocre. The average sum of around 15% levied each year against income for essential managerial services is expected and is reasonable. Beyond reason and not expected is the per share price decline for well known shares ranging to 30%—more or less—during a lush prosperity like 1955-57. This evidence cannot be concealed. Price range and audit are available for anyone to examine. While the mutual fund has been rightfully accepted by upwards of 1,500,000 shareowners, individual management record is something else. With storm warnings flying, our economy of 1956-57 provided a crucial test. Individual performance should now be minutely examined against research which many New York Stock Exchange member firms make available to anyone who cares.

We have tried to emphasize that common stock ownership by itself does not provide the heralded and exclusive inflation hedge promised by so many financial authorities. Nor has our 20th century brand Keynesian capitalism, with its Employment Act of 1946, minimized the hazards related to common stock ownership. The key that distinguishes success from failure still belongs to shrewd, visionary, alert and daring management. While we have a mountain of savings, we create now a greater mountain of debt. Whereas last year money was dear, it is now cheap. Where is evidence that cheap money and easy credit tied to deficit financing assure prosperity for stockholders? We had an abundance of both during the Roosevelt-Truman era.

Three to Six Months Review

When you played marbles, recall those trying minutes when your colorful agates were at risk in the center of the ring? Not until your own treasured agates, maybe some of the opposition, were back in that chamois bag did you relax and rejoice. Like marbles, the stock market also is for keeps! With this existing intense competitive assault on profit margins, it behooves everyone to review security holdings at least every six months—three months is advised. Do not securities deserve the same care and attention accorded your garden or ranch? If for no other reason, tax considerations related to securities—losses particularly—as redefined by the Revenue Code of 1954 warrant careful scrutiny and study. Keep in close touch with tax counsel. Alive or dead, the Collector of Internal Revenue never holds your hand.

Price tags for many common stocks now capitalize future prospects at levels which defy analysis against existing economic factors. Outstanding exceptions — certain key shares or special situations. Reasons: scarcity value or low acquisition cost related to the 25% tax liability. Yet alive or dead, taxes are levied. Because mid-year 1958 poses no happy tea party, we emphasize again that certain senior securities—corporates, tax-exempts, convertible bonds and preference stocks—have characteristics and attributes which can reasonably complement the promised stability of savings bank or building and loan deposits. Much greater income is promised from bonds — tax-free toll roads and others—securities defined as legal investments for savings banks, building and loans, insurance companies — trustees generally.

Rough seas, stormy weather and sudden squalls are traditional under our magnificent profit and loss system, need they now blind us to our glowing future? There is no need for dispair. The darkness of the shadow is the measure of the brightness.

Customers Brokers Nominating Committee

The Association of Customers Brokers has appointed the following nominating committee to present a slate to be voted upon in September:

Alan Gage, Parrish & Co., Chairman; Leon Herbert, Hayden, Stone & Co., Vice-Chairman; David Bell, Herzfeld & Stern; Arthur Goodman, Bear, Stearns & Co.; Gerald Groesbeck, Merrill Lynch, Pierce, Fenner & Smith; E. Maurice Moretti, Jacques Coe & Co.; Frederick Pease, E. F. Hutton & Co.; Hazel Ross, Hornblower & Weeks; A. van Camerik, Shearson, Hammill & Co.

Joins Daniel Reeves

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Morris Finerman has joined the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. Mr. Finerman was previously with Leo Schoenbrun.

With C. A. Botzum

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Peter E. Donovan has become affiliated with C. A. Botzum Co., 210 West Seventh Street. Mr. Donovan has recently been with Cavendish & Co. and H. Carroll & Co.

First California Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—William P. Keane is now connected with First California Co., Inc., 647 South Spring Street.

Joins Hutton Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—J. Calvin Mead has become affiliated with E. F. Hutton & Co., 623 South Spring Street.

Effect of Near East Situation On Oil Investments

By ROGER W. BABSON

After making a few comments about the Near East situation, Mr. Babson advises it would be well not to overconcentrate in international oil stocks. Believes that if there was no oil in that area there now would be no Marines in Lebanon.

I do not know Lebanon, but I have for many years studied Egypt. Although Russia may be aiding Nasser, the latter is the brains of the present Lebanon-Iraq troubles. Nasser is trying to form a federation of the five nations which sell huge quantities of oil throughout the world. Nasser wishes to be the selling agent for all this oil rather than have these countries compete with one another.

Roger W. Babson

History of Nasser's Program

Egypt is a very poor country although it is one of the oldest existing nations. Its people are very poor. It had been ruled by Farouk, a playboy king who never was interested in the welfare of the people. Nasser, who was a high officer in the Army, saw this condition and determined to rectify it. He first dethroned the playboy king and then started some constructive plans to get more money for his people. His first attempt was to build the great Aswan Dam on the Nile River and he thought that England, France, and the United States had agreed to finance it. Suddenly this underwriting was withdrawn. This was a great disappointment to me although my friend, Mrs. Franklin D. Roosevelt, after a return from Egypt personally told me that our Republican Administration probably did the right thing by withdrawing.

Nasser's next attempt to get funds was by raising the tolls of the Suez Canal. This again brought the United States into the picture in a way to get the ill will of all these countries — England, France, and even Egypt. Readers will remember how the canal was blocked and everyone lost money. Although our Administration agreed to Nasser's increasing the tolls, shipments declined so that Egypt did not get any more real money. Thereupon Nasser attempted to form the "oil empire" described above. The first nation to fall in line was Syria, which has since been followed by Iraq.

Oil the Cause of the Trouble

Ever since the Crusades of centuries ago, every war has been claimed to have been started for some great moral purpose. All nations in the Near East conflict claim that they are fighting for freedom. President Eisenhower insists that if the people of Iraq had peacefully voted to depose their king, no U. S. marines would be in Lebanon today. To have, however, a rebel band murder the king of Iraq and his premier is contrary to the Eisenhower Doctrine. Let me, however, say that if there were no oil in the Near East, there would now be no marines in Lebanon! This conflict will not result in a shooting war with Russia as Russia has all the oil that she needs. The kings of all these Near East nations are controlled by the world's big oil companies. These big oil companies will naturally despise Nasser for stirring up this trouble. It, however, might be much cheaper for the United States to provide some other means for Nasser to get funds for his poor people.

Readers have been wondering how this situation will affect their oil investments. The large oil companies are divided into two groups: The international oils, such as Standard of New Jersey, Socony Mobil, Texas Co., and Standard of California, which get large quantities of their oil from the Near East; and the domestic oil concerns, led by Phillips, Shell, Continental, and Union Oil, which get most of their oil from North and South America. Theoretically, the stocks of the companies depending on the Near East should decline, while the stocks of companies getting their oil from the United States, Canada, and Venezuela should increase in price, although this differential may have already been discounted. In view, however, of the Near East situation, it would be well for readers not to overconcentrate in the international oil stocks.

Arthur Krensky With H. Hentz & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Arthur M. Krensky is now associated with H. Hentz & Co., 141 West Jackson Boulevard. Mr. Krensky was formerly ahead of his own investment firm in Chicago.

H. W. Mathiasen, Jr. Schoellkopf Officer

Herbert W. Mathiasen, Jr. has been appointed Assistant Treasurer of Schoellkopf, Hutton & Pomeroy, Inc., effective July 15. Mr. Mathiasen makes his headquarters in the firm's New York office, 63 Wall Street.

Elliot Evans Opens

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Elliot Evans is engaging in a securities business from offices at 400 South Beverly Drive, under the firm name of Elliot Evans Co.

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Do Security Analysts and Investors Know How Sick the Dollar Is?

purchasing power of the dollar by 1% wipes out 15 (fifteen) billion paper dollars of buying value of this total debt. And if we suppose that this year's debasement of the dollar will reach 4% instead of the 3.1% of 1957, we will have to agree that at least 60 billion paper dollars of purchasing power of the total debt will be erased from its already problematic value.

Have you ever realized that under such conditions we will destroy an amount of value this year that corresponds to nearly twice our currency circulation or equals all defense expenditures of the 1958-59 budget.

Did you ever think of this problem whenever you tried to recommend any type of bonds to the people whom you advise on their "insecurity" problems?

But should your ethics match your probable lack of knowledge of monetary facts, we can look at the problem from another angle, namely from the absolutely non-existing yields or returns from any acquisitions of stocks or bonds.

Non-Existing Yields After Taxes and Debasement

The curse of confiscatory returns has become a cold fact for anyone who has to pay more than 25% in income tax.

Let us take any bond with a 4% yield. If you are in the 25% tax bracket, the net yield is automatically reduced to 3%. The rate of annual dollar debasement averaged, as I already mentioned, 3.1% over the last 18 years. The result is that of this 4% gross yield, not only is there nothing left after taxes and loss of purchasing power, but the unhappy owner has a real loss of 0.1% a year. Should the owner of this "insecurity" be in the 50% tax bracket, his 4% yield before taxes would give him only 2% after taxes. His debasement loss of 3.1% of the value of the principal would lead the operation to an annual net loss of 1.1%.

These figures will show even uglier results if we should debase the dollar this year by 4%.

But let us look at the problem from another angle. Suppose someone in the 50% tax bracket wants to get a net yield of 4% after taxes and at the same time wants to conserve the purchasing power of his capital. In this case, you have to find a yield of not less than 14.2% before taxes. Of this amount, 7.1% goes to Uncle Sam, 3.1% of the return accounts for conservation of purchasing power of capital and the remaining 4% then are the yield after taxes and after depreciation of the dollar.

These are the cold facts. They apply to banking accounts, savings, all kinds of stocks and naturally also to bonds. You simply accept them. Your customers—whom you have to inform — in general know nothing about this negative kind of arithmetic. And when it comes to bond yields you continue — like the Tibetan monks with their prayer mills, endlessly turning a strip of paper with a pious inscription on it — to impress your uninformed victims with some silly classifications of quality. Have you ever thought that all this nonsense of AAA or AAB or BBB bonds really does great damage to the country and that your repetition of such illusory "classifications" is nothing less than either inexcusable lack of knowledge of facts, or willful distortion of the truth for the sake of making some commission.

Bonds Are Certificates of Guaranteed Confiscation

Do not tell me that bonds have to exist in order to finance the economy. That is really antiquated nonsense. Bonds are, to my mind at least, nothing but certificates of guaranteed confiscation as there is not one case in existence which proves that since 1940 a bond was repaid to its original buyer in the purchasing power of the currency with which it was acquired.

And do not try to come up with the so-called "civic duty" of buying bonds. We still live in some sort of capitalistic system in which the money lender has to get a return of solid value or the system will become pinker and redder and surprise you one day with complete socialization.

Have you ever thought of the unbelievable ravages that the fallacy of negative bond returns and progressive debasement of their purchasing power have caused to all so-called institutional buyers of such certificates of guaranteed confiscation.

Has any group of you ever risen to voice some ideas for the amendment of our so-called investment legislation, forcing these institutions into putting their money into bonds? I do not know.

You analysts simply accept the debasement of the dollar and do not fight it. Whether you think that it will bring you flourishing markets in which you can make a "killing," or whether you do not have the necessary knowledge of the harsh laws of currency theory, I am unable to say. The fact is that you seem to ignore the dollar problem. Most of you probably do not even know that since the beginning of the year we have put the name of God on our greenbacks, hoping—just as the Tibetan monks with their prayer mills—that it might preserve the dollar from any further decline in purchasing power.

Discusses the Outlook

What is the outlook?

I am sorry to say that it is not exactly good. We want prosperity or boom. These make people happy and reduce the government's task of thinking. Prosperity is shown by paper figures. Therefore we cling to them and avoid analyzing their real meaning. We love to see a rising Gross National Product, naturally in Dollarettes, and forget to compute it in real Dollars. We also neglect to establish the Gross National Product in per capita figures in real Dollars.

The Gross National Product in 1957 was Paper $433 billion. Should we want to maintain it in its value, it has to rise by 3.1% in order to balance this year's minimum debasement. It will therefore have to rise to Paper $446.4 billion to equal its 1957 value. But if we want its per capita value to remain stable, it must cover a population rise of another 2.4%. That would have to push it to Paper $456.7 billion. You all know that this cannot be done.

We will be lucky if we repeat last year's figures of 433 billion dollarettes. And that means a *de facto* decline.

Therefore something will have to change in order to reestablish some sort of order in our currency system. But here too I am afraid that nothing will be done to bring the change about, because nobody seems to have the courage and the knowledge to improve the situation. We hope that some miracle will happen. Miracles belong in the world of fairy tales. They never occur in currency problems.

For this reason, the currency cancer will continue to destroy anywhere between $60 to $100 billion a year of the value of the public and private debt. Nobody will oppose this kind of expropriation, because there are only a few dozen people in the whole country who really understand what is happening to the Dollar.

Teach Currency Theory

We were—until the Sputnik ascended into the stratosphere—technically the most advanced nation on the globe. But just as we neglected to study outer-space and its conquest, we have, since 1933's Dollar devaluation, neglected to study monetary theory. As far as I know there is not one college or university in this country that teaches a full time course in currency theory. How can you run a monetary administration without such basic knowledge? It is essential for medical students to learn all about the anatomy. But our Secretaries of the Treasury or our bank presidents—not to speak of presidents of insurance companies—know about baseball or football scores but know nothing about currency theory. We are now being punished for such lack of knowledge.

The laws of currency theory are pitiless. They do not have any supreme court that can be "packed" to make a legal gold clause illegal for reasons of political expediency. Their function cannot be outlawed. It can be counteracted with one rare commodity only and that is brainpower.

We seem to apply the famous "Physiocrat's" *laissez-faire* system to the currency. But we handle all other economic questions with the maximum of government interference. From a 20% government participation in the G. N. P. to tariffs, to regulatory agencies, to agriculture, to foreign trade. Yet we do nothing to conserve the value or the purchasing power of the Dollar. There we appeal, in a rather childish way, to management and labor or to the public to "save a nickel, to save the Dollar" or to "buy bonds."

That cannot continue.

The Dollar is very sick. There is no chance whatsoever to increase its purchasing power and bring back the approximately $800 billion of destroyed buying value of the total public and private debt. This price of so-called prosperity that we paid, amounts to about two years of Gross National Product or to about Paper $4,570 for every living person in the U. S.

That is more than a stiff tax.

It is up to public opinion to change the trend or to stop the erosion. Public opinion has to be guided. To guide it we need people who know about currency theory. We do not seem to have them.

Therefore, I am not too optimistic about the value of the Dollar.

I have shown you the facts in their bare existence. I will not give you any forecast. But I believe the debasement will continue. It can only be stopped by a radical deflation which neither the legislators nor the public wants to see. Unfortunately, things can get out of hand. And then only empiric solutions are accepted under the high pressure of what is called a monetary crisis. We are driving towards such a constellation.

With Montgomery, Scott

PHILADELPHIA, Pa. — Montgomery, Scott & Co., members of the New York Stock Exchange and other principal exchanges announce that Andrew L. Wallace, has become associated with them, as a registered representative in their Philadelphia office in the Fidelity-Philadelphia Trust Building. Mr. Wallace has been in the investment business for the past three years.

Purchasing Agents More Optimistic

Uttering a more optimistic tone, but not expecting any radical upturn, N. A. P. A. survey committee reports belief recent upward momentum will continue. Notes competition continues strong and serves to check desires on part of suppliers to increase price to offset higher labor costs.

The momentum of the recent pickup in business will continue, so say the Purchasing Executives who comprise Business Survey Committee of the National Association of Purchasing Agents, whose Chairman is Chester F. Ogden, Vice-President, The Detroit Edison Company, Detroit, Mich.

When asked if general business in the last half of 1958 would be better, the same, or worse than the first six months of this year, an overwhelming 69% said better; 29% thought it would be the same, and only 2% worse. They comment that people are losing their fear of a "big depression" and that things are beginning to "loosen up." Many qualify their enthusiasm by saying there will be no vigor to the upturn until after the Summer lull. But, even with better business, they think competitive conditions will prevail and that we are not on our way to a "boom" this year.

This optimistic tone no doubt is influenced by continuing good production and new order positions. This month, 46% report higher new order bookings, 39% the same, and 15% worse. Increased production is reported by 35%; 49% say there is no change, and 16% have cut back production schedules.

Competition continues to hold the line on prices in much the same way that ready availability of most items continues to keep unworked inventories to a minimum. While unemployment is still a major concern, no worsening of the situation is reflected in the July reports. With these indicators showing little change, buying policy, as would be expected, remains essentially the same as last month.

Commodity Prices

Prices have temporarily reached a stable plateau: 90% of our reporting members say there has been no change in the last 30 days, while 4% report increases and 6% decreases. What will happen to steel prices remains a question mark, and the price situation in the nonferrous metals group is confused. Many committeemen report a desire on the part of their suppliers to increase prices, to offset higher labor costs; but, competition is preventing the implementation of these increases.

Inventories

Buyers say there is no change in the tight inventory policy: 44% state they have effected reductions in the last month, 43% report no change and only 13% increases. Most of those reporting an increase say that it is the result of trying to offset possible higher steel prices.

Employment

In spite of reports of the usual Summer seasonal layoffs, employment continues to hold at the levels of the past three months. A very slight drop, from 24% to 23%, is reported by those saying their employment is greater in July than it was in June. On the other hand, those indicating fewer on the payrolls also dropped, from 23% in June to 22% in July. Increased demand for farm help is probably the most significant stabilizing factor.

Buying Policy

The reduced lead time necessary to obtain delivery and the "shelf" aspect of many former specials continue to serve as a deterrent to the willingness of buyers to extend their purchases.

	Percent Reporting				
	Hand to Mouth	30 Days	60 Days	90 Days	6 Months to 1 Year
July—					
Production Materials	10	41	36	10	3
MRO Supplies	32	46	17	3	2
Capital Expenditures	13	5	20	25	37
June—					
Production Materials	9	43	38	8	2
MRO Supplies	34	42	18	6	--
Capital Expenditures	17	9	14	22	38

Specific Commodity Changes

Not since World War II has so little activity been reported in the price situation as related to specific items.

On the **up** side are: Copper, brass, and steel scrap.

On the **down** side are: Cutting tools and fuel oil.

In **short** supply: Nothing.

Montrose Chemical Co. Common Stock Offered

Van Alstyne, Noel & Co. is manager of an underwriting group which is offering today (July 24) a total of 277,320 shares of Montrose Chemical Company common stock at a price of $9 per share.

None of the proceeds from the sale of the common shares will accrue to the company as the stock is already outstanding and is being sold for the account of certain selling stockholders.

Montrose Chemical Co. is directly engaged in the production of organic chemicals, such as plasticizers, insecticidal chemicals and chemicals used in the precision casting of metals, and more recently in the production of certain boron compounds and of a monomer used to produce a polymer that enters into a solid rocket fuel component. The company's principal source of income is derived from its ownership of 50% of the capital stock, and its management of the operations, of Montrose Chemical Corporation of California which is the largest producer in the United States of DDT.

The company has paid quarterly dividends of 15 cents per share on its common stock since June 29, 1956. It is the intention of management to continue paying quarterly dividends on the common stock, as far as earnings will permit.

The capital stock of the company consists of 2,500,000 shares of authorized common stock, $1 par value per share, of which 947,600 shares are outstanding and 2,400 shares are held in the treasury.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

George O. Nodyne, President of the **East River Savings Bank, New York,** announces the following changes in official titles: William L. Barton elected Vice-President

Walter J. Klink Arthur V. Jarboe

in charge of personnel; Walter J. Klink, Assistant Mortgage Officer; Arthur V. Jarboe, Assistant Treasurer; Walter R. MacIntosh has been designated Assistant Mortgage Officer while retaining his present title of Assistant Secretary.

Mr. Barton, formerly Assistant Vice-President in charge of personnel, has been with the bank since 1941.

Mr. Klink, who has been with the bank since 1940, has served in the Mortgage Department continuously.

Mr. Jarboe has been attached to the office of the Treasurer since 1951 as Executive Assistant. He joined the bank in 1932.

Mr. MacIntosh has been with East River Savings Bank since 1939.

* * *

William G. Menner has been appointed Assistant Secretary, Term Loan Department, and Emmett G. Leslie has been named Assistant Manager, Government Bond Department, by **Chemical Corn Exchange Bank, New York,** Chairman Harold H. Helm announced July 17.

William J. Galligan, Jr. has also been appointed Assistant Secretary and Harold Koch, Joseph Kremar, Arthur G. Ness and Robert J. Sweeney have been named Assistant Treasurers. All are with the bank's Metropolitan Division where they have been Assistant Managers.

* * *

Mr. John Fischer, Assistant Vice-President of **The Bank of New York,** died on July 19, at the age of 60. Mr. Fischer joined The Bank of New York in 1914 and spent his entire career in the Foreign Department. He served as Chairman of The Committee on Foreign Banking from June 1944 to June 1946, and was a member of the Bureau Council of The Foreign Credit Interchange Bureau.

* * *

The First National City Bank of New York announced July 21 that Mr. Kenneth M. Spang, President of the Foreign Bondholders Protective Council, Inc., will join the Bank's organization on Aug. 1, as a member of the Overseas Division.

Mr. Spang began his banking career with the **Cleveland Trust Company, Cleveland, Ohio.**

* * *

Reflecting the growing American interest in the Union of South Africa, **The First National City Bank of New York,** announced that it proposes to establish in Johannesburg a subsidiary to be known as **The First National City Bank of New York (South Africa) Ltd.** It reported that the necessary approvals of the Board of Governors of the Federal Reserve System and of the authorities in the Union of South Africa had been received. It is expected that the new bank will commence operations late this year.

* * *

Irving Trust Company, New York announces the promotion of Richard G. Higley from Assistant Secretary to Assistant Vice-President. Mr. Higley has been associated with the company since 1951 and is now head of the Credit Department of the Loan Administration Division.

Walter G. Eichler and James V. Tomai, Jr. were named Assistant Secretaries. Both men are in the Mortgage and Real Estate Division.

* * *

Stockholders of both banks approved the merger of **Citizens Bank of Brooklyn, N. Y.** into **Federation Bank & Trust Co., of New York.** William J. Grange, President of Citizens, has been elected a director of Federation.

* * *

Frederick V. Goess, President of the **Prudential Savings Bank of Brooklyn, N. Y.,** announced the election of Justice James S. Brown as a trustee.

* * *

THE CONNECTICUT BANK AND TRUST COMPANY, HARTFORD, CONN.

	June 30, '58	Dec. 31, '57
	$	$
Total resources	386,113,018	397,101,399
Deposits	347,562,180	360,195,214
Cash and due from banks	106,246,970	94,214,988
U. S. Govt. security holdings	70,872,319	86,492,434
Loans & discounts	155,843,386	162,852,565
Undivided profits	5,709,290	5,128,664

* * *

THE FAIRFIELD COUNTY TRUST COMPANY, STAMFORD, CONN.

	June 30, '58	Dec. 31, '57
	$	$
Total resources	132,443,735	111,213,834
Deposits	120,730,839	101,783,791
Cash and due from banks	13,012,632	14,527,393
U. S. Govt. security holdings	37,680,453	31,220,545
Loans & Discounts	66,770,827	53,557,861
Undivided profits	1,578,540	908,471

* * *

Philip L. Azoy has been elected Assistant Trust Officer and Assistant Secretary of the **Morristown Trust Company, Morristown, N. J.** At present, Mr. Azoy is with the **City Bank Farmers Trust Company, New York.**

* * *

Charles R. Howell, New Jersey's banking and insurance commissioner, approved a charter for the **State Bank of Rahway, N. J.**

* * *

Central Trust Company, Harrisburg, Pa., and **Capital Bank and Trust Company, Harrisburg, Pa.,** merged under charter of Central Trust Company and new title of **Central Trust Capital Bank,** with head office transferred to former location of Capital Bank and Trust Company. The former head office and branches of Central Trust Company will be operated as branches by the continuing bank.

* * *

Clarence J. Robinson has been appointed Trust Officer; and Robert F. Lindsay and Frank Sturek, Assistant Secretary in the Trust Department of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** Frank R. Denton, Vice-Chairman of the bank announced.

Mr. Robinson started his banking career with **The Union Trust Company of Pittsburgh, Pa.,** in 1928. He joined Mellon Bank in 1946 at the time of the merger of the two banks. In 1949 he was appointed Assistant Secretary in the Corporate Trust Division.

Mr. Lindsay came to Mellon Bank in 1947. He was assigned to the Stock Transfer Division and in May, 1957, was made head of that division.

Mr. Sturek came to The Union Trust Company of Pittsburgh in 1921. He joined Mellon Bank in 1946 when the two banks merged, and for some time has been Senior Trader.

* * *

The beginning of construction of the 11th branch of **Society for Savings, Cleveland, Ohio,** and **Society National Bank, Cleveland, Ohio,** was started this week. The first earth-moving operation took place under the direction of Irving W. Distel, Senior Vice-President of Society for Savings and Vice-President of Society National Bank, supervising the construction of Society Branches. This 11th branch will be located in the Lake Shore Shopping Center, Euclid, Ohio.

James Vincent O'Connor, who has been with Society's main office for 25 years, will be the Manager of this new Branch. Until recently, Mr. O'Connor was active at Society as a mortgage loan officer. He has previously had wide experience in all departments of Society. He now assumes the duties of Branch Manager at this new Branch, which will open some time late this fall.

* * *

American State Bank, Lansing, Mich., and **Central Trust Company, Lansing, Mich.,** consolidated under charter of American State Bank and new title of **American Bank and Trust Company.** A branch was established in the former location of Central Trust Company.

* * *

Citizens Commercial & Savings Bank, Flint, Mich., and **The Shiawassee County Bank, Durand, Mich.,** consolidated under the charter and title of Citizens Commercial & Savings Bank. A branch was established in the former location of The Shiawassee County Bank.

* * *

Merger of **Union National Bank of Charlotte, N. C.,** and **First National Bank & Trust Co., of Asheville, N. C.,** has been approved by stockholders of both banks. The bank will operate under the title of the **First Union National Bank of North Carolina.**

* * *

Appointment of Forrest Frick to the Advisory Council of the Board of Directors of **Bank of America, San Francisco, Calif.,** was announced in San Francisco by President S. Clark Beise.

In his new appointment Mr. Frick will serve with other members of the Board of Directors and Advisory Council directing the affairs of Bank of America.

* * *

Farmers & Merchants Bank of Deer Park, Wash., was purchased by **National Bank of Commerce of Seattle, Wash.**

* * *

The recently formed **Bank of London and Montreal Ltd.** will establish a branch in Kingston, Jamaica, it was announced on July 18 by Carroll C. daCosta, International Representative here for the Jamaica Industrial Development Corporation.

The new banking organization was formed early this year by the **Bank of London and South America** and the **Bank of Montreal** for the purpose of supplying banking facilities to the Caribbean area.

Mr. daCosta said the Kingston site is the first purchased by the new organization. He said construction of the new bank building will start next month and it is expected that the bank will be open for business before the end of the year.

Jamaica is presently served by **Barclays Bank, The Royal Bank of Canada, The Bank of Novia Scotia** and **The Canadian Bank of Commerce.**

Forms United Planning

Harry Aronson is engaging in a securities business from offices at 495 West 187th Street, New York City, under the firm name of United Planning Co.

Form Accredited Planning

Accredited Planning Co. has been formed with offices at 255-08 61st Avenue, New York City, to engage in a securities business. Martin W. Silberfarb is a principal.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. heads a group of underwriters which yesterday (July 23) was awarded $9,000,000 Otter Tail Power Co., first mortgage bonds, 4¾% series of 1988, on its bid of 99.209%. The bonds are expected to be re-offered publicly at 100.799% and accrued interest, yielding approximately 4.70%.

Proceeds from the sale of the bonds are to be applied to the company's construction program and to payment of short term bank loans incurred in that program.

The new bonds will be redeemable at the company's option at prices beginning at 107.55%; for sinking fund purposes the bonds will be redeemable at prices ranging from 100.80% to 100%, plus accrued interest in each case.

Otter Tail Power Co., is an operating public utility supplying electricity, and to a small extent steam, water and gas in western Minnesota, eastern North Dakota and extreme eastern South Dakota.

Form Norman C. Roberts Company

SAN DIEGO, Calif.—Norman C. Roberts Company, members of the New York Stock Exchange, will be formed as of Aug. 1 with offices at 625 Broadway to engage in the investment business. Partners will be Norman C. Roberts, member of the Exchange, and Helen Marie Thompson.

Forms Joe K. Frazer Co.

SAN ANTONIO, Tex.—Joe K. Frazer has formed Joe K. Frazer Co. with offices at 5307 Broadway to engage in a securities business. Mr. Frazer was previously with Muir Investment Corp.

E. A. Rico Opens

(Special to THE FINANCIAL CHRONICLE)

SUNNYVALE, Calif.—Ellsworth R. Rico has opened offices at 136 South Pastoria Avenue to engage in a securities business. He was formerly with Mutual Fund Associates Incorporated.

In the opinion of counsel, interest payable by the State upon its bonds is exempt from all present Federal and State of California personal income taxes under existing statutes, regulations and court decisions.

underwriters not shown whose names will be furnished on request, and subject to approval of legality by the Honorable Edmund G. Brown, Attorney General of the State of California, and by Messrs. Orrick, Dahlquist, Herrington & Sutcliffe, Attorneys, San Francisco, California.

Bank of America N.T. & S.A.
Bankers Trust Company
The Chase Manhattan Bank
The First National City Bank of New York
The First National Bank of Chicago
Halsey, Stuart & Co. Inc.
Blyth & Co., Inc.
The First Boston Corporation

Harriman Ripley & Co. Incorporated
Harris Trust and Savings Bank
Smith, Barney & Co.
Lehman Brothers
American Trust Company San Francisco
Security-First National Bank
California Bank Los Angeles
Drexel & Co.
Glore, Forgan & Co.

Chemical Corn Exchange Bank
C. J. Devine & Co.
Continental Illinois National Bank and Trust Company of Chicago
The Northern Trust Company
R. H. Moulton & Company
Goldman, Sachs & Co.
Kidder, Peabody & Co.

Eastman Dillon, Union Securities & Co.
Bear, Stearns & Co.
Merrill Lynch, Pierce, Fenner & Smith
Blair & Co. Incorporated
Weeden & Co.
The First National Bank of Portland, Oregon
The Philadelphia National Bank

Seattle-First National Bank
Equitable Securities Corporation
Stone & Webster Securities Corporation
Dean Witter & Co.
Phelps, Fenn & Co.
White, Weld & Co.
Salomon Bros. & Hutzler

R. W. Pressprich & Co.
Paine, Webber, Jackson & Curtis
Mercantile Trust Company
Shields & Company
Reynolds & Co.
Crocker-Anglo National Bank
J. Barth & Co.
Ladenburg, Thalmann & Co.

American Securities Corporation
Bache & Co.
A. G. Becker & Co. Incorporated
Alex. Brown & Sons
Clark, Dodge & Co.
Dick & Merle-Smith
Dominick & Dominick
Fidelity Union Trust Company Newark, N. J.

First of Michigan Corporation
First Western Bank & Trust Co. San Francisco, Calif.
Hallgarten & Co.
Hayden, Stone & Co.
Hemphill, Noyes & Co.
Hornblower & Weeks
E. F. Hutton & Company
Laidlaw & Co.

Lee Higginson Corporation
Carl M. Loeb, Rhoades & Co.
F. S. Moseley & Co.
National State Bank Newark, N. J.
John Nuveen & Co. (Incorporated)
L. F. Rothschild & Co.
Schoellkopf, Hutton & Pomeroy, Inc.
Shearson, Hammill & Co.

William R. Staats & Co.
Stroud & Company Incorporated
B. J. Van Ingen & Co. Inc.
Wertheim & Co.
Andrews & Wells, Inc.
Bacon, Whipple & Co.
Baxter & Company
J. C. Bradford & Co.
Branch Banking & Trust Company

Braun, Bosworth & Co. Incorporated
Coffin & Burr Incorporated
Francis I. duPont & Co.
Estabrook & Co.
First Southwest Company
Gregory & Sons
W. E. Hutton & Co.
Kean, Taylor & Co.
The Marine Trust Company of Western New York

Laurence M. Marks & Co.
W. H. Morton & Co. Incorporated
Roosevelt & Cross Incorporated
Tucker, Anthony & R. L. Day
Bacon, Stevenson & Co.
Barr Brothers & Co.
The Boatmen's National Bank of St. Louis
City National Bank & Trust Company Kansas City, Mo.

Commerce Trust Company Kansas City, Mo.
R. S. Dickson & Company Incorporated
Eldredge & Co. Incorporated
Fitzpatrick, Sullivan & Co.
Geo. B. Gibbons & Company Incorporated
Ira Haupt & Co.
Hirsch & Co.
The Illinois Company Incorporated
A. M. Kidder & Co., Inc.

Lawson, Levy, Williams & Stern
Wm. E. Pollock & Co., Inc.
F. S. Smithers & Co.
Stone & Youngberg
Taylor and Company
Spencer Trask & Co.
Trust Company of Georgia
Wachovia Bank and Trust Company

G. H. Walker & Co.
Wood, Struthers & Co.
Adams, McEntee & Co., Inc.
Robert W. Baird & Co., Incorporated
Baker, Watts & Co.
Barret, Fitch, North & Co. Incorporated
William Blair & Company
Bramhall, Falion & Co., Inc.

Dempsey-Tegeler & Co.
A. G. Edwards & Sons
King, Quirk & Co. Incorporated
Mercantile-Safe Deposit and Trust Company
The National City Bank of Cleveland
Newhard, Cook & Co.
New York Hanseatic Corporation
The Ohio Company

Republic National Bank of Dallas
Schwabacher & Co.
Stern Brothers & Co.
J. S. Strauss & Co.
Tripp & Co., Inc.
Van Alstyne, Noel & Co.
Chas. E. Weigold & Co., Inc.
R. D. White & Company
Robert Winthrop & Co.

H. E. Work & Co.
City National Bank and Trust Company of Chicago
Julien Collins & Company
First National Bank in Dallas
Glickenhaus & Lembo
G. C. Haas & Co.
Hannahs, Ballin & Lee
J. A. Hogle & Co.

Irving Lundborg & Co.
Moore, Leonard & Lynch
Model, Roland & Stone
National Bank of Commerce of Seattle
Rand & Co.
Rauscher, Pierce & Co., Inc.
Shuman, Agnew & Co.
Stern, Lauer & Co.
Third National Bank in Nashville

J. R. Williston & Beane
Wood, Gundy & Co., Inc.
Auchincloss, Parker & Redpath
Blunt Ellis & Simmons
C. F. Childs and Company Incorporated
John W. Clarke & Co.
Courts & Co.
F. W. Craigie & Co.
Shelby Cullom Davis & Co.

Dittmar & Company, Inc.
Elkins, Morris, Stokes & Co.
Fahey, Clark & Co.
The First National Bank of Memphis
Freeman & Company
Hayden, Miller & Co.
The Johnson, Lane, Space Corporation
Kalman & Company, Inc.

Kenower, MacArthur & Co.
Laird, Bissell & Meeds
McDonald & Company
Mullaney, Wells & Company
Park, Ryan, Inc.
Putnam & Co.
Raffensperger, Hughes & Co. Incorporated
Reinholdt & Gardner
Rippel & Co.

Rockland-Atlas National Bank of Boston
Ryan, Sutherland & Co.
Schmidt, Roberts & Parke
Anderson & Strudwick
Malon S. Andrus, Inc.
Atkinson and Company
Davis, Skaggs & Co.
A. Webster Dougherty & Co.

Federation Bank and Trust Co.
Field, Richards & Co.
The First Cleveland Corporation
Ginther & Company
Granbery, Marache & Co.
Hill Richards & Co. Incorporated
McCormick & Co.
McDonald-Moore & Co.
McDonnell & Co.

Wm. J. Mericka & Co., Inc.
W. H. Newbold's Son & Co.
Newburger, Loeb & Co.
Northwestern National Bank of Minneapolis
D. A. Pincus & Co.
Provident Savings Bank & Trust Company
Seasongood & Mayer
Singer, Deane & Scribner

Sterne, Agee & Leach
Stubbs, Watkins and Lombardo, Inc.
Talmage & Co.
Thomas & Company
Chas. N. Tripp Company
Watling, Lerchen & Co.
J. C. Wheat & Co.

July 24, 1958

A circular relating to these bonds may be obtained from any of the above underwriters, as well as other underwriters not shown whose names will be furnished on request.

Townsend's New Fund Doubles Share Offer

The officers of Townsend U. S. & International Growth Fund, a non-diversified special situation "fund" whose formation was announced on July 1, reported July 22 that an additional 1,000,000 shares have been registered because of indicated dealer and public interest.

This extra offering places at 2,000,000 the total number of shares which will be offered July 29 as an open-end investment company. They will be priced at approximately $5.46 per share on amounts of 1,000 shares or less.

During the closed-end period, the "fund" placed $740,000 of stock privately to ten accounts.

Morris M. Townsend, President, also announced that Dr. Robert E. Wilson, retired Chairman of the Board and Chief Executive Officer, Standard Oil (Indiana), and Charles S. Payson, Chairman of the Board, Vitro Corp. of America, have joined the Advisory Board of the Townsend "growth fund."

With Bache & Company

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Jerry J. Weinberg and John L. Horrigan have become connected with Bache & Co., 21 Congress Street.

Draper, Sears & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Bernard F. Wilson has been added to the staff of Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Mutual Funds

By ROBERT R. RICH

Electronics Growth in Years Ahead

Electronics continues to be a "great growth industry" and this growth should continue for many years in view of the importance and diversity of its products, said the July issue of "Perspective," published by Calvin Bullock, Ltd.

Now believed to be the nation's fifth largest manufacturing industry, the electronics industry's sales in 1957 topped $13,000,000,000 after inclusion of distribution and maintenance costs and broadcasting revenues, according to the publication.

"Perspective" saw the purchase of well-situated electronics stocks as affording good profits from time-to-time, provided considerable discrimination is exercised due to the industry's subjection to rapid changes.

"The importance of managerial quality and depth, both from the business and technical standpoints cannot be overemphasized," the analysis said.

In a general review of the industry's progress, "Perspective" made the following comments:

"Being comparatively new, it is subject to considerable and rapid changes, which render obsolete various products and which cause rather frequent shifting in relative attraction and earnings prospects among its various segments."

Illustrative of this is the television industry, which according to the publication, "has recently been afflicted by a period of excessive competition, overlarge inventories and reduced demand."

Regarding the oldest division of the electronics business — entertainment—"Perspective" noted there favorable factors:

"Sooner or later a substantial market for color television sets will exist, and then there should be good profits for the television industry, especially since many companies have withdrawn from this field within the recent past.

"The phonograph and radio segments, the original members of this group, have each at various times in the past seemed to have had its day, especially since the advent of television, but they have survived competition, and the phonograph industry in particular seems likely to have its greatest period in the future.

"Radio has been experiencing something of a return to its more prosperous periods from the standpoint of unit sales and dollar value of sets produced. . . . In recent years there has been a trend toward multiple radio sets in the home, and increased acceptance of the fact that radio and television perform different functions, and are complementary to each other." Radio set production in 1957 had a value of about $374,000,000, the publication said, the fifth best year in its history.

Also reviewed in the current "Perspective" were the industrial and commercial and military segments of the electronics industry. The most publicized section of industrial and commercial electronics, said the publication, is electronic data processing, including production of the so-called "giant brains" and analog computers.

"Because of large development expenses, and the leasing of this equipment for the most part, rather than sale, few companies if any, have as yet reached a profitable basis in this field. However, good profits should result for such equipment in three to five years after installation, and as time goes on substantial proifts should be reported by the leading companies, after the cost of the leased equipment has been recovered."

Military electronics expenditures, said "Perspective" amounted to $3,506 million in the 1957 fiscal year, compared with $2,802 million in the previous fiscal year.

Fundamental Assets Gross $400 Million

Fundamental Investors, Inc., one of the nation's largest common stock funds, reports total net assets of $400,604,316 on June 30, 1958, end of the first half of the 1958 fiscal year. This compares with $334,501,287 on Dec. 31, 1957.

During the six months, net asset value per share rose 13.5%, from $13.37 to $15.18. The number of shareholders increased from 90,593 to 94,084; shares outstanding rose from 26,017,809 to 26,391,422.

Since the fund's March 31, 1958 report to shareholders, new investments were made in the common stocks of Allied Chemical Corp., Coca-Cola Co. and Libby-Owens-Ford Glass Co. During the same period, holdings of Seaboard Air Line Railroad Co. and Yale & Towne Manufacturing Co. were eliminated from the fund's portfolio.

As of June 30, 1958, according to Fundamental's 102nd report to shareholders, approximately one-third of the fund's assets were invested in "companies operating in the 'extractive' or 'natural resource' industries and having, in most instances, important reserves of oil, natural gas, timber or iron, copper and other basic minerals. If the general price level in this country continues to rise in future years as it has in the past, the extensive raw material resources of these companies should ultimately experience further enhancement in value."

The June 30th report, signed by Wm. Gage Brady, Jr., Chairman, and Hugh W. Long, President, makes the point that "There are indications that the downtrend in business activity may now be leveling out but until there is a significant recovery, many industrial corporations will continue to experience reduced earnings. However, from the longer-term viewpoint, your management believes that the current business readjustment represents only a temporary interruption in the underlying growth of the country's economy.

"Latest developments in the troubled Middle East are another indication that for a long time to come, our government's spending for military and foreign aid purposes will be maintained at a high level."

T. Leo Reynolds With Link, Gorman, Peck & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—T. Leo Reynolds has become associated with Link, Gorman, Peck & Co., 208 South La Salle Street. Mr. Reynolds was formerly with Reynolds & Co. and prior thereto with Blair & Co. Inc.

M. I. T. Assets Rise in Quarter To $1.14 Billion

Massachusetts Investors Trust, the nation's oldest open-end investment company, reports for the three months ended June 30, 1958 total net assets of $1,149,844,598, representing 104,677,195 shares owned by 194,301 shareholders. This compares with net assets of $1,045,828,118, representing 103,178,619 shares owned by 191,464 shareholders on March 31, 1958, end of the previous quarter.

Net asset value per share on June 30 was $10.98 compared with $10.14 per share on March 31.

During the three months ended June 30 the Trust made additional investments for its portfolio in 20 companies and made an initial purchase of shares in one other. The Trust reduced its holdings in five companies and eliminated its holdings in two others. Purchases and sales of investment securities, other than government securities and short-term notes, totaled $21,294,767 and $13,450,611 respectively.

Since Dec. 31, 1957, net assets have increased from $976,108,094 to $1,149,844,598; shares outstanding from 100,469,960 to 104,677,195; shareholders from 184,215 to 194,301; and net asset value from $9.72 per share to $10.98.

Contractual Plan Offered

Public offering of a new mutual fund program of the contractual type, the "variable investment plan," was announced July 22 by Samuel R. Campbell, Jr., President of Institutional Financial Services Corporation.

The "variable investment plan," although similar to other contractual programs, offers investors a number of new features once its payments are completed, according to Mr. Campbell.

They may liquidate their shares at their current market liquidating value; retain their shares; have all dividend distributions and capital gains profits automatically reinvested without sales charge; receive a fixed-dollar payment as frequently as once a month; receive a variable payment monthly or less frequently for a specified number of years; receive payments for as long as the investor lives on an annually adjusted basis based on standard actuarial tables; or transfer their investment from the "variable investment plan" to one of the other mutual funds affiliated with the sponsor.

Investors may make payments into the new VIP programs monthly, quarterly, semi-annually or annually in amounts ranging from $10 to $1,000 or more. The two programs initially offered call for payments for either 10 or 15 year periods. Insurance which will complete an investor's VIP payments in the fund in the event of his death is an optional feature offered with the programs. The insurance, which is limited to $30,000, is underwritten by The United States Life Insurance Company of New York, Old Republic Life Insurance Company of Chicago, and Continental Assurance Company, also of Chicago.

Institutional Financial Services Corp. was organized in September of last year by Channing Corp. expressly to sponsor the VIP.

King Merritt & Co., Inc., one of the country's largest mutual fund direct sales organizations with offices in 43 states and 14 foreign countries, national distributor, will market VIP programs directly through its own sales force.

The underlying mutual fund in which VIP payments will be invested is the Institutional Growth Fund, one of the five Institutional Funds. Founded in 1939, it currently has more than $35 million in assets belonging to over 20,000 individual and institutional investors. Its investments are managed by Van Strum & Towne, Inc., one of the oldest national investment counselling firms which, in addition to managing the Canadian International Growth Fund Ltd. and the other Institutional Funds, supervises investments for individuals, institutions and fiduciaries aggregating more than $350 million. The sponsor, the national distributor, and the investment counselling firm are subsidiaries of Channing Corp.

Assisting Van Strum & Towne, Inc. in the management of the Institutional Growth Fund investments is an advisory committee among whose members are: Shroeder Boulton of Baker, Weeks & Co.; Lucien O. Hooper of W. E. Hutton & Co.; Lynn Shurtleff of Hayden, Stone & Co.; and Harold H. Young of Eastman-Dillon, Union Securities & Co.

Custodian for the VIP is The Hanover Bank of New York City. Officers and directors of the sponsoring firm, Institutional Financial Services Corp., are: H. L. Jamieson, Chairman of the Board; Samuel R. Campbell, Jr., President; Thomas J. Mahon, Vice-President; James P. Beggins, Vice-President; John S. Kramer, Secretary; and Harold D. Smith, Treasurer.

Century Shares Trust Stresses Long-Run Growth

Century Shares Trust, the nation's oldest mutual investment company specializing in insurance and bank stocks, reports an increase in the net asset value of the trust's shares to $22.35 from $20.68 six months earlier.

Including the capital gains distribution of 63 cents per share paid on Jan. 31, this represents an 11% increase in the value of the trust's shares in the six-month period.

The trust showed these other increases at the end of the half year:

Total net assets rose to $49,211,243 from $44,101,665.

Shares outstanding increased to 2,201,830 from 2,132,593.

The number of shareholders climbed to 7,530, a record high.

Shareholders were paid dividends amounting to 25 cents per share during the period. This compares with 26 cents per share paid during the first six months a year ago.

Henry R. Guild, chairman of the board of Trustees, told shareholders that the trust has continued its previously announced policy of replacing some holdings of higher yielding stocks with stocks providing lower current income but regarded as having greater potential for long term growth. No portfolio company, he said, has reduced its dividend payment during the current year.

Mr. Guild said the volume of business of fire and casualty insurance companies during the first six months of 1958 appears to have surpassed the similar period a year ago. Investment income of most companies also has increased, he added.

"Underwriting experience, while showing improvement in some instances over last year, continues in general to be unsatisfactory," he noted.

"It is expected, however, that increases of insurance premium rates and measures adopted by managements of insurance companies will assist in improving underwriting results."

The chairman of the 30-year-old investment company said the outlook continues favorable for the life insurance industry. "Life insurance companies report increases in the volume of ordinary insurance written in the first six months of the year," he noted.

He also pointed out that the sale of ordinary life insurance is in larger units than ever before. The average new policy in 1958, he said, amounted to about $5,000, some 10% larger than a year ago and 30% larger than 1956.

The over-all outlook for the banks appears to be for continued growth, Mr. Guild said. "Most of the banks represented in the trust's portfolio reported higher earnings in the six months of 1958," he said, "than for the similar period last year."

During the six months, the trust's purchases and sales of investment securities, other than U. S. Government securities, totaled $1,323,326 and $757,161, respectively.

Of the total distribution of Jan. 31 of $1,343,618, constituting the capital gains realized during 1957, shareholders accepted about 73% in additional shares. Distributions of capital gains realized in the five-year period from 1953 through 1957 have aggregated $6,540,000.

Whitehall's Fund Shows 11.6% Gain

Net assets of Whitehall Fund, the balanced fund of the Broad Street Group of mutual funds, reached a record high of $9,045,386 at June 30, up from $8,072,964 at the beginning of 1958, it was reported by Francis F. Randolph, Chairman and President. Mr. Randolph said this increase reflected primarily the favorable investment performance of portfolio securities during the period.

Per share asset value increased to $12.04 at June 30. This compared with $11.33 at March 31 and $10.79 at the start of the year and represented a gain of 11.6% in value during the first six months of 1958. "Whitehall Fund's investment performance," the Chairman observed, "thus compared favorably with the more commonly used indexes of stock market prices even though about half of its portfolio holdings are in conservative fixed-income bonds and preferred stock."

Whitehall Fund's investments, according to Mr. Randolph, have continued to be distributed approximately evenly between fixed-income, senior securities and common stocks. Within the common stock category of investments, holdings increased during the quarter were Atlantic City Electric by 1,300 shares and Kansas Gas & Electric by 800 shares. The holding of Columbus & Southern Ohio Electric common was eliminated through the sale of 2,000 shares, and the holding in Brooklyn Union Gas common was reduced by 1,000 shares.

K-I Reaches New High in Net Assets

Total net assets of Keystone Income Fund reached a new high of $50,137,000 on July 1, it was reported by President S. L. Sholley.

As of that date, Keystone Income Fund had 76 individual issues in its portfolio—16 good-grade and high-return bonds, 29 preferred stocks of industrial, financial, utility and railroad companies, and 31 common stock offering wide industry diversification. Of the total asset value, bonds constituted 20%, preferred stocks 38% and common stocks 42%.

Since the market low of last Oct. 22, the fund's capital value has increased 11%, having recovered to within 5% of its 1957 peak. Net asset value per share on July 15 was $8.41 compared to $7.52 on Jan. 1.

Group's Common Stock Fund Cites 50% Gain in Assets

Total assets of The Common Stock Fund of Group Securities rose 50% to $40,400,000 in the seven months following its fiscal year-end on Nov. 30, 1957, reports John L. Ahbe, Vice-President and Director of Sales of Distributors Group, Inc., the sponsor company.

Record sales of $9,406,934 in this one Group Fund accounted for a major portion of its $13,400,000 total increase during this period, with the balance arising from appreciation of the stocks owned by the Fund, he said.

The Fund's per-share price appreciated 16.7% from Nov. 30, 1957 to June 30, 1958, a seven month period in which the Dow-Jones Industrial Average rose 6.2%.

"In accordance with The Common Stock Fund's policy," Mr. Ahbe continued, "the more than nine million of new capital has been invested in common stocks of recognized quality. Holdings of utility, food, tobacco, and merchandising stocks continue to dominate the portfolio. However, investment in banking and finance shares has risen from 3% to 10%. An increase in holdings of rail shares during the period, for their generous current yield as well as possible appreciation as they recover from their severely depressed position represents the principal change in the more cyclical holdings."

Mr. Ahbe said that copies of a new folder on The Common Stock Fund, containing a 15½ year performance table and the complete portfolio as of July 1, 1958, are available from Distributors Group, Inc., 63 Wall Street, New York 5, N. Y.

Managed Funds Reports New Highs In All Categories

New mid-year highs in net assets, shares outstanding and total shareholders were disclosed by Managed Funds, Inc. on July 17 in its semi-annual report for the period ended May 31.

Net assets of the fund group's 11 share classes totalled $54 million, slightly higher than on the same date a year ago and almost $6 million above the total on Nov. 30, 1957.

Shares outstanding amounted to 19.7 million on May 31, compared with 17.5 million six months ago and 15.3 million on May 31, 1957.

During the period just ended the total number of Managed Funds shareholders rose to close to 22,000 (represented by 47,000 individual accounts). This compared with 18,750 six months earlier and 15,175 a year ago.

During the period recently ended, Managed Funds paid out a total of $2.4 million from capital gains and $.74 million from net investment income.

Managed Funds' ratio of redemptions to sales (less load charges), traditionally far below the average for the entire fund industry, continued its downward trend. Liquidations came to 11.7% of net sales of $6.8 million, as compared with 12% of $7.1 million during the six months ended last Nov. 30 and 15.4% of $6.3 million during the 1957 first half.

In his message to shareholders, Hilton H. Slayton, the fund's President, charged that "the true state of business has not been too clearly portrayed by the press in general."

He said that the decrease in final sales of goods and services occurring between the third quarter of 1957 and the first quarter of 1958 was confined to only one-sixth of the economy.

"The other five-sixths have actually advanced," he added.

Mr. Slayton noted that the sales decrease has been concentrated in business plant and equipment, net foreign investment and consumer durable goods. He pointed out that the 84% of the economy represented by government purchases, construction outlays and sales to consumers of non-durables and services had actually risen by $2.3 billion.

"The net drop in sales for the country as a whole," he said, "has been at the rate of only $6 billion a year or less than 1.4%.

"The drop in production on the other hand has been at the rate of $18 billion a year. . . . In the first quarter of 1958, sales exceeded production by $9 billion a year.

"This, obviously, cannot go on for long as inventories will need replenishing.

"In view of the impressive ability of the economy to resist contraction," Mr. Slayton said, "it is our opinion that the low point of business activity was reached in the second quarter of 1958, and that this fact will become more and more apparent over the coming months."

United Fds. Group Reports 25% Gain In First Six Months

Net assets of the four mutual funds in the United Funds, Inc. group of investment trusts rose 25% in the first six months of 1958 to a new all-time high, Cameron K. Reed, President, announced.

The number of shareholder accounts increased by 19,000, bringing the total to 179,000. Of the increase, more than half was in the United Accumulative Fund, which experienced the largest increase in assets and sales, Mr. Reed said. Increases also were reported for the three other funds —United Income, United Science and United Continental.

Net assets June 30 of the four funds were $426,691,071, against $380,062,383 a year earlier, and $342,170,115 at the start of the year.

United Accumulative Fund had net asset value June 30 of $177,111,276, equal to $10.30 a share, compared with $144,801,267, or $11.55 a share a year ago.

United Income Fund had net asset value June 30 of $167,632,241, equal to $9.43 a share, against $161,202,927, or $10.08 a share a year ago.

United Science Fund had net asset value June 30 of $51,562,505, equal to $9.84 a share, against $44,608,357, or $11.51 a share a year ago.

United Continental Fund had net asset value June 30 of $30,385,049, equal to $6.78 a share, against $29,449,832, or $8.23 a share a year ago.

In the first six months, sales totaled $43,076,472, an increase of $4,756,873 over a year ago. During the same period, however, repurchases were virtually the same as a year before. The amount paid on repurchased shares in the six months of 1958 totaled $7,658,618, or 17.8% of sales, while a year before the repurchases of $7,683,446 represented 20% of sales.

The number of shares outstanding June 30 totaled 44,686,200, compared with 35,976,441 a year earlier.

With F. S. Yantis & Co.

(Special to THE FINANCIAL CHRONICLE)

CHAMPAIGN, Ill.—Richard F. Moyer is now affiliated with F. S. Yantis & Co. Inc., Robeson Bldg.

With Hornblower Weeks

BOSTON, Mass. — Leon Semonian Jr. is now with Hornblower & Weeks, 75 Federal Street. He was formerly with Keller & Co.

Canada's Burgeoning Problems

By H. V. LUSH*

Former President of The Canadian Manufacturers' Association

Canadian manufacturers are told by their retiring President of the need for a sensible "Buy Canadian" program and an adequate tariff to protect Canadian economy "from the devastating effects of cheap labor and mass-produced products. Mr. Lush also refers to: (1) cousinly influence of U. S. A. on its northern warm first cousin; (2) unexpected and unwanted reduction of purchases from American-owned subsidiary companies in Canada as result of trade diversion from U. S. A. to Britain; (3) natural flow of U. S. A.-Canada trade and proposals to rectify unfavorable trade balance; and (4) need for united front stand against Soviet trade offensive at forthcoming September Commonwealth trade conference and trade with USSR only when it is sensible, businesslike, and fair.

There is little doubt that the most important news on the Canadian front in the last 12 months —news that affected everyone from Newfoundland fisherman to British Columbia logger, from market gardener to plant manager —was the return to Federal power of the Conservative Party after 22 years of cooling its heels in the political shadows.

H. V. Lush

I am not pundit enough to say flatly whether this issue or that emotion gave the Conservatives their shaky toe hold on power a year ago this month. Nor am I audacious enough to suggest the reasons for their lopsided victory of two months ago. However, I think I am safe in saying that there is abroad today in this Canada of ours an innate spirit of independence which is characteristic of but sometimes dormant in Canadians, and the extent to which that spirit manifested itself in the election result I leave to you to conclude.

It is the identical spirit with that manifested in the War of 1812.

It is the same mettle that evidenced itself in our agreement to Confederation in 1867—the attitude to which Douglas LePan, the Gordon Commission secretary, probably referred when he wrote in the opening chapters of the massive report that "it is doubtful whether Canada would be a separate nation today if economic forces alone had been allowed to determine our destiny."

It is the same feeling that catapulted us into the front ranks of the allies in two world wars.

Just a First Cousin

It is the reassertion that, although we are geographically and economically a warm first cousin to the United States of America —and will continue to so remain —we are not the 49th State of the Union.

Perhaps the overwhelming appetite for a change was whetted by fear that our southern neighbors were exerting more than a cousinly influence on Canada through their heavy investments in our resources. Maybe they were bolstered by the oft-reiterated story that the imbalance of trade was a threat of economic strangulation. Again, it is plausible that the steam roller was partly fueled by irritation that even our northern defenses were manipulated in the halls of the Pentagon.

I cannot, nor can anyone else, say with certainty what caused the landslide, but of one thing I am sure—it was *not* the outcome of any upsurge of hatred or hostility for Uncle Sam.

I know I am speaking for the vast majority of Canadians when I say flatly that any trace of acid or any vestige of obtuse anti-Americanism that did creep into the pre-election battle was not the work of thinking Canadians. Of course, we have our lunatic fringe here as has every other nation in the world. But they are of even less account here than in other countries.

Certainly, our powerful spirit of nationalism, our desire for continued separatism, our hope for a destiny of independence just as much from the Stars and Stripes as from the Hammer and Sickle were in the political air, but any feeling of animosity that existed lay only in the minds of those who don't know the difference between a willing partner and an unwilling satellite.

Strength to my opinion is offered by none other than an American newspaper, the "Buffalo Courier-Express," which, in a post-election editorial, had this to say:

"Canada has no more desire or intention to accept 'invisible government' from Washington today than she had to accept visible government from London a generation or two ago. But Canada unquestionably is willing, and even eager, to go along as an ally and partner of the United States, just as she has gone along as ally and partner of the United Kingdom."

It is gratifying to have such friendly understanding south of the border and this, I must say, is not untypical of American press comment.

New Nationalism

This Canadian attitude is nearly 200 years old. There is a monument to it on the side of the Niagara escarpment at Stoney Creek. There have been other monuments erected since then. The Latest was built on March 31, 1958. But none of these monuments stand for dislike; they stand only for the spirit of Canadianism that should inspire respect, not alarm, in Washington.

One aspect of this resurgence of nationalism—and from the viewpoint of the Canadian purse a mighty important aspect—was the acceptance by businessmen of the proposal that a modest diversion of trade from the United States to the United Kingdom could bring our national ledgers into some semblance of balance.

But, right here, I would like to repeat what I have said more than once on public platforms since the turn of the year: the trade mission to the United Kingdom was not—and I cannot underline the word "not" too strongly—a buying mission! Its whole point, as I said a moment ago, was to seek a remedy for the chronic imbalance in our trading books.

Can you think of a Canadian businessman in his right senses who would want to swell still further the fantastic sum total of our imports by buying more British

Continued on page 28

*From a talk by Mr. Lush before the 87th Annual General Meeting of Canadian Manufacturers' Association, Montreal,

Public Utility Securities

By OWEN ELY

Western Union Telegraph Company

Western Union operates a nation-wide telegraph service and, in cooperation with other companies, wire and radio systems to all parts of the world. Special services include private wire and facsimile services, telegraph money orders, and errand and distribution services. The company's microwave networks link New York, Philadelphia, Washington, Pittsburgh, Cincinnati and Chicago.

Capitalization is now on a conservative basis, funded debt having been reduced from $85 million in 1947 to $35 million at the end of 1957. There is no preferred stock, and the equity ratio at the year-end approximated 85%. A $10 million bank loan agreement was negotiated last fall to provide for future expansion. Cash assets approximated $30 million at Dec. 31, and the current ratio was about 1.6 to 1.

In the past earnings have been affected by the cyclical nature of the operations, and dividends were omitted in 1946-47 and in 1949. As recently as 1952, when the company had a severe strike, operating earnings dropped to 22 cents a share, but rebounded to $1.69 in the following year. In the 1949 recession, annual revenues from message service dropped about 9%, and in the first quarter of 1958 they were also down 9%.

The management has been trying to reduce these fluctuations by increased automation. The number of employees has dropped from 51,000 in 1948 to 38,000 in 1957. While the average hourly wage (excluding messengers) has increased from $1.38 to $2.09 during 1948-57, the total wage burden, as a percentage of gross income, has declined from 69% to 62%.

The company has also been attempting to build up special services, which being on a fixed payment basis, would not fluctuate sharply with changes in business activity. Accordingly, every effort has been made to build up the private wire and facsimile services, and this revenue has increased (without interruption) from $6 million in 1948 to $37 million last year. Currently, despite the recession, it is running at the annual rate of $40 million. Money order services have also increased about 40% since 1948.

In an effort to speed-up the sending of telegrams and messages Western Union has set-up a number of facsimile services and equipment such as desk-fax, high-speed fax, intra fax, etc. The long-distance transmission of messages has also increased greatly in efficiency, and with a microwave radio beam, 2,000 telegrams can now travel simultaneously in both directions.

Despite all this progress the company is still somewhat vulnerable to declines in business (such as that in the first quarter) and the effects of the wage increases which seem necessary every two years when union contracts expire. In 1952 when labor demands were highly excessive, the company fought them, with a resulting costly two-months' strike. In the three contract renegotiations since that year increased wages have been agreed upon without any severe labor troubles, but on each occasion the company has had to seek offsetting rate increases. An $11 million two-year wage increase agreement became effective some weeks ago providing for a union increase of 6 cents per hour beginning June 1, 5 cents Sept. 1 and 2-3 cents in fringe benefits Jan. 1. The pre-tax increase in calendar 1958 will be about $4 million. The increase was staggered in order to permit rate increases to be obtained before the full burden is felt.

The company has applied to the FCC for an increase in rates of nearly $10 million, and is also applying to the state commissions for increases. It is expected that the Federal increase, and also those in four states where there are no commissions, will go into effect by Aug. 1, with the balance of the state increases obtained by the end of the year. In general, the rate increases are expected to offset the wage increases.

The company is also interested in some other rate increase applications, some of which are moving slowly. It acts as a land carrier for cable and radio companies, and has just been granted an increase in these "land line haul" charges there had been no increase for some years. All the international carriers (some 12 in this country) are also seeking a general increase in cable rates. The total for the two increases could approximate $2.5 million annually. Western Union has also asked for a substantial increase in rates for private wire service. It is possible therefore, that increased rates may be obtained in substantially larger amounts than those required to offset the wage increase. Earnings on invested capital last year were 5.5% and will probably be lower this year.

The company is having marked success in its development of the leased line services, despite stiff competition from the Bell System. It operates a special country-wide message service for some 200 banks, on an almost fully automatic basis. An important contract has recently been signed to distribute weather maps to 49 Air Force bases, which will involve a 12,000 mile nation-wide facsimile network. This should about double present "intrafax" revenues which have been running at about $1 million a year. The company last week signed a contract with I. B. M. whereby the latter will lease a 25,000 mile private wire telegraph system which will eventually link 245 I. B. M. offices and plants in the U. S. and Canada. It was estimated that about a quarter of million words a day will flash over the network, which will be completed during 1959. Another contract with a large industrial company is currently being negotiated, to connect its various offices in a nation-wide network.

In the first quarter of this year the company earned 32 cents vs. 48 cents in 1957. Second quarter results should show some improvement, but July results may be unfavorable. Beginning with August it seems likely that a better showing will be made, reflecting the rate increases.

The stock has been selling recently around 20 to yield 6%, based on the $1.20 dividend. 1957 operating earnings were $2.03 vs. $2.21 in 1956.

Natural Gas Pipeline Makes First Public Offering of Securities

Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc. head an investment banking group which is offering publicly today (July 24) $35,000,000 of Natural Gas Pipeline Co. of America 4¾% debentures due July 1, 1978, priced at 99% to yield about 4.83% to maturity.

Simultaneously, an investment banking group headed by Dillon, Read & Co. Inc. is offering 150,000 shares of cumulative preferred stock, 5¾% series, of the company at par ($100 per share).

This financing represents the first public offering of securities of the company, which is one of the pioneer long-distance natural gas pipeline operators in the country.

Of the proceeds from the sale of the debentures and preferred stock, $44,500,000 is to be applied to the payment of outstanding bank loans, which were incurred principally for the temporary financing of additions to property, and the balance will be added to the general funds of the company.

For a period of five years, the debentures are not redeemable from or in anticipation of monies borrowed at an interest cost of less than 4.83%, but they are otherwise redeemable at the option of the company at any time at prices scaling downward from 104% to 100%. The debentures are entitled to an annual sinking fund, beginning July 1, 1961, sufficient to retire approximately 92% of the debentures prior to maturity. The sinking fund redemption price is 100%.

A sinking fund is provided for the preferred stock contemplating the retirement of 6,000 shares of the preferred stock annually commencing in 1964. The sinking fund redemption price is $100 per share. The preferred stock is otherwise redeemable at the option of the company at $110 per share for five years and thereafter at prices scaling downward from $106 to $100.

Natural Gas Pipeline Co. of America and Texas Illinois Natural Gas Pipeline Co., both subsidiaries of The Peoples Gas Light & Coke Co., together supply to gas utilities substantially all of the natural gas distributed in Chicago and the surrounding area and also serve certain other gas utilities.

Natural Gas Pipeline began operations in 1931 with a pipeline extending approximately 900 miles from the Panhandle field in Texas to the vicinity of the Chicago metropolitan area. Prior to 1948, a paralleling line was built, and, in 1957 the company constructed and began operating a 350-mile extension to certain gas producing areas in Texas, including a new connection in Oklahoma, with the system of a non-affiliated gas pipeline company. The present daily delivery capacity of the company's pipeline facilities is approximately 559,000 Mcf. per day. For the 12 months ended May 31, 1958, about 21% of the company's gas supply was derived from its own wells in the Panhandle Field in Texas, and the balance principally under long-term contracts with certain gas producers and other pipeline companies.

The company has embarked upon an expansion program which includes the construction of approximately 511 miles of paralleling pipeline and related facilities expected to cost about $86,000,000. In connection with this program the company expects to install by the end of 1958 facilities which will permit an increase in daily delivery capacity of at least 107,000 Mcf. and possibly as much as 195,000 Mcf.

For the 12 months ended May 31, 1958, the company reported total operating revenues of $57,595,808 and net income of $3,606,701.

Stock Ticker at the Brussels Fair

The stock ticker—world-wide symbol of the American free enterprise system—is a hit at the Brussels Fair.

Against such strong competition as high fashions and color television, the stock ticker being exhibited by the New York Stock Exchange has already attracted the attention of an estimated seven million visitors. The increasing flow of interested viewers has necessitated doubling the number of bilingual State Dept. guides attending the exhibit.

A poll of the 216 guides staffing the Pavilion ranked the Exchange exhibit as fifth most popular attraction out of the scores of American exhibits. The poll was conducted by Robert Warner, coordinator of U. S. exhibits.

The official U. S. guide book to the fair refers to the Exchange as "the market place which gives life and substance to the American free enterprise system," and general opinion among the guides is that most foreign visitors to the Exchange exhibit are impressed with what they see and hear of the American brand of capitalism.

But there are exceptions, of course. One VIP was skeptical of the claim that America has over eight and one-half million shareowners, and he was heard to comment that 250 would be more like the right number.

To quote the guide: "Guess what country he was from."

Savings Banks' Fund Reports Sharp Gains

William H. Harder, President of Institutional Investors Mutual Fund, Inc. and Vice-President of Buffalo Savings Bank (Buffalo, N. Y.) in his report to stockholders stated that net assets at market reached a new high on June 30, 1958 at $40,036,301, compared with $30,219,849 a year earlier. On March 31, 1958, net assets amounted to $34,808,137.

The gain for the three-month period is attributable largely to sales of shares of the fund's capital stock of about $2.8 million and an increase in unrealized appreciation of about $2.4 million, Mr. Harder pointed out. There were no redemptions of shares for the period. Also on June 30, 1958 the net asset value per share reached a new all-time high of $174.77. On June 30, 1957 net asset value was $163.31 and on March 31, 1958, it was $163.82.

"There are now 91 shareholders comprising 82 savings banks and 9 savings bank life insurance departments, whereas a year ago the total of shareholding savings banks stood at 71 and on March 31, 1958 at 77," Mr. Harder reported.

J. Barth 75th Anniv.

J. Barth & Co., 404 Montgomery Street, San Francisco, members of the Pacific Coast Stock Exchange, is celebrating the 75th anniversary of its founding in 1883.

Harry Diamond

Harry Diamond, partner in Diamond, Turk & Co., New York City, passed away on July 5.

Norman C. Roberts Opens

SAN DIEGO, Calif.—Norman C. Roberts is engaging in a securities business from offices at 625 Broadway.

Financing Higher Education In the United States

By ELI SCHWARTZ
Assistant Professor of Finance, Lehigh University, Bethlehem, Pa.

Lehigh finance professor presents a new approach to financing higher education which emphasizes making schools self-supporting by charging reasonable full-cost tuition and utilizing community aid and endowment contributions for scholarships or loans for needy students. Worried about existing implicit exploitation of faculty salaries to finance students' education, the writer believes this approach will permit restoration of faculty salaries to that of 20 years ago without, however, allowing for economic growth, and warns this is necessary if we are going to have a qualified faculty for predicted prospective flood of students.

The latest President's Commission on higher education has again reminded us that we are facing an ever deepening crisis in the field of higher education and higher learning. By 1960 the United States will be presented with a mounting flood of prospective students, and we are likely to have only the most meager of resources and staff to accommodate them. Moreover, and this is the crux of the problem, although present college faculty pay scales may be barely sufficient to hold a large part of those already committed to the profession, the pay is not nearly high enough to attract a sufficient number of young men of the intellectual quality and preparation needed for necessary replacements and additions to our existing supply of teachers and scholars.

Dr. Eli Schwartz

Furthermore, the college professor has a dual function in our society; not only is he a teacher, he is also the major defender of the values of pure contemplation and disinterested scholarship. If faculty pay is inadequate, and the professor is tempted to supplement his income by spending too much of his time in paid consulting or less than disinterested research, then the professor's function as a pure scholar is the one most likely to suffer.

New Approach Suggested

Considering the growing strain upon our resources of learning and scholarship, perhaps we should seek some new approaches to the problem of financing higher education in America. At present our institutions of higher education draw upon three major financial sources besides students' tuition fees; they are subsidized by endowment income, by tax monies in the public institutions, and, to be brutally frank, by the underpayment of the teaching staff. Thus in the average Eastern private college, the students' tuition (about $1,000) covers but 50% of the cost of his education; endowments and alumni donations cover around 25%; and the remaining 25% is the implicit contribution taken out of the faculty pay. Unfortunately, this last source is not likely to continue indefinitely; it is obtained by robbing the future of its supply of scholarship.

It has been recently suggested in more than one quarter that an alternative to the present scheme of subsidizing the general educational institution would be to charge the reasonable full-cost of a college education directly to the students and to grant deserving students scholarships or loan aid whenever necessary.

Let us see what this entails. First, the subvention contributed by the faculty would be eliminated. A commonly suggested pay scale for the college teachers would range upwards from about $15,000 for full professors, $12,000 for associates, $9,000 for assistant professors, and $6,000 for instructors. Exact measurements are difficult, but this scale approximately restores the faculty real income level prevailing some 20 years ago considering the decline in the value of the dollar and the rise in taxes; it makes only a minimum allowance for economic growth. Nevertheless, it would probably be deemed adequate by the present scholarly community.

Supposing an illustrative case of a college with an enrollment of 2,000 students and a staff of about 200 faculty members, the approximate funds required to meet this pay scale could be obtained by an increase of about $500 in the annual tuition charges. This would provide $1,000,000 yearly — an amount sufficient to cover an *average* faculty salary increase of $5,000.

The second step would be to discontinue the $500 subsidy given to every student out of the endowment income and to add this amount to the regular tuition charge. Although this move would raise the regular tuition fee to $2,000 a year, it would at the same time set free sufficient endowment income to enable the college to offer substantial scholarship aid to those qualified students who could not afford this amount. Thus 25% of the students could be given full scholarships, or alternatively the endowment would suffice to provide 50% with half scholarships. Of course, the distribution of aid should be scaled; its exact shape need not concern us here, but I would suggest that some aid start at no lower than the $10,000 a year family income level.

Would Tempt Scholarship Contributions

In a representative situation, then, the full-cost tuition rate would be about $2,000 a year. In many, many cases such a charge would not be an undue strain upon the financial resources of the student's family; it might at the most entail a cut back in the year or model of the foreign sport car which the student maintains at the campus. Present endowment income would, however, provide aid for many students who could not meet this charge, and, furthermore, it is quite possible that a heavy increase in endowments would be forthcoming under a direct appeal of making it possible for deserving students to attend school.

At present, the truth of the matter is that the financial administrators of our educational institutions tend to soft-pedal appeals for scholarship funds in favor of general endowments and gifts And rightly so, since under the existing situation, the funds furnished by the scholarship will not cover the costs of educating the student. If, however, tuition covered full costs, no such consideration would handicap the drive for scholarship funds. Moreover, many corporations which might hesitate to endow any college too heavily out of a commendable desire to avoid even the appearance of the possibility that they might be influencing the policies of the school, would find this scruple removed if the funds went to student scholarships rather than to the institution.

Loans and Community Grants

If scholarship funds should prove not quite sufficient to help enough deserving students through school, then concurrent consideration can be given to the frequent suggestions that a comprehensive system of low-interest, long-term loans be developed to help finance the higher education of worthy candidates.

Another possibility would be the development of more state and federal scholarship programs. There may be some valid arguments against such programs, but in any case the problems will be less if the students rather than the schools receive the aid. Moreover, it is possible that need for governmental aid is likely to prove only minimal if other financial sources are properly exploited.

It is hard to see how any alternative to a system of full-cost tuition charges could raise the funds that our hard-pressed educational institutions need. For a college to obtain $1,000,000 a year for additional faculty compensation would necessitate at least a $40,000,000 increase in the general endowment; this, of course, exceeds the amounts accumulated over many years which most college and universities now have. Under these circumstances it is but a modest notion to suggest that the administrators of our colleges and universities cease casting about here and there for subsidies and grants in desperate attempts to shore up their institutions' financial structures and contemplate instead the possibilities of charging the reasonable full-cost of a college education. The present emphasis on begging funds for the support of the institution while all the students receive some susbidy should be reversed; the school should become self-supporting, and all effort should be directed toward asking the community to provide help and aid for the student.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

The expected slight reversal in earnings trend of the large New York City banks was confirmed in their mid-year income accounts. Taking the second quarter as an indicator, eight of the 13 large banks showed modestly lower figures. Taking the 12 months through June 30, 1958 as the test, only three reported lower operating earnings; and two of these, First National City and Chemical Corn Exchange were on different amounts of outstanding stock at the two dates, due to the issuance of new stock. In City's case the dilution was from 10 million to 12 million shares; Chemical Corn from 5,313,825 to 6,376,590. The sole remaining loser was United States Trust with a shrinkage of less than 6%—and we suspect that this could have been due, or partly due, to the bank's new building construction. But probably the showing of the quarter is more indicative of the general trend.

However, in our last discussion on the banks we touched on their profits from realized sales, and these were of substantial proportion, and, be it noted, after income taxes.

But here are the earnings figures:

OPERATING EARNINGS AT JUNE 30, 1958

	Second Quarter		12 Months to June 30	
	1957	1958	1957	1958
Bankers	$1.36	$1.30	$5.32	$5.69
Bank of New York	6.11	6.35	27.92	29.55
‡Chase Manhattan	1.06	1.08	3.93	4.33
Chemical Corn Exchange	1.13	1.08	4.22	3.76
¶*Empire Trust	4.36	4.15	16.04	17.66
§†First National City	1.47	1.25	5.52	4.63
Guaranty	1.24	1.24	4.90	5.39
¶Hanover	0.92	0.86	3.60	3.69
¶Irving	0.69	0.62	2.66	2.72
Manufacturers	1.09	1.00	3.91	4.03
J. P. Morgan & Co.	5.31	5.94	22.27	24.03
New York Trust	1.43	1.55	5.73	6.19
U. S. Trust	1.56	1.42	5.87	5.53

*Indicated earnings. Empire issues only annual income accounts. †Includes City Bank Farmers Trust Co. ‡On basis of 13,000,000 shares for 1957; on 13,090,000 for 1958 periods. §On basis of 10,000,000 shares for 1957; 12,000,000 for 1958 periods. ¶Adjusted for stock dividend in early 1958: Irving 2%; Hanover 11 1/9%; Empire 4%. **Chemical—On basis of 5,313,825 shares for 1957 periods; 6,376,590 for 1958 periods.

The New York bank stocks are now selling at, historically, high prices on average since the early 1030's. If there were any pronounced feeling that they will show materially lower earnings, all sources considered, they would not be bought as they are being bought for defensive holdings. The yields are still good, and now average out around 4.3%, a reflection of the fact that the group is disbursing in dividends on average (including extras for several of them) only 54% of operating earnings. The inclusion of securities profits in earnings would, of course, affect this ratio favorably; but as no well run bank would pay dividends out of securities profits, this item is not brought into the earnings figures.

There are times when banks register losses in securities, too, of course. But the bond market being what it has been for some months, the opportunities presented to the banks to realize some profits from their holdings are better than at other times when money was tight and found a more lucrative outlet in the loan market. With easier money bond prices improve and give the banks an out on bonds that they have been holding beyond the six months holding period, for on these the profits are taxed federally only 25%.

The banks at the mid-year date treated securities profits variously. Chase, for example, transferred approximately $12,000,000 of its $20,900,000 of securities profits to its reserve for contingencies. It also took a $900,000 profit out of a real estate sale, and allocated this to possible unforeseen expenses connected with its large new building now under construction. Chemical Corn Exchange transferred its large profit to its reserve for contingencies. Guaranty's went into its general security reserve. Bankers reported securities profits of $5,612,000, and "sweetened" investment security reserve by $5,167,000.

Wherever the windfalls were tucked away they are fortifying the shareholders' true equity, for, while they may not appear in book values, they belong in that figure to the extent that they are never used as loss offsets.

Three With Melvin Gordon

(Special to THE FINANCIAL CHRONICLE)

REVERE, Mass. — Jerome J. Maltz, Alan Silver, and Bernard Tamkin are now with Melvin Gordon Company, 10 Pines Road.

Two With E. R. Bell Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Walter W. Garth and Ralph O. Sorenson are now connected with E. R. Bell Co., 4627 Wornall Road.

With Luce, Thompson

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Joseph J. Conron is now connected with Luce, Thompson and Crowe, Inc., 105 West 11th Street.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio—Philip C. Newsom has joined the staff of Bache & Co., Second National Building.

John J. Carroll Opens

VERO BEACH, Fla. — John J. Carroll is conducting a securities business from offices at 2050 Thirty-seventh Avenue. He was formerly with Security Planning, Incorporated.

With A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard E. Escher is now with A. C. Allyn and Company Incorporated, 122 South La Salle Street.

P. T. Bardsley Opens

SOMERVILLE, N. J.—Percival T. Bardsley is engaging in a securities business from offices at 128 West High Street.

John P. Fox Opens

MT. VERNON, N. Y.—John P. Fox is conducting a securities business from offices at 127 Crary Avenue.

E. S. Kureen Opens Office

GREAT NECK, N. Y.—Ezra S. Kureen is engaging in a securities business from offices at 48 Beach Road. He was previously with McGrath Securities Corp.

Edward D. Jones Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William C. Meyer is now with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

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Canada's Burgeoning Problems

goods on top of our abnormally heavy purchases from the United States—and all this at the expense of our Canadian manufacturing industries? Nevertheless, and unfortunately, that idea got abroad.

What's more, the admonition that we should examine our American sources of supply and, where possible, buy the same goods from Britain was misunderstood to the extent that some Canadian manufacturing concerns which are subsidiaries of U. S. companies — subsidiaries that pay Canadian taxes and hire Canadian workmen — suffered cancelled orders in favor of British suppliers. Incredible though this may seem, it has happened, though I would not wish to exaggerate its extent.

Much as we would like to trim our trade deficit with the U. S. in the interests of economic common sense, I suggest that cutting our buying from Canadian-based companies, whatever their parent's nationality or whatever their financial backing, is not what was meant when we subscribed to the diversion program.

Now that I have again clarified, I hope, the real purpose of this much publicized transatlantic mission, I would like for a moment to discuss our trade relationship with the United States.

Trade Relationship

Obviously, the north-south trade flow is the natural one for people on this continent and it will continue to be. Geography alone dictates this fact. Thus, any attempt at switching a small proportion of our buying to Britain will simply provide the British with a few more dollars to buy our products and, in turn, help us, but it will not perceptibly disturb the normal business current. It will make barely one iota of difference to our American friends who, at the moment, are buying our raw materials and semi-processed products at what looks like a great rate, but which, in fact, is only sufficient to pay for somewhat less than three-quarters of the value of the goods we buy from them.

For two years now in a row—1956 and 1957—our annual imports of P. S. goods exceeded our exports to points below the border by more than a billion dollars.

Admittedly, the deficit will drop to well below the billion-mark this year. In fact, recent figures indicate a marked slashing of 1958's deficit rate when compared with last year. But reduction of the deficit to a point of balance—something that, for many years to come, is barely hypothetical — would mean either every Canadian reducing his or her purchases of United States goods by over $58, or every American increasing his or her Canadian purchases to the extent of $5.70. Perhaps it is not too much to hope that we may eventually reduce the deficit to manageable proportions by a judicious combination of both these ingredients.

Of course, all these parryings to protect our fiscal flesh from continued wounding — whether they be a small swivelling of our U. S. purchases to British plants or attempts to educate Americans to the facts of Canadian life—are by no means likely to be so successful as to make us invulnerable.

Adequate Tariff

The best solution of course, for our perennial woes would be an adequate tariff to protect our Canadian economy and our Canadian wage standards from the devastating effects of cheap labor and mass produced imports.

Do Canadians realize that manufacturing today is Canada's biggest employer of labor? Do they realize that their wage rates are three times those of the United Kingdom and Western Europe and eight to twelve times those of Asia? Do they realize that United States manufacturers can produce more cheaply than we can simply because they are geared to a domestic market containing ten times as many people as we have in Canada? I confess to much doubt as to whether any of these things *are* realized!

And yet, if Canada's manufacturing industry is to continue to furnish employment for one out of every four gainfully employed persons as it does today, it must be permitted to operate in a business climate of fair competitive conditions.

"Buy Canadian"

Naturally, any policy of adequate tariffs should be abetted by enthusiastic subscription by Canadins in all walks of society to a health-giving policy which would result in the replacement of a big slice of our imports from the production of our own factories.

In other words "Buy Canadian!"

We know that most people heading for a store with money in their pockets are interested only in the article they plan to buy and couldn't care less where it is made. But if they think about it at all—and that is why we in the Canadian Manufacturers' Association, assisted and backed by other national groups, are intensifying our 60-year-old "Buy Canadian" program — they are bound to realize the benefits to be gained for all Canadians by their buying of Canadian-made goods.

Let us from the very outset leave patriotism and sentiment right out of this discussion.

We have got to show that buying "Made-in-Canada" goods will bring prosperity to the family of the consumer to whom we are speaking and not just to some unknown family a few blocks up the street.

We have got to satisfy the Canadian woman in particular that, unless she buys the goods made by Canadians, other Canadian wives will have the money with which to buy the goods made by her husband or, for that matter, any other Canadian worker.

We have got to establish in the minds of all consumers that their own individual well-being, for the most part, is indivisible from that of manufacturing industry and that no one in this country can hope for personal prosperity if all do not work for national prosperity.

There is another group of people which should be particularly concerned with this "Buy Canadian" program. I refer to the wholesalers and retailers. I know they must stock the goods their customers want, but surely they cannot imagine that they are any less dependent upon national prosperity than everybody else. Where will the Canadian women who frequent their stores get the money to buy their goods if Canadian men are out of work? And how can Canadian men remain employed if the goods they make are not sold?

Produce Better Goods

There is still a lot more to this problem. We, as manufacturers, cannot ignore our own responsibilities. What right have we to demand that people buy our products and do nothing more about it? We are on weak ground if we hope to persuade customers to buy second-rate goods or to pay exorbitant prices. The responsibility of price and quality is ours.

We can meet it. Canadian craftsmen are just as good as those of other countries at producing quality goods. Canadian technicians and techniques are equal to competing in efficiency with any in the world. As manufacturers it is our duty to see that the "Buy Canadian" symbol is synonymous with value for money.

We cannot afford to have it otherwise—and neither can labor. What is more, I believe, many ordinary Canadians, who depend for their bread and butter on manufacturing industry, know this to be true. They now know that only disaster can come from forcing wage increases unjustified by productivity improvement — increases that inevitably mean higher prices, consumer resistance and rising unemployment. Labor's desire for a square deal — with which I have every sympathy—must take full account of the cost factor. It must face up to the economic reality that there is no such thing as a captive market.

In my first major address after assuming office as President of C.N.A., I called for a searching re-examination of labor-management relations in the light of prevailing conditions and the responsibilities of both labor and management to society as a whole. I renew that call. I am encouraged to hope that it will soon find a response. Indeed, this is not the least of the reasons for my enthusiasm for the "Buy Canadian" drive. I see it as a bridge which can unite labor and management across Canada—a bridge which can be the means of introducing a new era of industrial peace based on mutual understanding and trust.

Naturally, we manufacturers must apply the magnifying glass of efficient discontent to our own buying policies. We well may discover that materials we are importing could, in fact, be obtained from native sources and, quite possibly, on more favorable terms.

Absolute Advantage

There is little doubt that reasoning commentators will ask this elementary question:

Since Canada is neither self-sufficient nor populous enough to consume all we produce, will not our selling to other countries suffer if we do not buy from them?

This question does not come within the framework of our "Buy Canadian" program. We have never been foolish enough to suggest that the consumer buy blindly or refrain from buying what is not made in Canada. We have only argued that where two comparable products—one made domestically and the other made abroad — are displayed for sale, the shopper is acting in his own best interests by choosing the Canadian product.

At the expense of being repetitious, let me again say that the Canadian housewife, businessman, unionist, store and company managements, governments at every level, must all come to realize that they have a vested interest in exercising a definite preference for "Made-in-Canada" goods.

I do not think it is too strong to say that our very survival as a nation in fact as well as in name depends above all else on our willingness and ability as Canadians, corporately and individually, to do four interrelated things.

The first is to invest in the development of our own industries. The second is to process more and more of our own raw materials. The third is to enforce a realistic tariff policy reflecting our hopes for our country's future. The fourth is to consume our own manufactured products.

I have been discussing certain familiar trading problems at some length. You are aware of others that have ebbed and flowed with the world's tide of commerce, with the forward spurt of industrialization in heretofore backward countries, and the vagaries of supply and demand.

Russian Trade Offensive

We have solved many of them and we have continued to grow in international commercial statute, even though certain cost disadvantages may make us seem peculiarly vulnerable at this stage in history. We have ranked fourth among the world's trading nations for some time, but a new and dramatic challenger has appeared who could reduce us in the global ranking.

I refer to Russia. We are well aware of Russia's ambitions, vaguely aware of its natural resources, but perhaps not so aware of her new desire to invade the markets of the world with a variety of products, some of which are already pinching our toes and others which can hurt us in the future.

This invasion has strong political overtones and has been stepped up at a time when North American economic consolidation makes its effects more significant.

We must assume that Russia is ready, as a matter of deliberate policy, to undercut sensitive markets in many goods and materials, without concern for the costs of production and marketing, in order to take up the excess of Russian resource production which was force-fed because of military demands. Hence, their tactical, low priced selling of such marketable items as aluminum, platinum and nickel, edible oils and meal, to name but a few things in which Canada has more than a passing interest. In fact, there are other things that Russia is reportedly preparing to sell that could hurt us even further.

It seems to be that this Russian move is, in its own way, just as dangerous as the military "cold war" of recent years. Perhaps more so, because, by virtue of its very subtlety, it is going largely unrealized.

Commonwealth Conference

What can we do about it? At the very least, I suggest, this Russian trade offensive should figure largely as an item on the agenda of the Commonwealth Trade Conference which meets in Ottawa this coming September.

Surely, if the Commonwealth is to make any kind of economic sense at all, it is incumbent upon us to present a united front against challenges of this nature.

Let us by all means trade with the Russians where such trade is a sensible, businesslike, fair proposition. In fact, let us encourage such healthy trade with every means at our disposal. But, for goodness' sake, let none of us be kidded into welcoming their economic offensive with open arms, where its ultimate aim is, to say the least, the embarrassment of members of our own family.

Now, as I come to the end of my paper, you may have wondered why I did not refer to this period of economic consolidation through which we are passing. I refrained because you know as well as I do that no boom in a free market economy can go rocketing on with never a pause for breath.

There is no cause for fear. Canada's march will continue, slowly now, but faster in the year immediately ahead. This is no time for moaning; it is a time for preparation, for readying ourselves for an even greater wave of expansion than any we have witnessed in the last ten years.

And with the new burgeoning will come more problems. A great and growing nation is never free of them. Membership in the Canadian Manufacturers' Association will help you meet and solve them.

Railroad Securities

Union Pacific Railroad

Union Pacific Railroad is one of the handful of carriers which has been able to maintain dividend payments this year. One of the reasons is the road's strong financial position. Current payments, plus a 40 cents extra, amount to $1.60 annually to give a return of approximately 5.5%.

While traffic has held up better than the average for the country, net income has been hurt by a drop in "other income," mainly due to a drop in oil production and also lower dividends on its holdings of 733,940 shares of Illinois Central common stock. Earnings from oil properties in the first five months showed a drop of $2,600,000 under the like period of 1957.

Net income for the first five months of this year dropped 12.1% under the comparable 1957 period and amounted to $1.05 a common share as compared with $1.20 in the like 1957 months.

Union Pacific has a well diversified traffic base and through good cost control has been able to hold up rail earnings fairly well during the current business recession. Revenues in the first five months of this year declined 8.8% from a year ago, while operating expenses were cut 9.1%. Consequently, after smaller Federal tax accruals and lower equipment rentals, net operating income dropped only 4.8% as compared with a decline of 56% for the industry.

Improvement in traffic is expected in coming months. In addition to a pickup in industrial activity, loadings are expected to benefit from larger lumber shipments because of an anticipated rise in new housing starts. Of course, much depends on the reception of the new line of 1959 automobiles which could influence traffic.

It is expected that "other income" will continue lower during the year as compared with 1957. On a long-term basis, however, the land holdings of the carrier undoubtedly will produce sizable revenues.

The current falling off reflects a normal decline in older producing fields, particularly in the Wilmington district. Revenues from Pacific Fruit Express, jointly owned with Southern Pacific, are expected to be well maintained.

Despite large outlays of property improvement and equipment, finances remain at a high level. On April 30, cash items amounted to $81,980,000, not including liquid investments held in non-current accounts. Net working capital on that date amounted to $68,377,000 down from $95,698,000 on the like date of 1957. This partially reflects large purchases of United States Government securities which are not carried as current assets. In addition to retained earnings, Union Pacific has a large cash flow from depreciation charges of about $30,000,000 annually with this year's equipment maturities amounting to only $3,000,000. Property retirements last year amounted to $21,000,000 most of which could be used for tax purposes.

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As We See It

the world in this day and time, are at least semi-socialistic in nature.

The Real Trouble

The real trouble is, of course, Russia. This in a sense is an old story, too. The real disturbances which arose from the colonialism of the 19th century usually grew out of rival ambitions of the so-called great powers. It would be hard to say in what degree the other imperialist powers of a century or so ago have reconciled themselves to an end of the era and ceased to have as much interest in the so-called underdeveloped portions of the earth. They certainly are no longer in command of large capital with which to exploit backward peoples or even to develop natural resources a long distance from home. They doubtless would like to hold on to what they have—or rather what their nationals have. It is a fact, though, that at least Britain has learned—it always was rather good at it—to make such adaptations as are necessary to work successfully in a new atmosphere throughout the backward areas.

Russia, now under a so-called revolutionary regime, is still as imperialistically inclined as it ever was. The Kremlin clothes its imperialistic designs with verbiage about socialism and communism, but the stark truth of the matter is that it is internationally ambitious very much as were the Czars which preceded it, only more so. Its clashes with Tito make it clear, even if it were not clear anyhow, that it wants the world to be communist a la the Kremlin, and to manage its affairs and to formulate its policies as the Kremlin dictates. It has perfected a technique of infiltration not so extensively used in the days of the Czars. Intrigue and incitement to rebellion and revolution wherever conditions seem to suggest that it might be successful—this is the main reliance of those who now rule in Moscow.

This, of course, is a procedure admirably adapted to situations such as exist in many parts of the world today. Discontent and dissatisfaction now ruling in the Middle East offer a tempting field. Widespread destitution along side of excessive extravagance in the so-called privileged classes plus long pent-up resentment against what is known as colonialism keep the pot boiling. Nationalism has had a luxurious growth, too, in many areas. Peoples, for one reason or another, have come to develop a passionate desire for the role of independent nations—even where it may mean economic sacrifice. In such areas it is relatively easy for professional trouble makers to incite all sorts of disruptive action as is clearly in evidence in the Middle East at the moment, and has been equally evident in various other parts of the world from time to time in recent years.

In such a situation it is all but inevitable that it become increasingly difficult for foreign capital to do profitable business in the areas. At the same time experience has definitely and repeatedly shown that it is not ordinarily wholly impossible to do so. There is reason to believe that oil interests in the Middle East, for example, could continue to operate profitably despite all the unrest and the increasing demands of local peoples for larger and larger shares in the profits of the business—that is they could do so if the Kremlin refrained from muddying the waters. Should Russia become dominant in the area there the future would indeed be dark.

What the Nations Should Ponder

The question that the native populations of this area should be giving prayerful attention is this: What do they stand to gain if the Kremlin succeeds in one way or another in directing their affairs? It may be taken for granted that Russia is not in the least interested in moving into the Middle East for the purpose of helping the inhabitants of that region. All the crocodile tears that the Russian leaders constantly shed over the status of the Arabs and all the rest are of course nothing more or less than sham for the purpose of gaining influence and ultimately control of the peoples and the resources of the Middle East. The Russians have long wanted to reach warm water somewhere in that section of the globe. They have all the oil they want for their own use, and possibly some to spare, but, of course, they would not object to profiting by the exploitation of the oil of the Middle East, and they certainly would not undervalue the advantage to them of denying fuel to Europe or making Europe take it at their terms.

But what of these native populations which, according to the Kremlin, have for so long been so horribly exploited? The Kremlin has long been in the habit of trying to give the impression that it is in a position to extend large amounts of financial aid to all sorts of people—especially those who are now destitute and harboring great ill-will toward the West, but one may well ask where it is to get the means to do any such thing. It is trying to raise the living plane of its own people—so far as it is not devoting its resources to preparation for war—and while it has apparently made progress, it still has a long, long way to go. It has an exportable surplus of some products, but it needs badly to import many others. The country definitely has not reached that stage in its development when it needs to look abroad for investment opportunities.

It is the native populations most of all who need to take another look at the Middle East and its problems.

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Fundamentals of Intelligent Investing

later in this discussion, but be sure you are familiar with the company's past and current earnings and be sure you are satisfied with the soundness of its capitalization.

Security's Record

Upon your judgment of these facts depends, in the last analysis, your assessment of the company's earnings prospects and, as an investor, you are interested in earnings. You will, no doubt, also wish to concern yourself with the historical record of the security in which you are interested as a possible final criterion for investment. You will be interested in the price trend of the security in its general market behavior, in its price range over the years, in the amount of stock trading and in the regularity and amount of dividend payments. Having in your own mind firmly established what you think to be the future earnings potential and prospective growth of a company, you can make a reasonably intelligent inference concerning the prospect for future dividends and for potential appreciation in the price of the security.

Or, to digress for a moment for I have really had common stocks in mind, an appraisal such as I have suggested will also give you a good idea as to the relative safety of any bonds or debentures which you may be considering purchasing, although there are, in addition, precise ratios which you can apply with regard to the relative safety of bonds and debentures which represent a promise to pay, and do not represent a part ownership in a business

To appraise the securities you plan to buy, many sources are available to you, and these my associates will discuss later on at greater length. Among the prime sources readily available to everyone, however, to mention but a few, are the financial pages of the daily newspapers, the Wall Street Journal, a large number of business and financial magazines to be found on most downtown newsstands, more fundamental business publications such as those prepared by Moody's or Standard & Poor's, and the many securities firms who will all be anxious to help.

PART II

By R. B. JOHNSON

Mr. Schurman has discussed the information you should have before investing. Now the question is—where can you get it? Any list of *all* available sources would be extremely long. Nevertheless, I think you should remember that your primary sources of information are the member firms of the New York Stock Exchange and other reputable security dealer firms, in addition to the facilities to which Mr. Schurman has referred.

R. B. Johnson

Here, many of your registered representatives, the firms' salesmen, have access to analytical and research departments. They are the source, or have ready access to the source, of the latest and the most accurate corporate and economic information. That is to say, it is the function of the Research Department of any reputable securities firm or member firm of the New York Stock Exchange to keep itself up to date on all events likely to affect the stock market and on all changes of a major nature which take place in individual stock prices.

Of course, it is impossible for one research department to follow all the stocks on the national exchanges and local exchanges, let alone what is happening to the tens of thousands of stocks which are traded over-the-counter. But through the facilities of the private telegraph systems which brokerage firms maintain with other firms in other cities, combined with the use of the telephone, it is usually possible to obtain information which investors want within a very short time. Or, as sometimes happens, it can be quickly established that such information is publicly unobtainable. Moreover, the analytical and research department of your investment firms will provide you with this information completely free of charge. Several items which may be of interest in connection with further study of investments could include, for example, the booklet *"Dividends Over the Years"* which lists common stocks on the New York Stock Exchange that have paid a cash dividend in each year for 25 years or more.

"The Language of Investing" is a glossary of terms used in financial publications and in this booklet such terms are defined simply and easily, without going into a great deal of detail.

"The Investors Best Friend and Worst Enemy" outlines some of the points to remember in discussing prospective investments over the telephone, with strangers.

* * *

Firm's Annual Report

Now—in addition to the Research Departments of investment banking and brokerage firms, a second main source of information is the company itself. Most companies publish annual reports. All companies whose securities are listed on the New York Stock Exchange, and a great many others, issue quarterly statements as well. In addition, many companies issue press releases with some regularity as well as other special statements, booklets and so on, all of which are available to the public.

Since the establishment of the Securities and Exchange Commission every company wishing to issue new securities has had to publish a complete prospectus giving all pertinent information about the company up to that date.

Now don't confuse an annual report with a prospectus. A prospectus is prepared *only* when the company wishes to issue new securities whereas annual reports are—as the title states—issued every year. Thus, for your purposes, annual reports will probably provide the better source of information.

These, then, are two sources of information — research departments and information desks of your investment banking and stock brokerage firms and the publications of the companies themselves.

Financial Publications

Now let me turn briefly to newspapers. Most daily newspapers publish daily stock tables which will give the day-to-day facts and figures relating to the stock market generally and to specific market prices in addition to carrying to a lesser or greater extent entire sections or pages devoted to items of business news. This is a most helpful and fundamental source of information. To keep you posted on economic and industry trends are such magazines as "Newsweek," "Time," "Fortune," "Business Week," "U. S. News" and "World Report," and many more. Then, specifically, you have financial publications. For example, there are the financial newspapers—our own west coast edition of the Wall Street "Journal" and the "Daily Commercial News." There is the *"Commercial and Financial Chronicle"* and the "Journal of Commerce"—again, it is impossible to be all-inclusive.

Next are the magazines—"Financial World," "Duns Review," "Forbes," "Barron's," the "Exchange," "Investment Dealers Digest." Also, you have newsletters — "Kiplinger's Washington Letter," the "Business Outlook," "Whaley-Eaton," the First National City Bank monthly letter and the Federal Reserve Bank monthly review.

Then there are also the numerous government pblications, most of which are published by the U. S. Department of Commerce. The monthly Survey of Current Business is one of the leading general publications of the Commerce Department.

Then you have industry publications—some on a daily, others on a weekly or monthly basis. There are trade magazines and trade association publications.

Next, of course, are the statisti-

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Fundamentals of Intelligent Investing

cal services, all of which are well known to investors and all *potential* investors should regard it is a "must" to become familiar with the available information published by Standard and Poor, Moody's and Fitch (and in the west, Walkers' Manual of Pacific Coast Securities). One shouldn't move off this subject without mentioning a few books such as Graham's *"The Intelligent Investor,"* Graham and Dodd's *"Security Analysis,"* Stearn's *"How to Live With Your Investment,"* Putnam's *"What Every Woman Should Know About Finance"* and Scott's *"How to Lay a Nest Egg."*

No one person can, of course, be expected to digest all the sources of information which have been mentioned. The thing to do is to specialize. Now — information is only as dependable as its source. Some of the publications mentioned have a better than average reputation for accuracy. Others seem to have better than average access to the facts. Some of them you will find present the key facts clearly, orderly, and concisely stated. Others seem to lose these facts in a welter of descriptive and pictorial copy. *Some* advisory services have a tendency to over-condense information, and this *can* be misleading, if you are not already familiar with the subject. Unless you *know* the background beware of *over* simplification.

Maybe I should also suggest that investment firms and brokerage houses tend to have particular likes and dislikes. But remember, on the other side of the coin, no reputable firm is anxious to suggest the purchase of a poor security. Rather, every firm is fully aware that success breeds success and that by recommending good securities to you, securities that do well for you, a firm can expect repeat orders from you and orders from your friends.

So now you have your sources, your informatin — you have collected all that you can find or think you require to permit patient consideration before investing. Now reflect to yourself for your own personal satisfaction — have you the facts? Are you drawing a reasonable conclusion based upon careful study? Or, are you making a speculative deduction?

Acting on Proper Information

In investigating before you invest, bear your investment objectives in mind an devaluate the information you get accordingly. Investment objectives vary according to each investor. Some of you will want primarily to supplement your income—others may be more interested in providing for prospective future growth—while still others may be more concerned with what we professionals choose to call the "businessman's risk."

Make sure that there are no unanswered questions in your mind, and remember that today's information can, at times, be completely and contrarily changed by tomorrow. Naturally, as a representative of a securities firm, I hope that, *if* you don't already own your share of American business, you will soon become interested in doing so. When you do, I urgently suggest that you establish your ownership on a sound business basis.

Upon reflection, I wonder how many who are already shareowners in American business do more than glance at the financial page of your daily papers. Sometimes, of course, economic news hits the front page editorials and then we all read about it but I am afraid that by then, for most investors, the news comes too late to be useful. I know that until you have schooled yourself to reading the financial page of your daily newspaper it may seem complex by comparison with many other sections of the paper. I suggest that it may appear complex, not so much because of its content but rather because of unfamiliarity with the subject upon which it touches. But, after a while, you will become familiar with its writers, you will become familiar with the companies discussed and with the general economic terms used. You will begin to see the importance of, let us say, elections and their significance with respect to economic conditions. Will there be a move toward higher or lower taxes, more or less inflation, more or less Federal regulation and, how will more or less Federal regulation affect business, and the consumer?

Again, your daily paper will report on international developments which may have an immediate or a longer range effect upon trade. You will become interested and even involved in special legislation concerning the passage of agricultural bills, of bills regulating natural gas carriers, of bills regulating the airlines, the railroads, and the public utilities. You will become more familiar with the actions of the Federal Reserve Board. You will become more aware of the meaning behind such familiar phrases as the lowering of the rediscount rate or "tight money" as opposed to "cheap money."

You will, of course, be kept up to date on labor agreements or lack of agreements which may affect the production or the distribution of products in which you are interested. You will begin to ponder how extraordinary disasters and acts of God will affect the supply of goods and services of those companies in which you have invested your money. Information will pour out of the White House, Congress, government bureaus, out of state and local agencies, business and labor organizations, out of industrial information outlets and individual corporations. You will also find on your financial page specific items having to do with new businesses coming into being, or news of mergers, liquidations or of new products or of price changes. You will learn of management appointments and retirements, of the issue of new stock, of the issuance of rights and stock splits. The financial pages should also be followed with an eye to financial barometers such as outstanding brokers loans, bank deposits and clearings, reported short sales, odd lot sales and, of course, the stock market averages.

Examines Typical Quotation

You will find, as I have already mentioned, that most newspapers will give you the daily stock transactions on the New York and American Stock Exchanges and a limited number of transactions on the national over-the-counter market together with transactions on any local or regional exchange. I am going to review the information which you will find about the common stock of the All American Company.

Extract from typical stock market daily quotation page of a local paper:

1958 High	1958 Low	Stocks	Div.	Sales in 100s	Open	High	Low	Last	Net Chg
51	38	All Amer...	1.50	27	45½	46¼	44⅞	46	+¾

The first two columns are labeled high and low respectively and indicate the highest and lowest prices on individual sale transactions during the period named at the top of the column, the year 1958 to date. Squeezed next to the name of the company you will find, in this case, an item which looks like a sales tag, 1.50. This indicates the dividend which may be expected to be paid to shareowners. The next column gives sales during the day in hundreds of shares and in this case we have the figure 27 so that you know 2,700 shares were traded during this particular day. After the stock market opened at 10 o'clock in the morning New York time—or 7 o'clock Pacific Coast time — the first trade of the day was executed at a price of 45½. Sometime during the day the stock sold at a high of 46¼; it was at one point sold, that is to say a transaction took place, at a price as low as 44⅞. The final sale of the day which took place in this particular stock was executed at a price of 46. The last column gives you the change between this last price and the closing price or the last price of the previous day, ¾.

Thus, while the foregoing discussion has by no means been all inclusive, it should give you a knowledge of some of the working tools which can serve you usefully in setting up your own investment program.

PART III

By PHILIP B. THRESHER

We have had a general discussion of the importance of getting good information and we have talked about the sources available to investors. Now, as shareowners or as potential shareowners in individual companies, it is important that you know how to read their annual and quarterly reports. These reports frequently offer the first indication of coming good news or the first clue of possible trouble. When you spot such signs you would be well advised to consult your broker.

Usually at the end of an annual report you will find the pages dealing with the financial affairs of the company. The two items with which you should be particularly concerned are the balance sheet and the income statement. Now no one is going to suggest that you should, as a result of our discussion, be fully competent to interpret a balance sheet as comprehensively, or as quickly as a certified public accountant but, once you know how to read a financial income statement, it is really not particularly difficult to infer from it the general progress being made by your company. However, you should watch for items which you do not understand too well. Once again let me emphasize that where these occur consult your broker . . . the titles or subtitles which you find difficulty in interpreting may well suggest the first signs of changes in the company's status of importance to the investor. I don't want to suggest that you should look at annual reports with an extraordinarily wary eye. The information which you find in most annual reports today has to be accurate and truthful.

For remember . . . if a certified public accountant has placed the certificate of his financial firm on the financial figures of a company's annual report, these figures have to have been drawn directly from the company's official books. You should read the auditors' report, for, in phrasing the certificate, the auditors will publicly indicate any practice followed by the corporation which deviates from normal and accepted accounting procedures. In passing, it might be noted that as a shareowner, one of your biggest protections from the possibility of being financially hoodwinked by a published financial statement is the fact that the U. S. Government is the partner of almost every American corporation. Since it takes more than 50% of the taxable income, it too is interested in getting the facts.

To distinguish between a balance sheet and an income statement remember that a balance sheet discloses the financial picture of a company *on a given date.* The income statement sets forth the results of the company's operations in dollars and cents *over* a given period of time. You need very little knowledge of accounting to understand what they illustrate. It is principally a matter of applying simple arithmetic. However, since statements involve *in*tangibles as well as tangibles—items which are similarly dealt with according to accepted accounting practices—some financial reports *can* appear complicated.

The Balance Sheet

Let us deal first of all with the balance sheet. You will find the balance sheet is prepared with two columns — in one column assets and in the other liabilities and net worth . . . you will find at the bottom of each column that the assets are the same as the liabilities to the last penny. This does not mean that the company is on the verge of bankruptcy. It is the result of double entry bookkeeping which was invented by an Italian more than 500 years ago. Double entry bookkeeping specifies that for every debit there **must be** a corresponding credit. This is the reason why the assets on the balance sheet must equal the liabilities and net worth to the last penny for the sum of debits equals the sum of credits. And you can be sure that if they differ by as much as a nickel, the firm's accounting department will burn the midnight oil to find that nickel. Notice particularly, the liabilities do not equal the assets in a literal sense; it is the liabilities plus net worth which equal assets, even though on some statements the phrase "and net worth" may be omitted. Your assets, in other words, are equal to your liabilities plus the net worth. Net worth is what *belongs* to the stockholders while liabilities indicate the debt position of the company.

Hypothetical Jones Family

This can be illustrated by looking at the financial condition of the Jones family (see appendix A). On the one hand they have their values owned which are their assets and on the other side they have the amount owed, i.e., liabilities. Now under assets we can put down the cash which they have in the bank or elsewhere, $400 let us say: the amount of U. S. Government bonds which they own is $600: the value of any common stock and securities which they have is $1,600. Now we come to the value of their fixed assets, as they are technically called. There is their automobile, presently valued at $1,400, the furnishings in the home valued at $4,000 and finally the value of that home—$12,000. Thus the total assets of the Jones family are $20,000. Now under liabilities they owe bills or accounts payable of $200, they have a balance due on the car of $500 and they have other notes payable of $1,000. These are short-term liabilities — current liabilities. They also have a mortgage on their home of $8,000. The total liabilities, the total claims on the Jones family household, are $9,700. Subtracting liabilities from assets, you can readily appreciate that the net worth of the Jones family in dollars and cents is $10,300.

Typical Corporation's Balance Sheet

This is the same method which is used to determine the net worth of a corporation. Appendix B is an example of what an ordinary manufacturing company's balance sheet might look like. You will notice again that we have assets broken down into two main headings, current and fixed assets and on the other side of the ledger liabilities — liabilities and net worth or, as net worth is frequently reported, capital and surplus. I will just run over the items under assets quickly for I don't think any of them are very complicated. The company has cash on hand of $3,000,000. It has accounts receivable, that is to say it is taking credit for sales which have been made but which still have to be paid for, of $4,500,000 and a total value of inventories on hand, of all its raw materials and work in process of production and finished goods in storage, of $15,000,000. In theory, inventories are more readily redeemable into cash than items listed under fixed assets. So including inventories, the company has a total of $22,500,000 current assets. It has fixed assets in land of $1,800,000. The value of its buildings is $10,400,000. The value of its machinery and equipment is $9,600,000. Its total assets are, therefore, $44,300,000.

Against the assets the ledger shows first of all current liabilities. Notes payable amount to $150,000 and accounts payable, that is to say goods which have been received but not yet paid for, to $2,100,000. It has also set up a reserve for Federal income taxes of $1,900,000 giving it total *current* liabilities of $4,150,000. Also under liabilities is the funded debt of $8,000,000 in mortgage bonds and $4,000,000 in sinking fund debentures for total liabilities of $16,150,000. Then we have the capitalization and surplus or the net worth of the company which is represented by 75,000 preferred shares of $100 stated or par value, $7,500,000: 1,500,000 common shares (stated or par value $10), $15,000,000. Then we have an item, paid in surplus or paid in capital surplus and this represents the money that the company has received from the sale of its securities, the preferred and common stock, over and above their par value—$2,500,000. Finally, you have the total earned surplus of the company of $3,150,000. This figure shows you how much the company has earned since its incorporation less dividends paid to stockholders. It does not represent the total amount of income which it earned over the years but the amount of income which it has *retained in the business* over the years. The earned surplus, from the shareowners' point of view, is just another term for undistributed profits. The total net worth of the company, that is to say the equity value of the company, is $28,150,000.

Book Value

And while on this point, let's make a simple calculation. If you deduct the value of the preferred stock and we will assume that its market value is around par or $100 per share, you have a common stock equity figure of $20,650,000 and divide this by the number of outstanding shares, you get a book value or equity value per common share of $13.77. Total liabilities including capital and surplus, equal to $44,300,000.

Now a few things to look for in a balance sheet — what is the working capital of the company? This is a simple matter of subtracting current liabilities from current assets and, in our example we find that our company has $18,350,000, which represents money available for use in its current operations. Then we have an important ratio called the current ratio which is the division of current assets by current liabilities, in this case our ratio is something a little over 5 to 1. In other words, our current assets are 5 times the current liabilities. This looks good for our company.

But how does this compare with last year? Has the current ratio gone up or down? And if so, why? A healthy working capital position would be a current ratio of at least 2 to 1. There are companies, of course, which operate successfully with current liabilities almost equal to current assets. But, unless you are already quite familiar with the company and the industry where you find a current ratio as low as this, you should satisfy yourself that a low current ratio is in line with other companies in the same industry.

Companies in the utility industry, for instance, traditionally operate with very low current ratios, often less than 1 to 1. This is accepted practice in this industry. Another closely related ratio which you will find frequently referred to is the "net *quick* assets ratio." This is the sum of cash assets minus all current liabilities. Cash assets are those which fit the definition of being directly equivalent to and held in place of cash. This net quick asset calculation will quickly show you the ability of your company to pay its *current* debts.

Leverage and Capitalization

Take a look at the capitalization of the company. This may be made up of funded debt, preferred stock, capital and surplus. Not all companies have funded debt or preferred stock, but where they exist look at the proportion between them, the proportion between bonds, preferred, and common stock. This proportion may be important for it will indicate an important factor for investing in common stock known as leverage. Leverage is a difficult concept and I don't want to spend too much time in trying to explain it. Roughly, leverage is a measure of the proportion which the value of the common stock bears to the value of the total capitalization of the company. The higher the proportion of funded debt, the higher the leverage of the common stock. Where you have a high level of funded debt, the company will have to pay out a large amount in interest and this will have to be taken out of current income before payment of dividends on the common stock.

But, since this interest charge is a *fixed* charge, as the gross income goes up so the income available for paying these dividends goes up more, proportionately, than the over-all increase in gross income. Thus ownership of common stock which has a high leverage factor puts the common shareowner in a position to benefit more than proportionately from any increase in the overall profits of the business. I should add, of course, that the contrary is also true.

Before leaving the balance sheet I will just mention a few things which you should look out for and which do not appear in our simple example. Some companies' balance sheets will carry investments as assets. If one does so and if the balance sheet is reported to be a consolidated balance sheet, you should check how the investments are carried and how they have been evaluated. They are normally carried at cost. You should find the explanation clearly stated either in the balance sheet or in the accompanying explanatory notes.

You may find also under assets an item for deferred charges which refers to bills the company has paid in advance. Now you don't have to worry about these. But watch out for an item like "patents and good will." In the old days this was a means whereby the assets of a company could be blown up to almost any size. Of course, patents have value but it is hard to state what this value is in dollars and cents. The same is true of good will. Nobody knows, for instance, what the value of a trade mark like "Elsie, the Borden Cow" may be. Is it worth several million dollars or is it worth a mere thousand? Who knows the value today of a patent with 15 years to run? It may be rendered worthless tomorrow by a new invention.

So when you see an item "patents and good will" on the balance sheet, if it amounts to more than 1% of total assets it might be worth your while to investigate a little further as to what it represents. On the liabilities side of the balance sheet, watch out for contingency reserves. Once again, if these represent a large item, say more than 5% of total liabilities, stop and investigate those contingencies. Do they represent inventories, or do they cover up otherwise unaccounted-for earnings? Or are they just a reserve against creeping inflation? It will be worth demanding and getting an adequate explanation.

Income Statement

Now, let's turn to the income statement. This statement shows you how the company has done during a particular period of time. It records—from year to year—the moving history of the company. The balance sheet is a static cross-section picture on one particular date of the company, of the stock on hand, the goods on the shelf and so on. The income statement shows you the rate of sales, the amount of earnings, etc. Simply speaking, the income statement is composed of three main factors—the total sales or revenues received, the total cost or expenses of the operation during the year, and the plus or minus balance of these two figures which gives you the net earnings or loss for the year.

Let's turn to a simple net income statement of our All American Company (Appendix C). Here you see net sales of $45,000,000. The cost of these sales was $30,000,000; the profit on operations often referred to as the operating profit was $15,000,000. But in addition to the costs of production, there are selling expenses, expenses for general administrative staff, the cost of mail, the cost of stamps and stationery, in this case altogether $10,000,000. Now the company may pick up income from other sources. It may have some funds in various investments, or it may have bought short term, interest-paying government notes, etc. Here our All American Company has other income of $600,000. So that its total income at this point is $5,600,000. The company has bonds and debentures outstanding and it has to pay interest on these as well as on its bank loans outstanding. In this case the interest charge for the year on the money borrowed is $630,000. The company has to pay Federal income taxes of 52% leaving it with a net income, after provision for Federal income taxes, of $2,385,000.

Now these figures are undoubtedly informative, but they are not in themselves particularly helpful in forming the picture of the past (and of the future potential) growth of the company. You will need comparative figures, you will want to know how these items have changed over the years. Many annual reports will make comparisons for you at least with the previous year and some for as many as 10 years; but, if necessary, make the comparison for yourself. Is the company growing, and even if it is growing in terms of sales, is its return to net income growing as fast?

Important Ratios

There are certain ratios with regard to the income statement which you should consider. How much does the company return to net income as a percentage of its total sales? If it is making 10% this may be satisfactory but how did it do last year, how does this compare with the average of the last five years? How does this 10% of sales compare with similar ratios for other companies in the same field? Be sure that when making comparisons between companies you are comparing comparable figures. Be sure, for instance, that both companies are paying the same percentage of tax. Be sure that an item like "other income" is not unduly affecting one picture or the other.

Another important ratio is the operating profit margin which is the division of operating profit by the sales. This ratio will give you a measure of the efficiency of the company's operations. If you wish, you might analyze your cost of sales by looking at how much went for wages and salaries, how much for materials, what were the costs of overhead, and you might even go further into a figure which usually bulks pretty large in any income statement and that is depreciation. I sometimes suspect that more than half the accountants in the country are kept in business working either for the companies or for the government because of the amount of work and examination which goes on around this charge labeled as depreciation. In the old days, of course, it was a common practice to charge off large sums as depreciation when earnings were good and to eliminate depreciation almost entirely when earnings were bad. This made it difficult to follow the progress of a company without looking closely at the depreciation figure.

Today, since periodic allowances for depreciation are permitted as a charge prior to arriving at taxable income, most companies have a more orderly and regular method of dealing with this problem. As a result of the government's tax statutes and largely do to the general high standard of certified public accountants in the country today, you can at least rest assured that where you see an item for depreciation, or for depletion, or for obsolescence, the amount is reasonable.

In the end what you will be interested in is the percetnage of net earnings to net worth. For this will tell you how much has been earned on the total investment. Comparisons of net income in relation to sales should be made only between companies in the same industries but comparisons pertaining to the amount earned on invested capital are not necessarily so restricted.

Earnings Per Share and Dividends

You will also be interested in noting how much the company earns per share and, out of this earnings figure per common share, how much the company has paid out in dividends. Since you are all now thoroughly familiar with a balance sheet and an earnings (or income) statement, you will, of course, all realize that net earnings per share are determined by dividing the total income available for the common stock by the number of outstanding shares. You will note how much of the company's earnings has been paid out in dividends. By relating the amount of the dividend to the current market price of the stock you can calculate how much the stock is yielding, that is to say how much it is returning to you in cash on your investment.

With your earnings per common share you can calculate your *price earnings ratio*. This is the market price of the stock divided by the earnings per common share. This price earnings ratio and the yield can be compared with those of other companies and should give you the best immediate clues to whether you are about to invest in the best company for your overall investment objectives. With these ratios at hand, together with comparative ratios for other companies, together with how to go about digesting financial reports, I hope that you will be able yourself to distinguish between a good company and a poor one, between a good and bad management, between an attractive investment and an unattractive investment.

APPENDIX A

JONES FAMILY—BALANCE SHEET

ASSETS—		LIABILITIES—	
Current—		**Current—**	
Cash	$400	Accounts payable	$200
U. S. Government bonds	600	Balance due on car	500
Common stocks	1,600	Note payable	1,000
Total current assets	$2,600	Total current liabilities	$1,700
Fixed—		Mortgage on home	8,000
Automobile	$1,400		
Furnishings	4,000	Total liabilities	$9,700
Home	12,000		
		Net worth	10,300
Total assets	$20,000	Total liabilities and net worth	$20,000

APPENDIX B

ALL AMERICAN CO.—BALANCE SHEET

At Year End Dec. 31, 1957

ASSETS—		
Current—		
Cash on hand		$3,000,000
Accounts receivable		4,500,000
Inventories—		
Raw materials	$7,500,000	
Work in process	5,100,000	
Finished goods	2,900,000	
		15,000,000
Total current assets		$22,500,000
Fixed—		
Land		$1,800,000
Buildings		10,400,000
Machinery and equipment		9,600,000
Total assets		$44,300,000
LIABILITIES—		
Notes payable		$150,000
Accounts payable		2,100,000
Reserve for Federal income tax		1,900,000
Total current liabilities		$4,150,000
Funded debt—		
Mortgage bonds	$8,000,000	
Debentures	4,000,000	
		12,000,000
Total liabilities		$16,150,000
Capital and surplus—		
Preferred stock 75,000 sh. p.v. $100		$7,500,000
Common stock, 1,500,000 sh. p.v. $10		15,000,000
Capital surplus		2,500,000
Earned surplus		3,150,000
Total liabilities and net worth		$44,300,000

APPENDIX C

ALL AMERICAN CO.—STATEMENT OF INCOME

For the Year Ended Dec. 31, 1957

Net sales	$45,000,000
Cost of sales	30,000,000
Operating profit	$15,000,000
Selling, general and admin. expenses	10,000,000
Gross profit from operations	$5,000,000
Other income	600,000
Total income	$5,600,000
Interest	630,000
Net income before Fed. income taxes	$4,970,000
Provision for Federal income taxes	2,585,000
Net income after provisions for Federal income tax	$2,385,000

Now Reilly, Hoffman Co.

The firm name of Reilly, Hoffman & Sweeney, Inc., 141 Broadway, New York City, has been changed to Reilly, Hoffman & Co., Inc.

Sydney Siegel Opens

FOREST HILLS, N. Y.—Sydney M. Siegel is engaging in a securities business from offices at 116-55 Queens Boulevard.

Continued from first page

Stock Market Outlook and Investment Opportunities

for the year. The situation reminds one of the saying that is currently making the rounds in Washington: "If you're not confused, it's because you just don't understand the problem."

To comprehend the reasons for the present firm tone of the American stock market, it is necessary to look into the background of the business recession itself. Why did the exhuberance with which the United States has been expanding its economy since World War II suddenly seem to go sour last fall? There were a number of factors.

One was that a period of inventory decumulation set in. Because of inflation and the rising volume of sales, industrial firms had expanded their inventories from a total of $75.5 billion at the end of 1954 to $91.3 billion in August, 1957. Since that time they have been reducing their stocks on hand at a rate of about $500 million per month. It is generally believed that inventories now have reached a rock-bottom level in most industries, considering the fact that sales volume has remained remarkably high.

Another factor was the slide in sales of consumer durables, particularly automobiles. This attained the proportions of a buyers' strike, presumably against high prices, but also because of the large number of cars below 4 years of age, as unit volume tumbled from 6.1 million cars in 1957 to a projected total of 4.2 million for this year. Motorists also apparently were discouraged by the massive proportions of the 1958 models, as witness the strong market for the small cars produced by American Motors Co. and also for small foreign imports, particularly your own Volkswagens. Incidentally, Volkswagen imports should continue their heady rise next year, since none of the big three manufacturers in Detroit have plans for small domestic models for the 1959 season.

Still other reasons for the slowdown were the curtailment of foreign trade as European purchases of petroleum slackened with the easing of the Suez crisis, and last year's $2.1 billion cut in defense spending. The government, at that time, still unaware of the Sputniks, was trying desperately to keep within its debt limit. The Federal Reserve System's efforts to combat inflation by tightening the strings on credit also had a profound effect.

All of these various factors undoubtedly played a part in bringing about the current recession, but the principal cause was the sharp decline in industry spending for new plant and equipment. Official government forecasts of a 10-year period of prosperity stimulated by an anticipated 20% increase in population, had captured the imaginations of American businessmen much too soon. Spending for additional productive capacity soared from $28.7 billion in 1955 to nearly $38 billion in 1957. When it became apparent that they were building excess capacity, however, they began to trim their sails, and outlays this year are expected to fall below $31 billion. The present decline is generally considered to be a capital investment recession, rather than an inventory readjustment, and this is the reason it has been so steep.

Aluminum Industry As An Example

The aluminum industry provides a good example of what has been happening. Because of insistent demand for the white metal, the industry has been running full blast throughout the past two decades, and capacity has been built up to 1,884,000 short tons. Moreover, additional production units were projected for completion in 1959 and 1960 which would add an additional 909,500 short tons to output. At the present time, however, aluminum producers in the U. S. are operating at only 70% of present capacity, or at an annual rate of 1,320,000 short tons. The planned new facilities may not be needed until the end of 1962, management estimates show, and construction is being stretched out accordingly. Meanwhile, with some aluminum plants closed and others working on short time, profit margins in the industry have narrowed considerably.

On the constructive side the greatest breakthrough in aluminum may take place next year if the automobile industry adopts aluminum cast engines. It seems tests have proven the method to be adaptable to high compression ratios, as high as 9½ to 1. If this idea materializes, the automobile industry would use 150 pounds of aluminum for each car, including engine block and other accessories which would possibly add up to as much as 500,000 tons annually, or ⅓ of total production and ¼ of total capacity on an annual basis.

The United States, then, is in the midst of a period of economic readjustment, such as all free enterprise systems must go through from time to time. Inflated prices must be brought down enough to stimulate demand, merchandise inventories must be lowered to normal levels, and before further expansion can take place consumption must rise to the point where existing plant is operating at or near full capacity or when higher than capacity operations can be projected at a time not too far distant.

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Recession's Limiting Factors

But what, you may well ask, is to prevent the recession from getting worse instead of better. The lost purchasing power of those five million unemployed could drag consumption down to the point where there will be new layoffs, and the slump will thus feed upon itself until it becomes a full-scale depression, such as the one which occurred in the ninteen-thirties. If that happens, security prices inevitably will take a new tumble, perhaps to much greater depths than during the sell-off last fall.

It is true that there have been some disquieting signs, such as the large number of secondary offerings which have come onto the market in recent months. Some big investors, lacking confidence in the market, have been taking advantage of what may prove to be only a temporary rise to liquidate their holdings. Also, much of the trading volume in recent months has been in low-priced issues, and odd-lot volume has been heavy; in the past these frequently have been indications that prices were nearing a crest.

Most American economists, nevertheless, believe that the recession has touched bottom, and that after a leveling-off period of unpredictable duration, U. S. business will resume the growth pattern which is its normal aspect. There are many reasons for this optimistic attitude, and I want to outline some of them for you in brief.

Despite intense policital pressures, the autonomous Federal Reserve Board and the administration of President Eisenhower are fostering sound monetary policies. During the boom of 1955 to mid-1957, when the inflationary excesses for which we now are paying took place, the Federal Reserve Board acted with mounting vigor to resist the trend. Through six successive increases in the discount rate in 1955 and 1956, and by means of its open market operations, the Board sought to curb the expansion of credit. As late as August, 1957, after large city banks had boosted their prime rate from 4% to 4½%, the Federal Reserve Board raised the discount rate again, from 3% to 3½%.

When it became apparent that the inflationary pressures were abating, the Federal Reserve Board modified its policy. In mid-November, the discount rate was lowered to 3%, and subsequent action has brought it down to the present 1¾%. Yields on 90-day Treasury bills dropped from over 3½% to below 1¼% in the sharpest decline in market rates of interest in history. Money now is in plentiful supply, and at low rates of interest. The administration has acted sensibly to prevent the recession from snowballing by extending unemployment insurance payments, by stimulating public works expenditures by states and local governments, and by speeding the flow of defense orders. A high level of military spending was rendered necessary, in any case, by Russia's great technological progress, as evidenced by the Sputniks. Yet the government has resisted pressure for massive tax cuts, which would be disastrously inflationary in their effect. Nor has it launched a gigantic Federal public works program, as urged by numerous left-wing groups; government experts point out, with irrefutable logic, that such a program would result in a tremendous budgetary deficit, yet it would be of little immediate benefit in increasing purchasing power, because at least a year would be required to get public works projects under way.

Praises Western Germany's Example

Given a free enterprise system and sound fiscal policies by their government, people with our western traditions and outlook will create their own prosperity. As ample proof of that statement, I need only point to the great progress achieved, in the few years since the end of the war, right here in Western Germany. You Germans are to be congratulated, of course, on the hard work and resourcefulness which have enabled you to transform your ruins into an economic structure of towering strength, but I believe that once you have laid the foundations of a free economy and a sound money, it was more or less inevitable that the dynamism of your people should come to the fore.

In the present situation, the people of the United States are not adopting an attitude of defeatism. Admittedly, there was considerable alarm last fall and winter, when unemployment statistics were making headlines, but there are no indications that the country is in a state of psychological depression which would lead to a prolonged period of stagnation. On the contrary, the recession is being taken in stride by businessmen and industrialists, who recognize it as a normal and necessary readjustment, while consumers are reacting with the utmost nonchalance. Consumer expenditures in the first quarter of this year were at a seasonably adjusted rate of $281.2 billion, off less than 1% from the $283.6 billion rate in the third quarter of last year, and up from $276.7 billion in the first quarter of 1957.

This buoyancy reflects the fact that the over-all decline in consumer income has been relatively slight—only 1.3%. Fully half of the $8.4 billion drop in wages and salaries, due to layoffs and shortened work weeks, has been offset by increases in unemployment insurance, social security and veterans' benefits. These so-called "automatic stabilizers" of the economy have proven remarkably effective. While maintaining cash expenditures, consumers have been liquidating their installment debt, which in the first quarter of this year declined at an annual rate of 4.5%. Personal savings, meanwhile, were rising. Consumers thus are getting into a more liquid position, which will permit industry to attain higher sales volume in coming months without the accompanying risk of inflation via over-expansion of consumer credit.

No Stagnation or Deterioration in U. S. A.

At this point, it might be well to bring into focus that figure of "nearly five million unemployed," which is not nearly as calamitous as it sounds. Let's start with May of 1957, when the U. S. economy was booming. In that month, the labor force consisted of 67.9 million persons, of whom 65.2 million were employed and 2.7 million unemployed. By February of this year, only 62 million people were working, but some 700,000 had dropped out of the labor force, either by retirement or because they were women who didn't really need to work. Thus, the ranks of the technically "unemployed" swelled to 5.2 million. By April, 800,000 new workers had joined the labor force as conditions improved seasonally; all of these and 100,000 of the unemployed found work, so that by the end of that month we still had 5.1 million unemployed, but 62.9 million persons were working. At the end of May, the situation had again changed radically. Another one million persons were added to the labor force, which reached a peak of 69 million. All of these and 200,000 more of the unemployed found work, so that while there were still 4.9 million unemployed, the number of persons who were drawing wages was 64.1 million, or only 1.1 million less than a year ago. Despite the fact that an unprecedented number of high school and college graduates have entered the labor market since the end of May, the unemployment situation has, if anything, improved. I am sure you will agree that this is not a picture of a national economy falling into a state of stagnation or deterioration.

As I previously stated, this is a capital investment recession, resulting primarily from a $7 billion decline in annual expenditures by industry for plant and equipment. Even in an economy turning out a gross national product of some $430 billion a year, a reduction of that magnitude creates a considerable void. It is being offset, however, by a $3 billion rise in the rate of municipal and state government spending for public works, primarily for badly needed highways and schools, and by a $5.5 billion increase in the rate of Federal spending for national defense. Government economists anticipate that by the final quarter of this year, these and other measures taken to combat the recession will cause a moderate upturn.

Ameliorating Signs

Already there are signs of amelioration. The Federal Reserve Board's index of industrial production, which had declined from 144 a year ago to 126 in April of this year, inched up to 127 in May, and the final figure for June is expected to be somewhat higher. The steel industry of late has been operating at better than 60% of capacity, in contrast with a low of 48% in April, although certainly the increase has been partially due to buying in anticipation of price increases. Retail store sales in May were up 2.8% from the March seasonably adjusted low of $16.07 billion. Home construction, which has been greatly stimulated by the easing of mortgage money, has spurted. Housing starts now are running at an annual rate of better than one million, considerably ahead of last year. Farm income is higher in part due to the end of the long drought in the southwest.

Rather than such statistics, we are here concerned with the long range outlook for the U. S. economy. It is bright indeed. A major factor to be considered in this connection is the population boom. During the depression decade of the nineteen-thirties, the birth rate was at its lowest level in history, but it doubled in the nineteen-forties, and the present time American families are having children at triple the rate of the prewar era. Thus, by 1965, the U. S. population, now 173 million, is expected to reach 193 million. American industry has been, and will continue to be stimulated by the demand for goods and services which our larger families require.

At the present time, the burden of providing these goods and services falls upon a relatively small group. Since 1940, the number of youngsters under 18 has increased by 47% and that of oldsters above 65 by 63%. But the working age group, between 18 and 64, has grown only by 17%. This trend should reverse itself during the 1961-1965 period, when the young men and women born in the nineteen-forties start to take their place in the labor force and produce income.

These human resources, of course, could be wasted if industry failed to expand and thus put into the hands of our young people the tools with which to maintain a rising standard of living. Pessimists point out that India and China are far from being prosperous countries, with their teeming millions of people. But there is little danger that this will happen. Let me remind you again that the principal cause of the present recession was the premature over-expansion of the U. S. industrial plant; we were getting ready for the population explosion too rapidly. The coming generation of American workmen is not likely to lack the tools of production. Economists anticipate that outlays for plant and equipment may expand to $40 billion by 1960-1961.

Expansion of the American economy is also expected to be accompanied by rising productivity, brought about by scientific research. Although industry, in the present circumstances, is cutting back on capital expenditure and trimming costs wherever possible, it is significant that outlays for research and development are rising to an estimated $8.3 billion this year, compared to the record $7.3 billion spent last year and less than $3 billion as recently as 1950. A recent survey of industrial managements revealed that 90% of them expect these research and development expenditures to "pay out" within five years, either in terms of profitable new products or in lowering costs of producing old ones. In this connection, it is worth noting that since 1940, output per man hour in industry has risen 40%; on the farms of the nation, it has doubled.

Present and Future Bearing on Stock Market

All of this has great bearing on the present and future action of the stock market. As you all know, between July and October of last year, the Dow-Jones industrial average toppled from 523.11 to 416.15 to signal the start of the present recession. Since October, however, it has been rising irregularly until, in the first week of July, it broke through the 480 mark, a new high in the recovery. This rally has taken place in the face of drastically reduced earnings and lower dividends. Basically, this is due to the realization on the part of American investors that the recession has been contained. They have written off 1958 and are pricing stocks in accordance with their prospects for next year, and the year after.

In addition, there are certain technical factors underlying the market's present strength. One of these is the fact that the short interest position in today's market is the highest since early 1931. It is a comforting thought for any investor to know that, sooner or later, some 336,000 shares of U. S. Steel or 43,000 shares of National Cash Register will have to be purchased to cover existing short positions.

Another important factor is the flow of funds seeking investment. Mutual funds are selling new shares at an annual rate of $1.5 billion; company pension fund contributions amount to about $4.1 billion per year, of which some $2 billion is invested in common stocks; and company profit sharing plans create an additional demand for about $1 billion worth of stocks per year. Thus, annual requirements from these sources is on the order of $4.5 billion, yet new stock offerings are at an annual rate of only $3 billion. The excess $1.5 billion can only be invested by the managers of these funds by bidding up prices to a level which will induce present holders of equities to part with them. Moreover, there is strong pressure upon such managements to find investment opportunities. Fixed income bearing securities are becoming less and less attractive, since yields have declined to 3.2% from long-term government bonds and 3.8% for corporate bonds. With the value of the dollar depreciating at the cumulative rate of 2.2% a year over the past decade, bonds have little appeal for inflation-conscious investors.

Dollar Price for Gold

While we are on the subject of inflation, it seems appropriate to say a word about recurrent rumors that the U. S. dollar price for gold, which has remained at $35 an ounce since 1934, might be raised. There are two circumstances that lend a certain plausibility to these rumors. One is the fact that there has been almost constant inflation since the $35 price was set. The London Economist recently suggested that, if the price of gold were to be lined up with other commodity prices, it would have to be raised 300%. Gold producing countries of the British Commonwealth, particularly South Africa, have been pressing for such action. The other reason for a price increase now is somewhat less specious. Since February, there has been a $1.1 billion drain on the U. S. stock of gold. This reflects the dramatic recovery in the United Kingdom's balance of payments after the liquidation of the Suez crisis, and the fact that foreign governments and central banks have lost their incentive to hold short-term dollar investments because of the drop in short-term open market money rates from 3% or 4% last summer to around 1% now.

There is little likelihood, however, that the U. S. Government, at least under the present Administration, will launch any such radical experiment as a devaluation of the dollar. There is no need for it. Of the $21.7 billion U. S. gold stock, only $11.4 billion is needed to satisfy legal requirements that the Federal Reserve Banks hold gold or gold certificates equivalent to 25% of their note and deposit liabilities. This leaves more than $10 billion surplus with which to overwhelm any run on the dollar which might conceivably develop. As for the possibility that the government might utilize devaluation as a means of combatting the recession, as the Roosevelt regime did in 1934, I can assure you that Washington considers inflation, to which such a move would contribute immeasurably, a far greater menace than the relatively mild recession with which the country is now contending.

Present Industries Favored

If I have convinced you that the United States is on the point of emerging from its economic slump and that, despite the high level of stock prices, investment opportunities abound in my country, you would doubtless like to know which industries present the most favorable aspect. Some of my choices may surprise you, since they are among those which have been hardest hit by the recession, but I must remind you that we are counting on an upsurge in the relatively near future. This is not the time to look for defensive situations exclusively.

The automotive industry can be expected to show growth moderately above that of the U. S. economy in general, as it has done throughout most of the past 20 years. This growth stems from population, upgraded quality and prices, increased saturation, and higher living standards resulting in millions of two-car families. There seems to be no reason why it shouldn't continue, and the lift which sales of 1958 models received with the advent of spring selling weather indicates that it will. Normal U. S. passenger car demand at the present time is for some six million units a year; by the mid-1960's, this normal demand should expand to seven million units or more. Although it is an "off-year," when models are usually not changed radically, manufacturers plan extensive model changes for 1959, and still greater changes in 1960, and this should stimulate demand. Year-end inventories are not expected to be excessive.

Tire and rubber companies inevitably will receive a lift if automobile sales return to normal levels next year. Moreover, the replacement tire market, which takes two-thirds of the tires made, is in a favorable position because of the large number of cars on which, according to estimates, the original tires are starting to wear thin. Synthetic rubber and rayon not only have stabilized the raw material situation, but they have also led the tire and rubber manufacturers into chemicals and plastics. Leading companies now obtain 40-50% of their revenues from products other than tires.

Again, higher automobile output could mean substantially higher operations for the steel companies. It still remains to be seen whether the rise in demand for steel will persist once the threat of price increases is removed one way or the other. As you know, producers are still wavering on the question of whether to offset automatic wage increases, which went into effect July 1, with higher prices. Their profits in coming months will hinge, to a great extent, on whether prices are raised, how much they are raised, and whether higher prices can be maintained in the face of fierce competition.

I am convinced that the long-term outlook for the petroleum industry is bullish. During the last two months it has become increasingly evident that the supply of crude oil and refined products is being brought into line with demand. If one divides the country into two parts—East of the Rocky Mountains has shown a considerably better position in crude oil stocks than was the case a year ago relatively, having reduced its inventory from 247 million barrels to 216 million barrels. California, however, increased its inventories from 30.6 million barrels to 44.8 million barrels for the period ending June 27, 1958 the latest report. Gasoline stocks now total 186.5 million barrels, divided as follows: 160.1 million barrels East of the Rockies and 26.4 million barrels on the West Coast, with both sections of the country down approximately 1.1% from a year ago. Whereas, in the first six months gasoline demand was down 1.2%. In the State of Texas drilling allowables were eight days for July. These increased to nine days, or an increase of 100,000 barrels per day and by fall drilling allowables should increase possibly to as high as 11 or 12 days per month. Nevertheless, earnings for the second quarter for most oil companies will prove to be just about as disappointing as for the first quarter because of weak product prices, low production allowables and low gasoline demand. The industry, however, is gradually working out these excess inventories which were built up during the Suez crisis and by next year should be in an excellent position.

Jet flights will be instituted by the major U. S. airlines late this year, and by 1962 most of the important air routes will be on jets. This should have a favorable impact on airline traffic. The 12 trunk lines have estimated in reports to the Civil Aeronautics Board that by 1962 their passenger business will reach 43 billion passenger miles, up 75% from the 24.5 billion flown in 1957. The extent to which the anticipated rise in traffic can be translated into profits hinges on the outcome of the CAB's fare investigation, which will not be completed until mid-1959. The airlines are seeking rates which would allow them a 12% return on invested capital. If the CAB approves this rate structure, net income of the airlines is expected to multiply six times in the next five years.

Other industries in which substantial growth is to be anticipated include paper, fire and life insurance, construction and farm equipment, banks, electric and gas utilities, tobaccos, electronics, containers, chemicals and certain drugs. But the list is too long for even the briefest summary—I can only invite you to explore the possibilities for yourself.

Form Paragon Mutual

Paragon Mutual Investor's Service has been formed with offices at 33 West 42nd Street, New York City to engage in a securities business. Partners are Arthur I. Berliner, Leon Abramson, Alfred A. Talbert and Lee Schonberg.

Brand, Grumet Admits

Selig Ratchick has been admitted to partnership in Brand, Grumet & Seigel, 1257 Broadway, New York City, members of the New York Stock Exchange.

Ronald Neumark, Seymour Katz and Neil Pace have joined the firm's staff as registered representatives.

Forms Old Colony Inv.

(Special to THE FINANCIAL CHRONICLE)

NORTH READING, Mass. — Martin Stone is engaging in a securities business from offices at 213 Main Street, under the firm name of Old Colony Investment Company. Mr. Stone was formerly with Palmer, Pollacchi & Co., Inc.

With Equitable Secs.

John N. Moran is now associated with Equitable Securities Corporation, 2 Wall Street, New York City, in the sales department.

Hayden, Stone to Admit

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Aug. 1 will admit Neile F. Towner to limited partnership.

Continental Inv. Co.

Richard C. Jacobs and Leonard F. Joy have formed Continental Investors Company with offices at 1 University Place, New York City, to engage in a securities business.

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the similar 1957 month. The June total was 11,991, up 6.4% over the 11,269 of June 1957, and 0.4% higher than the 11,943 of the preceding month.

New businesses chartered during the first six months of 1958 totaled 70,479. This was 2.2% below the 72,028 of the similar period last year, and 7.6% less than the record 76,357 six months total of 1956.

Mid-East Crisis to Spur Steel Buying

According to the "Iron Age," national metalworking weekly, the Mideast crisis is giving steel users a bad case of inventory jitters.

"Iron Age" says that metalworking companies with low steel inventories are now taking a hard second look at their stocks. Some have already moved quietly to bolster their market position.

The metalworking magazine adds that the uncertain international outlook is likely to give a shot-in-the-arm to the modest betterment already apparent in the steel market.

"It is slowly dawning on many metalworkers," says "Iron Age," "that we may be headed for trouble in the near future. This feeling is expected to quicken the buying of steel, aluminum, copper, and certain machines and equipment.

"The oil industry is alerted and will probably reverse its slow buying policies in steel and other metals and materials. There is also belief that defense spending will gain speed.

"The argument here is that no chances can be taken. So the armed services are expected to put on the pressure for contracts that are already placed but not completed."

"Iron Age" also raised the question this week of whether world tensions might speed a decision on steel price hikes. The metalworking weekly still looks for an average price boost of $5.50 per ton in August. But it adds that Mideast developments and their possible consequences could bring quicker action.

"Feet-dragging on the price question could put steel firms in a box should there be a sudden imposition of controls," "Iron Age" said. "That happened in 1941 and closed the door to steel company attempts to compensate for higher wage and material costs. That position haunted steel companies during the war and later, to the point where funds for expansion and improvements were hard to come by."

There has been no sharp pickup in steel buying as yet. But the auto companies will be stepping up their buying in the near future. Other major users had been expected to come into the market for heavier tonnages soon even without the impetus of Mideastern developments.

"Iron Age" notes that before the marines landed in Lebanon steel orders had improved over the low point of early July. The pickup is continuing in hot-rolled bars, concrete reinforcing bars, galvanized sheets, and sheets and strip. Steel output is likely to hit 55% or higher this month, with a 75% to 80% rate looked for in the fourth quarter.

The oil country goods market—drill pipe and casing used in the drilling of wells — is particularly sensitive. The mills are already being alerted for a possible influx of orders for these steel products. Indications are that oil companies, which have been living hand-to-mouth from a steel standpoint, are carefully re-examining their inventory position this week.

Steelmakers Boost Their Operating Rate

Look for the Mideast crisis to boost defense spending, particularly the metalworking part of it, "Steel" magazine said on July 20.

Its surveys show that since the end of the Korean War, some 13% of metalworking's annual dollar volume has been going to defense. About 10% of the general economy has been devoted to defense since Korea.

That ratio is likely to rise, even if the presence of U. S. troops keeps the lid on in Lebanon and the Mideast. A flurry of armament orders issued on short notice could increase the ratio sharply.

Demand for steel this month is shaping up better than steelmakers had expected, the metalworking magazine said. This supports an expectation of upturn in the later months of the year.

While order books are not filling up as fast as they did in June when customers were price hedging, demand continues strong for construction products, galvanized sheets, and tin plate. Agricultural implement manufacturers are buying steadily; miscellaneous users are replacing depleted inventories.

Responding to improved sales prospects, steelmakers boosted their operating rate 2 points last week to 55.5% of capacity. Production was about 1.5 million net tons of steel for ingots and castings.

Warehouse sales are improving. Chicago and other regions heavily dependent on agriculture showed substantial increases in shipments. Areas tied to the automotive and capital goods industries reported only modest gains. Warehouse operators forecast gradual improvement during the fall but won't increase their inventories (3.7 million tons).

Although second quarter earnings of most steel companies will probably surpass those of the first three months, some producers will only reduce their losses. They regard higher prices as a matter of the greatest urgency and wish U. S. Steel Corp. would take the lead.

Automakers are not secretive about their stand on steel prices. They're dead set against any increase.

Aluminum producers who face higher labor costs on Aug. 1 would like to increase prices around 8%, but they won't consider a move unless steel goes up. They figure on a total 1958 labor cost increase of 24 cents an hour.

Scrap prices are advancing with the steel rate. At $36.67 a gross ton, "Steel's" price composite on steelmaking grades of scrap is up another 84 cents a ton.

Slight 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 95.9% of steel capacity for the week beginning July 21, 1958, equivalent to 1,540,000 tons of ingot and steel castings (based on average weekly

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Form Fin. Planning Assoc.

Financial Planning Associates is engaging in a securities business from offices at 520 Fifth Avenue, New York City. John M. Harris is general partner in the firm, and A. H. Weisbecker a limited partner.

Allan Frank Opens

WHITESTONE, N. Y. — Allan Frank is engaging in a securities business from offices at 14-23 142nd Street.

Associated Inv. Opens

FLUSHING, N. Y.—Associated Investment Co. has been formed with offices at 135-39 Northern Boulevard to engage in a securities business. Arnold Scholls is a principal of the firm.

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production for 1947-49) as compared with an actual rate of 92.2% of capacity, and 1,481,000 tons a week ago.

Output for the week beginning July 14, 1958 is equal to about 54.9% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons. Estimated percentage for this week's forecast 57.1% of capacity.

For the like week a month ago the rate was 103.7% and production 1,666,000 tons. A year ago, the actual weekly production was placed at 2,033,000 tons or 126.6%.

More Auto Plants to Close for Model Changeover

U. S. car and truck makers strove to reach the 100,000-unit level in production in the week ended July 18, a mark they won't approach for a long time to come as the list of changeover-closed factories swells, according to "Ward's Automotive Reports."

Scheduled for the week were 84,441 passenger cars and 15,879 trucks, a total of 100,320 vehicles. Previous week's total of 88,098 units included 73,062 cars and 15,036 trucks.

The week's automobile rise stemmed from increased programs by Pontiac, Oldsmobile, Ford and Mercury. The week beginning July 21, however, will bring a steep decline in scheduling as Chrysler, Imperial and Dodge halt for the annual model changeover. They will join Buick, idue since June 27, and De Soto, inactive since July 9. A rapid succession of close-downs will follow in the late-July, early-August period.

Two major truck producers, White, of Cleveland, and Diamond T, of Chicago, concluded operations July 18 in preparation for two-week close-downs that will slow down the industry's truck-building pace this month.

"Ward's" said that July 1-10 new car sales throughout the U. S. declined 21% in daily rate from the entire June average, paralleling the fall-off in comparable 1957.

July 1-10 sales totaled 96,300 units, for a daily average of 12,035 that contrasted with 15,353 in entire June when 383,830 cars were sold.

The reporting service added that July 1-10 auto buying, as it indicates the third quarter sales pattern, does not jeopardize an orderly '58 model inventory clean-up.

Electric Output Higher the Past Week

The net amount of electric energy distributed by the total electric light and power industry for the week ended Saturday, July 19, 1958, was estimated at 12,257,000,000 kwh., according to the Edison Electric Institute.

For the week ended July 19, 1958, output increased by 406,000,000 kwh. above that of the previous week. However, it was 49,000,000 kwh. below that of the comparable 1957 week and 1,132,000,000 kwh. above that of the week ended July 21, 1956.

Car Loadings Continue Downtrend

Loading of revenue freight for the week ended July 12, 1958, totaled 491,142 cars, the Association of American Railroads announced. This was a decrease of 201,457 cars or 29.1% below the corresponding week in 1957, and a decrease of 128,846 cars or 20.8% below the corresponding week in 1956.

Loadings in the week ended July 12 which were affected by the second week of the coal miners' annual vacation were 33,481 cars or 7.3% above the preceding week, which was affected by both the July 4 holiday and the first week of the coal miners' vacation.

Coal loading amounted to 24,721 cars, a decrease of 75,255 cars below the corresponding week a year ago, and a decrease of 1,198 cars below the preceding week this year.

Lumber Shipments Were 14.3% Above Production for Week Ended July 12, 1958

Lumber shipments of 472 reporting mills in the week ended July 12, 1958, were 14.3% above production, according to the National Lumber Trade Barometer. In the same week new orders were 35.5% above production. Unfilled orders amounted to 38% of stocks.

Compared with the previous week ended July 5, 1958, production of reporting mills was 15.7% above; shipments were 17.8% above; and new orders were 16.9% above. As against the corresponding week in 1957, production of reporting mills was 10.9% below; shipments were 3.2% below; and new orders were 8.2% above.

Business Failures Up Slightly

Commercial and industrial failures edged up to 279 in the week ended July 17 from 275 in the preceding week, reported Dun & Bradstreet, Inc. Casualties were slightly more numerous than last year when 266 occurred and were up moderately from the 223 in 1956. Also, failures exceeded by 11% the pre-war total of 251 in the comparable week of 1939.

Liabilities of $5,000 or more were involved in 241 of the week's casualties as against 236 in the previous week and 227 a year ago. Small failures, those with liabilities under $5,000, dipped to 38 from 39 last week and 39 in 1957. Thirty-two of the failing concerns had liabilities in excess of $100,000, climbing from 15 in the preceding week.

Manufacturing casualties, up to 61 from 54, and retailing, up to 131 from 128, accounted entirely for the week-to-week rise. In contrast, the toll among wholesalers dipped to 23 from 26, among construction contractors to 40 from 41, and among commercial services to 24 from 26. Business mortality ran higher than last year in all industry and trade groups except retailing. Manufacturing suffered the most noticeable upturn in casualties from 1957.

Wholesale Food Price Unchanged

There was no change in the Dun & Bradstreet wholesale food price index this week. It remained at the $6.65 of the prior week on July 15, but was 5.4% higher than the $6.31 of the comparable data a year ago.

Commodities showing gains in wholesale cost this week were flour, wheat, corn, rye, oats, barley, beef, lard, sugar, cottonseed oil, and cocoa. Declines were listed for eggs, steers, and hogs.

The Dun & Bradstreet wholesale food price index represents the sum total of the price per pound of 31 raw foodstuffs and meats in geenral use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Climbs Moderately

Following three successive weeks of decreases, the general commodity price level rose moderately this week. The Daily Wholesale Commodity Price Index climbed to 279.95 on July 21 from 278.54 a week earlier, reflecting higher prices on steel scrap, lard, flour, and most grains. On the comparable date a year ago the index was 293.59.

Retail Trade Again Aided by Hot Weather

Continued hot weather again stimulated consumer interest in men's and women's Summer apparel, air cooling equipment, outdoor furniture and picnic food specialties, and over-all retail sales slightly exceeded those of a year ago. Volume in new passenger cars moved up fractionally from the prior week, but was again noticeably below last year, according to spot reports.

The total dollar volume of retail trade in the week ended July 16 was unchanged to 4% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: New England and Middle Atlantic +3 to +7%; East North Central and Mountain +2 to +6; South Atlantic +1 to +5; West North Central and Pacific Coast —3 to +1; West South Central —4 to 0; East South Central —5 to —1%.

Women shoppers were primarily interested in Summer sportswear, dresses, lingerie, and coats, and appreciable year-to-year gains occurred. There was a slight rise in the buying of Fall dresses and accessories. Volume in men's apparel was slightly ahead of a year ago, with principal gains in lightweight suits and sports shirts; retailers attributed most of the gain to reduced price clearance sales promotions.

Another marked rise from the prior week occurred in sales of air conditioners and fans, and volume was slightly higher than a year ago. The call for other major appliances lagged slightly below comparable 1957 levels. Purchases of metal tables and chairs, bedding, and some upholstered merchandise rose above the prior week, and matched those of last year. Sales promotions on linens were not as successful as retailers had hoped, and volume fell moderately below a year ago.

Increased consumer buying of warm weather food specialties helped boost total food sales over the prior week. Interest in dairy products, fresh meat, poultry, and baked goods remained close to that of a week earlier, while volume in frozen foods, fresh produce, cold cuts, soft drinks and ice cream advanced appreciably.

Buyers were selective at the New York Curtain and Drapery Show this week, and orders taken were below those of a year ago. Volume in linens at major markets equalled that of last year. Bookings in Summer outdoor furniture slackened during the week, but interest in upholstered merchandise improved in Los Angeles and Seattle. There was a slight rise in re-orders for air conditioners, but sales of other major appliances and lighting fixtures were sluggish.

In preparation for earlier than usual sales promotions, retailers stepped up their buying of back-to-school clothing this week; best-sellers were girls' skirts and dresses and boys' slacks and sports jackets. There was a slight rise in purchases of women's Fall better dresses, coats, and suits, and volume was close to that of a year ago. Bookings in men's Fall suits and furnishings expanded somewhat.

Although textile mills reported some scattered orders for print cloths and broadcloths at the beginning of the week, over-all trading in cotton gray goods lagged. Transactions in woolens and worsteds were unchanged from a week earlier, while the call for carpet wool in Philadelphia and Boston fell noticeably. A slight improvement in incoming orders occurred at dyeing and finishing plants in New England.

There was little change in wholesale food buying this week. Volume in rice, dairy products, and poultry matched that of a week earlier, while sales of fresh meat and canned goods dipped somewhat. Purchases of sugar, picnic specialties, fresh produce, and frozen foods moved up fractionally.

For the fourth consecutive month, the annual rate of personal income rose in June. It climbed slightly to $351.8 billion, only slightly below the peak level of last August, according to the United States Department of Commerce. Higher wage and salary disbursements accounted for most of the increase; after declining for 10 straight months, manufacturing payrolls rose in June for the second time in a row.

The Federal Reserve Board's Index of Industrial Production moved up to 130 (1947-49=100) from 128 in May, after adjustment for seasonal factors. This was a gain of four points over the recession low of last April. Increased output in the manufacturing of both durables and non-durables and in mining accounted for the rise.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended July 12, 1958, increased 5% above the like period last year. In the preceding week, July 5, 1958, an increase of 1% was reported. For the four weeks ended July 12, 1958, a loss of 2% was recorded. For the period Jan. 1, 1958 to July 12, 1958, a decrease of 2% was reported below that of 1957; only New York was ahead by 2%.

Of the 12 reporting districts, 10 had increases and two had decreases. Dallas was off 7% and St. Louis 2%. Richmond had the largest increase, 10%, while Boston, New York and Philadelphia each had a gain of 7%.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 12, 1958, increased 7% above that of the like period last year. In the preceding week, July 5, 1958, a gain of 11% was reported. For the four weeks ended July 12, 1958, a 2% gain was reported. For the period Jan. 1, 1958 to July 12, 1958, a 1% gain occurred from that of the corresponding period in 1957.

Richmond had the biggest increase or 10% in week ended July 12 and Dallas the sharpest decrease, off 7%.

Continued from first page

The Price of Expediency

frenzy. It is always well to restate from time to time the basic tenets of our economy credo, lest we forget them in the noise and smoke of the spending battle. As I see it, these are the main thesis of our economy doctrine:

Restates Basic Theses of Economy Doctrine

(1) An unlimited authority to spend at the Federal level, both through the expansion of existing programs and the continual addition of new ones, increases the size, power, and cost of the Federal Government and carries us ever closer to the point of no return from the ultimate end of a completely centralized authoritarian state. As the power and influence of the central government increases, the position of the states in the Federal system correspondingly declines in importance. The final result of this trend would be the destruction of the balance between Federal and state governments which is the foundation of our constitutional system. Our recognition of the dangers inherent in Federal encroachment upon the states has been expressed in the policy positions for bringing government back home.

(2) A big and expanding central government naturally tends to move into the field of private taxpaying enterprise as an aspect of the socialization toward which governmental bigness leads. This certainly has been happening in our own experience. The absence of any incentive or obligation to conserve capital by avoiding losses in operation or to earn, if possible, a return on capital provided by the taxpayers means unequal competition with private business and heavier taxes to finance the governmental competition.

(3) Corollary to the above is the tendency to introduce elements of subsidy, in both the business and nonbusiness operations of big government. Any departure, by the government, from the terms on which loan and investment funds are obtainable in the open market constitutes, to the extent of such variation, a subsidy to the favored persons or groups. Inasmuch as the market appraisal presumably reflects the general judgment regarding the earnings prospects and the capital risk involved, more favorable terms by the government mean an exposure of the taxpayers to greater risk and uncertainty that they would voluntarily assume in the market with their own funds.

(4) An important contribution to Federal expansion and control has been made by the system of grants-in-aid. As Professor W. W. Thompson pointed out 35 years ago, grants have been the means by which the government has purchased state agreement to Federal participation in and control of functions belonging to and capable of being performed by the state and local governments, or by the citizens themselves.

(5) Unlimited spending and taxing powers have led to the false assumption that national interest in a function is synonymous with a Federal obligation to promote it. On the contrary, the Federal Government has no monopoly to provide for the general welfare.

(6) An expanding Federal budget leads either to excessive taxation or to inflationary deficit financing. The disastrous effects of either course for the economy need no elaboration.

(7) "The core of fiscal integrity is a balanced Federal budget. First and continuing emphasis in achieving budget balance should be on economy in government, and not on increased revenues."

This policy declaration uses the word "integrity" as synonymous with prudence and soundness. In application the emphasis is on intent, first, and on performance second. It is recognized that budget deficits may at times be unavoidable. Such a condition would be a violation of the policy position only if the deficits were deliberately incurred by excessive spending beyond the proper needs of government, or were unduly enlarged and prolonged under such influences as vote-seeking, manipulation of the economy, extension of governmental control and domination, and so on. Deficits deliberately incurred for these or other like reasons are a lapse from fiscal rectitude because they are very likely to involve financing methods which would diminish still more the value and purchasing power of the dollar, an outcome which would defraud savers, investors, pensioners, and all others who were unable to obtain increases of money income sufficient to offset the erosion of the dollar.

(8) Finally, although the list has been by no means exhausted, large and expanding Federal spending almost inevitably involves the use of such spending to manipulate the economy. This practice stems from the view, generally held by the planning fraternity, that government can make better and wiser use of the people's money than they can.

Major Economic Issues

The present session of Congress provides a demonstration of expediency and its high cost. The major economic issues of today have been brought to the attention of the Congress and the Administration time and again. They are: (1) the oppressive tax rate structure; (2) excessive government spending; and (3) the wage-cost squeeze on profits. Instead of dealing directly and boldly with these important matters, the legislative effort has been largely expended on expedients consisting principally of projects for curing the recession by spending, lending, and grants-in-aid. The price that we shall pay for this pursuit of expediency instead of sound principle is already becoming apparent—huge deficits in prospect for years to come; indefinite postponement of relief from destructive tax rates; and a tightening of the labor monopoly stranglehold on the economy.

The emphasis on increased public spending as a recession cure has not been confined to the members of Congress. It has found acceptance, unfortunately, among many businessmen, economists, and business organizations. Consideration of the record will show, however, that the recession was not caused by lack of spending. Total consumer spending has been rising steadily for years to a peak of \$283.6 billion as an annual rate in the third quarter of 1957. In the first quarter of 1958 it was down to an annual rate of \$281.2 billion, a drop of only \$2.4 billion, or 0.85%. Total government spending has also been rising rapidly. From 1955, the year in which the present Administration reversed its policy and began to go all out for bigger budgets, to the estimates for 1959, Federal spending plans were stepped up by \$9.4 billion and the present forecast raises the 1959 budget total by \$4.1 billion above the total this Committee considered and criticized last February. When state and local and Federal trust fund expenditures are included, it is evident that total government spending has been rising steadily in recent years, the aggregate now in prospect being at least \$140 billion.

Since the recession was not caused by retrenchment in either private or public spending, it is not likely to be terminated by more public spending. It is true that many lines of durable goods have not moved in the accustomed—or expected—sales volume, but this has not been due primarily to lack of income and money to spend. It is in the area of durable goods manufacturing that spiraling wage contracts, including cost of living escalators, improvement factors, liberal fringe benefits, and other devices, have been most general. What we have been witnessing is a case of goods and labor services being priced out of the market.

Useful Goods

About the only way in which the Federal Government can spend large sums in peace time is for public works. However, as a recession cure, a public works program faces this dilemma—if the money is spent quickly as it should be for the greatest anti-recession effect, most of it will necessarily be for poorly planned, hastily executed projects similar to the leaf raking and other boondoggling activities of the 1930s. On the other hand, if sufficient time and forethought are devoted to careful plans, site acquisition, competitive bidding, and the other essentials of sound operation, the recession is likely to be over and the actual spending will occur at a time when we are once more fighting inflation. Since the 1890s, or even earlier, the bill providing appropriations for river and harbor improvements has been known as the "pork barrel." No creek or harbor was ever too small, or too remote from the channels of navigation, to be excluded from this measure. The references in the veto message of April 15 to the many ill-considered and unjustifiable projects contained in the water projects bill (S. 497) illustrate the propensity to wasteful spending which this particular kind of legislation always evokes. It is a foregone conclusion that a large part of the spending now under consideration, if enacted, will be wasted. The only way by which we can increase our output, raise our living standards, and forge ahead in the economic race against communism, is by putting people at work producing useful goods and services.

Further, mere public spending lacks dynamic quality because it does nothing to relieve the high wage cost squeeze on profits. On the contrary, it is a way of underwriting these high costs. If enough additional money were to be pumped into the economy, its value could be depreciated to induce a scramble for all available merchandise, whether first class or shoddy. It is no accident that the economic theme song of AFL-CIO is "more purchasing power." Inflationary expansion of the money supply is an integral part of this organization's economic philosophy and, as events of the past eight months have shown, a continuous increase of money supply—or, as the heads of the labor organizations call it, "purchasing power"— is necessary to confirm and validate the successive rounds of wage increases. Back in the late 1940s, when this kind of wage policy was being developed, the labor bosses contended, for a time, that the wage increases could be met without raising prices, that is, they could be paid out of profits. This horse didn't run very far. It is nothing short of amazing that men who have talent and capacity enough to become the acknowledged leaders of millions of workers should be so antagonistic, in their official capacity, toward the nature and function of profit in a free enterprise system.

No Lifting Power in Spending

An orgy of spending leads to budget deficits. Prominent persons in and out of Congress who have not conspicuously opposed the spending have expressed unalterable opposition to tax reduction as long as there is a deficit. The doctrine of balancing the budget by deficit spending was tried in the 1930s, with dismal results. As the argument was developed in the budget messages of that period, it was that deficit spending must continue until the national income had increased enough to provide tax revenues sufficient to balance the budget. That time never came. It would not come now without an immense inflationary upthrust caused by prolonged, huge deficits. Leaving out the inflationary aspect, spending cannot provide lifting power for the economy. The great virtue of the kind of tax rate reform provided in the Sadlak-Herlong bill is that, even if it involved an initial deficit, the gap would be closed shortly because of the dynamic effect of scheduled tax rate reductions on the productive forces. The great defect of lavish spending in the hope of stimulating economic activity is its dependence for effect on inflation, which causes our national product to increase in size by swelling rather than by growing.

The doctrine of spending for prosperity has been based, since J. M. Keynes, on the assumption that the supply of capital is now adequate, even excessive, and that saving for capital formation should be disparaged and discouraged, in favor of more consumption. A corollary of this doctrine is that the nation's capital plant has been tremendously expanded, some would say overbuilt, under the existing tax rates. Hence, so this argument runs, tax rate reform is not really needed to assure capital formation.

An NAM study of trends in business financing, published last January, shows that in recent years about 90% of the huge annual expenditure on plant and equipment went to replace the capital values consumed in production, and only about 10% went for net additions. On this point the First National City Bank Letter for April, 1958, said:

"The objection is raised that goods and plant capacities are already abundant. This is true with most goods of familiar type. But we need funds and imaginative energy released to design and manufacture products now unknown as a basis for a progressive economy and world leadership. The capacity to produce horse-drawn buggies was abundant when the Model T Ford was invented."

Profit Incentive

The surest and the brightest way to release funds and imaginative energy for future growth is to restore the outlook for profits. The combination of Sadlak-Herlong, government economy, and relief from the monopolistic labor squeeze is unbeatable as an anti-recession specific and as a prescription for future growth. The State Department has just released a study of Soviet development in which it was stated that Russian GNP had been increasing as much as 7% per annum in recent years, and that industrial growth had attained as much as 10%. It said, further, that our own growth had been at only about 3% yearly. On the same day a report by the Rockefeller Brothers Fund was issued, in which a plea was made for an increased flow of private — and public — investment in backward countries. Neither of these reports contained express recognition of the barriers to increased saving and investment, for domestic as well as foreign development, which are imposed by our taxing, spending, and labor policies, although the Rockefeller Report proposes a tax incentive for foreign investment. It also suggests that national governments might take action to promote the growth of private enterprise by reviewing their tax structures to minimize impediments to growth. Since this document is a report on foreign economic policy, it is only by implication that a similar review of our own tax structure is intended.

The Soviet menace and the improvement of economic conditions throughout the world are very real problems. We cannot hope to measure up to our responsibility for dealing with either of them without prompt, vigorous action to strike the shackles from our own productive forces. This cannot and will not be done by merely doing what may be politically expedient on a year-to-year basis. We seem to be more inclined to tell the rest of the world how to become strong and efficient than we are to follow our own prescription here at home. It is all very well to have one's head in the clouds, provided that the feet are still firmly on the ground.

American Stock Exch. Revising Commission

The board of governors of the American Stock Exchange, subject to the approval of its members, on July 17 adopted a new schedule of commissions. There has been no general revision of commissions by the exchange since the adoption of its present rates on Feb. 14, 1949.

Edward T. McCormick (American Stock Exchange President), stated "the recommendation was motivated by the substantial increase in the cost of operations since that date."

The amendment would bring the American Stock Exchange's rates in line with those now in effect on the New York Stock Exchange. The new formula would simplify the present non-member rate structure and, for the first time, apply the "money involved" theory to all price categories. The 14 day "round trip" program now in operation on the New York Stock Exchange was also adopted.

Mr. McCormick stated, "The amendment would, in an equitable manner, revise member give-up and clearance rates, associate member give-up and clearance rates and specialists' commissions in recognition of the adjustment in non-member commission rates."

The amendment and formal ballot will be mailed promptly to the membership for approval. Balloting will continue for two weeks thereafter and, in the event it is approved, the new rates will become effective on Aug. 26, 1958.

Eastman Dillon Branch

LA JOLLA, Calif. — Eastman Dillon, Union Securities & Co. has opened a branch office at 7827 Ivanhoe Avenue under the management of Robert E. Jackson.

With R. J. Steichen

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Loyden W. Anderson has been added to the staff of R. J. Steichen & Company, Baker Building.

Kalman Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Robert M. Tidmarsh has been added to the staff of Kalman & Company, Inc., Endicott Building.

D. J. Waterous

Donald J. Waterous passed away at the age of 62 following a long illness. Prior to his retirement he had been associated with A. M. Kidder & Co. and Central Republic Company.

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 27	§57.1	*54.9	61.7	79.4
Equivalent to—					
Steel ingots and castings (net tons)	July 27	§1,540,000	*1,481,000	1,666,000	2,033,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 11	6,439,435	6,423,685	6,334,885	6,882,165
Crude runs to stills—daily average (bbls.)	July 11	¶7,607,000	7,461,000	7,659,000	7,972,000
Gasoline output (bbls.)	July 11	27,808,000	27,282,000	26,960,000	26,861,000
Kerosene output (bbls.)	July 11	1,508,000	1,831,000	1,867,000	1,752,000
Distillate fuel oil output (bbls.)	July 11	11,807,000	11,128,000	11,613,000	13,000,000
Residual fuel oil output (bbls.)	July 11	6,944,000	6,723,000	6,459,000	7,739,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 11	182,169,000	*183,280,000	190,241,000	181,973,000
Kerosene (bbls.) at	July 11	25,040,000	24,454,000	22,959,000	29,253,000
Distillate fuel oil (bbls.) at	July 11	109,507,000	106,571,000	96,694,000	125,564,000
Residual fuel oil (bbls.) at	July 11	66,155,000	64,772,000	63,393,000	47,020,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 12	491,142	457,661	622,221	692,599
Revenue freight received from connections (no. of cars)	July 12	404,208	456,463	518,611	479,775
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 17	$733,043,000	$558,996,000	$429,875,000	$386,363,000
Private construction	July 17	419,293,000	100,845,000	135,188,000	202,280,000
Public construction	July 17	313,750,000	458,151,000	294,687,000	184,083,000
State and municipal	July 17	183,379,000	260,924,000	220,379,000	141,904,000
Federal	July 17	130,371,000	197,227,000	74,308,000	42,179,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 12	1,320,000	*1,330,000	8,300,000	7,456,000
Pennsylvania anthracite (tons)	July 12	76,000	65,000	475,000	77,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 12	116	102	138	111
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 19	12,257,000	11,851,000	11,941,000	12,306,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 17	279	275	290	266
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 15	5.967c	5.967c	5.967c	5.967c
Pig iron (per gross ton)	July 15	$66.49	$66.49	$66.49	$64.95
Scrap steel (per gross ton)	July 15	$37.50	$36.50	$35.17	$54.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 16	25.175c	25.100c	24.775c	28.725c
Export refinery at	July 16	24.500c	24.050c	24.525c	26.975c
Lead (New York) at	July 16	11.000c	11.000c	11.000c	14.000c
Lead (St. Louis) at	July 16	10.800c	10.800c	10.800c	13.800c
‡Zinc (delivered) at	July 16	10.500c	10.500c	10.500c	10.500c
Zinc (East St. Louis) at	July 16	10.000c	10.000c	10.000c	10.000c
Aluminum (primary pig. 99%) at	July 16	24.000c	24.000c	24.000c	25.000c
Straits tin (New York) at	July 16	94.750c	94.000c	94.250c	95.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 22	93.36	92.92	94.29	86.29
Average corporate	July 22	95.47	96.07	96.69	91.91
Aaa	July 22	100.81	101.64	102.96	95.92
Aa	July 22	98.09	99.04	99.84	94.26
A	July 22	95.47	95.62	96.54	92.50
Baa	July 22	88.13	88.67	88.27	85.59
Railroad Group	July 22	91.19	91.77	92.20	89.92
Public Utilities Group	July 22	96.69	97.31	97.94	92.93
Industrials Group	July 22	98.73	99.20	100.00	93.08
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 22	3.08	3.12	3.00	3.69
Average corporate	July 22	4.04	4.00	3.96	4.28
Aaa	July 22	3.70	3.65	3.57	4.01
Aa	July 22	3.87	3.81	3.76	4.12
A	July 22	4.04	4.03	3.97	4.24
Baa	July 22	4.55	4.51	4.54	4.74
Railroad Group	July 22	4.33	4.29	4.26	4.42
Public Utilities Group	July 22	3.90	3.92	3.88	4.21
Industrials Group	July 22	3.83	3.80	3.75	4.20
MOODY'S COMMODITY INDEX	July 22	400.6	396.6	398.2	431.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 12	191,439	229,248	271,307	199,159
Production (tons)	July 12	133,774	193,815	290,704	153,861
Percentage of activity	July 12	48	61	90	55
Unfilled orders (tons) at end of period	July 12	447,215	391,454	384,471	488,517
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 18	110.25	110.07	109.81	110.21
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 28	1,748,010	1,698,500	1,193,750	1,307,310
Short sales	June 28	400,520	375,540	219,490	227,670
Other sales	June 28	1,296,400	1,367,950	913,150	1,134,930
Total sales	June 28	1,696,920	1,743,490	1,132,640	1,362,600
Other transactions initiated on the floor—					
Total purchases	June 28	481,540	409,710	277,440	246,100
Short sales	June 28	44,500	42,650	28,650	29,200
Other sales	June 28	414,510	332,100	268,100	218,990
Total sales	June 28	459,010	374,750	296,750	248,190
Other transactions initiated off the floor—					
Total purchases	June 28	586,250	573,030	379,100	452,091
Short sales	June 28	123,970	129,990	98,480	84,090
Other sales	June 28	507,660	667,046	440,022	445,372
Total sales	June 28	691,630	797,036	538,502	529,462
Total round-lot transactions for account of members—					
Total purchases	June 28	2,815,800	2,681,240	1,850,290	2,005,501
Short sales	June 28	568,990	548,180	346,620	340,960
Other sales	June 28	2,278,570	2,367,096	1,621,272	1,799,292
Total sales	June 28	2,847,560	2,915,276	1,967,892	2,140,252
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 28	1,078,923	1,203,989	820,372	1,243,296
Dollar value	June 28	$49,733,718	$55,272,322	$36,421,697	$67,174,539
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 28	1,082,538	1,177,664	824,965	918,676
Customers' short sales	June 28	7,679	10,510	8,126	4,958
Customers' other sales	June 28	1,074,959	1,167,154	816,839	913,718
Dollar value	June 28	$45,238,603	$51,551,872	$34,047,504	$47,024,644
Round-lot sales by dealers—					
Number of shares—Total sales	June 28	345,950	396,590	284,680	207,870
Short sales	June 28	------	------	------	------
Other sales	June 28	345,950	396,590	284,680	207,870
Round-lot purchases by dealers—					
Number of shares	June 28	378,400	389,510	276,310	536,590
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 28	789,380	744,580	501,060	405,140
Other sales	June 28	13,169,780	13,516,790	9,062,830	9,471,820
Total sales	June 28	13,959,160	14,261,370	9,563,890	9,876,960
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 15	119.2	*119.3	119.0	118.0
Farm products	July 15	95.0	*95.7	95.4	92.9
Processed foods	July 15	112.6	*113.0	113.1	107.1
Meats	July 15	113.8	115.9	115.8	99.2
All commodities other than farm and foods	July 15	125.7	125.5	125.2	125.5

*Revised figure. ¶Includes 921,000 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
AMERICAN HOME LAUNDRY MANUFACTURERS ASSOCIATION—Month of May:			
Total home laundry appliance factory unit sales (domestic)	312,677	275,218	304,788
Combination washer-dryers	7,780	11,847	9,512
Washers	262,999	224,896	262,430
Dryers	41,898	38,475	332,372
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of June (000's omitted):			
Total U. S. construction	$1,899,889	$2,313,675	$1,561,367
Private construction	633,782	973,338	730,187
Public construction	1,266,107	1,340,337	831,180
State and municipal	824,402	930,477	685,777
Federal	441,705	409,860	145,403
COSUMER PRICE INDEX — 1947-49=100— Month of May:			
All items	123.6	123.5	119.6
Food	121.6	121.6	114.6
Food at home	120.5	120.5	113.0
Cereals and bakery products	132.8	132.7	130.4
Meats, poultry and fish	116.6	115.9	103.7
Dairy products	111.8	112.5	110.0
Fruits and vegetables	137.4	136.6	122.5
Other foods at home	111.5	112.4	109.9
Housing	127.8	127.7	125.3
Rent	137.5	137.3	134.7
Gas and electricity	116.5	116.0	112.3
Solid fuels and fuel oil	131.6	134.2	135.4
Housefurnishings	104.0	104.0	104.2
Household operation	130.9	130.9	127.3
Apparel	106.7	106.7	106.5
Men's and boys'	108.9	109.7	109.0
Women's and girls'	98.4	98.2	98.6
Footwear	129.7	129.8	127.8
Other apparel	92.1	91.9	92.0
Transportation	138.7	138.3	135.3
Public	186.1	186.1	176.8
Private	128.0	127.6	125.4
Medical care	143.7	142.7	137.3
Personal care	128.5	128.5	123.4
Reading and recreation	116.6	117.0	111.4
Other goods and services	127.2	127.2	124.3
COTTON AND LINTERS — DEPARTMENT OF COMMERCE—RUNNING BALES:			
Consumed month of May	599,690	729,546	670,259
In consuming establishment as of May 31	1,739,979	1,722,973	1,406,934
In public storage as of May 31	8,428,220	9,345,970	10,845,672
Linters—Consumed month of May	82,484	75,043	105,051
Stocks May 3	894,295	941,177	924,366
Cotton spindles active as of May 31	17,625,000	17,602,000	18,246,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on May 31	20,971,000	20,942,000	21,406,000
Spinning spindles active on May 31	17,625,000	17,602,000	18,246,000
Active spindle hours (000's omitted) May 31	7,503,000	9,451,000	8,533,000
Active spindle hours for spindles in place May	375.2	378.0	426.7
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of May:			
Cotton Seed—			
Received at mills (tons)	5,001	11,855	11,113
Crushed (tons)	179,741	254,651	224,145
Stocks (tons) May 31	340,786	515,526	319,714
Crude Oil—			
Stocks (pounds) May 31	71,433,000	87,442,000	107,760,000
Produced (pounds)	61,675,000	87,224,000	81,445,000
Shipped (pounds)	81,102,000	118,617,000	79,033,000
Refined Oil—			
Stocks (pounds) May 31	180,047,000	192,368,000	245,087,000
Produced (pounds)	74,534,000	108,425,000	74,543,000
Consumption (pounds)	94,014,000	96,364,000	106,940,000
Cake and Meal—			
Stocks (tons) May 31	182,734	189,776	293,212
Produced (tons)	81,357	117,320	112,023
Shipped (tons)	88,399	125,581	98,247
Hulls—			
Stocks (tons) May 31	128,501	131,038	73,338
Produced (tons)	45,564	60,739	51,325
Shipped (tons)	48,101	55,265	53,359
Linters (running bales)—			
Stocks May 31	354,870	366,270	218,600
Produced	48,742	69,358	69,534
Shipped	60,142	66,645	67,855
Hull Fiber (1,000-lb. bales)—			
Stocks May 31	467	474	600
Produced	(a)	(a)	(a)
Shipped	(a)	(a)	(a)
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks May 31	4,400	4,514	1,973
Produced	532	746	582
Shipped	646	595	1,347

(a) Not shown to avoid disclosure of figures for individual companies.

	Latest Month	Previous Month	Year Ago
NEW YORK STOCK EXCHANGE— As of May 31 (000's omitted):			
Member firms carrying margin accounts—			
Total, customers' net debit balances	$2,997,171	$2,869,255	$2,833,264
Credit extended to customers	141,032	134,440	39,059
Cash on hand and in banks in U. S.	311,898	322,244	319,579
Total of customers' free credit balances	979,218	984,558	817,190
Market value of listed shares	218,773,150	214,039,579	228,584,529
Market value of listed bonds	116,026,980	115,750,571	100,060,628
Member borrowings on U. S. Govt. issues	541,930	449,420	75,512
Member borrowings on other collateral	1,972,785	1,995,649	2,311,152
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of May:			
Passenger Tires (Number of)—			
Shipments	7,523,454	7,173,000	8,056,507
Production	6,715,002	6,521,837	8,312,496
Inventory	18,262,601	19,050,859	18,049,621
Truck and Bus Tires (Number of)—			
Shipments	979,646	1,002,135	1,093,762
Production	937,813	954,914	1,177,927
Inventory	3,571,441	3,607,103	3,580,155
Tractor-Implement Tires (Number of)—			
Shipments	309,532	385,907	292,808
Production	305,171	335,381	319,612
Inventory	692,742	692,609	703,307
Passenger Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,034,751	*3,242,830	3,213,944
Production	3,529,984	3,623,981	3,547,773
Inventory	8,189,272	7,609,048	7,421,546
Tread Rubber (Camelback)—			
Shipments (pounds)	37,884,000	38,019,000	34,671,000
Production (pounds)	40,612,000	37,534,000	35,871,000
Inventory (pounds)	29,549,000	26,799,000	31,049,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of May:			
Net sales	$86,297,500	$2,104,600	------
Net purchases	------	------	$313,420,450

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.

★ **Applied Physics Corp.**
July 9 (letter of notification) 19,998 shares of common stock (par $1). **Price**—At market. **Proceeds**—To go to selling stockholders. **Office**—2724 South Peck Rd., Monrovia, Calif. **Underwriter** — Schwabacher & Co., San Francisco, Calif.

★ **Architectural Plastics Corp.**
July 11 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—1355 River Road, Eugene, Ore. **Underwriter**—None.

• **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; rights to expire about Sept. 22, 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). A recission offer is being made with respect to stock offered beginning April 8, 1958 to residents of the State of Arizona. **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. (8/11)**
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.

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. (7/28-31)**
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.

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.

★ **Buzzards Bay Gas Co.**
July 8 (letter of notification) 11,936 shares of 6% prior preferred stock being offered to preferred stockholders of record July 22, 1958 on the basis of two new shares for each five shares outstanding, rights to expire on Aug. 6, 1958. **Price**—At par ($25 per share). **Proceeds**—To pay unsecured notes. **Office**—25 Iyanough Rd., Hyannis, Mass. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

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.

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. (8/4-8)**
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. **Office**—Ridgefield, Conn. **Underwriter**—Hayden, Stone & Co., New York.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Consolidated Cuban Petroleum Corp.
July 1 filed 419,000 outstanding shares of common stock (par 20 cents). **Price**—Related to the current market price on the American Stock Exchange. **Proceeds**—To selling stockholders. **Underwriter**—None.

★ **Consolidated Natural Gas Co. (8/13)**
July 18 filed $45,000,000 of debentures due Aug. 1, 1983. **Proceeds**—For new construction and to repay short-term bank loans. **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 up to 11:30 a.m. (EDT) on Aug. 13 at Room 3000, 30 Rockefeller Plaza, New York 20, N. Y.

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NEW ISSUE CALENDAR

July 28 (Monday)
Billups Eastern Petroleum Co.______Com. & Debs.
(The Johnson, Lane, Space Corp.) $2,500,000

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

August 4 (Monday)
CGS Laboratories Inc.______Common
(Hayden, Stone & Co.) 60,000 shares

August 5 (Tuesday)
Ludlow Typograph Co.______Common
(Offering to stockholders—to be underwritten by Shearson, Hammill & Co.) 106,156 shares
Minneapolis & St. Louis Ry.______Equip. Trust Ctfs.
(Bids noon CDT) $2,100,000

August 11 (Monday)
Bankers Management Co.______Common
(McDonald, Holman & Co., Inc.) $400,000
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 11:30 a.m. EDT) $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 5 (Friday)
Thiokol Chemical Co.______Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.)

September 23 (Tuesday)
Consumers Power Co.______Bonds
(Bids to be invited) $40,000,000
Consumers Power Co.______Preferred
(Bids to be invited) $20,000,000

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

Continued from page 37

★ Convertawings, Inc.
July 16 (letter of notification) 15,000 shares of common stock (par $1). **Price** — $20 per share. **Proceeds** — For working capital and to retire 6% notes. **Office**—Amityville, Long Island, N. Y. **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.

• 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 on a 1-for-10 basis (with an oversubscription privilege). 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 8,945/10,000ths 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.

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.

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.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

Evergreen Gas & Oil Co.
June 2 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For working capital. **Office**—E. 12707 Valleyway, Opportunity, Spokane, Wash. **Underwriter**—Pennaluna & Co., Spokane, Wash.

Federal Commercial Corp.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To make loans, etc. **Office** — 80 Wall St., New York, N. Y. **Underwriter**—Dumont Securities Corp., New York, N. Y.

• Fidelity Bankers Life Insurance Corp.
March 7 filed 450,000 shares of common stock (par $1) (subsequently amended to 300,000 shares). **Price**—$7 per share. **Proceeds**—For expansion and other corporate purposes. **Office**—Richmond, Va. **Underwriter**—Willis, Kenny & Ayres, Inc., Richmond, Va.

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.

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

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.

★ Hamilton Funds, Inc., Denver, Colo.
July 15 filed (by amendment) an additional $125,000,000 of Periodic Investment Certificates, together with additional Hamilton Fund Shares, viz: $18,000,000 of series H-C7 and $17,000,000 of Series H-DA. **Price**—At par. **Proceeds**—For investment.

• 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 24).

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 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.

Industro Transistor Corp. (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department. **Underwriter** — S. D. Fuller & Co., New York. **Offering**—Being held in abeyance.

Insured Accounts Fund, Inc., Boston, Mass.
May 12 filed 5,000 shares of common stock. **Price**—$5,000 per share. **Proceeds**—For investment. **Business**—To invest primarily in share accounts insured by the Federal Savings and Loan Insurance Corp., in savings and loan associations throughout the country. **Underwriter**—None. Ben H. Hazen is President.

International Opportunity Life Insurance Co.
June 2 filed 5,000,000 shares of common stock (par $1) **Price**—$5 per share. **Proceeds**—For working capital and other corporate purposes. **Office**—Denver, Colo. **Underwriter**—Columbine Securities Corp., Denver, Colo.

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.

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.

★ Leader-Cleveland Realty Associates, N. Y.
July 16 filed $1,280,000 of participations in partnership interests. **Price**—$10,000 per participation. **Proceeds**—To purchase the Leader Building in Cleveland, Ohio **Underwriter**—None.

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. (8/5)
July 11 filed 106,156 shares of common stock (par $10) to be offered for subscription by common stockholders of record about Aug. 4, 1958, on the basis of one new share for each two shares held; rights to expire on Aug. 18, 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.

★ Managed Funds Inc., St. Louis, Mo.
July 21 filed (by amendment) an additional 7,500,000 shares of common stock (par one cent). **Price**—At market. **Proceeds**—For investment.

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., 532 E. Alameda Ave., Denver 9, 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.; White, Weld & Co.; Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Smith. **Bids**—Expected to be received up to 11 a.m. (EDT) on July 30 at The First National City Bank, 55 Wall St., New York, N. Y.

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.

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**—1000 Power & Light Bldg., 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.

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.

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.

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.

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.

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.

Rand Drilling Co., Inc.
May 12 (letter of notification) 100,000 shares of class A common stock (par 50 cents) and 50,000 shares of class B common stock (par 50 cents) to be offered in units of two shares of class A and one share of class B stock. **Price**—$4.50 per unit. **Proceeds**—For expenses incidental to drilling for oil. **Office**—111½ E. St. Peter St., New Iberia, La. **Underwriter** — T. J. Feibleman & Co., New Orleans, La.

Rapid-American Corp., New York
June 19 filed $1,504,000 of 7% sinking fund debentures, due Nov. 15, 1967, together with 105,000 shares of common stock (par $1). **Proceeds**—The debentures are already outstanding having been issued in payment of 47,000 shares of common stock of Butler Brothers which were acquired by Rapid American from 19 persons, including three directors of the corporation. The debentures are being registered against the possibility that they may be sold by present owners. Of the 105,000 common shares, 75,000 are issuable under the company's Restricted Stock Option Plan for officers and key employees, and 30,000 under the Employees' Stock Purchase Plan. **Underwriter**—None.

Rassco Financial Corp. (8/20)
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York, on a "best efforts" basis.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter**—Pacific Securities Ltd., Vancouver, Canada.

Riddle Airlines, Inc., Miami, Fla.
May 15 filed 750,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—James H. Price & Co., Inc., of Coral Gables, Fla., for 250,000 shares; balance on "best efforts" basis.

Robosonic National Industries Corp., N. Y.
June 12 filed 500,000 shares of common stock, class B. **Price**—$3 per share. **Proceeds**—To manufacture on a contract basis an automatic telephone answering instrument; the enlargement of the research and development facilities of the company; patent and patent applications; public relations, and for working capital. **Underwriter**—None.

Rocky Mountain Quarter Racing Association
Oct. 31, 1957 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

St. Regis Paper Co., New York
July 8 filed 118,746 shares of common stock (par $5) to be offered in exchange for outstanding shares of capital stock of Growers Container Corp., Salinas, Calif., on the basis of one St. Regis share for 18 shares of stock of Growers Container. **Underwriter**—None.

● **San Diego Imperial Corp., San Diego, Calif.**
June 2 filed 70,000 shares of 5½% cumulative convertible preferred stock. **Price** — At par ($10 per share). **Proceeds**—To retire $550,000 of promissory notes. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Offering**—Postponed indefinitely.

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.

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.

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. The exchange offer is assured as over 80% of Middle States common stock has been deposited. The offer expires Aug. 8. **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 held. 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

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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.

★ Tower Finance Corp.

July 8 (letter of notification) 965 shares of 6% cumulative preferred stock, second series. **Price**—At par ($50 per share). **Proceeds**—For working capital. **Office**—1737 Howard St., Chicago 26, Ill. **Underwriter**—None.

★ Townsend U. S. & International Growth Fund Inc.,

May 14 filed (by amendment) an additional 1,000,000 shares of capital stock (par one cent). **Price**—At market (about $5.46 per share). **Proceeds**—For investment. **Office**—Short Hills, N. J. **Underwriter**—FIF Management Corp., Denver, Colo.

Trans-America Uranium Mining Corp.

Nov. 6, 1957 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

Trans-Cuba Oil Co., Havana, Cuba

March 28 filed 6,000,000 shares of common stock (par 50 cents) being offered for subscription by holders of outstanding shares of capital stock and holders of bearer shares, in the ratio of one additional share for each share so held or represented by bearer shares of record May 28, 1958; rights to expire on Aug. 1, 1958. **Price** — 50c per share. **Proceeds**—For general corporate purposes including exploration and drilling expenses and capital expenditures. **Underwriter**—None.

Trans-Eastern Petroleum Inc.

Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas. **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

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 Employees Insurance Co.

April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

★ United Funds, Inc., Kansas City, Mo.

July 21 filed (by amendment) an additional 3,000,000 shares of United Income Fund (par $1); 1,500,000 shares of United Science Fund (par $1); and 750,000 shares of United Continental Fund (par $1). **Price**—At market. **Proceeds**—For investment.

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.

Western Carolina Telephone Co., Weaverville, N. Car.

June 6 filed 89,391 shares of common stock to be offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held. The record date is to be supplied by amendment. **Price**—At par ($5 per share). **Proceeds**—To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. **Underwriter**—None.

★ Western Industrial Shares, Inc., Denver, Colo.

July 16 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—For investment. **Underwriter** — Andersen, Randolph & Co., Inc., 65 So. Main St., Salt Lake City, Utah.

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.

★ Arnold Altex Aluminum Co., Miami, Fla.

July 21 it was announced that the company plans registration of 300,000 shares of 35 cent cumulative convertible preferred stock (par $4). Stockholders will vote July 31 on increasing authorized number of preferred shares from 200,000 to 500,000, of which 118,524 shares are presently outstanding. **Price**—Not less than $5 per share. **Proceeds**—Approximately $1,500,000 in repayment of funds borrowed from James Talcott, Inc. on assignment of accounts receivable and warehouse receipts, approximately $40,000 for the purchase of additional equipment and the balance for general corporate purposes.

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 or about 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.

● Consumers Power Co. (9/23)

July 17 it was announced that the company plans to issue and sell not more than $40,000,000 of first mtge. 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 17 it was announced that the company plans to issue and sell not more than 200,000 shares of pfd. 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.

Equitable Gas Co.

July 18 it was announced 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 or early in August.

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.

★ North Carolina Natural Gas Co.
July 21 it was reported that the company plans early registration of about $8,000,000 in new securities, probably debentures and common stock to be offered in units. **Proceeds** — For repayment of bank loans and for new construction. **Underwriter**—Kidder, Peabody & Co., New York.

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.

★ Pennsylvania Power Co. (8/26)
July 22 it was announced that the company on July 21 filed applications with the Pennsylvania P. U. Commission and the SEC proposing to issue and sell $8,000,000 of 30-year first mortgage bonds. **Proceeds**—To refund a like amount of first mortgage bonds sold last October. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids**—To be received as soon after Aug. 26, 1958, as market conditions appear favorable, but not later than Dec. 16.

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 Co. (9/5)
July 21 it was reported that the company plans an offer of additional common stock to shareholders on the basis of one new share for each 12 shares held on Sept. 5; for a 15-day standby. **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.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury decided to use a more realistic approach in its August refunding operation and put out only a short-term issue in order to take care of $16,264,000,000 of maturing or called obligations. The 1⅝% certificate coming due on Aug. 1, 1958 is not only a big issue but it is owned mainly by the central banks, government accounts and commercial banks. This short-term refunding operation, along with the impending new money raising venture of the Treasury, will add to the money supply and to that extent will combat the forces of deflation. Last week, the Federal Reserve System for the first time since 1951 decided to support the market for United States Government bonds. The purchases that have been made so far will be known late today.

The long-term government market, even with the support from the Treasury in buying back its own bonds, and confining its refunding and new money raising to short-term securities, had not been able to improve its technical position very much. Opinions are that it will still take time to put certain bonds on a solid footing again. However, the Federal Reserve System's statement of support for the government bond market had a favorable effect on the more distant Treasury issues.

Treasury Giving Bond Market a "Rest"

The Treasury, with the stated objective of giving the bond market a "rest," announced last Thursday that it was refinancing $16,264,000,000 of maturities with a one-year obligation bearing 1⅝%. The Treasury in this one very large operation was able to take care of maturities through Sept. 15. The exchange offer covered $11,519,000,000 of 4% certificates maturing Aug. 1, $3,818,000,000 of 2¼% bonds called for payment on Sept. 15; and $927,000,000 of 2⅜% bonds also called for redemption on Sept. 15. The Federal Reserve Banks and government investment accounts owned nearly one-half of the maturing and called issues, with the latest available figures showing that $6,750,000,000 of maturing 4% certificate, $36,000,000 of the 2¼% bonds and $367,000,000 of the 2⅜% bond were held in the aforementioned portfolios.

Thus, ownership of so many of the maturing and called issues by the Federal Reserve System and Treasury investment accounts has made the task of refunding these obligations much easier since the central banks and Treasury accounts usually turn in their holdings for the new issue which is being offered in place of the ones that are coming due or have been called for payment. This tends to cut down the amount of cash which the Treasury will have to pay out.

Decks Cleared for New Money Financing

The new issue of 1⅝% notes coming due on Aug. 1, 1959 will be a very large one even after the cash pay-out. There had been opinions around that the Treasury would take care of only the $11,519,000,000 of 4% certificates in the August operation although the combining of this maturity with the September redemptions was not a complete surprise to the financial district.

As announced by the Treasury, the decks are now cleared for the raising of some $3,000,000,000 of new money within the next three weeks, which will carry them over until early October when another cash offering is to be made. The first new cash offering will be a security with a maturity of one year or less—most likely a tax anticipation obligation, although no particular kind of issue has been decided upon yet, according to published advices.

"Unrealistic" Debt Extension Policy

The Treasury by confining the current refunding obligation to a maturity of one year and making the announcement ahead of time that the impending new money raising operation would also consist of short-term securities is shying away from the bond market which has been in a very much confused and disorganized state, not only because of the temporary nature of owners of certain of these obligations, but also because of the unrealistic public debt management policy of the powers that be. The Treasury has been trying to push out debt maturities without too much appreciation of the demand that might be available for long-term government securities.

It seems as though the Treasury has been obsessed with the motive of extending the maturity of the government debt irrespective of the condition of the long-term government bond market. Accordingly, after the flotation of $1,000,000,000 of 3¼s due 1985 the government bond market had a very sharp and severe price reaction which carried quotations of some of the recently introduced bonds down to levels that had not been seen in a good many months. This has resulted in the Treasury not only being able now to re-enter the long-term market, but they have had to refund (September) called bonds with a one-year maturity. The extending of maturities by the Treasury has to be forgotten for the time at least, and the deposit creating and money supply increasing issues are being offered for refunding and new money purposes.

Joins Zilka, Smither & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Thomas R. Hillstrom is now with Zilka, Smither & Co., Inc., 813 S. W. Alder Street, members of the Pacific Coast Stock Exchange.

Continued from page 8

Essentiality of Regulation in The Transportation Industry

regulation in transportation. We have been there a long time, now, and we intend to continue to hold that position.

Public Unawareness of Trucking

I should like very much to discuss just a bit about the highway transportation of property. We call it the business that few people know. One of the crosses that the trucking industry must bear, as of this period in our history, is that few people, always with the exception of men in positions like your own, really understand the size and importance of the industry.

The reasons are fairly obvious. We are comparatively new in the transportation business, as age is reckoned in our field. We do our job through the instrumentality of a very large number of comparatively small vehicles. Thus it is the accumulation of the many which constitutes the formidable total. And finally, and perhaps as potent as any reason, the fact that our industry does not carry people — hence the average citizen does not have the opportunity personally and at first hand to appraise what we do for him and for others.

Approaching Rail's Freight Revenue

You know, even if the public does not, that the for-hire trucking industry is rapidly approaching its chief surface hauling competitor, the railroads, in dollar volume of business transacted. Railroads will do something over eight billion dollars of freight hauling this year — the for-hire trucks will handle something over six billion dollars of business. Now, when it is remembered, that for-hire trucks constitute only about 15% of the total trucks registered in this country, it becomes apparent that highway transportation must be an enormously consequential factor in our economy.

Sees Continued Growth

It seems to us—as it may seem to you—that the changes in the way we live and the changes in both living and producing locations all point most strongly to continued development of truck transportation.

This country has moved very strongly in two directions in its living habits and in one direction primarily in terms of locale. As to living habits, we are becoming astonishingly dependent upon packaged and processed foods and upon gimmicks and gadgets in our homes. Your wives can tell you—although I am sure some of you must do a little shopping as I occasionally have to do—that today's food markets contain little or no bulk food. My own mother used to buy flour by the bag, lard by the tin, and all kinds of raw vegetables. So, I am sure, did your own mothers, except possibly for the youngest present.

Canned foods of course were available but in those days there seemed to be an implied reflection on any housewife who depended too heavily on canned goods.

Today that whole conception has changed. Not only canned goods but all kinds of frozen foods are in high favor. Everything is packaged. The rest of it seems to be pre-processed or completely processed for the table. Warm it up and serve it seems to be the motto. You can get complete dinners, arranged on a throw-away plate so there is no dishwashing, if you like, and all you have to do is to heat it up.

And this packaging idea is by no means confined to foodstuffs. Drop into a hardware store sometime and you may well run into such an indestructible tool as a screwdriver, wrapped in cellophane.

Now this great change in our living habits is to be found not only among the cliff-dwellers in the apartment houses of our cities but also in the side-street home in the smaller towns in all your states. It is a universal thing . . . it is a new way of living in America.

What Does It Mean?

What we need to ask ourselves is the basic question: What does this mean in terms of transportation?

The answer, of course, and this is an observation founded on fact and not an industry commercial, is obviously "truck transportation." As a matter of fact this whole trend is based on the flexibility and dispatch of truck transport. The frozen food industry was not born until refrigerated truck transport capable of hauling food long distances at temperatures of zero to ten above was made available to the processors and to the distributors. Then it zoomed upward in one of the most astonishing economic developments in our contemporary business history.

While the older forms of transportation were well suited to the movement of bulk goods, the packaged products moving at much faster delivery time and in much smaller quantities were ideally suited to truck hauling—and truck transport was and is made to order for this kind of business.

So there we have one great development in how we live which seems automatically to call for steadily increasing using of truck transport—and as a consequence, a continuation and increase in your own regulatory efforts.

But there is another and even more consequential force at work and this one highlights truck transport as it has never before been spotlighted.

Population Movement

I refer, of course, to the steady march of population outward from the central cities—no longer able to contain enough people—onward to the suburbs, farther out to exurbia and increasingly out into the country.

Because of your unusual vantage point in connection with your work, you have long been aware of this movement and its implications in transportation.

You know, of course, that babies are being born at the rate of 480 an hour and the rate increases steadily. You know that there are more than 1,600 new families setting up in business every day in America and that this too, is increasing steadily.

Inter-Regional Highway's Significance

I am sure that, within your observation, has come the fact that industry is also moving out of the central cities and into the country. The rate of dispersion of industry, both for its own reasons and for defense reasons, is truly astonishing. One of the expectations of many students of the subject is that the new 41,000 mile inter - regional highway system will become major channels of distribution for both agricultural and industrial products to an extent realized by few people today —even those speculating on the subject.

Dr. Luther Gulick, head of the Institute of Public Administration, and a highly respected authority on the movement of population and industry, has this to say about the next 50 years:

"There will be a solid settlement extending from Boston perhaps as far south as Newport News, Virginia. It will sprawl westward at least to Chicago and possibly to Kansas City, with manufacturing centers in what are forests of Kentucky and Tennessee. Similar urbanized areas will develop in the Southwest and West."

This is no Buck Rogers prediction. Already we have that solid city he mentions in existence from Boston to just south of Washington, D. C. Drive along it on the older roads and you can't tell when you leave one community and enter another. The same is true already in great metropolitan regions in the Middle West, as you all know. These strip cities are the only answer to the pressure of increasing population.

New Plant Design

More than that, industry itself faces a most serious problem. The whole trend in manufacturing is toward the one-story plant, utilizing assembly-line production. That type of structure is by all odds the most efficient for the great majority of producing units.

But a one-story plant requires plenty of ground space. Where are they going to get it? In the cities? Not at city prices for land. In the suburbs? Not at prices suburban land and zoning against manufacturing. So they are pushing out into the country — into farmland—into the edges of the smaller towns and villages. And when they arrive—if there is no community at the point of location, one thing you can give odds on is that one will spring up and very quickly. With it will come the shopping centers and all the services modern living demands.

Servicing Property and People Transportation

How do these strip cities, the new suburbs and these mushrooming communities out in the country get served transportation-wise? You know what the answer is and what it must be. For personal transportation—the automobile and the bus. For property transportation — everything they eat, use, wear and manufacture by motor truck.

Carries 3 out of 4 Freight Tons

It is my firm conviction that before the passage of very many more years, truck transportation will take its place as the dominant form of transport in this country so far as hauling property is concerned. Already trucks haul three out of every four tons of freight moving in agriculture, industry and commerce. As yet they are not the dominant form of transport in terms of ton-miles but they surely are in terms of actual tons handled.

Regulatory Commissions' Responsibility

All of this poses a problem for railroad and utility commiss ers. You are charged with the responsibility of regulating for-hire transport of all kinds. In conjunction with the Interstate Commerce Commission, you have the authority and the obligation of providing the American people with efficient and economical land transportation.

That is why I have speculated earlier that recent attacks on regulation must be of considerable concern to you. In your positions, and out of your own experience, you are aware of the continuing need for sound regulation of transportation.

I feel sure that you have observed the introduction by Senator Smathers of Florida of Senate Resolution 303. This calls for an intensive study of transportation by the Senate Committee on Interstate & Foreign Commerce with the help of experts, and a report back to the Senate no later than Jan. 31, 1959. At that time, if it is passed by this Congress as everyone expects it to be, it is understood that the time will be extended to give the study 18 months in which to develop.

Shock Expressed

Now I call your attention again, as it must have been called earlier, to the very first item on the agenda of this study committee, as set forth in the resolution. Point Number One reads as follows:

"The need for regulation of transportation under present-day conditions and, IF THERE IS NEED FOR REGULATION, the type and character of that regulation."

Now, speaking for myself, I would say that the mere expression of a doubt, as found in the language, "if there is need for regulation," comes as a shock to me.

Apparently it is going to be necessary for those who feel that regulation is of the utmost importance in transport, to start from scratch before this committee to prove their point. I am confident it can and will be done. But nevertheless I am somewhat disturbed.

I am not only concerned about the Federal aspects of this situation but also about the states. If the philosophy of regulation of transportation is repudiated for interstate transportation it obviously will be difficult to maintain for intra-state transport. It certainly will be most interesting to observe the representations made before this study committee and especially those, in favor of eliminating public interest controls in transportation.

I feel reasonably confident that our own industry's interest in this development will be shared by you men who have given so much of your time to the development of sound regulation in transportation and other fields.

With McAndrew & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Willis W. Hicks has become associated with McAndrew & Co., Inc., Russ Building. Mr. Hicks was previously with Stephenson, Leydecker & Company.

Our Reporter's Report

Developments in the corporate new issue market this week seemingly gave a quite clear impression of the reason for the stickiness recently in new offerings brought out via the competitive bidding route.

Underwriting groups sponsoring a number of such projects have found it necessary to cut them loose to find their own levels even though fairly substantial portions, in some instances, remained unsold.

U. S. Steel's $300 million debenture offering, priced to yield 3.97%, provided something of a tip-off since bankers were able to report the issue placed and books closed within a short time.

And this week demand was reported brisk for the $15 million of debentures of Washington Water Power Co., brought out July 23, with a 4⅜% coupon and priced at 100.416 to yield the buyer a return of 4.35%.

Similarly Natural Gas Pipeline Co. of America's $35 million of debentures, plus its $15 million of new preferred stock, due on the market this morning were reportedly well-spoken for in advance.

These were all brought to market via the negotiated route with banking groups having the opportunity to do some realistic pricing and setting of coupon. Accordingly, the yields afforded by the issues involved were in line with the ideas of prospective buyers, or at least more nearly so than is possible in most competitive bidding deals.

Try as they will presumably, bankers in bidding for deals are still disposed to willingness to pay something of a premium for the satisfaction of being the winner.

Making the Adjustment

Adjustment of some recent new emissions to the level of values for comparable securities in the seasoned market has been a bit on the painful side for those holding such issues.

These corporate liens have normally been set back for declines of from 3 to around 5 points from their initial offering levels. A case in point is New England Power Co.'s 4s which settled to a market of 98½ bid, 99½ asked, from the original offering level of 103.685 early in June.

Mountain Fuel Supply Co.'s 4s brought out at par, slipped to 96½ bid, 97½ offered. Big Steel's new 4s, however, held a shade over the offering price of 100½.

Feast or Famine

Things in the corporate new issue market take on a more seasonal atmosphere in the week ahead. This is normally the time for the doldrums and it certainly looks, from a glance at the calendar, as though we are out of the trade winds at least for the time being.

The roster shows a total of five corporate undertakings presumably ready for market if conditions are considered right. And not a single one of these is a debt issue.

All five are equities, the largest being 200,000 shares of Witco Chemical Co. common, slated for Wednesday. Missouri Public Service Co. has 30,000 preferred, scheduled for the same day, and Ludlow Typograph Inc., on Thursday is due to open books on a "rights" offering of 106,156 shares of common.

"Stabilized" Market

The Treasury bond market appears to have come a "full turn" from the point several years ago when the Federal Reserve and the Treasury agreed to let the government market stand on its own feet.

Considering last week's announcement it looks as though the Federal Reserve has agreed to stand in the breach and support the Treasury list to the extent necessary to assure a stabilized situation. Reserve "stabilizing" efforts no longer will be limited to purchases of bills but rather may include long-term bonds as well.

The investment world, though perhaps not keen about conditions that require such a decision, will be hoping that it provides a basis for sustained corporate flotations.

$100 Million Bonds of State of California Offered to Investors

An underwriting syndicate formed by the merger of two groups, one headed by Bank of America N.T. & S.A. and the other by Bankers Trust Company, on July 23 purchased an issue of $100,000,000 State of California Veterans' Farm and Home Bonds, due April 1, 1960 to 1984, inclusive.

Managed by Bank of America with Bankers Trust Company acting as joint manager, the group bid a premium of $1,029 for the bonds, naming a combination of 5%, 3%, 3¼% and 1% coupons. The average net interest to the State is approximately 3.23%. Public reoffering of the bonds is being made at prices to yield from 1.20% to 3.75%, according to maturity.

Net proceeds from the sale of the bonds will be used to assist California war veterans to acquire farms and homes. The veterans contract to repay the State on an amortized purchase basis. On the sale of its previous veterans' bonds, the $50,000,000 issue of April, 1958, the State paid an average net interest cost of approximately 2.96%.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D.C.—Among the measures likely to be approved at this session of Congress is the Administration-backed bill designed to ease the tax problems of small business. Of course it does not pretend to settle all small business Federal taxation problems, but is viewed by the sponsors as being an important step in that direction.

The measure, which the House has just passed and is now before the Senate, is called a tax revision measure. At the same time it would provide some tax relief. One of the reasons Congressional leaders are anxious to get the measure passed this year, if possible, is to curb the unusually high number of mergers and acquisitions that are taking place at this time.

Of course it does not take a tax expert, either in or out of the Federal, to figure out that the underlying cause of nearly all the mergers and acquisitions is the Federal tax structure.

The measure, which was reported after lengthy hearings, provides ordinary loss treatment (up to $25,000 a year or $50,000 a year in the case of a husband and wife filing a joint return) where the original holder of small business stock sells it at a loss. The stock must be issued after June 30, 1958, and the total amount of this stock may not exceed $500,000 per corporation. In addition, this stock is not to increase the equity capital of the corporation to more than $1,000,000.

Fast Depreciation

The two-year net operating loss carryback is extended by terms of the bill to three years. Therefore, businesses would have a three-year carry back and a five-year carryforward losses. It is expected that this probably would result in a $50,000,000 revenue loss to the Federal Treasury in the first year of operation.

The measure would permit businesses to write off 20% of the cost of their depreciable, tangible personal property (both new and used) in the year of acquisition. This fast write-off would be of primary importance to small business since it is limited to acquisitions of up to $10,000 a year ($20,000 where husband and wife file a joint return). The remaining costs would be depreciated under present rules.

The minimum accumulated earnings credit representing amounts which a business can accumulate over a period of years without the possibility of the imposition of an accumulated earnings tax would be increased from $60,000 to $100,000.

Extend Payment of Estate Taxes

Another highly important provision in the measure involves disposition of estates. Where the estate of a decedent consists largely of an interest in a closely held business, the estate would have up to 10 years to pay the Federal estate tax. However, the tax deferment would be available only for the portion of the estate tax attributable to the closely held business.

Perhaps the bill is in the right direction. It certainly would be a great encouragement to small business. Many small businesses all over the country are trying to find buyers to merge their business rather than go bankrupt. They are unable to survive under the tax problems they are now encountering.

Encourage External Financing

Chairman Wilbur Mills (Democrat of Arkansas) and his committee colleagues say the bill is designed to increase the volume of outside funds which would be made available for financing of small business. Encouragement for external financing is provided by the ordinary loss treatment accorded investments in small business which do not prove to be successful. Therefore, the risk element in small business investments would be decreased.

Three of the provisions in the bill would help small business in supplying its own investment funds. Included in this category is the provision that would permit small business to write off 20% of the cost of equipment in the year of acquisition. The provision that would permit the retention of $100,090 in a small business without any fear that the accumulated earnings tax will be imposed, would certainly encourage a small business operation that otherwise might be ready to toss in the "sponge."

One of the goals of the bill is designed to prevent the breakup of small businesses once they are established, and to prevent their merger, thus becoming bigger businesses. Allowing up to 10 years to pay estate taxes where investments are in closely held business, would be a substantial assistance. This would make it unnecessary to sell a decedent's business in order to pay the Federal estate tax which can be devastating.

The House Committee is convinced that one of the major problems confronting small, as well as medium-sized businesses, is lack of sufficient capital to modernize and expand at a rate corresponding to their larger competitors. Need for more capital was emphasized in Congressional debate pertaining to recent passage of the act making the Small Business Administration a permanent Federal agency. Under this measure, which President Eisenhower signed into law, the maximum loan the SBA can make was raised from $250,000 to $350,000.

"Killing the Goose"

All over the country business executives are declaring that the Federal Government, which goes all out to collect tax dollars from its citizens, should awaken as to what is happening. If the economy is going to grow it is going to have to have more capital to plough back into businesses.

In a half-apologetic message accompanying the proposed new tax legislation measure, the Ways and Means Committee made some observations.

"Because of its revenue raising functions," said the majority report, "your committee must be mindful of the fiscal implications of any of its recommendations, and must give particular attention to their effect on the Federal budget. This has been made more difficult by the fact Congress has generally accorded a higher priority to expenditures than to tax reduction. As a result your committee has been foreclosed from reommending worthwhile and needed tax reductions.

"Your committee believes, for example, that rate reductions are needed by small business as well as others, but that the high level of current expenditures make significant tax reductions inconsistent with sound financial management. In view of these limitations, your committee of necessity has had to limit this bill to an extremely small revenue less and has had to select a few areas of high sensitivity from the standpoint of small business and concentrate the relief in these limited areas."

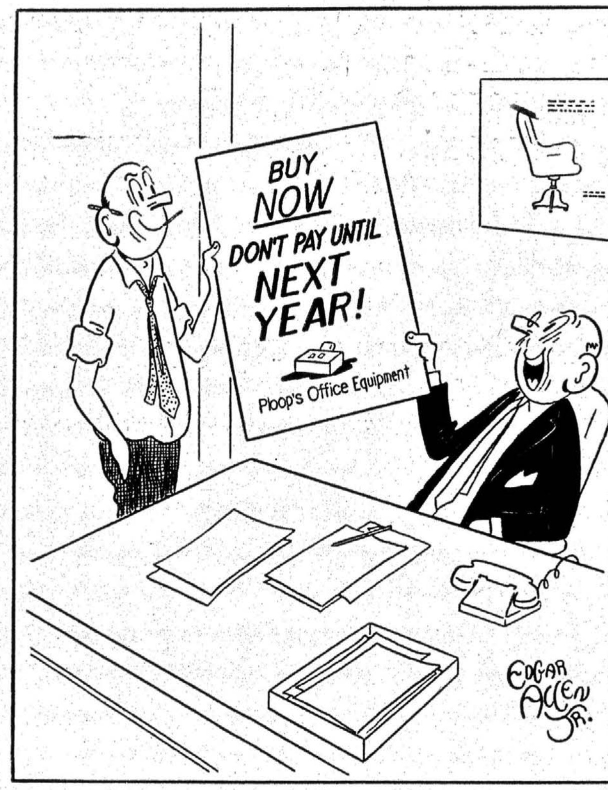
"Stifling the Economy"

Representative A. S. Herlong, Jr., Democrat of Florida, and Representative Antoni N. Sadlak, Republican of Connecticut, members of the Ways and Means Committee, joined with colleagues in reporting favorably the bill, but they made some highly pertinent observations in their own supplemental views. They maintained that the proposed revisions would not be necessary were it not for the current personal and corporation tax-rate structure which is stifling our economy.

"We fear that business, small and large, as well as individuals, will continue to advocate special tax relief, unless we act to reform the tax-rate structure compressing all rates down to more moderate levels, in keeping with a National traditionally devoted to free economic processes," said Representatives Herlong and Sadlak. "At a time when the economy is not growing, this Congress should be especially anxious to initiate a major revision of our income tax rates structure so as to assure a quick return to full productivity. . . . The need is urgent."

[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



"Fine! Now hold it for release to the newspapers on December 30th!"

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. 26, 1958 (Rockford, Ill.)
Rockford Securities Dealers Association annual "Fling - Ding" at the Mauh-Nah-Tee-See Country Club.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Business Man's Bookshelf

Costs and Availability of Funds to New Manufacturing Firms in West Virginia — Vance Quentin Alvis—Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va.—paper.

Defense Against Inflation: Policies for Price Stability in a Growing Economy — Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y.—paper—$1.

Historical Directory of the Banks of the State of New York—Cumulative Supplement No. 6 — William H. Dillistin — Federal Reserve Bank of New York, New York, N. Y.—paper.

Industrial Nuclear Development: A Challenge to the States—Proceedings of a conference sponsored by the National Association of Manufacturers—National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y.—paper—$2.

Measures to Promote Private Capital Formation in the Portuguese Empire — Saving Possibilities and Financing Methods in Economically Less Developed Areas — Dr. Ralph von Gersdorff—Polygraphischer Verlag Ag Zuerich, Limmatquai 4, Zurich, Switzerland—paper—12.35 Swiss Francs.

Petroleum Refinery for Brunswick, Georgia: A Feasibility Analysis Industrial Development Branch, Engineering Experiment Station, Georgia Institute of Technology, Atlanta 13, Ga.—paper.

Public Relations Register 1958-9—Directory of members and associates of the Public Relations Society of America—Public Relations Society of America, Inc., 2 West 46th Street, New York 36, N. Y.—$35.

Quarterly Inventory of Economic Research on New England—Research Department Library, Federal Reserve Bank of Boston, Boston, Mass.—paper.

Statistical Charting — Booklet — Labelon Tape Company, 450 Atlantic Avenue, Rochester 9, N.Y. —on request.

Union Wage Rates — Annual surveys in the Building, Construction, Printing, Local Transit and Local Trucking Industries — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N.Y. —Building Trades, 35c; Printing 40c; Local Transit Operating 15c; Motor Truck Drivers & Helpers, 30c.