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EDITORIAL

As We See It

Congress has this year sent to the statute books legislation which will necessitate very considerably larger Federal expenditures not only this and the next fiscal year but for several years to come. It has likewise raised the "debt limit," as indeed it had to do as a result of its own extravagance and the declining rate of tax collections. Presumably members now go home well pleased with most of these enactments, and ready to ask confidently for voter support on the strength of them. The President has had some things now and then to say about the rising tide of government outlays, but does not appear to be particularly concerned about the trends that have developed within the past year. So far as can be detected in public utterances or other indications, the rank and file of the people are about as indifferent—or is it resignation?—to it all as are the politicians.

It is a disheartening state of affairs. A situation already serious will grow critical if much longer neglected. It is time we—all of us—stood back and took a long, long look at this debt situation, particularly public debt—and most particularly Federal debt. Should we fail to do so we shall certainly have good cause to regret our failure, since it is only an aroused public opinion that can call a halt to these economic sins of the politicians. The fact that private business and individual consumers have often forsaken prudence in the contraction of debt in no way renders harmless the growth of the debt of the Federal Government or for that matter of the state and local govern-

Continued on page 20

Means for Maintaining Economic Stability

By YALE BROZEN*

Professor of Economics, School of Business
The University of Chicago

Maintenance of low levels of unemployment without administered price and wage controls is said to require cautious money supply growth to avoid too abrupt monetary change usually used to meet exigencies of inflation and recession and, also, the restraining of continued upward wage movement after employment has turned down. In pointing this out, economist Brozen attributes unemployment to lack of stability in and slowing off of money supply growth and to rising wages as prices and productivity level off and/or decline. Offers proposals to bring about synchronous real wage-productivity trend.

Generally, when we talk about maintaining economic stability, the central variable to which we direct our attention is the level of unemployment. (We, of course, prefer a low level of unemployment rather than a stable quantity at any other level.) Secondarily, we may be interested in stabilizing price levels. Other variables, such as per capita income, employment and national product are expected to grow rather than remain stable. I will, therefore, focus attention in this paper on the problem of stabilizing unemployment at a low level.

Prof. Yale Brozen

A variety of means, ranging from fiscal, monetary, and tax structure policies to price and wage controls of either the administered type or the market type (control of prices and wages by competitive market forces), may be used to keep unemployment low. Since we usually have

Continued on page 20

*An address by Dr. Brozen before the American Farm Economic Assn. and the Canadian Agricultural Economic Society, Aug. 21, 1958, Winnipeg, Canada, which will also appear in the "Journal of Farm Economics."

The Promise of the Future

By HARLOW H. CURTICE*

Retiring President, General Motors Corporation

On the occasion of General Motors 50th or "Golden Milestone Anniversary," Mr. Curtice forecasts for the industry domestic new passenger car sales reaching approximately $5\frac{1}{2}$ million in 1959, as compared to 4.3 million in 1958, on the assumption of present business upturn's continuance during last half of this year and increased upward momentum throughout 1959. The motor industrialist reviews economic signs of business revival, explains basis for postulating long-term growth, and points out important chain reaction effect increased auto production has on the entire economy. Praises climate of free, competitive economy; counsels there must be incentives to attract investment capital; and defends annual automobile model changes.

We have enjoyed the healthy, growth-conducive climate of a free, competitive economy. In vying aggressively for success in the market place, we have had to do an increasingly better job for the customer. Companies that failed to do this have been voted out of existence. Such vigorous competition has found expression in the annual model change, a most important factor in the progress of our industry and of General Motors.

Harlow H. Curtice

The annual model change, while greatly misunderstood, is what distinguishes us from the people of other countries. It represents our desire for progress. It is my considered opinion that the annual model change has been the most important single factor responsible for the growth and vitality of our industry. It has made possible an annual volume of sales that could never have been achieved had cars remained in the hands of their

Continued on page 23

*An address by Mr. Curtice in response to "Salute to GM" celebration of General Motors' 50th anniversary, Flint, Mich., Aug. 15, 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 30.

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

Di Giorgio Fruit Corp. — Derwood S. Chase, Jr., Investment Counsellor, Charlottesville, Va. (p. 2)

Rockwell Manufacturing Co. — J. Barr Haines, Partner, Steele, Haines & Co., Pittsburgh, Pa. (page 2)

DERWOOD S. CHASE, JR.
Investment Counsellor
Charlottesville, Va.

Di Giorgio Fruit Corporation

The search for companies which promise to increase their values fast enough to outpace inflation leads me to the selection of Di Giorgio Fruit.

Derwood S. Chase

A combination of undervalued assets, improving earning power, and liberal yield make this investment attractive. Investors participate in diversified California and Florida agricultural operations including grape, citrus, plum, pear, asparagus, tomato, cotton, and potato plantings. Since incorporation in 1920 as a fruit producer, management has realized a high degree of integration and operations now include wine processing and distribution; fruit and vegetable packing; lumber, crate and box production; and part ownership of several major eastern auction markets.

The 1956 purchase of the Santa Fe Vintage Co. means acquisition of well-known wine labels heretofore confined to California but offering good potential for national distribution. As the second largest distributor of wine, by volume in California, this division improves profit stability which heretofore was subject to volatile bulk wine prices.

Tree-Sweet products (98% owned) provides Di Giorgio with a well-known citrus label. (33,000 shares were issued for additional interests in May '58). TheeSweet's single strength canning capacity was augmented by a frozen concentrate plant, finances have been strengthened and Di Giorgio now has a good outlet for its Florida citrus crop.

Di Giorgio's net sales increased from $11,570,000 in 1948 to $20,690,000 in 1957. (About $28,000,000 consolidating TreeSweet). 1957 earnings were $722,548 (excluding capital gain on Florida property sale) or $1.27 per share, an increase of 12% over 1956 and the fifth consecutive annual increase in net profits from operations. Recent acquisitions and expansion add considerably to earning potentials.

There were 544,115 common shares outstanding on Dec. 31, 1957 including class A and nonvoting B shares. Management has considered listing the stock on a national exchange, but has not yet made a decision. Both classes are traded on the Pacific Coast Exchange. While management and family own a substantial minority of the stock, the majority is in the hands of about 5,000 public stockholders. When the Joseph Di Giorgio estate wanted to liquidate 17,333 shares in 1953, the Company itself purchased the stock "in the best interests of all stockholders." In contrast with recent sales by "insiders" of many corporations, S.E.C. reports reveal no sale of Di Giorgio stock by Officer-Directors for over a year prior to May 11, 1958, while in March and April, 1958 two directors bought a total of 600 nonoptioned shares.

The current $1 dividend, paid since 1954 was adequately supported by 1957 cash flow of about $3 per share. Some dividends were paid every year since 1945. Finances are strong. At year end the current ratio was 4.2 to 1 with net working capital of $6,568,000. Total assets of $26,252,332 and book value of $32.28 per common share appreciably undervalue real estate and other assets. For example, the 45.5% owned New York Fruit Auction Corporation is carried on the books at $501 yet paid Di Giorgio $112,830 dividends last year.

Other plus factors include the possibility that worthwhile oil deposits might be found. The company has leased over 1,800 acres in Kern County to two oil companies. In 1957 four wells were drilled, two were dry holes, two produce oil in minor quantities.

Since much of Di Giorgio's 21,000 acres are adjacent to valuable residential and industrial real estate there will undoubtedly be additional land sales as favorable opportunities arise. If the 1956 sale of Florida acreage is any indication these holdings may be carried on the books at about 10% of their potential value. Book value of the 1,500 acre Peters Farm was about 7% of the $4,400,000 sales price. The company accepted a mortgage for part of the sales price which is due on or before Dec. 27, 1962, and will result in additional capital gains of $4 per share after taxes.

The 1957 Florida tomato crop was severely damaged by frost, but their citrus groves located in the Fort Pierce area suffered very little damage. Almost half Di Giorgio's farm acreage is devoted to the California grape crop, its largest single income producer. This year's crop is expected to be a good one. Wholesale prices on dessert wines were recently boosted to the highest price in eight years. Heavy bidding expected from raisin and wine makers for this season's 6% slimmer grape crop should augur well for Di Giorgio profits. While the TreeSweet division is operating ahead of last year, a major contribution to earnings may be deferred until 1959. With most margins generally improved, 1958 earnings from operations should increase substantially over the $1.27 reported in 1957, probably exceeding $2. Under favorable conditions net earnings could exceed $3 per share in future years.

While profits are subject to the exigencies of the weather and the market place, Di Giorgio has consistently operated at a profit. Since land improvements are expensed annually, net earnings may be cushioned by deferring expenditures in difficult years. For instance development costs of new plantings were $224,000 in 1957 against $39,000 in 1954. Even more important is the stability and financial stamina provided by depreciation and amortization of plantings which last year exceeded net profits aggregating $897,000. Stock prices have historically recognized the fact that cash earnings and asset values are not reflected by net earnings. Since the beginning of 1954 the stock has sold between 12½ and 20 times net earnings from operations. At 18 it is currently available at 14 times 1957 earnings and 8 to 9 times estimated earnings for 1958.

The author believes that the common stock represents a net worth of at least $50 per share based on 544,000 shares outstanding on Dec. 31, 1957. This figure includes net working capital alone equal to $12, investments and other assets of at least $12 and another $26 in valuable property, plant and equipment after allowing for claims of long-term debts and preferred stockholders. At the current price of $18 the investor buys ownership at approximately 65% discount from net asset value, enjoys a liberal 5½% yield, and should over the longer term benefit from substantial improvement in earnings, appreciation of assets, and higher investment stature accorded Di Giorgio shares.

The Di Giorgios are considered to be very competent managers and may be expected to give a good account of their resources as attractive farming, business, and investment opportunities present themselves.

This stock is a candidate for the serious investment manager who is unincumbered by trusteeship or an unimaginative policy committee, the manager who realizes that safety of principal in dollars is meaningless without maintenance of purchasing power. The "battle for investment survival," (increasingly complicated by inflation, international competition, and politics) may find little Di Giorgio with more effective armaments than many of the giants that now comprise "The Favorite Fifty."

J. BARR HAINES
Steele, Haines & Co., Pittsburgh, Pa.

Rockwell Manufacturing Co.

Rockwell Manufacturing Company common, which enjoys an active over-the-counter trading market, might well be termed a "sleeper" in these times of rising equity values and lengthening price-earnings ratios. The current market price of 40 is less than 10 times 1957 earnings, while the $2.20 dividend rate provides a current yield of 5½%. In addition to cash dividends, moreover, the company has paid two stock dividends of 4% each within the past two years.

J. Barr Haines

Starting back in 1925 with a single plant located in Pittsburgh, Pennsylvania, producing gas and water meters, the company has grown until it now controls a farflung empire made up of 22 manufacturing plants located in 15 States, and serving 28 basic markets with 19 basic product lines. These latter include a wide variety of measuring devices (gas, water, parking and taximeters); pumps, valves (including the famous Nordstrom valves) and regulators; power tools for home (Delta) and industrial uses, as well as several types of instruments and special products.

In the last analysis, the success of any business depends largely on the quality and ability of its

Continued on page 25

The Breakdown of Keynesian Economics

By HENRY HAZLITT

Economist and publicist, stressing lasting influence of Keynes and his key volume, "The General Theory," notes dearth of needed critical comment about him. Mr. Hazlitt reports himself unable to find a single important doctrine that is both true and original. Charges "the Master" with chronic bad writing, in being involved and technical without being precise, and replete with looseness of leading terms. Concludes Keynes' frame of reference is strangely provincial, with assumption that whatever was not discovered by Marshall or Pigou, or his "little circle at Cambridge" was never thought of at all.

This is a first installment from Mr. Hazlitt's forthcoming volume, "The Breakdown of Keynesian Economics" which will be published by the D. Van Nostrand Co. Additional excerpts will follow.—EDITOR

I. Canonization

The most famous economist of the Twentieth Century is John Maynard Keynes; and the most influential economic book of the present era, both on theory and on economic policy, is his *General Theory of Employment, Interest and Money*, published in 1936.

Henry Hazlitt

The fact is recognized not only by his admirers and idolators, but even by his severist critics. Open any issue of almost any of the scholarly economic journals, and you will find his name and the phrases that he coined or popularized sprinkled generously through its pages. Open the newspaper, and you will find interpretations of current economic events, or proposals for economic and monetary policies, that owe, if not their origin, at least their ubiquity, to his writing.

Even the most hostile critics of Keynes's theories do not question the extent of his influence. I cite but one: "(Keynes's) influence in the Roosevelt Administration was very great. His influence upon most of the economists in the employ of the Government is incredibly great. There has arisen a volume of theoretical literature regarding Keynes almost equal to that which has arisen around Karl Marx."[1]

II. Uses of Refutation

Yet about the *General Theory* there is a strange paradox. The Keynesian literature has perhaps grown to hundreds of books and thousands of articles. There are books wholly devoted to expounding the *General Theory* in simpler and more intelligible terms. But on the critical side there is a great dearth. The non-Keynesians and anti-Keynesians have contented themselves either with short articles, a few parenthetic pages, or a curt dismissal on the theory that his work will crumble from its own contradictions and will soon be forgotten. I know of no single work that devotes itself to a critical chapter-by-chapter, or theorem-by-theorem analysis of the book. It is this task that I am undertaking here.

In view of the laudatory writings I have referred to, such an undertaking should require no apology. But there are two possible objections that I should like to consider. The first is the claim that Keynes's theories have been rapidly losing their influence in recent years, that they have been refuted by the actual course of events, and require no further answer. The second is the contention that we need only present true theories in a positive form; that it is of little value to analyze error because the possibilities of error are infinite and the mere statement of the truth is itself a refutation of error.

Concerning the first of these possible objections, I may reply that though there has been some diminution of Keynes's influence, and though several of his theories have been given a decent burial, his influence both on academic thought and on practical policy is still tremendous. It would in any case be a poor service to clear thinking simply to allow his theories to be forgotten, even if we assume that this is what may occur. "One of the peculiarities of recent speculation, especially in America," once wrote Santayana, "is that ideas are abandoned in virtue of a mere change of feeling, without any new evidence or new arguments. We do not nowadays refute our predecessors, we pleasantly bid them good-bye."[2]

Simply to bid our predecessors good-bye does not further clarity or progress of thought. Unless we know not only that some past doctrine was wrong, but precisely why it was wrong, we have not learned all the lessons that the error has to teach us, and there is real danger that it may make its appearance in another form. In the history of thought great new contributions have often been made as a sort of by-product of what were originally intended to be merely refutations. Adam

Continued on page 18

1 Benjamin M. Anderson, *Economics and the Public Welfare*. (New York, Van Nostrand, 1949), p. 391.

2 George Santayana, *Character and Opinion in the United States*. (New York, Scribner's, 1920). p. 9.

INDEX

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Stepping Up the Supply Of Stepped-Down Power

By DR. IRA U. COBLEIGH

Enterprise Economist

Stressing the importance of power and distribution type transformers in the electrical industry; and citing three companies gaining stature by research and production of conversion devices that distribute, control and modify the flow of high voltage electric currents.

The fabulous growth of the electric power industry is now well known and appreciated by every investor from the small odd lot buyer to the portfolio supervisors of the biggest insurance companies. The rapid and continuous rise in size, kilowatt output, earnings, dividends and common stock prices of such renowned electric utilities as American Electric Power, Florida Power and Light, Texas Utilities, Houston Electric Power, etc., is already legendary. Equally, such companies as General Electric, Westinghouse, Babcock & Wilcox, Combustion Engineering, Inc., have grown great and famous by their development and manufacture of those huge generating units responsible for tripling our national production of electric power in the decade 1946-56 alone.

Ira U. Cobleigh

No letup in this astounding growth rate is in sight. We used 643.9 billion kilowatt hours in 1957; and according to a most respected estimate by "Electrical World" the requirements for the year 1970 will advance to a staggering 1700 billion kilowatt hours. Now all this vast volume of voltage would be function-less and powerless without our amazing techniques for power transmission and distribution to every user from the biggest industrial plant to a remote lakeside cabin. Moreover, this power has to be finally delivered in the right-sized units. The voracious demands of a big aluminum plant require, for example, far higher voltage intake than the power needs for a bank of elevators in an apartment or office building. And individual home demands for lighting, appliances, TV or air conditioning require a substantial further step-down from the raw 30 to 100 thousand volts singing along the high tension lines which lace our countryside.

Now all of these variations in the type, quantity and intensity of voltage delivered, depend on transformers. These are, in turn, assembly-line produced by the thousands for the smaller juice requirements of radio, television, electric stoves, street and store lighting; but they have to be custom tailored to the special needs of electric furnaces, plating, welding, pipe thawing, brazing and motor starting. Nor is this a slight or minute industry. On the contrary, manufacture of these larger scale heavy duty power and distribution transformers is big business. In proof of that, note that $750 million was expended in 1957 on such transformer purchases. 24 companies produce probably 95% of all American heavy duty transformers. General Electric and Westinghouse are, of course, the leaders, but a number of dynamic smaller companies, because of unique talents in research and in low cost manufacture and dependable delivery, have grown rapidly. In many instances, they have become recognized and sought after specialists in custom-built electric converters. The standard measuring unit, in defining the magnitude of transformers, is the KVA; and 1 KVA simply is the name for an electric power combination wherein voltage, multiplied by amperage, equals 1,000. By itself, 1,000 Voltage is usually referred to as (1) KV.

Now obviously we haven't space in this column to talk about all of the 24 companies that variously produce the transformers that step up voltage from generating levels of 10,000-50,000 to the 150,000 to 300,000 volt range, most efficient for transmission; or down to the 110-600 volt, the standard utilization ranges. We propose therefore to limit our comments to three companies selected on the basis of their technical, corporate and financial progress. You may not be very familiar with them; but that fact does not deny to them the quality of being substantially undervalued.

Wagner Electric Corp.

Wagner Electric Corp. manufactures a broad line of electric motors and power distribution transformers; makes hydraulic brakes for motor vehicles and machinery; and turns out parts and replacement units for brake systems on passenger cars, buses and trucks of nearly every make or model. Because so substantial a part of Wagner's business is in the automotive trade, its gross earnings have followed less faithfully the upcurve in electric power sales than some other electric equipment makers. For example, net sales crossed the $100 million mark for the first time in 1956; they were $95 million for 1957 and will probably be something less in 1958. Business with the utilities will rise this year while electric motor sales are expected to be lower.

Wagner has been a pretty dependable dividend payer with some cash distribution made in every year since 1934. There have been also a number of "extras" in stock; a 50% stock dividend in 1954, 4% in 1956, 3% in 1957; and 2% each in 1949, 1951-53. Present $2 rate is amply covered by current earnings which should total around $4.35 this year (against $5.93 in 1957). Company management is well regarded and plans for expansion of its transformer business with a new plant to be built outside St. Louis. Capitalization is 1,011,584 common shares (listed NYSE) preceded by only $3,495,000 in long term debt. Present price of WEC of 42½ indicates a yield of 4.44% on current dividend.

Kuhlman Electric Co.

Kuhlman Electric Co. of Birmingham, Michigan, provides the electric industry with a broad line of transformers for utility companies in the wholesale transport and allocation of power, and in distribution of power in stepped-down dosages for industrial, commercial and domestic usage. There is also an Electric Furnace Division which is introducing this year an interesting new product line.

In the past year Kuhlman has placed special emphasis on greater efficiency in the control of overhead and labor costs. For 1957 gross was $13,154,823 which carried over to $1.45 net on each of the 272,894 common shares outstanding. This represented a drop of 87c a share in net below 1956, a drop accounted for by a price rise posted in late 1956 which caused customers to buy, in that year, considerably above and in advance of their nearby requirements.

As total sales were only $5,865,644 in 1950, a substantial growth rate is apparent here and there seems to be considerable long term merit in Kuhlman common now quoted around 14½ with an indicated 60c dividend, and an 11 year record of continuous dividend payment.

Precision Transformer Corp.

Another company in this field has demonstrated a phenomenal growth — Precision Transformer Corp. of Chicago. For a six year period ended Sept. 30, 1957, net sales had increased ten fold. Further, this aggressively managed company has increased its net earnings in each of the past seven years and now has its largest backlog of orders in history.

Precision Transformer Corp. carries on a business begun as a sole proprietorship in 1938 under the name of Precision Welder Manufacturing Co. Present management, under the leadership of Melvin S. Adler as president, took over in September 1950, and has done a notable job not only in the expansion of sales and profits but in building up the reputation of Precision Transformer Corp. for the quality of its products. It has specialized in the research, development and production of heavy duty transformers which may range in price from $100 to $30,000 apiece; and in weight from 1,000 pounds to 15 tons. This broad line of precision engineered units includes power and distribution dry and liquid transformers; and specially designed custom built transformers which function in electrical furnaces, plating and battery charging rectifiers, welding, brazing and pipe thawing equipment and motor starting. So assured is the company about the top quality and workmanship built into its products that it offers the only five-year guarantee in the business!

Its customers list reads like a "Who's Who" in industry including Westinghouse Electric Supply Co., General Motors, Ford Motor

Continued on page 13

Observations . . .

By A. WILFRED MAY

A BREAK-DOWN OF STOCK DIVIDEND MYTHS

Under the continuing high popularity of the stock dividend, enlightenment of the investing public concerning the true nature and implications of this financial device is badly needed. This want is admirably filled now by an article, "Evaluation of Stock Dividends," by C. Austin Barker, Senior Economist for the Cleveland Electric Illuminating Company, in the July-August 1958 issue of the *Harvard Business Review*.

A. Wilfred May

Some of the misunderstandings surrounding this dividend gadget are similar to those concerning its "cousin," the "bull market-happy" stock-split. (Basically, the difference between the two lies in accounting treatment; but simply and clearly, the distinction follows the "rule of thumb" regulations laid down by the New York Stock Exchange, which considers any distribution of stock totaling 24% or less to be a stock dividend, and any payment of 25% or more a split.)

Re-Slicing the Same Pie

In its reactions to both devices, much of the public seems unable to get out of its head—at least temporarily—the notion, if with variations, that the size and value of the pie (i.e., the stockholder's stake in the company) is enhanced by increasing the number of slices (shares) through reducing their size (proportional interest of the new certificates); or that two pieces of single-X size paper are more valuable and larger than one piece of double-X size.

In the long run, Mr. Barker demonstrates that, like splits, stock dividends produce only temporary stimuli to market price, lasting relative gains in an issue depending on other factors, such as earnings, dividends, and growth factors.

The market price which institutional and other professional investors constituting the "marginal demand" are willing to pay for an issue, depends on the present value of estimated future earnings and, more fundamentally, on that of estimated future cash dividends in relation to the inherent risk. "Thus," as he says, "broadening of ownership and the enhancement of market value in the long run are primarily dependent on fundamental investment *quality*."

As in the case of stock splits, Mr. Barker finds that the stock dividend tends to produce a relative increase in the *number* of shareholders, but no ascertainable real *price* change. "In no aspect of this stock dividend study," he concludes, "have I been able to find a single measurement approach that will show any proof that stock dividends, in and of themselves, enhance the market price of the stock."

The Cash-Saving Illusions

In de-bunking the widely-advanced specific arguments justifying the declaration of stock dividends, Mr. Barker renders particularly useful service. No doubt the most commonly expressed justification for their use "in place of, or as a supplement to, cash dividends," is linked to the conservation of cash resources. But it is found that in only 15% of the 224 stock dividends included in the study were they used to supplement a partial *reduction* in cash dividends or entirely to *replace* a cash dividend. Rather do the data show that stock dividends are given in lieu of an *increase* in the cash dividend. In 72% of the cases the actual cash dividend rate *per share* remained unchanged.

These data well-nigh completely invalidate the general assumption that the device in general conserves the corporation's total cash. When new dividend-shares were issued in this majority of cases, the same per-share cash dividend rate also was paid on the additional shares, beginning in the following quarter*. A $1.00 cash dividend rate per share on 1,000,000 shares, when maintained after a 10% stock dividend, must then be paid on 1,100,000 shares. This involves an actual 10% *increase* in the total corporate cash payout. Mr. Barker points out that if cash saving for expansion is necessary, the corporation actually could conserve three times as much cash by paying an amount equal to 10% of the quarterly cash dividend by way of a year-end or "extra" cash dividend once a year.

Far from constituting a long-term buoy to market price, the stock dividend has always seemed to this observer a drag on market valuation—by reason of the increasing market supply arising from the recipient's liquidation of the shares resulting from the dividends, to avoid the inconvenience in handling them or to provide the equivalent cash income.

The Fiction of Tax Benefits

Likewise in exposing the fallacy of the frequently ascribed benefit of alleged tax advantage to the stock-dividend device, compared with the cash form, does the author make an important contribution. Actually, when the stockholder needs more cash, he must sell a portion of his equity whether in the form of stock dividends or original holdings; in either of which event he pays a capital gains tax. And since he also pays the same regular income tax rate on cash dividends received from his stock dividend shares as on cash dividends from his original holdings, with the tax effect the same in either case, the stock dividend can in no sense be considered a device to avoid either the regular personal income tax on cash dividends, or the capital gains tax.

Affirmative Drawbacks

In addition to such "negativistic" depiction of erroneous beliefs, Mr. Barker most usefully cites some

*This demonstration of the continuity of the former dividend invalidates the method practiced by the New York Stock Exchange and some others, in yield demonstrations, of reducing the indicated yield by an amount proportioned to the previously paid stock dividend.

of the affirmative drawbacks entailed in the stock-disbursement procedure. There are various elements of *nuisance.* Particularly burdensome to the small investor is the job of determining the cost of stock held, particularly when stock dividends are paid frequently in small amounts. To calculate capital gains for tax purposes, he must apply minute fractional dilution factors, often going to four decimal places, in assigning total average cost to old shares.

Also a "bloody nuisance" is inflicted on the receiving shareholder by the stock payments in settling the fractional-share interest they produce, whether via scrip or cash; with considerable expense to the issuing company, and also to the recipient in brokerage fees.

But pervading and transcending the importance of all these negative elements of the device which are related to the company's and investor's interest, is his fundamental misconception of what such paper-distribution actually constitutes investment-wise. In affording such basic clarification, data as the above assuredly are most constructive!

Commodity Exchange Anniversary Dinner

Commodity Exchange, Inc., New York, in celebration of their 25th Anniversary year, will hold a gala reception and dinner for members and guests on Thursday, Oct 9, in the Grand Ballroom of the Hotel Astor, Harold A. Rousselot, Francis I. du Pont & Co., President, announced.

H. A. Rousselot

Commodity Exchange, Inc. was formed in 1933 when the N. Y. Hide Exchange, the National Metal Exchange, the Rubber Exchange of New York and the National Raw Silk Exchange were merged into one institution for futures trading in crude rubber, silk, hides, silver, copper and tin. Trading in silver was discontinued in 1934 following the nationalization of this metal by the U. S. Government and futures markets in lead and zinc were added in 1934.

Commodity Exchange, Inc. is a membership corporation, with memberships owned by individuals who represent a cross section of the rubber, burlap, hide and metals trades and most of the well known brokerage and commission house firms with branch offices and correspondents in practically every important city in the U. S. and abroad.

Mr. Rousselot said that the guest speaker and the appointment of the 25th Anniversary Dinner Committee would be announced later.

J. R. Wilson Opens

WASHINGTON, D. C.—John R. Wilson, Jr. is engaging in a securities business from offices at 3714 Fulton Street, N. W., under the firm name of John R. Wilson, Jr. Co. Mr. Wilson has been associated with Avery, Bohannon & Beatty.

Handforth Now in N. Y.

Handforth Securities Corporation is now conducting its investment business from offices at 70 Wall Street, New York City. Officers are John Handforth, President and Treasurer, and Leigh Handforth, Secretary.

The State of Trade and Industry

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

Last week steel production exceeded the rate forecast earlier in the week and stood at its highest level since mid-June and, according to "The Iron Age," in its release yesterday, "the fall pickup in steel orders is moving ahead faster than generally expected."

In the auto industry, however, passenger car production dropped to its lowest point in more than ten months due to model changeover closedowns. It was the smallest total since the week ended Oct. 5, 1957 when 21,975 units were assembled in a previous changeover period.

In keeping with the current trend the wholesale food price index compiled by Dun & Bradstreet, Inc., registered further declines the past week, while its wholesale commodity price index remained at a level close to that of the week preceding.

In retail trade, retailers reported a slight decline in activity the past week, but indicated that over-all retail trade equalled that of the like period a year ago.

The employment situation for the week ended Aug. 9, according to the United States Department of Labor, shows that 2,283,300 workers were drawing unemployment compensation, a decline of 58,800 from a week earlier, but an increase of 1,090,600 from the like week in 1957.

Officials said workers getting jobless pay made up 5.4% of the labor force in the week ended Aug. 9. This was down from 5.6% a week earlier and 8.1% in April, at the height of the business slump, but was still far above the 2.9% of a year earlier.

The agency reported that only 288,800 workers, the fewest since last November, filed new claims for unemployment compensation in the week ended Aug. 16. This was down 36,100 from the week earlier total, but was substantially above the comparable year earlier filings of 191,000 workers.

The department noted that the decline in workers seeking jobless benefits was largely seasonal. Food processors normally start hiring more workers about this time of year, it explained, while auto industry layoffs are beginning to be offset by recalls of workers needed for production of 1959 model cars.

The figures, however, fail to reflect the number of workers who have exhausted their jobless benefits even though they are still unemployed. The department further declared that 614,500 of these workers, 31,600 more than in the preceding week, were receiving additional benefits in the week ended Aug. 9. These extra benefits were being paid by the states with Federal funds made available earlier this year as an anti-recession step.

The fall pickup in steel orders is moving ahead faster than generally expected, "The Iron Age," national metalworking weekly, reported on Wednesday last. Orders for a wide range of products are now running ahead of actual production at many mills. This means higher operating rates and lengthening delivery promises as new orders come in.

This trade journal predicted that steel operating rates should reach the high 70's, that is, per cent of capacity, within the next 40 days.

With automakers waging a "no contract" war of nerves with the United Auto Workers, steel orders from the auto industry are still following a conservative trend, it added. Orders for peak auto production rates have not been placed and delivery requests are not yet far in advance.

It further stated that steel people are beginning to share Detroit's labor jitters from the standpoint that even a short auto strike could block the orderly recovery of the steel market, and in addition, if the labor troubles are settled peacefully, automotive orders will flood steel sales offices. Steelmakers will have to react by allocating their ingots on a tighter schedule and by extending deliveries.

In a special report on steel labor, "The Iron Age" notes that the steel labor outlook for next year suggests a knock-down, drag-out fight, the hardest one since the famous pension battle back in the late 40's.

The magazine disputes published reports that David McDonald, United Steelworkers President, will step down at the forthcoming USW convention.

Nothing could be further from his thoughts, the metalworking weekly declares, or from his backers, who will have a comfortable majority of the convention.

Probably McDonald's greatest headache will be the solid front the steel industry will put up against him and his ordinarily high demands. This is the time, many in the industry feel, to make a dent in the long upward march of wage and fringe increases which have pushed up the price of steel.

Many steel leaders feel this is the time to use in labor negotiations the full impact of public opinion, the economic outlook and the need to end wage spirals. They also want to take full advantage of the supposedly "difficult" position of McDonald, "The Iron Age" concludes.

At an annual rate of $429,000,000,000, the Gross National Product in the second quarter of this year was up $1,000,000,000 over the preliminary estimate of a month ago and was $4,000,000,000 higher than the first quarter level, the United States Department of Commerce reported.

In the automotive industry passenger car production in the United States last week declined to its lowest level in more than 10 months, "Ward's Automotive Reports" declared on Friday last.

Model changeover closedowns, the statistical publication reported, held car output to an estimated 25,925 units, smallest total

Continued on page 26

Making the Nation's Budget And Budget Outlook for 1960

By MAURICE H. STANS*
Director of the Bureau of the Budget
Executive Office of President, Washington, D. C.

Looking beyond the $12 billion deficit estimated for fiscal year 1959 to 1960 the thirteenth Director of the Budget cautions there will not be a leap to a balanced budget in 1960 but that with continuing economic recovery there are hopeful prospects of working our way back. The former banker provides a brief grammar on the development of Federal budget and budgetary practices, explains the strictures utilized in screening competing expenditure requests on behalf of the President, and makes clear that we must put discipline into practice in our Federal budget.

I have discovered that budgeting for the United States Government is a major test of perspective. It has many dimensions.

First, the budget is a reflection of the relationship between the President and the Congress.

Maurice H. Stans

Second, it expresses a philosophy of the role of government toward private individuals and the private sector of the economy.

Third, it casts up the relationship of national to state and local responsibility.

Fourth, it mirrors the changing needs of public policy for defense, for security, for economic stability, and for responsible social progress.

And fifth, it measures the responsibility of the United States to the rest of the free world in an age of danger.

You begin to see why the budget has become so important a device in the management of government. In preparing and enacting it, the whole anatomy of public policy is laid bare. Issues are forced to a decision. Needs are weighed against priorities and resources. Costs are stated in relation to past performance and future goals.

I will say that the making of the Federal Budget is a tough, difficult job. It has always been so. But in these trying times it seems particularly hard, when the budget is caught between international instability on the one side and economic readjustment on the other.

Budgeting for the government is full of surprises, too. When my predecessor persuaded me to come into the Budget Bureau, he pointed to the nice surplus he had built up and the prospects for a good year in 1959. Coming from the Post Office, where there is always a deficit, this looked pretty inviting. So then the 12th Director in the Bureau's history stepped aside, and I came in wearing No. 13 on my back, and look what happened to the budget!

Why We Need a Bureau of the Budget

I'm continually surprised to find that a great many people don't know very much about either the Bureau of the Budget or the making of the budget. Some of these people are right in the Federal Government. So, I'm going to take a little time with you today to make some of these things clearer.

The budget as we know it today began in 1921 with the Budget and Accounting Act. This law, for the first time in our history, provided for a comprehensive annual budget to be prepared and presented to the Congress by the President. Prior to this, each department and agency had made its own estimates and sent them to the Congress through the Treasury Department, with no executive branch review. The Budget and Accounting Act of 1921 was one of the major steps in governmental reform since the beginning of the Republic. While it added substantially to the work of the President, it also laid the foundations for responsible, effective public management in the United States.

To administer the Budget and Accounting Act, the law provided for a Bureau of the Budget to be housed in the Treasury Department but to report directly to the President. The first Director was General Charles G. Dawes, whose fame as a fiscal disciplinarian still awes posterity. Let me read to you from a statement by General Dawes on the relationship of the Budget Bureau of his day to the President and the Congress:

"We in the Bureau of the Budget are not concerned with matters of policy. The President,

Continued on page 24

*An address by Mr. Stans before the Federal Hospital Executive Luncheon, 60th Annual Convention of the American Hospital Association, Chicago, Ill.

The Problem of Inflation

By HON. WALLACE F. BENNETT*
U. S. Senator from Utah

Senator Bennett finds Pope's lines about vice has similar applicability to inflation which "we first endure, then pity, then embrace." The Senator summarizes Senator Byrd's financial hearings and devines a single, unifying thread, inflation, which he declares is our basic, long-term problem now complicated by the fact that it exists in an unprecedentedly more dangerous setting than ever before. Those who believe inflation is needed to further economic growth are challenged to find any period in our history when we had price stability which was not accompanied by substantial economic growth. Calls for courageous confrontation of this problem in order to bring America back to economic reality—the path to sound growth and prosperity.

The Senate Finance Committee recently completed its hearings on the financial condition of the United States. The sessions, held from June 18 through Aug. 19 last year and during April of this year, were intended to be the first full-dress examination of our fiscal and monetary policies since the one conducted by the Aldrich Monetary Commission in 1908. As a member of the Committee I sat through nearly every session of the hearings and heard most of the testimony.

Wallace F. Bennett

In the absence of a formal report, I want to present my own impressions of the material presented to the Committee and the ideas developed in the questioning. I do this in the belief that the material covered in these hearings should be of interest to every member of the Senate. The hearings shed light on some of the most basic problems of our economy, problems with which we in Congress are concerned every day, and which affect every person in the United States. Rather than summarize these hearings in one long statement, I shall make several, of which this is the first.

The purpose of the study was outlined by Committee Chairman Harry F. Byrd in his introductory comments last year:

"To study the existing credit and interest situation and, more important, inflation which has started again with its ominous threat to fiscal solvency, sound money, and individual welfare . . . This committee can never lose sight of the fact that the Government's integrity depends upon a stable currency. . . .

"It is the committee's purpose to conduct an objective examination to clarify the situation and be helpful in the effort to avoid further inflation, and to establish sound fiscal principles flexible enough to meet possible recessions as well as increasing prosperity.

The study as announced was to examine:

"(1) The revenue, bonded indebtedness, and interest rates on all public obligations, including contingent liabilities;

"(2) Policies and procedures employed in the management of the public debt and the effect thereof on credit, interest rates, and the Nation's economy and welfare; and

"(3) Factors which influence the availability and distribution of credit and interest rates thereon as they apply to public and private debt."

The list of witnesses, both last year and this, was an imposing one. Last year George M. Humphrey and Randolph Burgess, then Secretary and Undersecretary of the Treasury, were the main witnesses; and Federal Reserve Board Chairman William McChesney Martin also appeared. This year the Committee heard from elder-statesman Bernard Baruch; Marriner S. Eccles, former Chairman of the Federal Reserve Board; William McChesney Martin again; Professors Sumner Slichter and Seymour Harris of Harvard University; and Dean Charles Abbott of the University of Virginia, in that order.

In addition to verbal testimony, the Committee sent a list of 17 questions on basic economic questions to outstanding economist businessmen, and public leaders. Replies have been received (and published) from the presidents of the twelve Federal Reserve Banks, the presidents of 28 U. S. corporations, 12 trade association leaders and 17 economists. The questionnaire was also sent to veterans' organizations and to labor leaders John L. Lewis and George Meany, but they did not respond.

It is interesting to note that the two sessions of the hearings, last year and this, were held under entirely different economic conditions. The setting last year was one of inflation, characterized by full utilization of the labor force and a capital goods boom. Since that time we have experienced a business downturn, characterized by a slump in private capital investment and some unemployment.

Detects Single Unifying Thread

In setting for itself the problem of investigating so many aspects of the financial condition of the United States, the Committee left the door open for the discussion of a wide variety of issues. Therefore, it is not surprising that virtually every question or topic bearing on the Nation's finances was encountered and discussed. Nevertheless, in reviewing the printed record I have been impressed by the fact that there was a single unifying thread running through all of the discussions; this thread was the problem of inflation.

During the summer sessions in 1957 when prices were rising fairly rapidly and most of our resources were fully utilized, much of the discussion centered around two questions; first, how could inflation be stopped and, second, was anti-inflationary action then being taken necessary or harmful? Concern over inflation did not diminish during the hearings this spring, despite the business downturn and a slowing down of the rate of the price rise. A scrutiny of the testimony and questioning during these later sessions will indicate that the major issues were, first, whether or not the anti-inflationary policy of 1957 was primarily responsible for the current business downturn and, second, the extent to which anti-recession action should take into account the danger of further inflation.

Basic Long-Time Problems

Because the general problem of inflation ran through all the hearings, it has naturally become the central theme of these reports. In fact, I am convinced that it has become our basic long-time economic problem and that until we as a people understand the danger it creates and take the necessary steps to stamp it out, we cannot count on a future of sound growth and prosperity.

The Committee gathered a great variety of material on the general nature of the problem of inflation, and I shall begin by reviewing this background information. Without such a review it seems pointless to consider the separate basic issues developed in the hearings.

To me, the most serious aspect of inflation is the moral one. Inflation is essentially a process by which someone attempts to get something for nothing—a disguised form of theft—in which the poor and helpless are the first victims, but which can eventually engulf a whole economy. It is a narcotic which produces the illusion of prosperity and growth, concealing the real damage. The Committee devoted little or no time to this aspect of the problem, probably because most of its members are in agreement that inflation is an evil whether it be judged on moral or economic grounds. Instead, most of the time was devoted to the definition and mechanics of inflation.

In its search for information in this field, the Committee literally began at the beginning. It sought throughout the entire course of the hearings to find a workable definition of inflation. Most of the witnesses were asked for, or volunteered, a definition and likewise a request for a definition was included among the questions sent to business and university economists and to the presidents of the Federal Reserve banks. The Committee never attempted to make a final selection from all of these answers, but I think it is probably true that by the end of the hearings it was the simplest of all the definitions which gained the most acceptance; namely, that inflation is simply a general rise in prices.

In looking over all of the definitions of inflation suggested in the hearings, I am impressed by the fact that many of them agreed that inflation is basically a phenomenon of money. For example, Mr. Baruch in his testimony defined inflation as an abnormal and disproportionate increase of money and credit in relation to the production of goods and services." At other times during the hearings, inflation was defined as "a flow of spendings in excess of the flow of goods and services," or "too much money for the goods and services offered," or "too many dollars chasing too few goods." On the other hand, it should also be noted that inflation was described by some witnesses as a result of pressure on costs, particularly wage pressures. Thus, Professor Slichter of Harvard rejected the monetary definition as "inaccurate," adding "the recession is helping the public see more clearly than ever that rising wages are a principal cause of rising prices." Similarly, Dr. Abbott, Dean of the Graduate School of Business Administration of the University of Virginia, emphasized that our current problem is a "wage-push inflation."

Personally, I believe it is possible to oversimplify any specific cause of inflation. For that reason I was impressed with the discussion of the inflationary process in the opening statement of Chairman Martin of the Board of Governors in his appearance before the Committee in 1957, which was supplemented by an excellent account of inflationary processes given by Mr. Edward Wayne, First Vice-President of the Federal Reserve Bank of Richmond. Neither of these presentatiions attempted to attribute the blame for inflation to one specific element. As Chairman Martin pointed out, "Inflation is a process in which rising costs and prices mutually interact upon each other over time with a spiral effect. At the same time, demand must always be sufficient to keep the spiral moving."

The Theory and Practice Regarding Inflation

While they were greatly concerned with the causes of inflation the Committee members spent very little time on questions having to do with its consequences. It is precisely here that its greatest danger lies. We are all against it in theory, as we are against sin; but in practice some of us think we can profit by it. Too often Pope's lines on vice can also be used as an accurate description of our attitude toward inflation:

Vice is a monster of so frightful mien,
As to be hated needs but to be seen;
Yet seen too oft, familiar with her face,
We first endure, then pity, then embrace.

It is a simple fact that inflation results in a transfer of economic resources. Perhaps in theory we can imagine a situation in which as prices rise all incomes rise at precisely the correct rate and all money contracts change to just the right degree, so that there is no loss suffered by anyone. But in real life, such a situation does not and could not exist. There is simply no way of avoiding the fact that in an inflationary process some gain, on net balance, while others lose; and the losers are those least able to protect themselves or to make their voices heard: pensioners, savers, white collar workers, small businessmen, the great body of unorganized workers. And the thing that hurts is that the transfer is involuntary. Resources are literally stolen from those who have no way of protecting themselves, leaving them no claim to future output, nor even the satisfaction of knowing that, if the levy had been in the form of a tax, others would also be sharing the burden.

If the only consequence of inflation was the slow but insidious transfer of resources from one group to another some of us might possibly resign ourselves to the process and provide for relief by legislation for those affected by it. But inflation has other consequences. It provides a misdirected stimulus for business. Anyone who has been in business knows that sound business decisions are made within a framework of price stability; and that the principal beneficiaries of inflation in the business world are speculators and gamblers. Also, by destroying the use of money as a store of value inflation stimulates the production of other items which can serve the same function. Thus we must devote a part of our energies to producing articles which we would not have needed in the absence of inflation. A good current example is the concentration of investment in partly filled office and apartment buildings in some Latin American countries—which capital is withheld from productive industry.

Finally, a creeping inflation must, in the absence of specific controls or other unwarranted interference by Government, become a run-a-way inflation. Even the inflationists fear this. When the time comes that a majority of the people throw up their hands in resignation and accept the inevitability of rising prices, inflation will immediately cease to creep. For just as soon as those who have a stake in inflation can be absolutely certain that society has become resigned to the process, we will see the inevitable development of a completely destructive wage-price spiral. Said Ralph J. Cordiner, President of General Electric, in his reply to the Committee:

"If creeping inflation were accepted as a permanent feature of American economic life, it would not create jobs; it would only feed on itself in a rising spiral of costs and prices. To accept creeping inflation instead of using every possible means to combat it would be to apply to our economy the greatest of all inflationary pressures — the pressure of inflation psychology. Expecting continued price increases, businesses and individuals would have a continuing incentive to spend their money before its value depreciated further, and would thus be tempted into a flight from money. The inadequate volume of purchasing characteristic of the current recession would be replaced by an increasingly excessive rate of spending, with far more destructive effects. The volume of savings would continually diminish, cutting off the only real source of investment funds. The efforts of businesses to continue expanding the volume of production and improving the attractiveness of their products, so as to maintain high levels of employment, would require continued expansion of money and credit. Thus the inflationary spiral and the profitless prosperity would be accelerated toward inevitable collapse."

Professor Haberler of Harvard University had this to say regarding the dangerous creeping inflation:

"I admit that the present method of wage fixing and the attitude of the powerful trade unions, which expect every year a large wage rise exceeding the average annual increase of labor productivity, poses a serious dilemma. But the problem cannot be solved by acquiescing in a continuous rise in prices. The trouble is that when prices rise by only 2 or 3% per year for a few years in succession, more and more people become alarmed and take steps to protect themselves. The labor unions themselves, whose policy is largely responsible for the continuing rise in prices, will ask for larger wage increases (or insist on escalator clauses) when they see that their wage rises are swallowed up by rising prices. Hence soon the price creep will become a trot and the trot a gallop. This is simply an application of the homely truth that while you may fool all people some of the time and some (though not the same) people all the time, you cannot fool all people all the time.

"It has been objected to that argument that a galloping inflation is impossible in the United States. I am inclined to accept this proposition, but I submit that it misses the point. Why is galloping inflation impossible? Because the Federal Reserve will keep money sufficiently tight to prevent inflation from galloping away. But what the advocates of creeping inflation overlook is that after a while the mere attempt to keep inflation at a creeping pace (to prevent the creep from becoming a trot or a canter) will be suffering [sic.] to bring about unemployment and depression. This is after all what happened last year. The advocates of creeping inflation themselves blame the tight-money policy for the present depression. I personally would say that it was a contributing factor — but let me, for argument's sake, accept the proposition that it was the main cause. Then it is indeniable that a policy which held the inflation at a creep — it did not do more than that — brought on unemployment and depression. If money had been less

Continued on page 22

*An address by Sen. Bennett on the Senate Floor

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3,600,000	1960	2.00	1,800,000	1966	3.10
3,600,000	1961	2.25	1,800,000	1967	3.20
1,800,000	1962	2.50	1,800,000	1968	100
1,800,000	1963	2.70	9,000,000	1969-73	99½
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August 27, 1958.

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. 40—Including number of radioistope users since 1953; discussion of acceleration of atomic power construction in Europe—Atomic Development Securities Co. Inc., 1033 30th Street, N. W., Washington 7, D. C.

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

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

Chemical Stocks—Analysis—Brush, Slocumb & Co. Inc., 465 California Street, San Francisco 4, Calif.

Drug Industry—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y.

Economic Outlook for Japan — Analysis in current issue of Nomura's "Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue is an analysis of **Japanese Food Industries** and **Chemical Fibers and Non-Ferrous Metals.**

Federal Finance in Perspective — Review — Bank of Nova Scotia, Toronto, Ontario, Canada.

Fire Casualty Insurance Stocks—Semi-annual results on 46 issues—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Government of Canada and the Provinces—Comparative condensed statements as of March 31, 1957—A. E. Ames & Co. Incorporated, 2 Wall Street, New York 5, N. Y.

Japanese Stocks—Current information—Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

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.

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

Railroad Income Bonds — Comparison — Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Special Reason List—14 stocks and reasons they are considered interesting—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Steel Stocks—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are analyses of **Jaeger Machine** and **Union Pacific Railroad.**

U. S. Government Insured Merchant Marine Bonds—Discussion—Committee of American Steamship Lines, 1000 Connecticut Avenue, N. W., Washington 6, D. C.

What Every Woman Should Know About the Rising Cost of Living—Booklet—National Securities & Research Corporation, 120 Broadway, New York 5, N. Y. Also available is a booklet entitled **Can the Professional Man Afford to Work as an Amateur.**

* * *

American Broadcasting-Paramount Theatres, Inc.—Memorandum—Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

American Investors Corporation—Bulletin—Searight, Ahalt & O'Connor, Inc., 115 Broadway, New York 6, N. Y.

American Motors—Discussion in current "Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same issue are discussions of **Speigel, Inc.** and **Peoples Gas Light and Coke.**

American Pipe & Construction Co.—Report—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is a report on **Gladding, McBean & Co.**

American Potash & Chemical Corp.—Memorandum—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Continental Assurance Company—Analysis—William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Cosden Petroleum Corp. — Report — Schweickhardt & Co., 29 Broadway, New York 6, N. Y.

Craig System, Inc.—Report—Leason & Co. Incorporated, 39 South La Salle Street, Chicago 3, Ill.

Dominion Foundries and Steel, Ltd. — Analysis — McLeod, Young, Weir & Company Limited, 50 King Street, West, Toronto, Ont., Canada.

Dresser Industries—Memorandum—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Eastern Stainless Steel Corp.—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Fischer & Porter Co.—Memorandum—Saunders, Stiver & Co., Terminal Tower, Cleveland 13, Ohio.

Foote Mineral Co.—Memorandum—The Illinois Company, 231 South La Salle Street, Chicago 4, Ill.

General American Transportation Corp.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Gillette Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Hooker Chemical—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Industrial Hardware Manufacturing Co. — Report — Manly Markell Associates, 11 West 42nd Street, New York 36, N. Y.

Kellogg Company—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a report on **Stepan Chemical Company.**

North American Car Corporation—Report—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a tabulation of leading retail trade stocks with high yield.

Riley Stoker Corp.—Memorandum—Sano & Co., 15 William Street, New York 5, N. Y.

Ryder System, Inc.—Report—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Scudder Fund of Canada Ltd.—Study—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Spiegel, Inc.—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **E. W. Bliss.**

Tenney Engineering Inc.—Analysis—Bertner Bros., Inc., 67 Wall Street, New York 5, N. Y.

Texas National Petroleum Co.—Analysis—Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.

Western Union Telegraph Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

World Wide Helicopters Limited—Bulletin—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y. Also available is a discussion of the pending legislation to raise the income taxes of Life Insurance Companies, and a comparative tabulation of operating results for **Insurance Stocks** for six months ended June 30, 1958.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

Intelligent, effective advertising is not an expense — it is insurance against the loss of business that the other fellow is fighting for. An advertisement in the National Security Traders Association Official Convention Year-Book issue of the "Commercial and Financial Chronicle" pays dividends for it remains on trading tables from coast to coast from one issue to the next.

Alfred F. Tisch

P. Fred Fox

This week we salute P. Fred Fox, of P. F. Fox & Co., Inc., who has again placed a half-page advertisement for his firm in the NSTA Year-Book.

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

COMING EVENTS

In Investment Field

Sept. 11, 1958 (New York City)
Association of Customers Brokers annual dinner and installation of officers at Whyte's Restaurant

Sept. 12, 1958 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at Elmhurst Country Club; preceded by dinner Sept. 11 at the University Club.

Sept. 18, 1958 (New York City)
Corporate Transfer Agents Association 12th annual golf tournament and outing at Colonia Country Club, Colonia, N. J.

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 (Cleveland, Ohio)
Bond Club of Cleveland fall outing at the Cleveland Country Club.

Sept. 26, 1958 (Pittsburgh, Pa.)
Bond Club of Pittsburgh annual Fall Outing at the Allegheny Country Club, Sewickley, Pa.

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.

Oct. 2-3, 1958 (Kansas City, Mo.)
Southwestern Group of the Investment Bankers Association annual outing at Oakwood Golf & Country Club; cocktails and lunch at Eddys Thursday and dinner that evening; golf, etc., Friday.

Oct. 6-7, 1958 (Boston, Mass.)
Association of Stock Exchange Firms Board of Governors meeting at Somerset Hotel.

Oct. 9, 1958 (New York City)
Commodity Exchange Silver Anniversary Dinner at the Hotel Astor.

Oct. 25, 1958 (New York City)
Security Traders Association of New York annual cocktail party and dinner dance at the Hotel Pierre.

Nov. 7-8, 1958 (Chicago, Ill.)
National Association of Investment Clubs 8th annual convention at the Hotel Sherman.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Dec 10, 1958 (New York City)
Investment Association of New York annual dinner at the Waldorf-Astoria.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

New Wainwright Branch

BOURNE, Mass.—H. C. Wainwright & Co. has opened a branch office on County Road under the direction of Raymond C. Swanberg.

Form Denschor Realty

ASTORIA, N. Y. — Denschor Realty & Trading Corp. is engaging in a securities business from offices at 36-20 Thirtieth Avenue. Officers are Morris Schor, President; Robert Schor, Vice-President; and Edna Schor, Secretary-Treasurer.

Outlook for Real Estate Industry And the Economy as a Whole

By H. WALTER GRAVES*

President, Albert H. Greenfield & Co., Inc., Philadelphia, Pa.
President, National Association of Real Estate Boards

Spokesman for real estate industry believes 1958 has the potentials of being a really good year, and hails the current economic recovery as a victory "of and by the American people" without massive government aid in the form of "emergency" measures of the old pump-priming type. Mr. Graves who also heads his own Philadelphia real estate concern finds, in view of paucity of Federal dollars reaching the economy, that the economic upturn is an indigenous thing, and the housing industry has reacted vigorously and favorably in concert with factors making up the recovery picture. He notes that housing starts are currently at a seasonably adjusted annual rate of over one million units and approvingly refers to favorable mortgage market terms for home buyers which, he adds, cannot be expected to endure forever.

It seems to me that the colorful phrase—rolling with the punch—might be applied with perfect justice to the behavior of our economy in recent months. The punch that was the recession was spotted, and the economy—geared by the keen reflexes of thousands of the free entrepreneurs who make it up—showed the resilience to take the blow without being knocked to the canvas. In fact, according to most of the indicators, the economy is hitting the comeback trail.

H. Walter Graves

Hails Indigenous Recovery

Before I give you those proofs of returning vitality, I think we should pause to note one thing: this resilience demonstrated by our free enterprise economy stems from two things—the safeguards that we have built into our economic system and the resourcefulness of Americans in all walks of life in making the decisions that have proved beneficial. On the whole, Congress has shown commendable restraint in rejecting some of the more extreme "emergency" measures of the old pump-priming type. But even in the case of the "panic button" measures that it did adopt, according to the record, relatively few of the dollars they provided have yet reached the economy. In other words, the recovery that is now going forward is an indigenous thing—a victory of and by the American people.

Now for a look at some of these key business indicators reflecting on the condition of the economy as a whole:

Key Economic Indicators

One of these is the Federal Reserve Board's index of industrial production which measures the output of the nation's factories and mines. After dropping from a pre-slump (October, 1957) peak of 146 to 126 in April of this year, the index rallied to stand at 130 in June. Most economists apparently expect the index to keep on inching up in the balance of the year.

As this progress continues and as industry calls back workers previously laid off, further declines in the number of unemployed are expected. For the week ended July 19, the Labor Department reported that the number of persons drawing unemployment compensation claims was 2,555,300—the second lowest total of the year. Personal income has been rising for the last four months. In this connection, let me point to one of the built-in correctives of the economy—unemployment insurance — that has done much to soften the hardship of joblessness and cushion its shock on personal income.

By and large, the American consumer is emerging from the recession in good shape. As noted, personal income has rallied. And at the same time, consumers have reduced their installment indebtedness in June for the fifth straight month. The total of such obligations at the end of June was about $33 billion.

According to the Federal Home Loan Bank Board, the public's ability to buy was greater by the first of April than at any other time in recent history. The national savings total at that time stood at more than $268 billion.

Thus the public is well able to gratify its demands. And, according to a survey of consumer attitudes made in May and June by the highly respected University of Michigan Survey Research Center, the "desires and felt needs for durable goods, homes, and additions or repairs to homes, are today almost as frequent as a few years ago."

Another indication of demand is found in the April through June vacancy figures of the Census Bureau which placed the national vacancy rate at 2.9% of all dwelling units.

Million Housing Starts

The housing industry has reacted vigorously and favorable to this demand—the starts of private houses in June were at a seasonably adjusted rate of over a million units—higher than comparable starts in June of 1957.

The Federal Housing Administration has been setting or approaching all-time monthly records in insurance applications, which also reflect the strong demand and the related activity to fill it.

To round out the favorable picture for realtors and all Americans interested in housing, we need but note the vast improvement that has taken place in the availability of mortgage loan funds at more reasonable rates.

Buyers Favorable Mortgage Market

NAREB's Research Division, in its second quarterly study of the mortgage market in 1958, reported that a brisk competition exists for mortgage loans between national and local lenders resulting in the offering of a variety of loan terms, conditions, and interest rates. The study called the present state of the mortgage market "most favorable to home buyers."

Specifically, for conventional loans on new houses, 46% of the communities taking part in the survey reported in June that the prevalent interest rate was 5½%. The supply of mortgage funds for the conventional financing of new homes was classified as ample for four out of five market areas, and in three out of four areas for those buyers acquiring an existing home in a good location.

The study noted also "general improvement" in the availability of funds for FHA—insured section 203 loans, although it observed that these gains have not yet reached some areas or affected the market for loans of maximum maturity.

Some gains were recorded with respect to VA-guaranteed loans, moreover, with "veterans in some areas finding local banks and savings and loan associations far more willing to accept applications (for such loans) than they were six months ago." The study reported, however, the reluctance of most national lenders to reenter this market because of the yield and the uncertainty regarding its legislative future.

Credit Expansion

All of this means that the tight money policy that slowed our business and the gratification of the housing aspirations of the public does not seem poised to return. On the contrary, the Federal Reserve Board is expanding the lending power of the banking system through the open market purchase of Treasury bills.

In addition to this expansion of credit by the FRB, persons seeking mortgage loans have benefited from the diminished demand on industry for more loan capital for plant and equipment expansion. The Securities and Exchange Commission reports that this year purchase for new plant and equipment will total about $32 billion as compared with $37 billion in 1957. In the dynamic American economy—the economy that rolls with the punch—this lessened demand cannot be expected to endure forever. Industry will again be in the capital market seeking funds for expansion and probably in the near future.

1958 Looks Like a Good Year

To us in the real estate business, I think the situation adds up to two observations: 1958 has the potential of being a really good year, but the development of that potential is up to every Realtor. While our economy has improved from the days of 1929 to the extent that it has built in stabilizers against the extremes of depression, it contains no automatic guarantee of success for the individual. Today, as in 1929, as in 1776, individual success or the lack thereof is ultimately and rightly up to the individual.

Realtors know this. And they will not be found wanting in the exercise of diligent, hard work and professional skill in their own behalfs and that of the public.

*An address by Mr. Graves made before The South Carolina Association of Real Estate Boards Convention, Myrtle Beach, S. C.

Form Fin. Secs. Corp.

(Special to The Financial Chronicle)

DENVER, Colo.—Financial Securities Corporation has been formed with offices in the Farmers Union Building to engage in a securities business. Officers are Joe W. Newcomer, President; John J. Desch, Vice-President, and Ruth L. Piland, Secretary.

Now With Hemphill, Noyes

(Special to The Financial Chronicle)

CHICAGO, Ill. — William J. Brinkworth has become affiliated with Hemphill, Noyes & Co., 231 South La Salle Street. He was formerly with McCormick & Co.

Taylor, Rogers Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Walter S. Liebman has been added to the staff of Taylor, Rogers & Tracy, Inc., 105 South La Salle Street, members of the Midwest Stock Exchange.

Hayden, Stone Issues Historical Booklet

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, and other leading Exchanges, have issued a most interesting historical brochure commemorating the firm's 66 years of continuous service to investors.

Lavishly illustrated, the brochure describes the services of the firm, established in 1892, then and now. To us a most interesting item on a reproduction of the first page of Hayden, Stone's ledger for expenses in 1392, is a notation, "Financial Chronicle."

Richard K. Jones With Beil & Hough, Inc.

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Richard K. Jones has become associated with Beil & Hough, Inc., 350 First Avenue, North, members of the Midwest Stock Exchange. Mr. Jones was formerly in the Municipal Sales Department of the Tampa office of Pierce, Carrison, Wulbern, Inc.

Freiberger to Be V.-P. of Murch Co.

CLEVELAND, Ohio — On Sept. 15th, Lloyd S. Freiberger will become a Vice-President of Murch & Co., Inc., Hanna Building, members of the New York Stock Exchange.

Joins M. B. Vick & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Ronald M. Weiss has joined the staff of M. B. Vick & Co., 120 South La Salle Street.

Higher Gold Price Contentions

By MERRILL E. SHOUP*
Colorado Springs, Colo.

The head of several gold mining companies, other firms and a banker, outlines eleven beneficial accomplishments which he claims will result from devaluation of U. S. dollar and, then, full convertibility. Mr. Shoup proposes a Treasury gold-price of $100 and asserts "now is the crucial time — economically and politically."

Since the dawn of mankind, history has always repeated itself. There are five distinct steps in the economic cycle which every nation at some stage has passed through, and the United States is no exception. Steps are:


Merrill E. Shoup

(1) Currency debasement.

(2) The issuance of irredeemable paper money which is followed by great government and consumer credit expansion, leading to higher prices, higher costs, spiraling inflation and a steady decline in the purchasing power of money.

(3) When inflationary forces become too great to be controlled, a collapse of the economic structure built upon inflated prosperity.

(4) Depression.

(5) The return to sound currency which brings a drastic shakeout with attendant misery and suffering.

Today we are well into the fourth step — depression. The United States is confronted now not only with a depression but spiraling inflation and further dollar depreciation.

What to Do

To add to all of our problems, reports persist from informed sources that Russia is preparing to get back her ruble with gold and get the jump on us by launching a "Golden satellite." Our Nation cannot ignore the possibility of a gold-backed ruble and must immediately take all steps necessary to cushion and prevent any shock which would result from Russian initiative, since, if the ruble is established as a basic currency with the dollar and the pound, it will have far-reaching effects not only in our Nation but all the world. Our position abroad would quickly be undermined, our prestige delivered a shattering blow, and our Nation caught without gold as Russia caught our military and airplanes without missiles. This must not happen. Such patriotic and thinking citizens as B. F. Pitman, of San Antonio, Tex., interested in our Nation's welfare have proposed the following program, which has already been sent to outstanding Members of our Congress.

Reiterating again, the Russians are planning to get the jump on us again by launching a "Golden satellite." "Persistent reports from informed sources," state Russia is preparing to get back her ruble with gold. This would be a blow more devastating to our economic and financial leadership than sputnik, and we cannot brush this threat off lightly. While we have been foolishly discouraging gold production in the United States, Russia has been putting fourth a herculean effort to increase it. If the ruble becomes a hard currency backed by gold, it is entirely possible, if not probable, that it will be on a parity or better with the United States dollar through all the world.

Questions U. S. Dollar's Soundness

The wholly inadequate gold reserves backing the United States dollar have already created grave misgivings as to strength in international monetary circles. Many people consider both the Swiss franc and the West German mark as sounder currencies than the United States dollar, and the premium that persists on the Canadian dollar indicates that it, too, is held in more esteem than the almighty United States dollar. Moreover, gold denied the United States citizen is readily obtainable in unlimited quantities in Switzerland, Germany, and Canada, as well as other parts of the world thereby encouraging at least a mild "flight from the (United States) dollar" into currencies deemed stronger.

To thwart Russia, and at the same time arrest the depression, the United States dollar should be promptly devalued and restored to full convertibility. What will be accomplished?

Sets Forth 11 Accomplishments

(1) Hundreds of closed and marginal gold mines in the United States will be quickly reopened, thereby putting back to work thousands of miners thrown out of work by the closing of the lead, zinc, and copper mines or curtailing their operations. There is no reasonable possibility that unemployed men formerly engaged in nonferrous mining will otherwise get off the mounting unemployment rolls in the visible future.

(2) An official devaluation of the United States dollar, fixing the price of gold at $100 an ounce would strengthen the sagging price of all commodities, particularly farm products and nonferrous metals.

(3) The high cost of labor has priced our manufactured products, and to a large extent our farm products, out of world markets. Devaluation of the dollar would quickly restore our competitive position in world markets, clear out our astronomical surplus of farm products, and stimulate manufacturing, conceivably to boom proportions.

(4) Corporations are struggling with inflexible costs and diminishing volume, which are apparently gaining momentum on the down side. A devaluation would quickly cause a resurgence of buying, with the result that capacity operations would be resumed, improving uprofit margins. As a corollary, the diminishing flow of taxes to the Treasury would swell back to former levels and could even exceed them.

(5) Buying in the United States by foreign countries has been alarmingly reduced. A devaluation of the dollar would permit foreign countries, particularly the so-called backward nations, to step up purchase in the United States, which in turn would permit a sharp reduction in the billions of giveaway money which we have been capriciously squandering.

(6) The intolerable burden of the gigantic national debt (and taxes) would become bearable.

(7) A new price of $100 per ounce on gold would create a surplus of around $41,000,000,000, which would permit a sharp reduction in taxes for many years to come.

(8) If deemed advisable, the increment created by the new gold price could be used, at least in part, to reduce our national debt rather than treat it as nonrecurring income.

(9) There is probably not a single informed economist in the world who believes the United States can measurably reduce its national debt, let alone pay it off in full, unless and until the dollar is devalued in terms of gold. Ultimate devaluation is as inevitable as night following day. Why not do it now?

(10) Restoration of full convertibility, both internally and externally, would block the Russians in what apparently is their scheme to replace the United States dollar with the ruble as the foremost world currency.

(11) The hysterical grasping for straws to arrest the downward plunge in our economy suggests a repetition of ineffectual cures tried in the early 1930's. The one move that was ultimately successful in the last depression again holds more promise than all other economic nostrums put together—a long overdue price increase in gold.

Fears Foreign Run on Fort Knox

The threat of forced devaluation hangs over our head like the sword of Damocles, and the thread holding it is getting thinner by the moment. Foreigners have claims which could be converted into gold to the extent of an estimated $14 million to $16 million. Any day the apprehension which foreign countries have with regard to our ability to redeem in gold may start a run on our Fort Knox reserves. If, for example, Germany should convert some of its United States Government obligations into cash and demand $1 million in gold, a run of catastrophic proportions might be immediately started. Now that the bill rate is down from around 3½ to 1¼%, the inducement to foreigners to keep dollar balances in short-term bills is much less impelling.

Now is the crucial time—economically and politically.

This program may seem extremely revolutionary and will cause much controversy. Despite the "prosperity just around the corner" emissions from Washington, we either are in a drastic recession or a depression, depending upon the school of economists consulted, which can easily spiral downward. Frantic efforts to stimulate the economy by renewed profligacy in Washington may arrest the downtrend temporarily, but a revival of lasting confidence cannot be generated with the Government engaged in an irresponsible spending spree.

We expect to have introduced in the Congress a bill to increase the $35 statutory price of gold to $100, permit Americans to own gold, and to do all necessary to place this program in effect. If you agree with us, you can help by—

(1) Furnishing press releases to newspapers and periodicals.

(2) Working with radio and TV stations to carry this message to millions of listeners and viewers.

(3) Writing your Senators, Congressmen, friends, their Senators, Congressmen, friends, and stockholders urging them to pass on this message.

(4) Initiating a broad letter-writing campaign to anyone who can help the campaign to gain momentum.

Action is necessary now.

*An address by Mr. Shoup before the Denver Mining Club, Colo., as inserted in the Appendix of the *Congressional Record* by Rep. J. Edgar Chenoveth of Colorado.

Higher Gold Price Refutations

By HON. EDGAR W. HIESTAND*
Member of House of Representatives (Calif., Rep.)

Rep. Hiestand utilizes his Banking and Currency knowledge to succintly refute, one by one, the eleven accomplishments his fellow Dartmouth alumnus claims would result from devaluing the U. S. dollar. Disagreeing with Mr. Shoup, whose views are found on this page, the Congressman explains why fixity of existing Treasury gold-price is a necessary concomittant of convertibility but that redeemability at a higher price "would, indeed, be one of the greatest disasters that could hit this country."

On May 5 there was in the Appendix of the "Congressional Record" a very eloquent appeal for devaluation of the currency. Because it came from a successful businessman (Mr. Merrill E. Shoup, President of the Golden Cycle Corp. of Colorado Springs) of considerable stature, and because he appeals for "sound money" and "to stop inflation and further dollar depreciation" but advocates the opposite, his speech calls for a reply:


Edgar W. Hiestand

I must take emphatic issue with his advocacy of the cause of raising the price of gold from its present price of $35 per ounce to $100 per ounce or in fact any other price. That, in my judgment, would, indeed, be one of the greatest disasters that could hit this country. I also take issue with him on several of his predicted results and certainly on the desirability of all the rest of them.

Here are his "five distinct steps in the economic cycle which every nation at some stage has passed through, and the United States is no exception." They are:

(1) "Currency debasement.

(2) "The issuance of irredeemable paper money which is followed by great government and consumer credit expansion, leading to higher prices, higher costs, spiraling inflation and a steady decline in the purchasing power of money.

(3) "When inflationary forces become too great to be controlled, a collapse of the economic structure built inflated prosperity.

(4) "Depression.

(5) "The return to sound currency which brings a drastic shakeout with attendant misery and suffering."

If he is correct in his analysis, **why does he want us to follow in that tragic path?** The very move he advocates is exactly the No. 1—Debasement of the Currency.

Doubts USSR Ruble Convertibility

He even alleges a Russian threat of convertibility. We are all aware of rumors that the Russians have developed large gold reserves, but why indeed should they even consider making the ruble convertible? The whole history of the Kremlin masters is the exact opposite. They not only have devalued it many times, but even repudiated their own bonds. And what does he mean by convertible? Surely he doesn't imagine they would make the ruble convertible internally: Wouldn't the Russian peasant hoard every gold ruble he could earn or steal? Can you imagine the Kremlin masters letting Russians have gold?

Or, what meaning can external convertibility have when there are no rubles outside of Russia? The gold with which Russia settles her balances is bullion, the same as all other international settlements, and at the U. S. price of $35 per ounce. International settlements cannot be made in coin. They are book entries or gold bullion at $35 per ounce. And lastly, is there any reason at all why we should imitate the Russians, even if they should make the ruble convertible?

Mr. Speaker, make no mistake about it. I am in favor of making our dollar convertible. That would be a great step in strengthening our national economy. That would indeed, establish a sound currency, the finest in the world. And I believe not only West Germany, but Canada, Switzerland and other nations, such as Holland, Belgium, and then Britain would soon follow us.

However, the gentleman advocates the direct opposite, almost complete debasement of the currency. He states that our gold reserves are "wholly inadequate." How would devaluation change this? We'd simply have vastly more and smaller-valued dollars. The ratio as commodity prices rose would be the same.

Terms Canadian Dollar Premium A Misnomer

Perhaps some people regard the Swiss franc, the Deutschmark, or the Canadian dollar as more sound than the U. S. dollar, but if these people are more than a very few we would witness a large flight from the dollar into those currencies. Each of these currencies is highly regarded because these countries balance their budgets and refrain from wild and unrestrained spending projects beyond their means. The "premium" he refers to for the Canadian dollar is a misnomer. The Canadian dollar is an entirely different and independent currency and has nothing to do with the U. S. dollar. If it had been called a "pound" or a "ruble" it would have no different relation than at present.

And what does he mean by that crack about "our nation caught without gold?" How could that possibly happen at present? We now can refuse to convert. Of course, under his plan of gold at $100 per ounce the pressure for our gold might be three times as great as at present. And, if, as he advocates, it were "freely convertible" wouldn't it rush out of this country faster than ever?

And he claims that devaluing the dollar would not only "thwart Russia" but "at the same time arrest the depression," and he states the results would be 11 in number:

Answers Shoup's Eleven Points

(1) The immediate reopening of "closed and marginal gold mines" putting back to work thousands of miners. I agree, that would be a bonanza to the 3,000 people in the gold mining industry, but what a disaster to 170 million people of the United States!!

(2) He claims "an official devaluation of the United States dollar" — "would strengthen the sagging price of all commodities, particularly farm products and nonferrous metals." I agree, possibly prices of lead, zinc, and cop-

Continued on page 25

*An address by Rep. Hiestand to the House of Representatives, May 21, in reply to Mr. Merrill E. Shoup's proposal to devalue the U. S. dollar which was inserted in the Appendix of the *Congressional Record.*

Revaluation of Gold or "Man-Made Reserves"

By W. J. BUSSCHAU

Former Finance Minister of South Africa
General Manager of New Consolidated Goldfields, Ltd., Johannesburg
Author of "Measure of Gold"

Internationally known writer on gold discusses three solutional alternatives for countries suffering from a gold shortage. Mr. Busschau finds that the first, reduction of bank credit, requires deflation but under today's conditions would be impractical; the second, the creation of "man-made reserves," merely enlarges international debt and offers no fundamental correction; but the third, revaluing bank credit downward in terms of gold, is most meritorious because it provides reserves without a corresponding increase in the amount of external debt. The author advises that if gold revaluation is not adopted, the rest of the West should strive to make their goods more competitive than those of the U. S. A. in common markets and, in time, by replenishing their reserves can benefit from, and bring about, eventual gold price rise.

The countries of the West through their participation in various international arrangements may be said to constitute a system of currencies.

Dr. W. J. Busschau

It is now widely recognized that within this system there is at present insufficient international liquidity. The essential facts are that in the system there has since before World War II been a four-fold increase in bank credit while gold reserves have increased by only two-fifths. The result has been that countries within the system have found themselves short of gold, the "internationally usable money". Consequently, exchange and other restrictions continue to exist with the object of preventing a certain amount of trade, the existence of which might put pressure on the national treasuries.

The argument for a uniform change in the price of gold within the system amounts to saying that the payment of a debt owed internationally should require the transfer of a smaller physical amount of gold than the present arrangements provide. The present gold values of the national currencies of the West mean that international balances of the size now encountered in practice are (as a result of the overall expansion of bank credit) so great that the resultant settlement becomes too heavy on the national treasuries.

Depicts But Two Choices

As a result the countries with low liquidity have perforce to introduce restrictive measures, while creditor countries like the United States have had to introduce expedients designed to prevent, at least temporarily, too great a drain on the reserves of debtor countries. It is obvious that in the international sense liquidity could be improved if the total of bank credit were reduced or if bank credit were revalued downwards in terms of gold. The attempts which so far have been made to use the former remedy indicate that the way of deflation is not practical in this present world because of the rigidity of wages and the dangers of chain reactions leading to decreases in effective demand great enough to cause a world-wide slump. In the context, the revaluation of paper money so that it will, through international exchanges, relate to less gold remains the one sensible remedy for stabilizing the volume of bank credit, aggregate money income and the volume of employment in the West.

While the desirability of revaluing gold is now widely admitted in the United Kingdom, it has in recent public discussion in England been linked with another idea — that of "man-made reserves"—which is certainly not a corollary. Supporters of the new idea argue that a general rise in the price of gold would be a good thing but, as the United States remains adamant in its opposition, an alternative to follow is the further creation of "man-made" reserves. It is acknowledged that the system of currencies has been kept in being by the inclusion in national reserves of foreign exchange, and that the total so held has increased from about $2.5 billion in 1937 to over $23 billion at present. The remedy proposed is either

(1) a large stabilization loan from the United States, or

(2) further credits from international institutions like the I.M.F. which means indirect loans by the participants in I.M.F., etc.

Put simply the remedy proposed is further international credit. It is probably realized that the United States Congress will be averse to giving large "stabilization loans" for a "stabilization" for which it has lent before and which is not likely to come. The alternative is a way of "wrapping up" the transaction, but its real intent is clear enough. The system is like a family and loans within the family as between the less illiquid to the more illiquid cannot in any way alter the overall illiquidity of the family or the system. In other words, the operation of this "remedy" is simply to reallocate temporarily the basic illiquidity within the system. What is not explained is how the loans are to be repaid. Are, for example, the borrowing countries to repay in gold, and if so from which countries are they to draw gold, or is the balance of payments to become so favorable that the loan from the United States will be offset against debts which will be payable to the United Kingdom?

It is consistent with the practice of post-war international finance that the structure could be propped up in this way for some time pending its later and more complete collapse. More international credit will temporarily allow the continuance of unsound national financial policies, but while these may alter the pattern of the financial worries of the member countries of the system, the basic weakness will remain.

"Reserves" by their very nature cannot be "made-made" in the sense that they can be created through borrowing, as the asset acquired by borrowing has as a necessary counterpart the debt created. Gold or any other asset acquired in international banking is a net addition to assets only if its acquisition does not lead to an increase in debt. Those who accept the case for a revaluation of bank credit in terms of gold should therefore, not regard the proposal for "made-made" reserves as in any sense an acceptable alternative.

The source of the present trouble is mainly in the increase in bank credit in the member countries of the system, and to substitute international credit, which can obviously be related back to national debts, is the "mixture as before." Indeed the borrower should himself be concerned about the total of what he owes. In the present context the proposals for adding "man-made reserves" simply envisage the enlarging of international debt and the expansion of the total of national bank credit of members of the system. The essential difference between "revaluation of gold" and "man-made reserves" lies in the fact that the former would give to the reserves of each national member of the system a greater potential command over the currencies of other members **without** a corresponding increase in the amount of its external debt. The new proposals can, therefore, hardly be described as responsible thinking on the subject at a time when it is clear that the aggregate of bank credit in the West is insupportably high in relation to gold reserves (at their present currency values) and, hence, "balance of payment" problems become inevitable.

There is an alternative. If the United States continues for the present to refuse to budge in its opposition, the "rest of the West" should so order their monetary affairs as to make their goods more competitive with American goods in common markets. If "the rest" deliberately set out to replenish their reserves and they succeeded, they and not the United States would, when the ultimate revaluation comes, secure the benefit of the premium on the additional reserves they so acquired. If "the rest" could act so sensibly, it might be to their current interest not to worry too much if the American authorities wish to remain stubborn for the present. After all, history is full of revaluations which were strenuously opposed until the logic of events proved strong enough to cause a sudden and complete reversal of policy.

With Morton, Hall

(Special to The Financial Chronicle)

LEWISTON, Me.—Samuel Perry is now connected with Morton, Hall & Rounds, Inc., 226 Main St.

With F. E. Siemens & Asso.

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Edwin R. Swauger is now with F. E. Siemens & Associates, 584 Pittock Block.

Joins Donald C. Sloan Co.

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Chester I. Ferguson, Jr. has joined the staff of Donald C. Sloan & Co., Cascade Building.

With Parker, Connaway

(Special to The Financial Chronicle)

PORTLAND, Oreg.—William L. Warner has become connected with Hunter Parker, Connaway & Holden, 430 Southwest Morrison Street.

With Paine, Webber

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—O. Morley Meyerson has become affiliated with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

Am. S. E. Appoints Mayer & Gaudino

Joseph R. Mayer and Francis X. Guadino have been named Vice-President-Treasurer and Assistant Treasurer respectively of the

Joseph R. Mayer

Francis X. Gaudino

American Stock Exchange according to an announcement by Edward T. McCormick, exchange President. Mr. Mayer, with 34 years service, will be head of the market's Division of Administration. Mr. Guadino, with 32 years service, will be director of the Finance Department. The appointments will be effective on Sept. 1.

R. R. Reed With Alm & Co.

(Special to The Financial Chronicle)

OSHKOSH, Wis. — Ruben R. Reed is now with Alm & Co., Inc., 302 Main Street.

Now With Collin, Norton

(Special to The Financial Chronicle)

TOLEDO, Ohio — Raymond L. Hawkins is now connected with Collin, Norton & Co., 506 Madison Avenue, members of the New York and Midwest Stock Exchanges.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Great American Insurance Company

Organization of this company was in 1872 under the laws of New York, and capital was $1,000,000. There were several increases up to 1911 when capital went to $2,000,000 at the time of the merger of Rochester German Insurance Co. A number of other increases took place over the years, several of them connected with mergers; and the capital now stands at $14,343,500, par value of the shares being $5. The company heads a fleet of other carriers, as follows:

American National Fire Insurance Co.
Detroit Fire & Marine Insurance Co.
Great American Indemnity Co.
Massachusetts Fire & Marine Insurance Co.
Rochester American Insurance Co.

The holdings also include One Liberty Street Realty and Securities Corp. American Alliance Insurance Co. was merged with Great American in December 1953. In November 1953 Great American Corp., a beneficial trust, was then dissolved and this resulted in a stock dividend of 0.28 share for each share held.

A break-down of writings for 1957 gave the following major line distributions:

Straight Fire	27.5%	Auto Property Damage	6.0%
Extended Coverage	9.0	Auto Physical	9.0
Auto Liability	15.0	Workmen's Compensation	7.0

Miscellaneous smaller lines make up the difference.

The company is licensed nationwide and is represented by about 22,000 agents. About every form of coverage is written, except life. Large holdings of a number of high grade common stocks are reported:

44,400	Chem. Corn Exch. Bank	12,900	First Nat'l Bank, Boston
18,000	First National City Bank	22,000	American Can
18,000	Hanover Bank	48,000	American Cyanamid
18,750	Chase Manhattan Bank	27,000	Caterpillar Tractor
12,000	Manufacturers Trust	188,000	Standard Oil, N. J.
4,000	First Nat'l Bank, Chicago	75,000	Texas Co.; etc.

The common stock holdings were carried at the end of 1957 at $143,835,000; bonds at $90,000,000, and preferreds at $30,000,000.

The following tabulation is a five-year showing of the company's income account, in thousands of dollars:

	1953	1954	1955	1956	1957
Premiums written	$120,939	$124,138	$125,782	$135,106	$146,513
Premiums earned	117,253	123,340	125,304	130,765	143,362
Ratio of losses & loss exp. to prem. earned	56.6%	59.0%	58.5%	63.3%	67.8%
Ratio und. exp. inc. to prem. written	40.0%	40.2%	40.9%	40.7%	40.4%
Und. profit or loss	$2,468	$735	$574	—$6,972	—$13,043
Investment income	7,830	8,421	9,396	10,250	10,240
Per share	$2.73	$2.94	$3.28	$3.57	$3.57
Net after Fed. tax.	$7,689	$7,664	$8,200	$5,073	—$1,586
Per share	$2.68	$2.67	$2.86	$1.77	—$0.55

The ratio of losses and loss expenses to earned premiums shows a rising trend which is reflected in the industry results. For Great American, the five-year average combined loss and expense ratio through 1957 was 101.4%. However, there has been a quite steady improvement in investment income.

Great American has in the past few years been shifting its portfolio distribution somewhat. On a consolidated basis it has changed as follows:

	Cash & Gov'ts	Other Bonds	Preferred Stocks	Common Stocks	Other Assets
1953	30.6%	12.3%	12.9%	35.3%	8.9%
54	25.4	12.7	11.7	42.1	8.1
55	19.9	14.6	10.7	46.0	9.4
56	17.7	14.7	9.0	48.3	10.3
57	17.6	15.8	9.5	45.2	11.9

Dividends have been paid uninterruptedly since 1873 shortly after organization; and since the start cash payments have totaled $94,450,000; stock dividends $4,500,000. The yield at the present price, on the annual rate of $1.50, is approximately 4.20%, at 35¾. The pay-out is conservative and represents 57% of investment income for 1957.

Dividend payments of insurance companies are derived solely from investment income in practically all companies. Underwriting profits, where they occur, are ordinarily retained in the business to help finance growing volume of writings. In periods such as the present, when underwriting is unprofitable, there is less disposition to increase dividend pay-out.

Great American has enjoyed a substantial increase in volume of business written in recent years. In 1952 this total was $101,934,000; by the close of 1957 it had grown to $146,513,000, a gain of approximately 44%.

Ten-Year Statistical Record — Per Share*

	Liq. Value	Adjust. Und.	Invest. Income	Federal Taxes	Net Earn.	Dividend	Price Range High	Price Range Low
1948	$27.52	$1.39	$0.98	$0.23	$2.15	$0.75	20¾	16½
49	32.85	1.98	1.13	0.62	2.49	0.81	24⅜	19¼
50	38.23	1.31	1.45	0.38	2.38	1.17	25⅝	21⅞
51	41.73	0.63	1.51	0.17	1.96	1.17	28½	24
52	43.45	1.32	1.61	0.68	2.25	1.17	32¾	26
53	44.04	0.79	1.80	0.58	2.01	1.17	34¼	27⅜
54	57.50	—0.02	2.21	0.37	1.82	1.50	43½	32¼
55	64.20	0.09	2.42	0.41	2.10	1.50	46	36
56	65.23	—0.82	2.70	†0.31	2.19	1.50	41¾	31⅝
57	57.59	—1.67	2.63	†0.37	1.53	1.50	39⅜	24⅞

*Adjusted for stock dividends: 28% in 1953; 25% in 1950.
†Credit on Federal income taxes.

Despite the fact that Great American's 1957 liquidating value was down about 13% from a year earlier, due primarily, of course, to the year's shrinkage in the assets, the longer term showing was satisfactory, being about 122% in the decade ended December 31, 1957.

The management ranks high in the insurance industry.

Bank Shares Readily Sold in 1957 Yet Capital Ratios are Down

American Bankers Assn.'s study of problems facing banks in selling shares to increase capital funds show: (1) 1957 provided a ready market with smaller banks selling more stock in relationship to their capital accounts than did larger banks; (2) earnings and dividends were an important influencing factor on price; and (3) despite doubling of capital accounts since World War II, the ratio of capital to risk assets has declined from 26 to 15% in 12-year period ending 1957.

Even though commercial banks have doubled their capital accounts since the end of World War II, the ratio of capital to risk assets has declined from 26 to 15%, according to the Economic Policy Commission of the American Bankers Association. The commission has just completed a study of problems facing banks in selling common stock to increase their capital funds.

The commission observes that "Expanding loan demand in the years ahead is likely to put further pressure on bank capital positions." Banks' capital positions control their capacity to increase total loan volume and to make larger loans to individual borrowers.

As a part of a broad study of capital and earnings problems of commercial banks, the Economic Policy Commission sought information from a representative group of banks to examine some of the problems in connection with issuing of common stock. Accordingly, questionnaires were sent to 227 national banks that sold common stock for cash during 1957 and to a selected group of state banks. Answers were returned by 73% of the banks, accounting for more than 90% of the shares sold. The responses covered stock issues ranging in size from $40,000 to $120,000,000.

The A.B.A. commission notes in its report that retained profits "have been the main source of new bank capital funds since the end of World War II. However, among national banks, sales of stock have become more numerous. During the years 1952-57, sales of national bank shares yielded 32% of the total amount of new capital, including retained profits, compared with 19% in the years 1946-51.

"For most banks the retention of profits has not provided sufficient capital in the postwar period to keep up with the growth of risk assets. By selling new stock, however, some banks have greatly improved their capital ratios. It was for this reason, more than any other, that the banks included in the survey decided to sell stocks."

Reasons for Selling Shares

About 34% of the participating banks indicated that one of the reasons they sold stock was to put them in a better position to meet a future increase in loan volume. Thirty-one per cent increased capital to enable them to make larger loans to individual customers. Other reasons for selling shares were: needed improvements in the bank's quarters, the desire to increase the number of share holders, the opening of new branches, and the growth of business. About 25% of the banks complied with suggestions made by supervisory authorities.

The commission notes that while the sale of new stock has important advantages as a means of improving capital structures, some people hold that such action is not feasible for most banks. They argue that in many cases the sale of new bank shares can be accomplished only at prices that reflect discounts from book values and that such sales result in a reduction of the book values of existing shares. Also, acquisition of new capital makes only a small direct contribution to a bank's earning assets, while increasing the number of shares among which earnings and dividends must be distributed.

Survey results, however, were that 34% of the banks sold shares at book value or higher. The remaining 66% apparently felt that the advantages of a better capital position outweighed the disadvantages. A stronger capital position, the study notes, may enable a bank to attract new business and to shift more assets to higher-yield credits, thus offsetting much of any reduction in earnings per share resulting from the sale of new stock.

Small Banks Sold More Stock Than Large Banks

The survey showed that even though small banks do not have access to a wide market for their stock, size is not the chief factor affecting the ability of a bank to sell its shares on favorable terms. While stock sales were proportionately less frequent among small banks in 1957, 15% of the participating banks had less than $5 million in deposits and 42% less than $10 million. In fact, small banks sold more stock in relation to their capital accounts than did larger institutions. The banks attracted substantial amounts from existing holders as well as from new share buyers. On the average, the small banks appeared to have sold their shares at lower prices in relation to book values of existing shares than did larger institutions. However, some small banks sold shares at substantial premiums over book value.

An improtant factor influencing prices at which banks sold shares was their past record of earnings and dividends.

Many of the banks took special measures to make their shares attractive to investors and facilitate marketing. These included such means as stock dividends, stock splits, and raising the cash dividend rate. A stock dividend encourages present holders to assign their rights to the new issue. Frequently such measures, together with the sale of new shares, constituted a single capital expansion program.

"However," the commission's report says, "40% of the banks, both large and small, experienced no difficulty in selling shares." Some have waiting lists of "willing investors."

About 15% of the banks sold their shares to existing stockholders exercising pre-emptive rights on a pro-rata basis. In another 15% of the cases, some shareholders did not purchase their full pro-rata rights and the balance of shares was sold to other existing stockholders. About 70% of the banks sold some shares to new holders, with proportions going to new stockholders ranging from small percentages to 90% or more.

Primarily the new stockholders acquired by the banks were individual investors located in the banks' own communities. Aside from large banks, the issues were distributed without formal underwriting procedures.

Replies from a number of banks indicate that sale of bank shares in the local market may have positive advantages from a public relations viewpoint.

New York City Issue Of $32.4 Million Bonds Offered to Investors

The First National City Bank of New York and The Chase Manhattan Bank are joint managers of an underwriting group which was awarded Aug. 26 an issue of $32,400,000 City of New York various purpose bonds, due Sept. 15, 1959 to 1973, inclusive. The group bid 100.02 for 3¼s, representing a net interest cost of 3.2471% to the city.

Public reoffering of the bonds is being made to yield from 1.60% in 1959, out to a dollar price of 99½ in 1969 through 1973.

Other members of the offering group include: Bankers Trust Company; Chemical Corn Exchange Bank; Guaranty Trust Company of New York; Manufacturers Trust Co.; J. P. Morgan & Co. Inc.; Harriman Ripley & Co. Inc.; Lehman Brothers.

Smith, Barney & Co.; Halsey, Stuart & Co., Inc.; C. J. Devine & Co.; Lazard Freres & Co.; Salomon Bros. & Hutzler; The First National Bank of Chicago; Harris Trust and Savings Bank; The Northern Trust Company; Continental Illinois National Bank and Trust Company of Chicago.

Barr Brothers & Co.; Kidder, Peabody & Co.; R. W. Pressprich & Co.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith; Drexel & Co.; Equitable Securities Corporation; Bear, Stearns & Co.; Hornblower & Weeks; Ladenburg, Thalmann & Co.

Two Join Sincere & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Anne K. Sherman and Harry Zielinski have joined the staff of Sincere and Company, 231 South La Salle St., members of the New York and Midwest Stock Exchanges. Miss Sherman was formerly with L. F. Rothschild & Co.

The Growing Dimension Of Management

By W. A. PATTERSON*
President, United Air Lines, Inc., Chicago, Ill.

Today's responsibilities confronting Management are covered by prominent airline official who concludes that after present day managerial dimensions are fulfilled new managerial blood should be recruited to cope with tomorrow's expanding dimensions of Management. Mr. Patterson covers such managerial responsibilities as business planning, unselfish view of Government, improved dealings with customers, stockholders and employees, and expanded relations with our communities, our nation and the free world.

In recent months we have experienced in this country a recession in business. This has called forth a wide variety of proposed remedies. One of the most disturbing things about many of these proposals is the attitude of "let the government restore prosperity. Let it spend more, or tax less; it's not our responsibility."

W. A. Patterson

There is always the temptation to take a narrow, selfish, or short-sighted view of what government should do to encourage economic stability. Tax reduction, for example, may be welcomed by the individual or the corporation as a near-term benefit, but if it is clear that such action is likely to mean more inflation, Management should have the vision to oppose it in the interest of the longer term health and growth of the economy. Don't misunderstand me. I believe our tax structure should be reviewed and overhauled; but such revisions should be made only after the most careful consideration of their longer range effect on the economy as a whole. In this connection, it is Management's responsibility to encourage adoption of a structure which will encourage enterprise rather than penalize success, a structure tailored to the economy of the next decade rather than a carry-over from the conditions of World War II.

When the level of business recedes there is also the temptation for Managements to "run scared" and thereby precipitate a downward spiral. This is no longer the danger that it once was for the reason that the Management function of business planning has achieved its present dimensions. Managements today have extended their planning far beyond a month-to-month range. They are laying plans for periods one to five years and sometimes as much as 10 years ahead. Further, they are implementing those plans by capital commitments and financial arrangements which are not subject to frivolous revision whenever economic winds blow hot or cold. This, too, is a responsibility of Management which is in the interest of stability of the economy as a whole.

But when we speak of the responsibility of business in this area let us not forget that Management is hobbled by such a concentration of power in few hands as has never before existed in this country. I refer to the power of labor union leaders and demands for wage increases and benefits which are out of line with the increases in productivity which are being and can be achieved. It is too much for the public to ask Business to hold the price line, or to reduce prices, in the face of unreasonable terms imposed by organized labor. When we speak of Management's increased responsibilities let us also be mindful of the pressing need for an equal acceptance of responsibilities by the leaders of Labor.

In the matter of government policies, both at home and abroad, Businessmen may at one time have felt that these were a proper concern only of politicians. As the airplane has succeeded, however, in shrinking the size of our world and bringing us closer to the people and problems of other nations, this position is no longer tenable. America's leadership among nations cannot be maintained unless we preserve a proper economic balance in our own economy and ensure a favorable position in our economic dealings with other free nations. I need not point out that, more than ever before, what happens abroad can have an immediate and serious effect on your own business, regardless of what industry you are in.

Then, too, we do not have a monopoly of management skills, and a free interplay of ideas with business managers of other nations can be, and has been, of mutual benefit. Hardly a month has gone by in recent years but what we in air transportation, for example, have been able to exchange experiences and "know how" with management representatives of other nations' airlines. This mutual exchange has also taken place in many, many industries in recent years.

Primary Responsibility to Customers

Turning now to the internal dimensions—our growing responsibility to people who are our customers, stockholders, and employees—I recall an incident which occurred some years ago. I was invited by coincidence to go on the board of directors of two companies in the insurance business. I said to the President of one, "Before I become a director of your company I want to know and understand your philosophy, to determine whether we can work as a team. What do you consider your primary responsibility to be?" And he said, "My primary responsibility is to the stockholders of this great company." I posed the identical question to the other President, who replied, "My primary responsibility is to the policyholders of this company. I cannot successfully represent the stockholder unless I represent the customer well and honestly." I went with the latter company.

Let us hope that no management in this country will continue to say that its primary responsibility is to a stockholder, because it cannot represent the stockholder unless it represents the employee and the customer.

It is evident to me, in the past few months of a sluggish demand for goods, that perhaps in some cases Management has misjudged what the customer wants and how much he is willing to pay for it. Be that as it may, I am sure you will agree that more is being done today than ever before to find out what customers want and to tailor products and services to customer demand. Management is leaning more heavily on market research to help determine customer needs, to search out buying motives and intentions, and to gauge attitudes toward existing and prospective products and services.

In the past, products were produced in such sizes and colors as the manufacturer thought best. Many years ago you could choose any color car as long as it was black. Until very recently the same thing was true of a telephone set. Today's merchandisers realize that it's the customer who will determine what your product must do, and how it must look, and what service features it must have before he will buy it. But on top of that, you've got to know how your customer feels about you and your product.

As a result, the researchers have come up with the phrase, "Motivation Research," and recently the Psychologist has been brought into the picture to help determine what feelings people have toward your product or service — feelings which may be so complex or obscure that the people themselves can't tell you why they react as they do. Because of the importance of the customer in our economy we now also have national surveys of customer attitudes and buying intentions, designed to help us know more about our consumer goods markets.

We businessmen may be guilty of talking too much with other businessmen, and not enough with these people who are our customers. But we are expanding in this direction; and, to my mind, learning more about our customers and our prospective customers in one of the most important tasks confronting Management today.

In the case of the people who are our stockholders, the scene has changed considerably in the past few decades. There was a time when the typical stockholders' meeting was not attended by stockholders but only by the board members and officers armed with proxies. Those were "rubber stamp" meetings.

Improved Stockholders' Meetings

Fortunately, Management has come to encourage stockholder participation not only in person at annual meetings (with or without a free lunch) but also by opening up lines of communication with Management. This has been the result of action on the part of corporations in providing more and better information for the stockholder in quarterly as well as annual reports; but more than that by carrying major problems of the management to the stockholders as they arise.

I recently had occasion, for example, to inform our 22,000 stockholders of the national problem of more effective control of air space and of air traffic, and what they could do toward obtaining immediate action in Washington. And the response was most encouraging. Your stockholder list is a ready-made panel of interested people who can provide a sounding board on questions which affect the company and its profits. Management here has an opportunity, which has not yet been fully grasped, of encouraging a two-way flow of information and ideas.

It is no secret that at times stockholders question the actions or policies of their management. This is a healthful condition, and it gives Management an opportunity to share with the stockholder the reasoning behind decisions and to explain the possible future implications of current actions. An honest and sincere response to such questions is an obligation of Management, as well as an opportunity to build the stature of the company.

In speaking of stockholders a little while ago I observed that they were also customers and employees. Now I would like to remind you that employees and Management are not mutually exclusive groups either. Management personnel of a company are employees, too. (It's just that Management's dimensions are different.)

When I think of employees (including management people), I think of how we in business treat an expensive machine, the high value we place on it, the care with which we use and maintain it or shift it to another part of the plant, and the preparations we make before we retire it from service.

That machine shows up in the balance sheet at the end of every month, along with other assets, and there is a dollar value attached to it which we know we want to preserve. It is unfortunate that there isn't something on that balance sheet to indicate the value of the employees we work with every day. If we could just put down something about "20,000 employees, value $80 million," maybe we'd be considerably more conscious of their value.

Employee-Relation Formula

This may be an oversimplification of the complexities of the problem, but here is a simple formula for good employee relations: Take an expensive machine in your office or plant, find out how Management looks upon that machine and what it does for the machine, an inanimate thing; then resolve to do as much or more for the employee. Do that and I'll wager you are going to have excellent employee relations.

We set aside funds to amortize our machines. What's the difference between that and a pension plan? When a machine breaks down temporarily we don't junk it. Because it still has value we ask ourselves how to repair it and get it back into service. Should we be more concerned with that machine than with an individual who has suffered some incapacity?

When a machine isn't turning out what we expected of it we set our engineers to work to improve it so it can meet our requirements. Perhaps an employee is in the wrong position and has not done well because we didn't give as much attention to proper placement as we did when we put the machine in place. This situation calls for counseling and training of the employee.

Sometimes it is necessary to convert a machine to do a more complex job. Certainly our supervisory-training programs are pointed in the direction of upgrading the employee to enable him to carry more responsibility. And in the matter of retirement we are finding that in the employee's and the community's interest, it is desirable to condition an employee for his retirement as well as to provide adequately for his replacement.

The analogy could be carried further, of course, and somewhere along the line it would break down, because we are not talking about machines but about people. The motives, desires, reactions, loyalties, and aspirations of people are not as readily measured as are the attributes of machines. Perhaps that leads to the observation that here is an area for research which has not been at all thoroughly explored.

Last year something like $9 billion to $10 billion was spent in the United States on research and development, and we are justifiably confident that such expenditures will pay off handsomely in the future. This money was spent mainly for the research and development of Things. Perhaps more money should be spent in the future on research and development of People than we are spending today. A better understanding of the employee might very well pay off as handsomely as research in the physical sciences.

A better understanding of management organization and production processes or systems is also called for. As soon as we can quantify our business systems we can develop models which can be used in decision making. We can then measure the future effect of a proposed action, and thereby avoid costly errors. We can, in effect, experiment in a corporate laboratory in order to achieve a more productive use of our manpower.

New Managerial Blood

Now let's assume that Management does accept and discharge these many responsibilities of which I have spoken. What remains to be done? In my opinion, it is imperative for Management successfully to replace itself, to replace itself with men who as managers five or 10 or 20 years from now will further expand the dimensions of Management—not only as those dimensions embrace people who are customers, stockholders and employees, but also as they embrace our communities, our nation and the free world.

*From a talk by Mr. Patterson before the 17th Annual Stanford Business Conference, Stanford University.

Continued from page 4

Stepping Up the Supply Of Stepped Down Power: Cobleigh

Co., United States Steel Corp., du Pont, U. S. Atomic Energy Commission, Cleveland Electric Illuminating Co., P. R. Mallory & Co., Inc., Federal Pacific Electric Co., Indiana Bell Telephone Company and many others.

A widely acclaimed new Precision transformer model is called the "Hush-Flush"—so named because of its noiseless operation (especially desirable in schools, hospitals, churches, theatres, etc.); and its compact design permitting it to be installed "flush" with the wall.

Precision has developed a uniquely efficient automation-type U-shape assembly line. The only trouble is it's bulging at the seams in its present leased plant of only 27,000 square feet, and reportedly has its eye on a splendid new plant in the Chicago area to provide for expanding needs of coming years.

For the investor there are two securities to choose from in the Precision Transformer Corp. structure, the 6% bonds now selling at a premium of 125, convertible into 500 shares of common, (and subject to call at 105) and the 694,900 shares of common now trading in the Over-the-Counter Market at around 2½. With Precision Transformer scheduled to show a 20% increase in new sales for fiscal 1958, and a 100% increase in net profits over 1957 (in a recession year) shareholders should find the next annual report pleasant reading; and quite a few bondholders might decide to convert.

With the demand for electric transformers rising so rapidly, in parallel with the electric power industry, total American transformer sales are expected to reach $1¾ billion by 1968. All of which augurs well for the companies we have just touched upon. Everyone is enthusiastic these days about electronic stocks. Well, the one's we've mentioned qualified as such.

W. D. Faubion Opens

RICHLAND, Wash.—Walter D. Faubion, Jr. is engaging in a securities business from offices at 600 Newcomer Street.

Trade With Communist Countries

By PAUL EINZIG

Observer notes that current liberalization of trade with the Communist bloc is generally welcome to Britishers, and will benefit sterling both through increased exports and diversion of purchases from hard currency countries. At the same time, Dr. Einzig depicts offsetting economic disadvantages, as speeding-up of Russians' industrial expansion, undependability of their orders, and violation of patent rights. Foresees unjustified demands for long-term credits by Soviet buyers.

LONDON, Eng. — The drastic revision of the embargo list for exports to Communist countries, for which agreement was recently reached among the allied Governments, was unanimously welcomed in the British Press. It has been for some time an open secret that the British Government has been pressing for a liberalization of trade with the Communist bloc, and the removal of a large number of important items from the embargo list is considered a British diplomatic victory. The Left Wing Press and Socialist public opinion is gratified by the conciliatory gesture, and Conservative circles are pleased with the prospects of improved exports. In official circles hopes are entertained that orders to be received by British firms by Communist countries will go a long way towards preventing an intensification of the business recession.

Dr. Paul Einzig

Most Britons are at heart Free Traders, and on that ground alone they welcome the removal of artificial obstacles to the flow of international trade. It is expected in many quarters that sterling will benefit by the change not only through an increase of British exports but also through a diversion of British purchases from hard currency areas to the Communist bloc. For years it has been argued that as a result of the embargo, Britain and other Western European countries have lost their natural markets and they had to spend too much on dollar goods.

Economic Advantages

It would be idle to deny that the change is likely to entail considerable economic advantages. One of the main arguments in favor of liberalization has been that owing to the embargo the Soviet Union and other Communist countries have built up important industries — such as the shipbuilding industry and machine tool industry—and that as a result the total capacity of such industries all over the world is now in excess of requirements. Moreover, it is argued that from a strategic point of view the Communist bloc is now in a stronger position than it would have been if it had continued to depend on the import of such essential goods.

Another aspect of the change has not received sufficient attention. If the Soviet Union in building up its machine tool and shipbuilding industries had employed idle resources the result would have been a net gain of Communist productive capacity. The fact is, however, that industries in the U. S. S. R., as in other Communist countries, were working all the time to capacity. Industrial expansion was only limited by the manpower and materials available. This means that if a considerable proportion of such resources had not been employed for building up industries which produced goods on the embargo list, some other industries would have been expanded to a much more considerable extent.

The question is, would it not have been more advantageous for the Communists if they had been able to concentrate on the expansion of industries in which they already had some experience rather than embark on the establishment of new industries in which they had to learn through trial and error? Free Traders who are jubilant about the removal of artificial barriers to trade should realize that on the basis of Free Trade principles it is to the advantage of a country to specialize in the production of goods in which it has experience rather than try to produce goods which more experienced countries can produce at a lower cost. There can be no doubt that, had that principle been followed in the absence of embargoes, the Soviet Union would have been able to import the goods concerned at a lower cost than that involved in their production at home.

In other words, the Soviet exports needed in order to pay for such imports would have been produced with the aid of less manpower than that required for the production of the embargoed goods within the Soviet Union. It seems, therefore, that on balance the maintenance of the embargoes until August 1958 must have slowed down overall industrial expansion in the Communist bloc to no slight extent. This means that the revision of the embargo list is likely to speed up Communist industrial expansion.

Increased trade with the Soviet bloc is liable to entail considerable disadvantages to the Western industries concerned. Judging by past experience, markets in the Communist countries are very undependable. Communist Governments are liable to terminate their purchases suddenly, or even cancel orders, so that firms which have come to depend on such orders are exposed to unpleasant surprises. If they expand or adjust their capacity to meet Communist requirements, or if they neglect other markets, they will be at the mercy of Soviet politics.

The only way in which they could safeguard themselves to some degree would be by insisting on covering the entire amount involved by means of confirmed bank credits, or other similar means. Since the delivery of capital goods may have to be spread over a period of years the Soviet trading organizations may not agree to such terms. And owing to the competition between exporting firms there is a strong temptation to abstain from insisting on full guarantees.

Unwarranted Credit Demands Expected

What is more, even the possibility of strong pressure in favor of granting long-term credit to the Communist purchasers must be envisaged. This was done on a large scale before the war. There was some economic justification for it, but there would be none in the changed circumstances. Since the Soviet Government is now in a position to grant long-term credits for exports it should be in a position to pay cash for imports. It is supposed to possess the world's second largest gold reserve and is in a position to part with gold if necessary to cover balance of payments deficits resulting from the relaxation of the embargo.

There is no protection for British firms exporting to the Soviet Union against the violation of their patent rights. There is nothing to prevent Soviet industries from copying any equipment they purchase from Britain. For this reason alone the advantages of increased exports of engineering products are likely to be purely temporary. Before very long the Communists would be in a position to exploit British inventions to their own advantage and this will enable them to compete with British manufacturers in foreign markets.

Even if a relaxation of the embargo was inevitable there is room for two opinions as to whether its achievement is really a matter for rejoicing.

World Bank Arranges Sale of Dollar Bonds Outside the U. S.

The World Bank has arranged the sale, entirely outside the United States, of a $75 million issue of United States dollar bonds. The sale was made by private placement with 40 institutional investors in 26 countries, and marks a broadening of the already wide international market for the bonds of the Bank.

The new bonds will be known as the "Two-Year Bonds of 1958," and will carry interest of 3¼%, payable semi-annually, with the first payment due on April 1, 1959. The issue is dated Oct. 1, 1958, and matures Oct. 1, 1960.

There was keen interest in the issue among the selected institutions approached, orders being received for $127 million of bonds. Requests for bonds were received from institutions that had not previously bought the Bank's obligations and in countries where Bank bonds had not been held before.

Purchasers of the issue included central banks, government special accounts, commercial banks, insurance companies and private corporations. The issue was sold chiefly to investors who made purchases from the $75 million issue of 3½% dollar bonds, also placed entirely outside the United States, which matures on Oct. 1, 1958.

The countries where buyers purchased the new bonds are: Australia, Austria, Belgium, Canada, Denmark, El Salvador, Ecuador, Ethiopia, Finland, Germany, Greece, Honduras, Iran, Israel, Italy, Japan, Mexico, Netherlands, Morocco, Nicaragua, Norway, South Africa, Sweden, Switzerland, Thailand and United Kingdom.

The current transaction is the eighth private placement of World Bank dollar bonds outside the United States. The total of these placements is $600 million, of which $115 million will have been retired when the new 3¼s become outstanding.

The total of the Bank's funded debt will not be affected by the sale of the new issue. Outstanding bonds and notes of the Bank will still stand at about $1,700 million, of which, it is estimated, 47% are held outside the United States.

Included in these holdings outside the United States are $575 million of the Bank's dollar bonds and notes; this is almost two-fifths of the $1,500 million of the Bank's obligations that are denominated in United States dollars. The remainder of holdings outside the United States amounts to some $200 million equivalent, denominated variously in Canadian dollars, Deutsche marks, Netherlands guilders, pounds sterling and Swiss francs.

Connecticut Brevities

The Kaman Aircraft Corporation of Bloomfield has obtained the American license to manufacture and distribute the Rotodyne, a new British helicopter. Designed by the Fairey Aviation Company Ltd. of Hayes, England, the revolutionary Rotodyne is a cross between a helicopter and a conventional winged airship. Capable of carrying as many as 48 passengers, it is the world's first vertical take off turboprop airliner. It weighs 18 tons and was first flown by the British firm in Nov. 1957.

* * *

The merger of Torrington National Bank and Trust Co. of Torrington into the **Hartford National Bank & Trust Co.** has been approved by directors of both banks. Subject to the approval of stockholders and the Comptroller of Currency, the plan calls for exchange of 1½ shares of Hartford National for each share of Torrington National. On June 30, 1958 assets of Torrington National were $28,194,592.

* * *

The Pratt & Whitney Aircraft Division of **United Aircraft** has disclosed the development of the JT-12, a new turbojet weighing only 430 pounds. This engine is the fifth and smallest jet designed by the East Hartford firm. The JT-12 has completed a 15-hour rating test for missiles and is also suitable for both military and commercial planes. It has an initial rating of 2,900 pounds of dry (test stand) thrust for take off.

* * *

The Hartford Gas Company has completed conversion of appliances of 40% of its customers to full natural gas. The Company's program calls for complete conversion of all customers to straight natural gas by Oct. 1959. Prior to 1957 the company supplied its customers with a mixture of manufactured and natural gas.

* * *

The directors of **Plume and Atwood Manufacturing Company** of Thomaston recently voted to split the stock four-for-one and to apply for listing on the American Stock Exchange. This action is subject to approval of the metal firm's stockholders.

* * *

Chesebrough-Ponds, Inc. is undertaking a $2,500,000 expansion program at Clinton which will enable the firm to consolidate all domestic manufacturing. The program will allow the elimination of duplicated production facilities in Pennsylvania, New Jersey and New York plants. The cosmetics firm expects a considerable increase in the Clinton work force as a result of the consolidation.

* * *

CBS Laboratories Division of **Columbia Broadcasting Systems, Inc.** has purchased an additional 12 acres adjoining the 11 acre site of its new research center in Stamford. The center will do research and development work in military reconnaissance systems, acoustics, solid state and vacuum physics, magnets, high resolution data recording systems, and related fields.

* * *

As another step in its program of diversification in the electronics and other allied fields, Western Union Telegraph Company recently acquired a one-sixth stock interest in **Gray Manufacturing Co.** of Hartford through an exchange of 20,000 shares of Western Union for 60,000 shares of Gray. Gray manufactures dictating instruments, television studio equipment, high fidelity reproduction equipment as well as military electronic and electro-mechanical devices.

* * *

Directors of **Connecticut Light and Power Company** declared a quarterly dividend of $0.27½ payable Oct. 1, 1958 to stockholders of record Sept. 2, 1958. This represents an increase over the previous quarterly rate of $0.25.

Caleb Adams Joins Future Planning

The election of Caleb Adams as Executive Vice-President, National Sales Manager, and a member of the board of directors of Future Planning Corporation, 350 Fifth Avenue, New York, has been announced by Karl D. Pettit, Jr., Future Planning Pres.

Caleb Adams

Mr. Adams brings to his new position over two decades of experience in the mutual fund industry. He was formerly Vice-President of a leading mutual fund underwriter, from which post he resigned recently after more than 20 years of service, and he has also pioneered in the development of the systematic investment plan for the accumulation of mutual fund shares.

M. K. Grant Opens

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Malcolm K. Grant is engaging in a securities business from offices in the Crocker-Anglo Bank Building.

Chapin With Kidder

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Roy F. Chapin has become associated with A. M. Kidder & Co., Inc., 400 Beach Drive, North. Mr. Chapin was formerly Clearwater Manager for Sincere and Company.

Joins A. M. Kidder Staff

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Doris R. Culverhouse has joined the staff of A. M. Kidder & Co., Inc., 207 East Las Olas Boulevard.

Goldman, Sachs Branch

TOLEDO, Ohio — Goldman, Sachs & Co. has opened a branch office at 1513 Jefferson Street, under the management of Robert D. Johnson.

Ethics in Modern Business

By ROBERT E. WILSON*
Retired Chairman of the Board, Standard Oil (Indiana)

After forthrightly pointing out and explaining why American ethical standards of business are at an all-time high, and why it appears as though this were not so at times, Mr. Wilson singles out one area of valid criticism—i. e., failure to lead the fight against both dishonesty and demagoguery in city, state and nation. The retired oil industrialist wants courage and leadership from business. He fears we may have become so obsessed with desirability of making friends that we are unwilling to make any enemies, even of the right kind.

In spite of a continuous barrage of wild charges by left-wing columnists and radio commentators and accusations by politicians against many companies or even whole industries, I am sure from my own experience that the ethical standards of business generally are at an all-time high.

Robert E. Wilson

Admittedly before and especially during the 'Twenties there were some freebooters in business who were taking the public for a ride, but the depression weeded them out pretty fast and the Securities and Exchange Act has kept the climate rather unhealthy for crooks ever since. Of course, we deserve no laurels for merely obeying the law. However, the ethical standard presently acceptable to the business community **substantially transcend** those set even by our newer laws. As the result, the SEC has had very little occasion to prosecute any substantial company or important individuals under that act, even on technicalities. I believe you could count on the fingers of one hand the number of prosecutions or scandals you can recall involving the responsible officials or the corporate acts of any of the 1,100 companies listed on the New York Stock Exchange. This represents a substantial improvement on the record or previous business generations. True, for every case of bribery of a public official there is always a briber as well as a bribed; but how many of the bribing individuals or companies did you ever hear of before the exposure? I'm not inferring that big business is inherently more honest than little business — it is merely that a crook can seldom attain a position of power in any substantial business though he can readily organize or gain control of a small corporation and use it as a cloak.

One of the things that has surprised me in my management experience is the tremendous amount of business that is done every day —often involving huge sums of money—on the mere verbal agreement of two men who have confidence in one another. True, many of the deals are later reduced to writing as a matter of corporate record, but by the time the lawyers get through dotting the i's and crossing the t's, the agreement has often been carried out in full.

High moral standards exist and must exist to make possible the efficient production and distribution of $400 billion worth of goods and services annually in this country. Fraud and commercial bribery, so common in many countries are almost non-existent here. On the much maligned stock exchange, billions of dollars in goods and property are exchanged by a word or a sign. The same is true among bankers. Our own company's credit sales total over $1,700,000,000 per year to well over one million different individual and corporate accounts, yet our bad-debt losses over the past six years have averaged not 1%, not one-tenth of 1%, but actually about one-fortieth of 1%. Think what that means to the cost and efficiency of doing business in this country.

Why the Increasing Government Attacks on Business?

But if what I say about ethics in modern business is true, why is it that our government has over the past two decades filed so many hundred suits of one sort or another against large corporations or even whole industries? It is said that in England they knight their leading businessmen — over here they indict them! And that is really not funny. These attacks and their effect on public opinion give serious concern to everyone who takes pride in the high standards of modern business. How can such actions be accounted for if businessmen are really honest.

One reason is, of course, that our Federal bureaucracy has for many years been overrun with so-called bright young men who are 100% for the planned economy. As part of a studied campaign to substitute socialism for free enterprise they try to discredit private business management if they can. They use their positions to create dissension between government and business, to spread fallacies regarding business, and to harass business with complicated regulations and litigations.

With the death of the OPA some four years ago, business got rid of 1,600 orders using a total of over 3,000,000 words.

The Manufacturers' General Ceiling Price Regulation, known as CPR 22, including its 33 supplementary regulations, covered a total of 206 pages, or about 221,000 words.

Typical of the unreasonable burdens placed on businessmen by the OPA were the complicated requirements which had to be observed by people in the wholesale meat business. Let's read just one —how to prepare just one cut from one kind of meat.

"Oven-prepared rib: Oven-prepared rib means that part of the regular seven-bone rib remaining after the chine bone and short ribs have been removed. The chine bone, or bodies of the thoracic vertebrae, shall be entirely removed by cutting to the point at which they join the feather bones, exposing the lean meat, but leaving the feather bones attached to the rib cut. The short ribs shall be removed by cutting in a straight line perpendicular to the outside skin surface of the rib from a point measured eight inches along the 12th rib from the protruding edge of the 12th thoracic vertebra to a point measure eight inches along the 6th rib from the protruding edge of the 6th thoracic vertebra."

And if your ruler slipped, you were breaking the law!

Some laws and regulations go to the opposite extreme of intentional vagueness, so that no one can tell what is legal. As Lowell B. Mason, Federal Trade Commissioner, has said, the legality of illegality of any price now "rests not on law, but on the whim of bureaucracy." Mr. Mason ought to know. Justice Jackson of the Supreme Court said in a dissent, "The law of this case, in a nutshell, is that no quantity discount is valid if the Commission chooses to say it is not." Businessmen must guess, at their peril, what the law is supposed to be at any given moment. The outstanding anti-trust case of the past 10 years was decided on no evidence of wrongdoing — no new facts — merely a new interpretation of an old law.

One law — the Sherman Act, which most industrial leaders welcome as a necessary part of American competitive enterprise —bars agreements in restraint of competition. The resulting absence of cartels is one of the principal reasons for our rapid industrial progress. But now we're getting more and more laws and commission orders that sharply limit the ways in which we can compete. The idea seems to be that we must compete, but that no one must be hurt or lose any business in the process! The public interest cannot be served by such "soft" competition.

In view of all these facts, I trust you will agree that governmental attacks or suits by no means disprove the existence of high ethical standards in business.

Reasons for the High Standards in Business

It may be of interest to appraise the factors which have been steadily improving business ethics at a time when moral standards in some other parts of our economy have apparently been deteriorating. I do not think that businessmen can take entire credit for the development, even though they are justifiably proud of it. To my mind, the principal effective factors have been these:

(1) The depression exposed and eliminated many whose standards had been inadequate, and posted many conspicuous warnings for the present business generation.

(2) Public sentiment, demanding the highest standards of conduct for those handling or administering other people's money, made itself felt not only by legislation but also by insistence that only men of proven integrity be placed in responsible business or financial positions.

(3) Business can be carried on far more effectively and promptly when honorable men are dealing with one another. Life is just too short to maintain an adequate guard against a person whose integrity is doubtful, so one simply avoids dealing with him. If a business is to grow and prosper, it must be firmly rooted in fair dealing.

(4) Most men attain the leadership of our large corporations today by a long process of step-by-step promotion in competition with others. As Dr. Copeland of Harvard says in his recent book, "Because of this continual sifting process, it is rare that a man attains a high executive position in a well-established company who does not measure up to a high standard of conduct." Such men would be foolish if they did not regard their honor as of far more importance than any dishonorable profit.

(5) Most of today's managers of our larger industries and businesses are essentially professional men rather than owners. They are able to balance objectively the proper claims of the three groups who must be joined as a team to make a continuous success of any business — namely, stockholders, employees, and customers. Such managers are less concerned about immediate large earnings and more concerned about factors of

Continued on page 29

*From a talk by Mr. Wilson before the Executive Development Program, College of Commerce and Business Administration, University of Illinois.

Three Keys to the Future

By REAR ADMIRAL RAWSON BENNETT, U. S. N.*
Chief of Naval Research

After unhesitatingly observing that "cost plus contracts" have left many not as cost conscious as they should be, that we should not plunge blindly or be stampeded into automation, and that there are many things about research and development that are not well understood, Admiral Bennett explains why intelligently used automation, science and cost-cutting are the three keys for new products and new sales. Says three less tangible keys to the future are imagination, judgment and integrity.

To discuss with meaning on the three keys to the future, of cost, of research, and of automation, it is desirable and necessary to bring in three less tangible keys. These keys are imagination, judgment and integrity.

Let us first consider the cost of the product in a somewhat philosophical vein rather than by examination of precise methods.

One of our larger corporations established its reputation years ago in electrical generating equipment. In that field even today the basic criteria of purchase do not really include cost. The things that count are reliability and low operating cost based on the finest engineering.

Equipment cost is a part of the rate making base. There may even be advantages in having it relatively high. So there was established unwittingly the company philosophy that the quality of the product based on sound engineering and its reliability of operation were paramount.

Spoiled by Cost Plus Contracts

Then this company ventured into the consumer appliance field. Its first product line was superb. It functioned beautifully, it was reasonably attractive for the times. It was also all but indestructible, and it was high priced.

Very shortly, active and successful competition appeared. The products were cheaper. At the same time they were functionally effective enough and reliable within reason. They were based on a design philosophy which was better balanced with cost to the customer.

It has taken that corporation years to modify the original design philosophy to become more nearly cost competitive.

Today, all American industry, in the manufacturing area, almost without exception is faced with a version of that lavish design philosophy.

Why? Because we have a large part of this generation of managers and engineers who have grown up and lived their working years on the cost plus government contract. Their work habits, their responses to a problem place cost as distinctly secondary to performance of material. Even when shifted to commercial operations they have difficulty in being really cost conscious. They have difficulty in designing and producing the simplest, cheapest product to satisfy customer demand while delivering reasonable profit.

In the military we have more or less unconsciously abetted this lush design philosophy. Now we are pricing ourselves out of the market. But that is another story for another time.

It may be worth while to consider a cost reduction technique that is fairly new, and as far as I can learn not widely applied.

Value Engineering

This is what the Navy calls value engineering. And we claim no originality—we saw a good idea and adopted it.

The value engineer stands looking over the shoulder of design and production at the critical period of readying for production. The value engineer must know engineering, and must be right up to date always on better materials and processes.

It is his job to ask questions—sensible questions. "Why machine that part? In the model shop—yes; in production—why not stamp it?" "Why not use that new plastic gasket?" "Why use bronze?" And so on. In the Navy we have already saved a respectable number of millions.

Yes — I am familiar with the inflexibility of our current labor high costs. But through imagination and judgment, through research in new products, in sensible automation we can still lower our final cost to the customer.

Today, everyone talks about science, about research, very glibly. World War II demonstrated some of the things scientists and the scientific method could accomplish. More recently the Russians have jabbed us in our complacency.

Research and Development

In general, however, there are many things about research and development that are not well understood. One of these is the time factor; for it takes time to accomplish research and time to apply it.

For example, the basic research that laid the groundwork for our latest solid fueled missile, the Polaris, was started in 1947. And other examples could be cited which show that many times ten years will elapse from ideas to mass production.

Another factor is the spin-off of uses, quite often unexpected. Right after the war the Navy wanted a strong, very light material for large balloons. The motive was research in the upper atmosphere twenty miles up. Eventually, we got thin plastics, in nine-foot wide strips. From these the Stratolab and Stratoscope balloons were built. Men's reactions at altitude were studied. Pictures of the sun were secured, unobtainable through our atmosphere. From these we may understand weather and communications phenomena better. An Air Force officer set an altitude record.

And down at the corner store you find countless articles packaged in these same plastic films, a rake-off from a very basic research project.

Imagination and judgment pay off here too. In the 1930's the Navy needed better diesel engines for submarines. Several firms competed, but in most respects General Motors can be considered the real winner. For their design was slanted toward railroad engines as well as submarines. Hundreds of engines were built for many navy ships. And we all know of the dieselization of the railroads, improving service, economically. But do you also know that many parts were inter-

Continued on page 28

*An address by Admiral Bennett before 3rd Annual Conference in Automation, Operation Research, and Business Planning, University of Chicago, Chicago, Ill.

THE MARKET . . . AND YOU

By WALLACE STREETE

The approaching Labor Day shutdown threw a bit of caution over the stock market this week, but none of it interfering with progress by some of the quality steels, selected aircrafts and drugs.

* * *

U. S. Steel continued to work higher to the best prices in history, which made an ironic note in that it was recording a better price when the industry was operating at around two-thirds of capacity than its previous peak when operations were above theoretical capacity a couple of years ago. Moreover, the excursion into historically high territory was pretty much of a solo feat, the other steel leaders being disinclined to set any records at the moment.

Laggard Utilities

The quality section that was definitely laggard was the utility group where, except for an occasional favorite such as Florida Power Corp. which was hailing a stock split proposal, the continuing story was one of retreat. The utility average has been running strings of small minus signs in a row, relieved occasionally by a minor and temporary respite.

* * *

For the general list, no particular records were being threatened, although the industrials were hovering just under their year's high without showing any inclination to test the peak. Sentiment wasn't overly conducive to such a test since the possibilities of a post-Labor Day setback were being bandied about rather widely.

A bothersome note was the big play in the low-priced issues, some of it in the complete absence of any concrete reasons for the fanfare, which in Wall Street spells out as "poor leadership." On the favorable side was the ability of the industrial average to hold above the 500 line even on recent setbacks. Then, too, technical studies indicated a support level around 480-485 in the event of a market correction which, if it works out in line with the chart work, would be far short of being anything drastic.

Rails Brighten

Rails were able to show reasonable buoyancy most of the time with little fanfare. Their July earnings reports were brighter reading than had been expected for the summer lull month and hopes were that the better operations would also show up for August to bridge the gap before the normal fall pickup gets underway.

Aircrafts snapped out of their lethargy a bit when Bell Aircraft emerged as a fast-stepping item following the revelation that it had produced a superior rocket fuel based on fluorine. That, in turn, spurred Equity Corp. to high activity since Equity controls Bell.

With stocks generally high, there was something of a trend toward culling out of special groups the issues that, on traditional yardsticks, are selling lower than the others more in the limelight.

Cosmetics Arouse Interest

Revlon, for instance, was the prominent item in the cosmetic group, helped along by a financial service recommendation. But where Revlon's price-earnings ratio had jumped above 10-times in the process, Helena Rubinstein was still at a conservative six-times-earnings level although it is expected to show better per-share earnings than others in the group. Other indices are similarly favorable, including book value, which is some three times that of Revlon. Yet Revlon commands a far higher market price.

* * *

Among the groups that turned in results relatively better than industry generally were the heavy truck makers, which continued to get business from the highway program and from the larger transportation fleets while the light truck demand dried up markedly. Then, too, must be added the prospects of a good fall recovery for heavy trucks in line with the economic revival generally. Since this is a cyclical field, the issues are selling at low indicated values and on good yields running up to 6% in White Motor, largest of the independents in the big-unit field.

Although White's 1958 results are expected to drop a dollar a share or so, it still leaves its $3 dividend well sheltered and, if business recovers as expected, on the underpayment side so an increase could follow any good improvement in White's results. Divco-Wayne, with a yield of around 5½%, is also something of a candidate for eventual dividend largesse since its present rate would seem to be less than half of anticipated 1958 earnings and if good business continues into 1959, a higher payout would be almost assured.

Interesting Chemical Issues

Like the chemical industry, Diamond Alkali has gone through a trying period and now seems to be on a recovery trail. But unlike the chemical companies that sell at high price-earnings ratios and small yields, Diamond Alkali at recent prices offered a return that came close to 5% and its payments are usually larded with stock. The issue has become a bit prominent lately, nudging to new highs for the year but is still well deflated from its peaks of 1955-57. Diamond is still linked closely with the chemical companies since they take about 25% of its output, more than twice the reliance on any other industry. Counting in the stock dividends, an indicated return of above 7% is definitely abnormal in this section of the nation's industry.

* * *

Pennsalt Chemicals, in part because it is a leading researcher in the use of fluorine as a rocket propulsion source, was able to share in the enthusiasm over Bell Aircraft's success in the same field. In addition, Pennsalt can match the giants around it in its area in growth capability as well as in diversification since it serves other chemical companies as well as iron, paper, textile, food processing agricuture, metals, and glass operations. Its yield was a satisfactory 3% until its push to a new high for the year dropped the indicated return under the line.

* * *

The static item in the building materials section is Armstrong Cork which, while holding in a 10 point range all this year, has still not reached the peaks posted in 1955 and 1956. Earnings were off early this year but the decline was held to 4% under last year's results which is greater stability than has been general in the current crop of earnings reports. Some 60% of its sales are concentrated in building materials and building activity is one of the brighter spots in the economy at the moment. It has helped hold up Armstrong's sales, and the prospects are that results finally will exceed those of last year. At recent levels the yield was well into the 4% bracket.

New "High-Risk" Favorite

The lack of any yield, or of a single black ink report for any year since Studebaker and Packard were merged failed to chill the speculative play in Studebaker-Packard which made it lead turnover more times than not. Some of the play stemmed from the fact that its financial problems are being straightened out by converting debt to notes and convertible preferred stock which might indicate a new lease on life. As one service rates it succinctly: "a high-risk situation."

[*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.*]

"Revival of the Inflation Peril"

By JOSEPH HOLZKA*

President, Northfield Savings and Loan Assn. Staten Island, N. Y.

President, United States Savings and Loan League

Mobilization of the savings and loan industry to fill the void in anti-inflation leadership is said to be a must since "commercial banks are too timid" and "efforts of the insurance companies have lost much of their impact." Fearful that the cost of living will continue to inch upward painfully, the S. & L. Assn. leader suggests the challenge presented be accepted and adds "nothing else we could do would do more to enhance our prestige and standing with the American people." Mr. Holzka notes favorable weathering of recession by his industry; believes home mortgage loans in 1958 will exceed 1957; sees savings declining with business upturn; and provides a brief rundown resume of the legislative situation affecting the savings and loan business. He finds most astonishing the opposition to the Home Loan Guarantee Plan.

First, let's take a quick look at the current developments in the savings and loan business. During most of the first half of 1958, the nation's economy was in the throes of a recession, although there now seem to be clear indications that the bottom of the recession has been passed. The important economic indexes which are watched by leading economists seem to be showing steady improvements over the last month or two. The figure on gross national product is up, steel mill operations are improving, civilian employment is rising, and personal incomes are continuing to increase.

Joseph Holzka

Entering Recovery Period

All in all, there seems to be rather general agreement that we have passed the bottom of the recession and entered upon a period of recovery.

While the recession had some serious repercussions in other sectors of the economy, it was sugar-coated so far as the savings and loan business was concerned.

Certainly there was little adverse financial reaction either to our institutions, or to ourselves as savings and loan executives. On the contrary, savings have poured into our institutions at a rate well beyond the levels of last year, although in recent months the amount of increase over 1957 has been tapering off rather sharply. In July, as a matter of fact, our latest League survey shows that the business ran "in the red" slightly for the nation as a whole—the second successive July this has happened, incidentally.

Breaking down the survey by sections of the country, every section but one—the Mountain and Pacific States—was "in the red."

Clearly, the July transfer period is getting to be a pretty volatile month so far as the turnover in savings is concerned.

On the mortgage loan side of the business, our institutions—contrary to the expectations of many—experienced little difficulty in keeping their funds invested. In the first seven months of 1958, our mortgage loan volume was nearly $6½ billion, compared to $6 billion for the first seven months of 1957. Projecting these figures ahead for the entire year, it looks as if 1958 volume will be in excess of $11 billion—or substantially ahead of the $10.4 billion loaned in 1957.

It is important to note that in July the home lending volume of savings and loan associations was 19% ahead of July 1957—in terms of percentages it was the biggest increase for any 1958 month over the corresponding 1957 month.

If the recovery from the recession proceeds as rapidly as some economists expect, it is altogether possible that the demand for home loans will expand rather rapidly in the final half of 1958.

Along with its possible impact on home lending, an early recovery could very easily have some important effects on the flow of savings into our institutions. It has traditionally been true that because of the uncertainties created in a period of recession, savings tend to increase over their normal level; and, conversely, that in a time of prosperity, consumers tend to buy more confidently thus reducing their allocations of funds for savings.

Savings May Taper Off

If this tradition holds, then for the next six months to a year, it is quite natural to expect that the volume of savings may taper off rather rapidly—certainly below the rate of the first six months of 1958.

Prospects, then, seem to be for an increased demand for home loans as compared to the first six months of 1958 and, on the savings side, a somewhat lower volume of savings than was the case for the first half of 1958. As far as interest rates are concerned, the start of the recovery suggests that the bulk of the decline in interest rates has taken place.

Encouraging as the news of the economic recovery is to everyone, there is considerable concern that the lustre of the recovery from the recession may be tarnished by a dangerous inflationary surge.

Prospects for Inflation

Certainly all of us in the savings and loan business had hoped that the recent recession would enable us to correct some of the price distortions that had been built into the economy in recent years. Unfortunately, however, it doesn't look now as if this hope will be realized.

On the contrary, our newspapers are full of headlines which suggest that—rather than a period of stabilized prices—we may quickly reenter a period where inflation will again become the predominant problem of the American people.

Until very recently, it had been expected that the cost of living, which has risen 4% in the past year, would stabilize—or perhaps even decline—during the second half of 1958. Now, however, such developments as (1) the Middle East crisis with its accompanying possibility of still more spending for defense, (2) the ominous possibility of a $10 to $12 billion Federal budget deficit, (3) the

Continued on page 28

*An address by Mr. Holzka before the Midwest Savings and Loan Conference, Fort Collins, Colorado, Aug. 11, 1958.

From Washington Ahead of the News

By CARLISLE BARGERON

The Congress which adjourned Sunday is being described generally as a highly constructive one. If you want to call such a thing as raising the national debt by $12 billion, it might classify. It is said to have given the President practically everything he asked for, thus showing that it is perfectly all right to have a Congress of one party and a President of another.

Carlisle Bargeron

But it also gave the President a lot of stuff he didn't ask for and didn't want.

In the face of its great concern for inflation, Congress increased postal rates and also increased the salaries of postal employes and the salaries of some 2,000,000 classified government employes as well. By way of keeping skills in the military service, it generally boosted the military pay. It is erecting unneeded buildings to provide further space for offices of the Congressmen and Senators.

The Congress met last January in a state of panic caused by the Russians having launched the Sputnik, a mood that became accentuated as the recession deepened. It immediately went off the deep end in expenditures until we now have all sorts of space exploration and, in the matter of pump priming, it took the heroic efforts of the Administration to keep the lid on.

Both crises have cleared up—the recession and the state of mind produced by Sputnik. It is significant that the Russians did nothing but bark when we sent troops into Lebanon. When the British, French and Israelis moved against Suez, Russia is said to have threatened atomic retaliation. In our case she does nothing more than to get China to act up against Quemoy, which is annoying but otherwise doesn't amount to anything.

The Democrats who started the year so hopefully have lost two of their issues—unemployment and Russia's superiority in nuclear weapons. The Nautilus' passage under the North Pole completely dwarfs the accomplishment of the Sputniks which have no military advantage at all.

Senator Symington, who has been the great crepe hanger in the matter of our air force defense, has been extremely quiet recently. Senator Kennedy moved into new fields with a speech declaring we were woefully behind Russia but he wasn't able to arouse anybody.

The man who came through the session of Congress with the greatest increased stature was Secretary of Agriculture Benson. In the early part of the session it seemed certain that he would be shoved out. Congress seemed to take a delight in slapping him down. He didn't have a friend among either Democrats or Republicans except one or two hardy souls like Representative Bill Hill of Colorado. There were demands for his resignation.

But he stuck to his guns. He got the legislation he wanted by refusing to take anything else. In the meantime, farm prices have righted and the farmer is enjoying prosperity. Benson who was hated by practically every Congressman is now being importuned by them to make speeches in their behalf.

Steamship Lines Plan Large-Scale Financing

U. S. Merchant Marine Bonds, a new investment medium, backed by "full faith" of the Government, to account for bulk of their $1 billion debt financing over next 10-15 years. Will be important to financial public, including various institutional investors.

U. S. Merchant Marine Bonds—a new source of prime investment securities—will account for the bulk of $1 billion in debt financing to be sought by major American steamship lines over the next 10 to 15 years, a steamship association bulletin reports.

"Shipping Outlook', published by the Committee of American Steamship Lines, says: "The 'full faith' of the Government that is behind these bonds—and the inherent strength of that segment of the maritime industry which operates under contract with the Government—makes this prospective volume of financing an important development to the financial community and the investing public, including municipal, college and industrial pension funds, and other institutional investors."

The new securities will finance in part a $3.6 billion shipbuilding program to replace 294 ships owned by 15 American-flag lines. These lines, which operate solely in foreign trade under operating differential subsidy contracts with the Government, are "the hard strong core of America's Merchant Marine," the bulletin declares.

Current Public Offerings

Grace Line Inc. and Moore-McCormack Lines, Inc., two member companies of the Committee, are already undertaking public offerings of a total of $42 million in Government-insured bonds to finance part of the cost of four new passenger ships. Other lines are expected to follow suit as their own vessel replacement programs progress, the bulletin says.

The Government is authorized to insure 100% of the principal of and unpaid interest on mortgages on U. S. ships under Title XI of the Merchant Marine Act of 1936. The Secretary of Commerce, the bulletin points out, must approve the ability, experience and financial resources of the steamship lines issuing the bonds.

Public's First Opportunity

"This is the first opportunity the public has had to participate in financing its Merchant Marine under Title XI," according to "Shipping Outlook". Shipowners themselves pay the Government for the cost of its insurance at an annual premium which may vary between one-half and one per cent of the average principal amount of the mortgage outstanding.

The total program will call for an expenditure most recently estimated at $3.6 billion. In addition to funds raised by debt financing, some $2.6 billion will come from reserves or equity financing, and from Government construction—differential payments to U. S. shipyards designed to compensate for the difference between foreign and domestic shipbuilding costs—up to a maximum of 50% of domestic costs, the bulletin says.

Most ships in the combined fleet of the contract operators will soon be approaching the end of their usual 20-year statutory life and must normally be replaced in the next 10 to 15 years. The U. S. Government considers the maritime industry's replacement program of sufficient economic importance to justify the extension of Governmental aid and 100% insurance of ship mortgage bonds, the bulletin says, pointing out two reasons.

"One is that over the years, and frequently through grim experience, the Nation has seen the need for a strong, up-to-date merchant fleet in times of national emergency. The other is that this same need has become apparent, when, lacking adequate ocean transportation under the American flag, the country's foreign commerce has time and again been constrained to move, if at all, only at the pleasure of foreign nations whose merchant ships dominated the world's trade routes."

With reference to the government-guarantee of the bonds and their legal investment status, the bulletin observes as follows:

"Section 1103 of Title XI provides: 'The faith of the United States is solemnly pledged to the payment of interest on and the unpaid balance of the principal amount of each mortgage and loan insured under this title.'

"In respect to this guarantee, the following is excerpted from an opinion submitted by the Attorney General of the United States to the Secretary of Commerce on May 20, 1958: 'It is . . . appropriate to conclude that Congress intended to place the obligations assumed by the United States under a contract of insurance pursuant to Title XI on a parity with the obligation which it assumes with respect to its interest-bearing obligations. . . . Any insurance obligations validly incurred under Title XI will be a general obligation of the United States.'

"Because of this government guarantee, ship mortgage bonds are considered exempt from registration under the Securities Act of 1933 and the Trust Indentures Act of 1939.

Legal Investments Status

"It is understood that the securities will be legal investments, subject to certain conditions, for savings banks, commercial banks, life, fire and casualty insurance companies and fiduciaries in substantially every state on the country. It is also understood that the bonds will be legal investments for all National Banks and all State Member Banks of The Federal Reserve System."

Of the 15 contract lines, 14 are member companies of the Committee of American Steamship Lines. They are: American Export Lines, American Mail Line, American President Lines, Bloomfield Steamship Company, Farrell Lines, Grace Line Inc., Gulf and South American Steamship Co., Lykes Bros. Steamship Co., Mississippi Shipping Co., Moore-McCormack Lines, Pacific Far East Line, States Steamship Company, The Oceanic Steamship Company, and United States Lines Company.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Michael Caldarello, Edward A. Forster, William J. Gallagher and Arthur E. Smith have become associated with Marache, Dofflemyre & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. All were formerly with J. Logan & Co., of which Mr. Smith was Manager of the Statistical Department in Pasadena.

Continued Slow Recovery With No Near Term Upsurge Seen

Purchasing agent's survey group notes business recovery is continuing slowly and that there has been a startling change in commodity prices. The purchasing executives find also that the impetus provided by Mideast crisis has been offset by mixed thoughts regarding employment stability in the auto industry.

August reports of Business Survey Committee of the National Association of Purchasing Executives, issued recently indicate that the business recovery is proceeding slowly, with no great upward surge anticipated in the immediate period ahead. The impetus supplied by the Middle East crisis has been largely offset by the cloud which surrounds the current auto industry labor negotiations. The threat of a strike, added to uncertain public acceptance of new models, has tempered some business enthusiasm.

Chester F. Ogden

But, with all this, conditions are improving and committee members, whose Chairman is Chester F. Ogden, Vice-President, The Detroit Edison Company, Detroit, Mich., continue to report better production and new order figures. In fact, not since the Summer of 1955 have so many told of improvements in these areas. This month, 45% state their production is up, 40% the same and only 15% worse. Higher new order bookings are reported by 48%, while 41% say there is no change and only 11% have had reductions. Employment continues to make slight gains, to keep pace with the improving production and new order positions.

One of the startling developments in this month's report is the dramatic change in commodity prices. The downward trend came to an abrupt halt and, largely as a result of increases in the basic metal industries, committee members report that, over-all they are having to pay more for the materials they are buying.

Our special question this month sought to determine if the Middle East crisis had resulted in any major change in forward buying or inventory policies. As a result of the foreign situation, only 7% of our members say they have extended their forward coverage, while 93% have made no change. Similarly, Middle East developments have had little effect on inventory levels. Caution still prevails, and 92% are continuing their tight inventory policy, with only 8% reporting increases.

Commodity Prices

A marked shift has occurred in the price situation. The Middle East crisis has been instrumental in raising some commodity prices. The impact of these changes added to the recent increase in steel has resulted in an ending of the over-all downward trend that began a year ago. This month, 44% of our reporting members say prices have increased, as compared to only 4% so reporting last month. Fifty-four per cent say there has been no change and only 2% tell of decreases.

Inventories

While there are some indications that the inventory liquidation program is nearing an end, Purchasing Executives are still reluctant to abandon their tight inventory control policy. Even the crisis in the Middle East and recent price increases have not brought about any widespread inventory accumulation program. The majority of our members, 57%, report no change from last month. Thirty per cent still tell of reductions and only 13% say they have added to their stocks on hand.

Employment

The continuation of the upward trend in employment, which started last April, is again evident this month. While the majority, 60%, still say their situation remains unchanged, there are 26% reporting improvement in August, against 23% in July. Only 14% say their employment position has worsened, compared with 22% in this category last month.

Buying Policy

The most noticeable change this month is the shortening of time in forward commitments for capital expenditures, as some reports of Fall plant expansion plans are noted.

	Per Cent Reporting				
	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. to 1 Yr.
August					
Production Materials	10	42	36	10	2
MRO Supplies	29	48	19	3	1
Capital Expenditures	16	9	23	26	26
July					
Production Materials	10	41	36	10	3
MRO Supplies	32	46	17	3	2
Capital Expenditures	13	5	20	25	37

Specific Commodity Changes

A reversal of the downward price trend is noted this month led principally by steel, aluminum and copper.

On the **up** side are: Aluminum, copper, brass, steel, iron and steel scrap, pipe, fuel oil, rubber, electrical equipment, cotton and burlap.

On the **down** side is: Lead.

In **short** supply is: Helium.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Cooper P. Matthews is now with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with J. Logan & Co.

Lester, Ryons Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John C. Panos has been added to the staff of Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Joseph M. O'Loughlin was elected Trust Officer of the **Federation Bank and Trust Co., New York.**

* * *

Horace A. Sawyer has been elected to the Board of Trustees of the **Dry Dock Savings Bank, New York**

* * *

Jackson Eli Reynolds, former President and Chairman of the **First National Bank of New York,** died Aug. 18, at the age of 85. Mr. Reynolds had been a Director of the bank since 1917, and was President from 1922 to 1937. He retired as a Director in 1946.

* * *

Howard Bayne, 79, a Director of the **Chase Manhattan Bank, New York,** died Aug. 24. Mr. Bayne started his career with the **Columbia Trust Co.,** as Treasurer in 1905. He was elected Vice-President two years later and stayed with the company until its merger with **Irving Trust Co., N. Y.** When Mr. Bayne's father's **Seaboard Bank** was absorbed by **Chase National Bank,** Mr. Bayne was made a Director and a member of the executive committee. He remained a Director when the bank was renamed the Chase Manhattan Bank.

* * *

The First National City Bank of New York announced the appointment of Robert M. Goodwin and Coleman B. McGovern, Jr. as Assistant Vice-Presidents. Formerly Assistant Cashiers, Messrs. Goodwin and McGovern are both assigned to the bank's Bond Administration Department.

* * *

Raymond C. Daly has been elected a Trustee of **Union Dime Savings Bank, New York,** it was announced by J. Wilbur Lewis, President.

Mr. Daly is a member of the new business committee of the **Manufacturers Trust Company, New York.**

* * *

Frank O. Prior has been elected a Director of the **Chase Manhattan Bank, New York,** it was announced by George Champion, President.

Mr. Prior is a director of the **First National Bank of Chicago, Ill.**

* * *

Depositors Trust Company, Augusta, Me., absorbed **Knox County Trust Company, Rockland, Me.** A branch was established in the former location of the absorbed bank.

* * *

T. Raymond Pierce, President of the **Wellesley Cooperative Bank, Boston, Mass.,** died Aug. 22. His age was 79.

* * *

Riverside Trust Company, Hartford, Conn., and **Bankers Trust Company, Essex, Conn.,** merged under charter and title of Riverside Trust Company. A branch was established in the former location of Bankers Trust Company.

* * *

Plans for a merger whereby **National State Bank, Elizabeth, N. J.,** would acquire the stock of **Peoples Bank & Trust Co., Westfield, N. J.,** has been approved by directors of both banks. The proposal is subject to ratification by stockholders of both banks, and the Comptroller of the Currency.

* * *

The stockholders of two Trenton, N. J. banks—**First Mechanics National Bank** and the **Trenton Banking Company**—overwhelmingly approved of the consolidation of the two banks into the **First Trenton National Bank.**

New officers in the newly-formed bank, which now only awaits final approval by the Comptroller of the Currency, will be Harvey C. Emery, Chairman of the Board and Chief Executive Officer; Sydney G. Stevens, President; Harold Ray and Richard G. Magill, Executive Vice-Presidents; and Stephen W. Wright, Vice-President and Cashier. It is proposed to make the consolidation legally effective on Aug. 29 with the opening of business for the consolidated bank being scheduled for Sept. 2.

Two of Trenton's largest and oldest banks are brought together through the consolidation. It will result in a banking institution with over $170 million in assets which will make it the largest bank in Trenton and central New Jersey, ranking sixth largest in the state and 161st among the nation's 14,000 banks. Previous article appeared in this column on July 10, page 118.

* * *

At separate special meetings of the shareholders of **Fidelity Trust Company, Pittsburgh, Pa.,** and **Potter Bank and Trust Company, Pittsburgh, Pa.,** held Aug. 26, approximately 90% of the outstanding shares of each institution were voted in favor of the proposed merger of the two banks.

Subject to the approval of the Pennsylvania Department of Banking and the Board of Governors of the Federal Reserve System, the merger will become effective at the close of business Sept. 12.

Upon the merger becoming effective, Fidelity will have (on the basis of the June 30, statements of condition) total capital, surplus and undivided profits of more than $38,000,000, and total resources in excess of $342,000,000.

* * *

Alliance First National Bank, Alliance, Ohio, and **City Savings Bank & Trust Co., Alliance, Ohio,** have announced plans for a merger. The new institution would be known as **First National City Bank.**

* * *

By a stock dividend the common capital stock of **The Farmers National Bank of Shelbyville, Ind.,** was increased from $250,000 to $400,000, effective Aug. 11. (Number of shares outstanding—40,000 shares, par value $10.)

* * *

A permit to organize the **Sidney Community Bank in Sidney, Ill.,** was issued Aug. 21 by State Auditor Elbert S. Smith.

Proposed capitalization consists of $50,000 in capital stock, $15,000 surplus and $15,000 in operating reserve.

The community has been without banking facilities since 1944 when the **Winston State Bank** voluntarily liquidated.

After the permit has been issued the organizers take subscriptions to the stock and when this has been fully subscribed a meeting of the subscribers is held to elect a **Board of Directors.** Completion of these steps leads to the issuance of a charter to operate the bank.

* * *

Central State Bank, Elkader, Iowa, absorbed **Farmers State Bank, St. Olaf, Iowa.** A branch was established in the former location of the absorbed bank.

* * *

Peoples National Bank of Jonesboro, Ark., changed its title to **First National Bank of Jonesboro, Ark.,** effective Aug. 16.

* * *

The International Trust Company, Denver, Colo., and **The First National Bank of Denver, Denver, Colo.,** consolidated under charter and title of The First National Bank of Denver, Denver, Colo.

* * *

Pico Citizens Bank, Pico, Calif. has changed its title and address to **Bank of Pico Rivera, Pico Rivera, Calif.**

* * *

James E. Wynne has been appointed Assistant Trust Officer of **The Bank of California, San Francisco, Calif.** He will serve as Operations Officer for the Head Office Trust section.

Prior to his appointment, Mr. Wynne had officiated for the past 10 years in a like capacity with a Southern California bank.

His banking career began in 1940 as Accounting Clerk with the **Colonial Trust Co., Pittsburgh, Pa.,** a position he held until his move to California in 1948.

* * *

Frank L. King, President of **California Bank, Los Angeles, Calif.,** has announced that the bank's Directors, and the Directors of **The First National Bank of Palmdale, Palmdale, Calif.,** and of the **Bank of Northridge, Northridge, Calif.,** have approved an agreement whereby California Bank will purchase the business of the latter two banks. The sale and purchase is subject to the approval of bank supervisory authorities and of the shareholders of each bank.

It is expected, subject to the shareholders' approval, that actual transfer of the business will take place as of Oct. 3, or as soon thereafter as the necessary legal formalities have been concluded.

$50,000,000 Southern Calif. Edison Bonds Offered at 101.113%

Halsey, Stuart & Co. Inc. and associates on Aug. 26 offered $50,000,000 of Southern California Edison Co. first and refunding mortgage bonds, series K, due 1983 at 101.113% and accrued interest. Award of the bonds was won by the group at competitive sale on its bid of 100.2299% for the bonds as 4⅝s.

Net proceeds from the sale of these bonds will be used in part to retire short-term bank loans incurred to finance the company's continuing construction program which are estimated not to exceed $20,000,000. The balance will become treasury funds. The company proposes to use an amount at least equal to such balance in its continuing construction program. It is presently expected that gross plant additions for the years 1958-59 will total approximately $271,462,000.

The new bonds will be redeemable at prices ranging from 105.74% to par.

The company is a public utility engaged in the business of generating, purchasing, transmitting, distributing and selling electric energy in portions of central and southern California, excluding the City of Los Angeles and certain other cities. Estimated population of the territory served as of April 1957 was approximately 4,382,000.

For the 12 months ended June 30, 1958, the company had net income of $36,704,000. Its total stated capital at June 30, 1958, was $374,141,000 and long-term debt, $492,572,000.

Herman Schwartz

Herman Schwartz, member of the New York Stock Exchange, passed away Aug. 20.

Continued from page 3

The Breakdown of Keynesian Economy

Smith's *Wealth of Nations* grew in large part out of a refutation of the errors of the Mercantilists. Malthus's famous *Essay on Population* grew out of an attempt to refute the optimistic doctrines of Godwin. Kant's *Critique of Pure Reason* began as an effort to refute the theories of Hume. John Stuart Mill's two-volume *Examination of Sir William Hamilton's Philosophy* became more famous than any of the writings of the philosopher he attacked.

I hope I shall not be regarded as presumptuous enough to be comparing the present modest work with any of the great books just mentioned. I cite them merely to show that refutation of error is far from a futile occupation. It is an important method, not only of defending, expounding and clarifying known truths, but of advancing to new truths and greater insight. As logic and mathematics sufficiently prove, the more we understand the implications of any theorem the better we understand the theorem itself.

Nor, in examining the views put forward by a single man (or his disciples), do we necessarily confine ourselves to those views. Their analysis becomes a way of gaining a clearer and wider grasp of the problems with which that writer dealt. In the first chapter of his *Examination of Sir William Hamilton's Philosophy,* (1874), Mill wrote: "My subject, therefore, is not Sir W. Hamilton, but the questions which Sir W. Hamilton discussed. It is, however, impossible to write on those questions in our own country and in our own time, without incessant reference, express or tacit, to his treatment of them."

The subject of this book, likewise, is not John Maynard Keynes but the problems he discussed. And we cannot discuss these problems at the present day without discussing his treatment of them.

III. A Path-Breaking Pioneer?

Now though I have analyzed Keynes's *General Theory* in the following pages theorem by theorem, chapter by chapter, and sometimes even sentence by sentence, to what to some readers may appear a tedious length, I must reveal my conclusion here that, in spite of the enormous reputation of the book, I have been unable to find in it a single important doctrine that is both true and original. What is original in the book is not true; and what is true is not original. In fact, as we shall find, even much that is fallacious in the book is not original, but can be found in a score of previous writers.

Frankly, when I began this task I did not thing I would arrive at so sweeping a conclusion. My first thought was that I might do a quite short work, analyzing Keynes's chief doctrines so that the reader who wished a critical analysis would be able to find one in a brief and readable form. But when I actually embarked upon a line-by-line analysis, my experience was strangly like the one John Stuart Mill describes in his *Autobiograph* regarding his analysis of Sir William Hamilton: "As I advanced in my task, the damage to Sir W. Hamilton's reputation became greater than I at first expected, through the almost incredible multitude of inconsistencies which showed themselves on comparing different passages with one another."[3]

So I have found in Keynes's *General Theory* an incredible number of fallacies, inconsistencies, vaguenesses, shifting definitions and usages of words, and plain errors of fact.

Once we have thoroughly examined the fallacies in the Master, we can economize time by not troubling to dissect them again, usually in an even more vulnerable form, in the disciples.

In the preface to the *General Theory,* Keynes tries to anticipate some general criticisms. He apologizes for the "highly abstract argument" that is to follow, by declaring that his book "is chiefly addressed to my fellow-economists" (p. v), and that "at this stage of the argument the general public, though welcome at the debate, are only eavesdroppers" (p. vi).

I do not think we can excuse the bad writing in most of the *General Theory* on this grounds. For Keynes succeeds, as we shall see, in being involved and technical without beging precise. One of the most striking characteristics of the book is the looseness of many of the leading terms, and the constantly shifting senses in which they are used.

Attempting to anticipate another criticism, Keynes remarks: "Those, who are strongly wedded to what I shall call 'the classical theory,' will fluctuate, I expect, between a belief that I am quite wrong and a belief that I am saying nothing new." (p. v). This insinuates an *argumentum ad hominum.* It attempts to discredit critics in advance for not being converted to the new revelation. Actually, as we shall find, it is not necessary to "fluctuate" between these two beliefs. Keynes's main "contributions" are demonstrably wrong, and in those cases in which he is saying something that is true he is indeed saying nothing new.

Finally, Keynes presents himself to the reader, not very modestly, as a great intellectual pioneer "treading along unfamiliar paths" (p. vii). What is strange about this, however, is that toward the end of his book, in Chapter 23, he cites, as confirmation of the truth of these new path-breaking ideas, the fact that most of the same ideas were held by the Mercantilists of the Seventeenth Century!

Fortunately Keynes's Chapter 1, "The General Theory," is only a single paragraph long. But that paragraph raises three points that call for comment.

In its first sentence he states: "I have called this book *The General Theory of Employment, Interest and Money,* placing the emphasis on the prefix *general.* The object of such a title is to contrast the character of my arguments and conclusions with those of the *classical* theory of the subject, upon which I was brought up and which dominates the economic thought, both practical and theoretical, of the governing and academic classes of this generation, as it has for a hundred years past." (p 3).

"I shall argue," Keynes continues, in his second sentence, "that the postulates of the classical theory are applicable to a special case only and not to the general case, the situation which it assumes being a limiting point of the possible positions of equilibrium" (p. 3). Good economics prior to 1936, however, like good economics since then, did not depend on postulates that fitted special cases only. It dealt with the business cycle, with periods of prosperity and depression, as well as with simplified "static" theory.

3 (Oxford, World's Classics edition). p. 234.

It is Keynes's economics, as we shall find, that applies to a special case only; and it does not give a correct analysis of that special case.

"The characteristics of the special case assumed by the classical theory," Keynes goes on, "happen not to be those of the economic society in which we actually live, with the result that its teaching is misleading and disastrous if we attempt to apply it to the facts of experience" (p 3).

This is not argument but mere assertion. For the present I will content myself with the contrary assertion that sound "orthodox" economics was always flexible enough to analyze actual conditions, and that it is Keynes's assumptions that "happen not to be those of the economic society in which we actually live."

Our criticisms of Chapter I must apply to every sentence in it. They must apply, also, to his curious use of the term "classical," which he defends in a footnote. There he points out that "the classical economists" was a name invented by Marx to cover Ricardo and James Mill and their predecessors. "I have become accustomed," he writes, "perhaps perpetrating a solecism, to include in 'the classical school' the *followers* of Ricardo, those, that is to say, who adopted and perfected the theory of the Ricardian economics, including (for example) J. S. Mill, Marshall, Edgeworth and Prof. Pigou." (p. 3).

This extended use of the term "classical" is merely confusing. It gives the reader a quite false picture. He is being asked, in effect, to consider practically all economics prior to the appearance of the *General Theory* in 1936, no matter by whom written, as both a *unified* theory and an *agreed upon* theory. But there was enormous diversity in the views of particular writers, and many controveries between the so-called "classical" economists. There were also points which some of them did not pretend to have settled. Keynes writes as if all the economists before him had slid into a sort of dogmatic slumber, thoughtlessly incanting after each other some unexamined cliches of thought.

His references to the "classical" school are misleading in more than one respect. He includes among the classical economists the pioneers and continuers of the subjective value or marginal utility theories that represent a break with the "classical" economics. And when he writes about orthodox economics he seems to confine himself most of the time to Marshall and Pigou. He talks as if he were unaware of the great advances beyond these writers that were made, particularly in capital and interest theory, by Bohm-Bawerk, John Bates Clark, Knut Wicksell, Irving Fisher, Ludwig von Mises and F. A. Hayek.

Keynes's frame of reference is strangely provincial. He seems to assume that whatever was not discovered by either Marshall or Pigou, or discussed in his little circle at Cambridge, was never thought of at all.

H. T. Brashier Jr. Rejoins Eppler, Guerin & Turner

DALLAS, Texas — Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, members of the New York Stock Exchange, have announced the re-association of Haden T. Brashier, Jr. with the firm.

Formerly associated with Eppler, Guerin & Turner, first as a registered representative in the Fort Worth office and later as manager of the firm's Houston office. Mr. Brashier, widely known and respected among West Texas investors, will represent Eppler, Guerin & Turner throughout the Abilene, San Angelo area. Mr. Brashier returns to West Texas on his request.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The market for fixed income bearing obligations, and this is especially applicable to Government securities, continues to be on the defensive, with new lows being registered in many of these issues from time to time. The action of the monetary authorities in gradually tightening money and credit is keeping the pressure on the Government market. The upping of the discount rate from 1¾% to 2% by the Federal Reserve Banks of Dallas and Atlanta is being taken as another step in the process of changing the money picture from ease to one of restraint, the extent of which will depend upon the amount of inflation or inflation psychology that is developed, as well as the course of business.

The increase in yield in Treasury bills is moving up the rates of all short-term obligations. On the other hand, the long-term issues are trying to work out some kind of a bottom, but the tightening efforts of the monetary authorities has not been very helpful so far in this operation.

The monetary authorities continue to tighten the money market since the volume of free reserves of the member banks of the system declined for the fifth week in a row. Also, the Federal Reserve Banks of Dallas and Atlanta increased the discount rate from 1¾% to 2%, thus joining the Federal Reserve Bank of San Francisco in the effort to make money and credit cost more.

Credit Tightening Continues

The tightening of credit by the Federal Reserve Banks is being done at a slow pace. Even though this move toward restraint of money and credit is gradual, it has been persistent and indications are that it will continue that way. It is evident that the powers that be are not going to be accused this time of not taking action soon enough to halt the forces of inflation as they were when the last inflation spiral was getting under way.

However, it must be remembered that the present upturn in business has not been going on too long and in not a few sectors of the economy it is still not too vigorous. It is evident that the money managers do not want to stop the recovery, which is just getting underway, by the use of the money tools which means, tighter money and credit. Yet at the same time they are not going to sit by and see the forces of inflation gain in strength to the extent that they will have a disastrous effect on the economy.

Measures Designed to Curb Stock Market

The warning flags that are being posted along the way in the form of higher discount rates, and the gradual cutting down of the free reserves of the member banks of the Federal Reserve System, may have a retarding influence on the forces that are again asserting themselves in the stock market and in the lack of attraction in the market for fixed income bearing obligations. In the past, changes in monetary policy have been signalled by the trend of the discount rate and the present move from 1¾% to 2% by the Federal Reserve Banks is to be taken as indicative that there will be higher interest rates and less credit available in the future. Even though this money tightening may continue to be slow and gradual there is not likely to be any turnabout now unless the business recovery falters.

New Treasury Financing Impends

Loans usually pick up at this time of the year because of the seasonal demand for funds and this probably means that the tightening operation of the monetary authorities will not be quite as vigorous as would be the case at other times of the year. Also, there is another new money raising operation about to be undertaken by the Treasury in the very near future and there will have to be funds available to the deposit banks in order for them to subscribe to the new securities which are expected to be mainly in the bank maturity range. In other words, obligations that will be largely in the near term or intermediate term range.

It is evident that the rather chaotic conditions which have been prevailing in the long-term Government market seems to rule out such a security being offered for new money raising purposes by the Treasury.

Other Central Banks to Up Discount Rate

The uptrend in short-term rates, led by the Treasury bill rate, will in time bring about higher Central Bank rates by many of the other Federal Reserve Banks, because the discount rate does not generally remain for long below the rate for the shortest and most liquid Government obligation. This is in spite of the fact that discounts at the Federal Reserve Banks are small and have shown only minor increases.

Corp. Transfer Agents To Hold Outing

The Corporate Transfer Agents Association 12th Annual Golf Tournament and Outing will be held at Colonia Country Club, Colonia, N. J., on Thursday, Sept. 18, 1958, for members and guests.

The event will consist of golf, a dinner in the evening and entertainment.

It is expected that about 50 members and a like number of guests will attend the affair.

Members of the Entertainment Committee are R. L. Mulkeen, Chairman, Transfer Agent, Wabash Railroad Co.; George Wasko, Transfer Agent, Santa Fe Ry.; W. J. McDermott, Manager, Stock Transfers, U. S. Steel Corp.; L. C. Steiner, Assistant Secretary, RCA; L. T. Hindelang, Secretary and Treasurer, American Bank Note Co.; Theodore Stone, Assistant Secretary, Cities Service Co.; Cort Pohle, Assistant Treasurer, Consolidated Edison Co.

Robert A. Riley Now With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert A. Riley has become associated with Merrill Lynch, Pierce, Fenner & Smith, Board of Trade Building. Mr. Riley has recently been with Channer Securities Company and in the past was an officer of Stern Brothers & Co.

The U.S., Khrushchev and Mao

By ROGER W. BABSON

Mr. Babson denies possibility of shooting war with Russia, citing basic differences and dissension between the Kremlin and Communist China.

As I have continually stated in these columns, we will not have a shooting war with Russia. We may have a chemical-weather war; and we are now in an economic war. I go further and say that Khrushchev—like all Russian leaders—has world domination as a goal; but this is not true of the Russian people or of the satellite nations. Furthermore, Khrushchev fears Premier Mao of China.


Roger W. Babson

Watch China Carefully

There are many reasons why China would not join Russia in war against the West. China is largely Buddhist in religion; but China is not atheistic, as Russia claims to be. Most of the Chinese leaders were educated in Christian schools. The colleges and hospitals of China were largely financed by American dollars.

China, by tradition, is friendly to the United States. My Grandparents formerly sailed ships between Boston and Chinese ports. In the homes of their descendants today — including my own — are beautiful pieces of chinaware which were purchased in China by the captains of these ships. It is within the last 15 years that these ties with America have been broken. It is only common sense that they will again be renewed.

Marshall's Big Mistake

I think Mr. Truman will tell intimate friends that he made a mistake in accepting the report of General Marshall on China. Of course, the General was in China only a short time and was dependent upon the reports which he received from those whom he met. To make a comprehensive report on China would take months or years. Besides, General Marshall was a West Point graduate, with Army experience. He should not have accepted the task which President Truman gave him.

General Marshall was very much influenced by Chiang Kai-shek and his charming wife. She graduated from our college here in Wellesley and made friends with all of us people whom she met. She also won the hearts of Mr. Truman and other prominent men. It was largely due to the character, courage, and wealth of the Sun family that the railroads, public utilities, and factories of China were built.

Nationalist China and the United Nations

From the observations I gathered when I visited China, I would hesitate to admit Communist China to the United Nations. It, however, has always seemed inconsistent to permit Formosa and Chiang Kai-shek to represent the 600 million Chinese mainlanders in the United Nations. This may have been a means of "saving face"; but it does not make sense to me.

If Chiang Kai-shek should die today, I am sure that Communist China, under Premier Mao, would be admitted to the United Nations. On the surface, we continue to be unfriendly to Communist China; but it may be that Premier Mao is receiving some sympathy and moral support from certain factions in our State Department. It is very interesting to see how England has kept friendly with Communist China, which has not disturbed Hong Kong. This is one of the most beautiful cities I have ever visited; it is very busy and very rich. Yet, Premier Mao could drop a bomb on it and knock it out of existence.

Khrushchev Fears Mao

As I said in my column last June, there is more probability of war between Russia and China than between Russia and the United States. If Khrushchev should attack Western Europe and America, China would at once attack Russia on the East. In doing so, she would receive the help of England, America, and the other Free Countries. Hence, I repeat, there will now be no shooting war between the United States and Russia.

N. Y. Cotton Exchange Honors W. L. Johnson

Fifty years of membership and service were cited in a New York Cotton Exchange resolution presented to Walter L. Johnson by William K. Love, Jr., President of the Exchange. Mr. Johnson was honored for his contributions to the development of many of the practices which guide the Exchange today. Mr. Johnson, a special partner of Shearson, Hammill & Co., joined the firm when it was founded in 1902 and was managing partner for many years. He was elected to the Cotton Exchange in 1908.

At the start of World War I, failure of several major cotton firms spurred Walter Johnson to develop a plan under which the New York Cotton Exchange Clearing Association was formed in 1915. The Association requires cotton firms to deposit sufficient funds with the Clearing House to guarantee fulfillment of all contracts. This ended the recurrent failures of cotton firms. In 1915, Mr. Johnson was elected the first President of the Cotton Exchange Clearing Association and continued in that office for 30 years. From 1918 to 1920 he also served as President of the New York Cotton Exchange.

In 1928 Mr. Johnson was instrumental in the adoption of "Southern delivery." Contracts until that time had been settled on the basis of delivery in New York. Speculative practices often caused the New York price to be out of line with that in cotton's natural markets. After the resultant reforms, contracts were settled on the basis of delivery at key southern markets.

Customers Brokers to Hold Annual Dinner

The Association of Customers Brokers will hold their annual dinner and installation of officers on Sept. 11th at Whyte's Restaurant. Business meeting will be held at 4:15 p.m. to be followed by cocktails at 5:15 p.m. and dinner at 6 p.m. Tickets are $8 each and include dinner and all gratuities plus two cocktails before 6 p.m.

Reservations should be made with Sam Minsky, Hardy & Co., before Sept. 8th.

Leon C. Sunstein

Leon C. Sunstein, partner in Gerstley, Sunstein & Co., Philadelphia, passed away Aug. 17.

Continued from first page

As We See It

ments. In truth, it increases the need of a greater measure of prudence in the conduct of our fiscal affairs.

Take a look at the record. For many years it was the considered policy of the nation to avoid any national debt. Even when we entered World War I the debt of the Federal Government was less than $2 billion. In fact it was not much more than one billion. By the end of 1920—we had fought a war "on inflation" as Secretary McAdoo used to say—net Federal debt stood at the then staggering sum of nearly $24 billion. After the Coolidge-Mellon retrenchment of the 'Twenties had run its course the net debt of the Federal Government at the end of 1929 stood at $16.5 billion. This at the time was regarded as a figure much too high and due to be reduced substantially during the next decade. Some had even hoped that the time would come when we should be back to pre-World War I status.

It was, however, not to be. Depression conditions and a certain infiltration of what later was to be known as New Deal thinking brought a rise of more than a third even before President Roosevelt took over. And then came the New Deal with its glorification of debt. By the time we entered World War II the net debt of the Federal Government had reached a figure of some $56 billion, an amount more than double anything that we had known even during World War I. But no one in places of power or influence seemed to worry about it at all. Computations were made again and again to show that the country could "stand" a much greater debt.

It was at about this time that Mr. Hopkins (according to report) was coining his much quoted phrase about "spending and spending, taxing and taxing, and electing and electing." Whether he ever said anything of the sort we have no way of knowing, but the phrase quite accurately reflected what was going on, and had been for years previous.

Then, of course, came World War II, when again we gave hardly a thought to any really sound financing of our effort. The net national debt rose to the astronomical figure of almost $253 billion by the end of 1945. After war swollen cash holdings had been drawn down and the debt correspondingly reduced, the figure stood at just short of $230 billion at the end of 1946. Now a dozen years after the great war ended, the national debt still is but some $5 billion short of that 1946 figure—and promises definitely to exceed it shortly. The fact is almost incredible, but fact it is. The President at one of his recent news conferences seemed horror-stricken to think of a much longer continued rise in such figures as these, but neither he nor any one else seems to be in a mood to do anything really effective to prevent it.

But as large as this figure is, it fails by a wide margin to tell the whole story. The figures we have been quoting exclude "duplicate debt," but do include "agency debt." At least they include formal debt obligations of agencies in the hands of the public. They fail, however, by a distressing margin to include all the debt of the Federal Government. Leaving out of account altogether the various contingent liabilities of the Federal Government stemming from guarantees, insurance and the like, the real debt of the Federal Government is now probably twice as great as the formal figures indicate. This enormous discrepancy grows out of the fact that no account is taken of the future liabilities of the Old Age and Survivors Insurance scheme—that is no account is taken of them in statements of the debt of the national government. The "present worth" of those commitments have been competently calculated at a figure of the order of magnitude of the published national debt figure. The so-called reserves of the fund are hardly a drop in the bucket.

Such a state of affairs could be much better tolerated were it not for the fact that state and local governments and the private economic system have been following the lead of Washington. This, of course, is in part a result of tax laws which place a premium on debt as over against equity capital, but it is likewise part and parcel of the thinking of the age which clearly reveals the imprint of Franklin Roosevelt and the other New Dealers. Take state and local debt, for example. In pre-World War I days it ran around $4.5 billion or less. It emerged from that war not very materially higher. By the end of the 'Twenties it had reached a figure more than three times its early postwar amount. It will be recalled that this fiscal recklessness of states and municipalities was one of President Coolidge's nightmares. The New Deal did not object to such a program, but, of course, the states and municipalities could not except in very few cases borrow sufficiently to raise their debt very much. Roughly the same was true of World War II years. In fact they found themselves at the end of that war with less debt than they had carried for a good many years. It is now more than three times what it was a dozen years ago!

Private debt of all sorts has had a similar course since the end of World War II. At the end of 1945 the net indebtedness of corporations and individuals in this country stood at approximately $140 billion; at the end of last year it stood at about $455 billion. A people thus loaded with private debt will inevitably find the carrying of a huge public debt all the more burdensome. Much of these increases in debt have been "monetized" through bank ownership. This is a process which must not be indefinitely continued.

We simply must not continue the current neglect of this explosive situation.

Continued from first page

Means for Maintaining Economic Stability

other ends in view in addition to minimizing unemployment, we generally prefer other means rather than administered price and wage controls as a method of holding down unemployment. The latter produce unwanted consequences such as misallocation of resources and decreased freedom of choice. Also, the political process being what it is, we are likely to have changes in prices and wage rates with administered controls which cause unemployment rather than prevent it.

The Causes of Unemployment

We can look for the causes of unemployment, and the means for preventing it, in two main areas. Exogenous factors act on the economy in ways which may tend to cause declines in employment. However, we must also recognize that sufficiently rapid adaptations of prices and wage rates can offset external factors, and that failure of the economy's adaptive mechanisms to react rapidly enough to external factors may also be regarded as a cause of unemployment.

Sufficient flexibility in prices and wage rates can prevent unemployment in the face of adverse conditions. We must also recognize that prices and wage rates may be moved to levels which otherwise favor increased employment. Measures such as the National Industrial Recovery Act and the Agricultural Adjustment Act of 1933 increased wage rates and prices and consequently increased unemployment at a time when other factors would have decreased the number of jobless but for these offsetting actions.

The external factors acting on the economy include such forces as monetary policy, technological change, and weather. Among these, it is only monetary policy which is the major problem. Adaptive reactions in the economy adequately cope with the other forces. In the case of changes in monetary policy, however, we find that adaptations in prices, and, particularly, wage rates, lag changes in the monetary sphere. As a matter of fact, wage rates seem to move adversely at the very time that monetary forces also behave adversely. Both tend to act together to compound the unemployment problem.

Monetary Changes and Unemployment

Research by members of the Workshop in Money and Banking at the University of Chicago has found that turning points in the rate of change in the money supply precede turning points in business activity and in velocity of circulation.[1] Stability in the rate of change of money supply would lead to greater stability in velocity. The combined stability of these two items, which determine the rate of spending, would lead to greater stability in the economy.

The Federal Reserve Board has an unofficial rule of thumb that the money supply should be allowed to grow about 3% per year. The rule, however, is not observed. In the last two years, the growth in money supply has been held to an annual level of less than 1%, and it grew more rapidly than 3% prior to this. After July, 1957, the quantity of money actually declined (on a seasonally adjusted basis).

I would suggest that the Federal Reserve Board could have contributed greatly to the moderation of the recent contraction, if it had taken steps at least five months before the rediscount rate cut of November, 1957, to prevent the decline in the quantity of money. Even with the delay, the Board could still have done much better than it has done. The steps taken prior to March of this year were nominal. Federal Reserve Bank credit furnished in the first two months of this year, before the cut in reserve requirements, was running approximately one-half billion dollars below the levels of the previous year. This certainly was no contribution to the problem of minimizing unemployment.

1 Clark Warburton's work has also demonstrated this point, although he relates the quantity of money to departures from trend rather than examining rates of change. "The Misplaced Emphasis in Contemporary Business Fluctuation Theory," *The Journal of Business of the University of Chicago*, Vol. XIX, No. 4, October 1946.

Monetary action has been the cause of the deflations of the past which initiated employment declines. The decrease in the quantity of money by 16% in 1920 was the direct result of Federal Reserve policy beginning with the actions of November, 1919. Further steps were taken up to the middle of 1920 to squeeze the economy in spite of the fact that a downturn in economic activity began in January, 1920.

The 1929 to 1933 decline came from a mixture of causes with monetary authorities contributing a full measure to the deflation of the quantity of money by 27%. The 1937 descent into depression was preceded by increases in required reserve ratios in August, 1936, and in March and again in May, 1937. As a result, the quantity of money declined continuously throughout 1937 and the first four months of 1938. The turning point did not come until reserve requirements were reduced in April, 1938.

In the postwar period, each of the recessions has been preceded by actions on the part of monetary authorities which reduced the rate of growth or decreased the monetary supply. The drop in employment which began in late 1948 was preceded by increases in required reserve ratios in February, again in June, and once again in September.

The 1953-54 recession was preceded by a period of monetary stringency which was strongest in May, 1953. This recession, however, was as much a consequence of the rapid increase in real wage rates between the third quarter of 1952 and the third quarter of 1953 as of monetary policy.

As may be noted in Table I, the quantity of money did not decrease between mid-1953 and mid-1954. However, the rate of growth was less than ¾ of 1% as compared to a growth rate of over 2% in the preceding year. The wage rate and price increases of the previous year were incompatible with full employment in the following interval of slower growth in the money supply, particularly in view of the decline in quantity of money per capita.

The current recession stems in part from the policies used to cure the 1953-54 decline. Reserve requirements were reduced in June, 1954. The unemployment peak had already occurred in February, 1954. By June, the action was hardly necessary. A much smaller cut, or moderate open market operations, would have meant a less rapid growth in the money supply in 1954 and 1955. With a more moderate growth rate in this period, the inflation which alarmed the Federal Reserve Board in 1956 and 1957 would not have occurred. Slowing of the growth in money supply would not have become necessary but for the high rate of growth earlier. Without this slowing, and the

TABLE I

Volume of Money and Unemployment

Year	Money in Circulation (June 30) (Billions) 1	Per Capita 2	Unemployment 3 (June) (Millions)
1920	$23.7	$223	0.6
1921	20.8	192	4.8
1929	26.2	215	---
1930	25.1	204	0.3
1931	23.5	189	4.9
1932	20.2	162	10.3
1933	19.2	153	11.1
1937	30.7	238	4.5
1938	29.7	229	9.0
1948	108.3	739	1.8
1949	107.1	718	3.3
1953	124.3	779	1.6
1954	125.2	771	3.3
1957	132.6 (March)	779	2.9 (March)
1958	132.0 (March)	763	5.2 (March)

1 *Federal Reserve Bulletin*, various issues.

2 Computed using population data from *Historical Statistics of the United States* (Washington: U. S. GPO, 1949) and *Current Population Reports*, Series P-25 (Washington: Bureau of the Census, June 1958).

3 For data prior to World War II, *Economic Almanac, 1953-54* (New York: Thomas Y. Crowell Co., 1953) p. 423. Data for 1920 and 1921 are average unemployment during those years. For data after World War II, *Survey of Current Business*, various issues (Washington, Department of Commerce).

actual fall in the quantity of money after July, 1957, we would not be concerned about the depth of the present decline.

Real Wage Rates, Productivity, And Employment

We can plausibly argue that the unemployment we now suffer, and have suffered, is a consequence of administered prices and wage rates, *given* the monetary circumstances described above. Some of these prices are administered by governmental authorities; others by private authorities.

Many wage rates are set by governmental authorities, such as the minimum rates for employees of enterprises in interstate commerce and of those producing goods under contract with the United States Government. Others are set for long periods in advance by negotiations between employers and unions. This year, for example, 4.5 million workers in the United States have received, or will receive, wage increases under contracts negotiated in prior years when 1958 economic circumstances and markets were but imperfectly known. Most of these increases are occurring in industries suffering severe unemployment, such as steel and railroads.

The relationship between wage rates and unemployment is such that these 1958 changes work in a destabilizing direction. They will add to the number of unemployed, at least in the sense that more people will remain unemployed than would have if no wage rate increases were to occur. They partially offset the employment increasing effects of present fiscal and monetary policies, some of which have automatically[2] come into operation and others of which are the result of discretionary actions.

This is not the time to attempt a proof of the proposition that other things being equal, the number of jobs is inversely related to the wage rate. I would like to point to data which illustrate the point that increases in real wage rates which outrun increases in productivity are *frequently* associated with an increased volume of unemployment. Purchasing power is determined by other factors than wage rates.

Between 1929 and 1933, real wage rates in manufacturing rose relative to average output per man-hour by 6.5%. This was associated with a rise in unemployment in the United States of those people who would normally be employed from 0.4 million to 11.8 million. Between 1936 and 1938, real wage rates rose almost 8% more than productivity, and unemployment averaged 10.4 million in 1938 (among those who would normally be a part of the labor force, unemployment was 9.8 million).

In the various post-World War II recessions, we find similar experiences. The rise in real wage rates outran the average output rise between 1948 and 1949 by about 1%, and unemployment rose by 1.3 million. From 1952 to 1954, real wage rates rose about 1.5% more than productivity, and unemployment rose by 1.5 million. Between 1956 and 1957, the rise in real wage rates was 0.5% greater than the average output rise, and unemployment rose by nearly 0.5 million. On the other hand, real wage rates rose less than output per manhour from 1949 to 1950 and 1951. Unemployment declined in these years.

I should warn you that average output is not a proper measure of the level of wage rates compatible with full employment. We should use marginal productivity of the total labor force. If average output were highly correlated with marginal productivity, we could expect that changes in the average would be a guide to changes in marginal output and, therefore, a guide to changes in wage rates consonant with the maintenance of employment. This has been implicitly assumed as true over short periods in the preceding discussion.

Over long periods, we would expect that increases in average output per man caused by a rising supply of capital would be less than changes in marginal output. We would, therefore, expect wage rates to rise by a larger proportion than average output over long periods of an increased supply of capital and capital saving technological change were the dominant forces at work. In fact, we do find that real wage rates have risen by 120% between 1929 and 1956, while average output rose by only 74%. Yet 1956 was as good a year in the employment sense as 1929. Changes in average output over long periods are a poor guide to the proper amount of change in wage rates, but may serve well for determination of changes over short periods.

Why Real Wage Rate Increases Outrun Productivity

It would seem that a method of stabilizing unemployment at a low level would be one which prevents real wage rates from moving by amounts which are too far out of line with productivity changes. Let us, then look at the factors which have caused movements in real wage rates relative to productivity which are incompatible with a low level of unemployment. From this we can draw inferences concerning the means for maintaining economic stability.

From May, 1919 to Oct., 1920, money wage rates in manufacturing rose by 25%. The peak in business activity occurred nine months before the peak in wage rates. The peak in product prices preceded the labor price peak by five months. This lag in the turn in money wage rates is a typical phenomenon. The National Bureau of Economic Research found an average lag behind manufacturing activity of nine months in the United States and eleven months in the United Kingdom in its study, *Behavior of Wage Rates During Business Cycles.* In the railroad industry the lag averaged nineteen months.

The period after a downturn in business activity before wage rates turn is usually a period of less rapidly rising, or declining, productivity. Real wage rates continue to rise, however, in such periods. (This is the result of a continuing rise in money wage rates and a downturn in prices preceding the downturn, if any, in money wage rates.) The movement of real wage rates acts in this period, therefore, as a destabilizing factor. The downturn would be damped if money wage rates were to fall, or at least cease rising sooner. A reduction in the time lag would be an important means of maintaining economic stability. We will return to this point.

Real wage rates rise relative to productivity in the period preceding downturns in business activity, thus leading to the fall-off, as well as in the period following the turn in activity when the continuing rise serves to further the descent and worsen the slump. From the third quarter of 1952 to the third quarter of 1953, for example, real wage rates rose by 5%, while productivity rose less than 4%. In 1957, straight-time money wage rates rose by 4.5% while the wholesale price index for nonfood items rose less than 1%, and productivity rose less than 1%. The greater severity of the current contraction may be attributed to the fact that greater increases in productivity moderated the effect of real wage rate increases in the periods preceding the previous downturn. The severity of the 1937-38 decline may also be attributed in part to the wage rate increases in the preceding period. Between October, 1936, and May, 1937, money wage rates in manufacturing were pushed from 62 cents to 70.1 cents per hour despite the still sizable volume of unemployment. This 13% rise in wage rates in the face of a slowing in the growth of the money supply shot unemployment from a less than 5 million level before mid-1937 to nearly 12 million by early 1938.

The rise in periods such as these is frequently blamed on unions. Whatever merit there is to this argument, the fact remains that employers are less resistant in their bargaining in the late stages of a boom. Rates in nonunionized industries and in nonunionized periods in history seem to behave similarly. Anticipation of continued increases in productivity and price which usually occur at unusually good rates in the interval preceding a turn in activity lead to over-bidding for labor at a time when few idle men are available at current wage rates, and additional men can be obtained only by out-bidding other employers.

Less aggressiveness on the part of unions, or less power in their hands, might lessen the problem. The pattern, however, seems to stem largely from mistaken anticipation concerning the future worth of labor and the worth of product from present labor which will reach the market in the future.

Means for Maintaining Economic Stability

Part of the reason for the rise in real wage rates relative to productivity in periods such as 1920, 1930-33, 1937, and 1949 lies in the fall of product prices. We should, therefore, direct our attention first to the problem of preventing this decline.

Changes in the rate of growth of the money supply are primarily responsible for the fall of prices and, secondarily, for the rise in real wage rates stemming from this type of occurrence together with continued increases in money wage rates while activity is declining. Any decrease in the rate of growth of the money supply sets the stage for a decline. The lags in our economy are such that the adjustments made to a growing money supply are not compatible with full employment in the following periods if the money supply does not continue to grow as rapidly.

This suggests that monetary authorities must use caution in allowing high rates of growth at any time if they will have to slow the growth later in order to prevent inflation. It is wiser to attempt the use of more moderate means to remedy recessions of the 1953 variety, for example, than the cuts in reserve requirements of the amount made in June, 1954.

Rather than attempting to meet various exigencies as they arise by discretionary monetary action, monetary authorities would be better advised to maintain a stable rate of growth in the quantity of money at, let us say, 2% per year, or, perhaps, 3%. In any event, there should be no shifting in monetary policy from time to time in order to accelerate or slow the rate of growth.

Although greater consistency in monetary policy would do the major part of the job required to stabilize unemployment at low levels, we must face the fact that there may be monetary instability at various times as long as politics and human beings influence the devising and execution of monetary policy. In order to minimize the harm that may be done by unwise policy, the adaptive mechanism of our economy must be made more responsive.

The second factor to be considered in devising means for stabilizing the economy is the lag in turnarounds of wage movements behind turnarounds in business activity and employment. We cannot attribute the lag simply to the presence of labor unions. Wage rates lagged when the union movement was unimportant in the United States, as well as in the period since it has become a much stronger force in the economy. It is significant, however, that wage rates begin moving upward much sooner in periods of expansion than they formerly did when unionization was less widespread. This tends to slow the recovery process. Furthermore, the lag has been much longer in the railroad industry which was highly unionized long before unions grew strong in most other industries.

Checking Upward Wage Rate Movement

The paramount problem here seems to be one of restraining the continuance of an upward wage rate movement after employment has turned down. I might suggest two devices that would provide a solution. One is that employers should insist on escape clauses in long-term agreements which provide for future wage rate increases. If production in the two months prior to a time when a wage increase is due is down 10% below the level of the similar period in the preceding year, then an escape clause should provide that cost-of-living or improvement factor increases would not go into effect. Just last month, industries whose production is down 20 to 40% were putting higher wage rates into effect. The steel industry, for example, was required by its contracts to institute 9-cent-an-hour improvement increases plus 4-cent-an-hour cost-of-living increases, plus fringe benefits which increased wage costs by a total of 20 cents an hour. Yet, polls of workers in the Flint, Mich., area indicate that production workers there would prefer jobs, or the greater assurance that jobs would continue, to any increase in wage rates at this time.

A second device would be to bring labor monopoly within the range of the Sherman Act, limit the size of collective bargaining units, and make collusion among them unlawful. The case for such action has been explored and the legislative changes required delineated by Professor H. Gregg Lewis in "The Labor-Monopoly Problem: A Positive Program." (*Journal of Political Economy,* August, 1951, Vol. LIX, No. 4.)

Both of these devices still leave untouched the reluctance of employers to cut wage rates after a downturn, or their willingness to grant increases at times of low employment and sales. Here we need more information. Economists have engaged in speculation on this point. Rather than suggest measures based on such speculation, however, it would be wiser to find out more about the reasons for the occurrence of the phenomenon. Whether it is social pressure, fear of effects on morale and productivity, inability to diagnose the current situation, or the human failing expressed in the phrase that "generals always prepare to fight the last war," we do not know.

Perhaps business men should be taught to pay attention to quit rates and qualified applicant rates before determining whether or not to raise a wage rate. Voluntary quit rates have always sunk to very low levels months before the community became aware that a recession was under way. Simply because a wage increase war required last year, and each year before, to hold employees is not an indication that another is currently required.

Perhaps the community and employees must be taught that an employer who cuts wage rates, or fails to give a wage increase in times of declining business, is performing a social service and maintaining employment by doing so. It may be that recurrent wage increases are granted as a means of simplifying the decision-making life and providing administrative ease. Other rules of thumb for granting wage increases may have to be devised to conserve decision-making capacity and avoid administrative unease, and at the same time function to produce the adaptations required for a stable economy.

2 M. Friedman, "Why the American Economy is Depression-Proof," *Nationalekonomiska Foreningens,* 28 April 1954, describes some of the automatic stabilizers referred to here.

TABLE II

Movement of Productivity, Wage Rates, and Unemployment

Year	Real Hourly 1 Earnings (Manufac.) (1947-49$)	Per Cent Change	Average 2 Productivity (Private Non-Farm Sector)	Per Cent Change	Relative Per Cent Change	Unemployment 3 (Millions)
1929	$0.772		$1.51			0.4
1933	0.799	+ 3.6%	1.46	—2.9%	—6.5%	11.8
1936	0.94		1.63			7.4
1938	1.04	+10.7	1.68	+2.8	—7.9	9.8
1948	1.313		2.06			2.1
1949	1.376	+ 4.8	2.14	+4.0	—0.8	3.4
1949	1.376		2.14			3.4
1950	1.425	+ 3.6	2.25	+5.2	+1.6	3.1
1952	1.47		2.36			1.7
1954	1.58	+ 7.5	2.51	+6.0	—1.5	3.2
1956	1.70		2.62			2.6
1957	1.74	+ 2.3	2.67	+1.8	—0.5	2.9

1 *The Economic Almanac,* 1958 (New York: Thomas Y. Crowell Co., 1958), p. 253.

2 J. W. Kendrick, *National Productivity and Its Long-Term Projection* (unpublished, May 1951) and *Economic Report of the President* (Washington: U. S. Government Printing Office, 1958). Data from the latter used to compute the measures of productivity from 1949 through 1957.

3 *Historical Statistics of the United States* (Washington: U. S. GPO, 1949) for data through 1938. Data for the postwar period are from *Economic Report of the President (op. cit.).*

Pittsburgh Bond Club Annual Fall Outing

PITTSBURGH, Pa.—The Bond Club of Pittsburgh will hold its Annual Fall Outing Friday, Sept. 26, 1958, at the Allegheny Country Club in Sewickley, Pa.

Guests, of course, are welcome and they should contact G. Harton Singer, III, Chairman Publicity & Reservations Committee, at Singer, Deane & Scribner, 1645 Union Trust Building, Pittsburgh 19, Pa.

Goldman, Sachs Branch

MIAMI, Fla.—Goldman, Sachs & Co. has opened a branch office in the Ainsley Building, under the management of Hagood Clarke, Jr.

Skaife Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BERKELEY, Calif.—Alexander L. Pappas has been added to the staff of Skaife & Company, 3099 Telegraph Avenue.

Joins Taylor & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Harry A. Cottingham has become associated with Taylor and Company, 439 North Bedford Drive. Mr. Cottingham was formerly with Dempsey-Tegeler & Co. and Blyth & Co., Inc.

Continued from page 6

The Problem of Inflation

right, prices would obviously have risen even faster. Sooner or later the price rise had to be stopped or slowed down. It should be observed that if it had been stopped by fiscal measures (tax increases or lower Government expenditures) as some experts had recommended, the reaction would have been the same. In that respect monetary and fiscal policies are not different in their operation. If demand is controlled either by monetary of fiscal measures and wages continue to be pushed up, the consequence must be unemployment."

When I say that there seemed to be general agreement over the proposition that inflation is a situation which must be avoided, I do not mean to be understood as saying that there was total agreement on the degree to which it should be avoided. For example, the testimony of Professors Harris and Slichter quite clearly indicated only slight concern over inflation so long as the rate was slow. In addition, questioning by some of the members of the Committee suggested a similar attitude.

Unprecedented Conditions

To return now to the consideration of the general nature of inflation as it was developed during the hearings, I must say that one of the most significant conclusions I drew from the testimony is that inflation today as a problem is a great and increasing threat to our economy, with several new aspects.

I do not mean that the present inflation itself is of some hitherto unknown variety but, rather, that the conditions under which we must combat inflation today are very different than anything we have faced before in this country.

The conclusion that our present inflation is dangerous was reinforced, in my opinion, by the testimony of Bernard Baruch. In the midst of a business downturn, when he could easily have been expected to direct his attention towards other matters, Mr. Baruch made the flat statement: "Inflation, Gentlemen, is the most important economic fact of our time—the single greatest peril to our economic development." I think it is important that we look behind this statement to see why inflation remains our number one problem.

If there is one thing which stands out above all else with respect to our recent history, it is the persistency of inflation and inflationary pressures. This development must reflect the fact that we are now facing new economic problems, for, contrary to some opinions, this country has *not* had a continuing and persistent inflationary condition until recently. I was happy to see this point developed by Chairman Martin during his questioning by Senator Kerr. Mr. Martin placed in the record information on prices which reveal that over the period from 1800 to 1930, the trend of prices was generally downward. In other words, during the major portion of the life of this nation we have had stable or declining prices. I refer my colleagues to p. 1938 of Part 6 of the *Hearings*.

Although we did not have a persistent inflationary problem during the most of our history, I do not mean to imply that we had no problems at all. The basic difficulty was that the price level changed too suddenly and swiftly —first in one direction and then in another. The erratic movement of prices was terribly serious. On some occasions price increases and consequent declines were so sharp as to stimulate the wildest and most reckless kind of economic activity, when this happened long periods of depression and economic distress always followed and we had "panics" of which the years '73 and '93 are tragic examples.

Offers Challenge on Price Stability

It is noteworthy that during those periods prior to 1930 when we had price stability—and there were a number of such periods— as well as during some of the periods in which the price level drifted downwards — this Nation enjoyed a remarkable rate of economic growth. Today we hear a lot of loose talk about the necessary relationship between inflation and growth; as if we needed the first in order to have the second. I challenge any one to find any period in the history of this country when we had price stability which was not accompanied by substantial economic growth.

If it is true—as I believe it to be—that we are today facing the old problem of inflation in a new and more dangerous setting, let us see what this setting consists of.

Singles Out Labor

In the first place there is the role of organized labor, a factor not present to any important degree before the 1930's and which has only become really significant since World War II. Because of the growth in size and power of labor unions we are now faced with continuous upward pressure on wage costs and thus prices, regardless of productivity increases. This development was cited by most of the Committee's witnesses. For example, Dean Abbott noted that wage increases in excess of productivity "push up prices when, as is the case in this country, there is a flexible money supply." Professor Slichter also took note of this situation, as did former Chairman of the Board of Governors of the Federal Reserve Marriner Eccles, who said, ". . . the main cause of rising prices has been the use which labor union monopolies are making of their power to force up wages and numerous costly fringe benefits far in excess of increased productivity."

There are several other aspects of this problem which I believe, warrant notice. For example, it is important to note that if organized labor were required to depend only on its bargaining power to force wage increases in excess of productivity the program would eventually fail. That is to say, costs and prices can be pushed up only so far before the public would become unable to purchase all of the output and there would be resulting unemployment. Recognizing this, much of organized labor has placed itself squarely in the camp of the new inflationists, supporting monetary programs which will validate higher wages. Thus we have a two-pronged attack on price stability on the part of organized labor; and I think that we have perhaps paid less attention to labor's devotion to inflation than we should have done.

I do not want to leave this topic by giving the impression that all the blame for the wage-price spiral must rest with organized labor. Industry pricing policies and attitudes must also carry their part of the responsibility. As Mr. Eccles pointed out: "Business generally has been willing to grant excessive demands of labor rather than face a strike, so long as it was able to pass on to the public the increased costs."

Also, we must recognize that some business firms, because of their dominant positions, have the power to set prices which, within limits, are not immediately subject to traditional competitive forces.

It goes without saying that the entire question of the relationship between wages and prices deserves more attention than I can give it today. I am here concerned only with the development of relatively new factors which have made inflation a major problem and one such factor is the rise in the economic power of organized labor, unchecked by the traditional rules applied to business. This is a most significant new development.

Blames Government

Second among the factors contributing to our new inflationary problem is the changed role of Government. In many quarters the Employment Act of 1946 is interpreted as a virtual commitment on the part of the Federal Government to undertake expansionary programs at the first sign of a downturn. The act quite naturally reflected the fears of many people that the long depression of the 1930's would be resumed in the post-war period. Unfortunately the goal of price stability was not included in the objectives of the Act, and because this was not done, the Act seems to have had the effect of requiring the Government to act more vigorously when prices need to be raised, and less vigorously, if at all, when prices need to be lowered. As Dean Abbott put it: "It seems clear that both these objectives (maximum employment and price stability) will not be achieved so long as one has the blessing of the Federal Government and the other does not."

Another facet of the changed role of Government is the large place which Government expenditures occupy in the stream of our total national expenditure. Because so much Government spending is of a nature which cannot easily be changed, a business downturn always results in disproportionately lower tax receipts, and automatically produces a substantial Government deficit. On the other hand, during periods of prosperity in which inflationary pressures may be strong, it is difficult for the Government to have much of a surplus since there are always strong pressures for still larger Government expenditures or tax reductions.

Public's Acceptance

The third factor in our new inflationary problem is in many ways the most important, for it relates to the public attitudes which, in a democracy, ultimately determine our course of action. To put it plainly, inflation seems to be becoming acceptable. We had several illustrations of this attitude during the hearings held by the Committee on Finance. For example, Professor Slichter argued that inflation—as long as it proceeded at a slow rate—was not a particularly worrisome problem. As he put it: "I do not think it is very dangerous. I think we are likely to have it and I think it is an important problem, but I would not use that expression 'very dangerous.' I would describe it as unfortunate." Professor Harris went even further when he appeared before the Committee, indicating that he would be more or less content with a slow inflation so long as there was a larger proportional increase in output. His words were: "I would be very happy with a 1% rise of prices and a 5% rise in output . . ." On another occasion he made it clear that he was unconcerned over the loss which will be suffered by savers in inflation when he said: "I wouldn't be unhappy about a 1% inflation, even if it does, say over 40 years, wipe out 50% of your savings, as it would."

I might remark that although such a development might not make Professor Harris unhappy, the same cannot be said for those millions who depend on fixed incomes, many of them already at minimum levels. I am reminded of a remark made recently by Malcolm Bryan, President of the Federal Reserve Bank of Atlanta:

"If a policy of active or permissive inflation is to be a fact, then we can secure the shreds of our self-respect only by announcing the policy. This is the least of the canons of decency that should prevail. We should have the decency to say to the money saver, 'Hold still, Little Fish! All we intend to do is gut you'!"

The importance of this changing attitude towards inflation was reflected in many ways during the course of the hearings. I am sure that I do injustice to no one when I say that the Federal Reserve was quite severely criticized by some of the Senators during the questioning in the summer of 1957. Many of these criticisms reflected legitimate differences of opinion, but it was nevertheless quite apparent that in the eyes of some members of the committee the major fault of the Federal Reserve was that it was even attempting to fight the inflationary price rise which was then occurring, using the only means at its disposal. It is significant, also, that during the most recent Committee sessions the only criticism which we heard from these same people with respect to the present policy of monetary ease now being followed by the Federal Reserve is that it had not gone far or fast enough. Thus, we had the ironic situation of hearings held to determine what could be done to stop inflation, devoting a large part of the time to criticism of a responsible agency which was attempting to do just that.

Compatibility of Price Stability and Maximum Employment

The increasing acceptability of inflation — or the opposition to any anti-inflationary program — was also illustrated by the frequent discussion during the hearings of the question of the compatibility of a policy of price stability and a policy of maximum employment. For my own part, I am of the firm opinion that the two goals are not only compatible but go hand-in-hand; that we cannot have one without the other. I would agree, for example, with former Chairman Eccles who said: "I think they are equally important . . . I would undertake to maintain a stable economy rather than having run-a-way inflation which will wreck employment and production . . . you have got to use such tools as you have through monetary and fiscal policy to prevent inflation . . . in the long run (this) will create more production and employment than if you do not do it." I believe that this viewpoint is shared by most of the witnesses and most of the persons submitting answers to the written questions prepared by the Committee. Nevertheless, it was quite evident that there were some members of the Committee—and perhaps one or two witnesses—who assign a secondary role to the goal of price stability and who believe that any attempt to achieve price stability will result in frequent or continuous unemployment. I merely observe that if you believe that price stability can only be achieved at the cost of unemployment and also believe that maximum employment should be the only goal towards which we should be striving, it must follow that you also are willing to accept inflation as a permanent fact of our economic life.

As I come near the end of this opening statement, I realize that I have not given a complete list of all the factors that have appeared in recent years to give the old problem of inflation a new face. One which was raised by some witnesses — and partially developed in limited question referred to the role of the modern financial intermediaries outside the banking system—savings and loan associations—insurance companies and finance companies. Dr. Abbott described these generally as "important financing institutions often governmentally sponsored, not subject to the credit policies or influence of the Reserve System." Dr. Abbott also called our attention to the problem created by the fact that a large segment of the huge Federal debt has found lodgment in the banking system.

In other statements like this, I plan to discuss the role of the Federal Reserve in dealing with inflation through its responsibility for monetary policy, the effects on inflation of the policies of organized labor, and the impact of the present recession on the continuing inflation.

As I conclude this, the first statement, I want to say again, that the one thing that concerns me above all others is the apparent belief on the part of so many Americans that "easy money" which encourages "easy debt" is a sound and constructive policy. Those who are attracted by this idea denounce any attempt to control inflation by restraining the too rapid growth of the money supply, particularly if it coincides with the heady exuberance of an inflationary boom. The resulting recession is then blamed on the restraint, which actually had dulled its potential damage, rather than on the boom, which had made recession inevitable.

The sad fact is that inflation is no economic fairy godmother. There is no magic in money to produce something for nothing, and when government creates money faster than its citizens create value, it does not create wealth, it only creates inflation, which is the illusion of wealth. While inflation may seem at first to provide some people something for nothing, it is only transferring value from one group to another, and if continued, eventually robs everyone — even the "smart" boys.

When the American people can courageously face up to the fact that there is no such thing as something for nothing; that there is no real security without risk; that money cannot be manipulated to produce wealth; that there is no substitute for human endeavor and individual wisdom and responsibility; then, and only then, can we bring America back to economic reality, which in turn will put our feet on the path to sound growth and true prosperity.

With L. A. Huey Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Harold F. Beaton is now with L. A. Huey Co., U. S. National Bank Building.

Laurence Mandeville Marks

Laurence Mandeville Marks, senior partner and founder in 1932 of the stock brokerage and investment banking firm of Laurence M. Marks & Co., passed away Aug. 25 at St. Luke's Hospital after an illness of several months. He was 66.

After his graduation from Yale University, Mr. Marks was with the investment banking firm of Lee, Higginson & Co. until he formed his own firm.

Mr. Marks was a member of the New York Stock Exchange and a member of the exchange's governing committee, 1934-38. He was president of the Investment Banker's Association of America, 1950-51, President of the Bank Club of New York, 1932-33, a former governor of the National Association of Security Dealers and from 1945-49 a governor of the Association of Stock Exchange firms.

Continued from first page

The Promise of the Future

initial owners during the period of their useful life.

Under the forced draft of these model changes, competition has been stimulated and technological progress speeded up. Efficiency has been increased, and the level of buying power raised. The industry has grown; employment has mounted.

Finally, the annual model change has made available a sufficient number of used cars, representing substantial values, to bring individual transportation within the reach of everyone.

Had it not been for the annual model change our whole way of life would be different today. Our cities would not have spread out to far-flung suburbs. New industries and businesses would not have sprung up to provide new jobs for hundreds of thousands of men and women. Our farms would remain isolated. Our standard of living undoubtedly would be substantially lower.

Our annual model change has made it possible for the industry and General Motors to serve the customer well and to grow, but there are additional factors, too, that have aided the progress of General Motors. They have enabled General Motors to prosper even while other famous names in the automobile industry were falling by the wayside.

Vision and Organization

Our founders had the vision to comprehend the vast potentialities of the automobile business at a time when many persons were thinking only in terms of a luxury product for a limited market. The progress of General Motors can be directly attributed to the realization of its founders that their product would come to be desired by millions of people. This thought underlay their planning for the future.

But vision was not enough. Capital was required, and it was in this area that a great contribution to the growth and development of General Motors was made by local citizens of Flint. They had the faith to furnish the capital that enabled the founders to bring their vision to reality.

An important factor in our growth was the development of a type of organizational structure which provides for centralized policy-making and decentralized administration.

Centralization, properly established, makes possible directional control, coordination, specialization and resulting economies. Decentralization, properly established, develops initiative and responsibility and makes possible a proper distribution of decisions at all levels of management. It results in flexibility and that cooperative effort so necessary to large-scale enterprise.

Under the General Motors management concept there is a continuous flow of ideas and information upward and downward through the management organization. This results in mutual education and understanding and in maximum initiative at every managerial level. I believe, too, that it has encouraged a special attitude of mind in General Motors which we call the attitude of the inquiring mind.

The inquiring mind is never satisfied with things as they are. It is always seeking ways to make things better and do things better. It assumes that everything and anything can be improved.

In General Motors — whatever the problem — we try to get the facts, analyze them and follow the direction indicated, even if it leads into unfamiliar and unexplored territory.

The attitude of the inquiring mind is by no means unique to General Motors. However, we pride ourselves on having developed it to an unusual degree. We believe that it has contributed substantially to our progress.

On an occasion such as this, while it is useful to analyze the past, it is of even greater importance to try to look into the future. What does the future hold for General Motors, for the City of Flint, for our industry and for our great country?

Let us consider the near-term first.

Detects Upturn Trend

There are indications that the country has passed the bottom of the recession and that an upward trend has already begun in a modest way.

Industrial production has recovered from the low reached in April. Manufacturing employment in June and July rose slightly for the first time in 18 months, and the average factory workweek showed a substantial increase. Total employment is more than 65 million, while the unemployment picture has improved.

The annual rate of new housing starts rose in July to the highest level since February, 1956. Retail sales remain above the low point reached in February and March. Total expenditures by Federal, state and local governments, now the highest in history, are still increasing. Many new defense contracts have been let, and their effect has yet to be felt.

Personal income has been rising since February and reached an all-time high in July. Finally, gross national product, after declining for two successive quarters, rose slightly in the second quarter to $428 billion dollars on a seasonally adjusted annual rate basis.

All of these factors, as well as other indices, are evidence of an improvement in consumer and business confidence. This should have an effect on the automobile industry, which has been one of the hardest hit of any in this recession.

Predicts Bigger Auto Year in 1959

I anticipate a marked increase in the level of automobile production with the start of the 1959 model year. And because so many other industries are dependent on our industry, the result should be a chain reaction throughout the whole economy. Employment will increase and unemployment will decrease. As a matter of fact, our plans in General Motors provide for recalling one hundred thousand hourly rate employees to their jobs by mid-October, and by Nov. 1 hourly rate employment in the United States will reach 325,000.

I expect a further increase in the gross national product in the fourth quarter and that this improvement will gather momentum throughout 1959. If this appraisal of the near-term picture is correct, it is not unreasonable to expect that the automobile industry will produce and sell in the area of 5½ million passenger cars in the domestic market during 1959. This compares with an estimated 4,300,000 for 1958.

As for the longer term, I have great confidence in the future of our country, as well as in the future of the automobile industry.

It is estimated that our nation's population will exceed 190,000,000 by 1965, which compares with 174,000,000 currently. Number of households is expected to increase from 50,000,000 to 56,000,000. These increases will not only tax the productive capacity developed by industry in the postwar period but will require additional capacity. Beyond this, rapidly growing research expenditures by private business, by the universities and by other scientific institutions will require additional facilities for many new products. Technology will continue to advance.

Many new jobs should materialize — both in existing industries and in new industries. It is estimated that the civilian labor force will reach a total of about 76,000,000 persons by 1965 and that 73,000,000 will be gainfully employed.

Under conditions of full employment it is reasonable to assume that gross national product will rise from $428,000,000,000 currently to $600,000,000,000 by 1965. That should result in a total disposable personal income of $420,000,000,000.

Of great significance will be the increased income of many households. Whereas total consumer income will have risen one-third by 1965, households with incomes of $7,500 and up are expected to increase by two-thirds.

These are significant figures from the standpoint of the automobile industry. As a number of households and household incomes rise, the market for new cars expands. Also significant is the continuing trend of population away from the cities and into the suburbs. We may expect many new customers among the 13 million households which do not now own cars. And we may also expect a substantial increase in multicar households from 7½ million currently to more than 11 million by 1965.

Predicts 8 Million Cars in 1965

By 1965 it is reasonable to assume that the demand for new passenger cars will be in the area of 8 million units annually.

One word of caution. The advance that I foresee is not automatic. There is no such thing as guaranteed annual progress.

To achieve these gains by 1965 will require a cooperative effort, with all elements of our society working for the common good. The free enterprise system must be kept strong and virile. There must be incentives to attract investment capital and stimulate a continuation of the steady forward march of technology. Management must be alert to its responsibilities, and all who work must recognize that the only way to have more is to produce more.

It is my hope and belief that all of these things will come to pass within these next few years. Looking to the more distant future, as I stand in a figurative sense beside our milestone of 50 years of General Motors progress, I see ahead a second half century of further progress—for General Motors, for all of us in Flint and for the nation as a whole.

As to the specifics of that progress, I will not attempt to enumerate them. I am too mindful of the experts who in 1903 were convinced that production in the automobile industry could never exceed 20,000 cars a year because the market would not absorb more than that number.

I do know that while the old frontiers of geography have disappeared, their place has been taken by frontiers of science and industry whose horizons are limitless. I do know that opportunities for progress have never been greater than they are today and that bold planning can provide the impetus that will keep our economy on the march toward these new horizons.

I do know that, given a world at peace, sound national policies and a people willing to work for the things they want, we can look forward to an ever more dynamic and prospering national economy.

That is the goal to which we in General Motors are dedicated as our second half century begins.

Securities Salesman's Corner

By JOHN DUTTON

Don't Be Afraid to Venture Into New Fields

One of the reasons some men stay in a rut is that they become comfortable there. In the investment business this is often a costly thing to do. Holding on to securities of companies that have long ago lost their "go" and their "drive" is an expensive pastime, yet many investors do this just because no one comes to see them and suggests a better move. Many a salesman stays with a firm that is going no where; he slowly dehydrates and fossilizes along with his associates. It is easy to rationalize an atmosphere of sterility and call it stability. Life without growth and progress becomes a state of barren entombment wherein no salesman can create and develop ideas that will enrich either his own life or that of others.

Several years ago I was called upon to give advice to a good friend who had been with a small and progressive investment firm for about a year. He very much wished to develop a specialized business in Mutual Funds. He believed in the idea that many people had a need for the services performed by the Funds and he desired to become an expert in selling them. But he was handicapped in his association with his present firm because they did not place very much emphasis upon the sale of Mutual Funds since their interests were primarily in handling local issues, underwritings, and participating in new issues of young, growing companies. Although my friend was not discouraged in his desire to concentrate on the Funds, he was nevertheless under constant pressure to develop business in the areas where his firm had its main interests (which was only proper).

There was also another basis for disagreement inasmuch as this man had many years of business experience behind him before he took up a position of an investment securities salesman. He had invested his own funds carefully and well. He had lived through 1929 and he knew something about taxes, the problems of small business, the long, hard road between a small struggling promotion and a mature successful enterprise, and he did not have much confidence in some of the securities that he was at times asked to offer.

Although he was financially successful he began to worry. He did not fit in with his surroundings and to make matters worse he had nowhere to go. In his community there were no opportunities for connecting with a sound, small firm that would let him specialize in the sale of Mutual Funds. He did not wish to become a customer's representative for a New York Stock Exchange firm and so he went to his desk every day wondering where he could make another connection.

Why Not Try It?

So we sat down one evening in his home, this man of 60 who was too young mentally to quit, too strong to do something that he did not find compatible with his ideas of how he should fit into the investment business, and too young to get into a "rut" and just go through the motions every day which he could well afford to do. We explored the possibilities. There was no way in which he could develop his ideas in his present connection. That was certain. There were no other firms that offered such an opportunity.

I looked at him for a moment and I suggested, "Why don't you open your own business?" He replied, "Do you think I could?" I told him that I had not the slightest doubt that he could do it and before I left him that evening he had made up his mind. He opened an office in a prosperous suburb where there were many retired people. He took an upstairs office in a bank building where he made friends with several of the officers and who now send him considerable business. He has been running his own small business for three years and each year he is busier and more active. He has only a few salesmen, a small office force, and he does most of the firm's business over his own desk. He is selling Mutual Funds, a few very high-grade common stocks, and investing his own money. He is happy doing what he believes is the way he should live his life and, what is even more important, he did not allow himself to get into a rut—even at the age of 60.

* * *

I like the story about Jim Farley and his first try for political office in the staunchly Republican little town of Stony Point, New York. He only got on the ballot because it was almost impossible to find enough Democrats to fill out the ticket. No one thought he had a chance. He had a daily job as a bookkeeper and, at night and on weekends, he went from house to house ringing doorbells. As he said it, politics like selling, is a field where idlers don't last long. Things don't just happen, you have to make them happen and this means work.

There was no question of sitting around and thinking "I haven't a chance." Night after night after work he plugged away and, contrary to everyone's expectations, he was elected Town Clerk by the small majority of 20-odd votes. So started the career of James Farley that led him to the very top in the political life of this country. As he said, "I had to give myself the benefit of the doubt, and keep on working."

You never know what is around the corner and what unexpected forces are working in your direction—but the man who stays in a rut, who never tries to better himself, and to grow, never knows the thrill that comes with a hard-won victory over his greatest adversary—his own doubts.

Inman With Walston

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Kenneth G. Inman has become associated with Walston & Co., Inc., 1115 Van Nuess Avenue. In the past he was Fresno Manager for Francis I. du Pont & Co.

With Alm, Kane, Rogers

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Frank O. Widbin is now with Alm, Kane, Rogers & Co., 39 South La Salle St.

Julien Collins & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Wilfred A. De Cook has been added to the staff of Julien Collins & Company, 105 South La Salle Street, members of the Midwest Stock Exchange.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

Leroy B. Murdock has become associated with Paine, Webber, Jackson & Curtis, 209 South La Salle Street. He was formerly with Walston & Co., Inc. and Rodman & Renhaw.

Continued from page 5

Making the Nation's Budget And Budget Outlook for 1960

advised by the Cabinet, and Congress determine the great questions of policy. As for us, we are men down in the stokehole of the ship of state, and we are concerned simply with the economical handling of fuel. The President and Congress determine which way the ship sails, for that is a matter of policy, but we in the hold of the ship have something to do with how far she can sail through the way in which, in our humbler place, we apply common sense business principles.

"Much as we love the President, if Congress, in its omnipotence over appropriations and in accordance with its authority over policy, passed a law that garbage should be put on the White House steps, it would be our regrettable duty, as a bureau, in an impartial, nonpolitical and nonpartisan way to advise the Executive and Congress as to how the largest amount of garbage could be spread in the most expeditious and economical manner."

But things were destined to happen to these relationships that General Dawes could not foresee. As the years went by, more and more people turned to Washington as the source of leadership, money, and political responsibility. Government was to become big and complex and powerful, and its expenditures were to assume much greater importance to the economy. By 1939 the workload of the Presidency and our governmental machinery had become so altered that new methods of management were needed desperately. Out of this situation came the Reorganization Act of 1939, which took the Bureau of the Budget out of the Treasury Department and made it the principal staff arm of the President for public management, a position it still occupies after almost 20 years.

Basically, this system provides for a direct working relationship between the Bureau and the President. All budgetary decisions are made by the President with the advice of the Director of the Bureau of the Budget. The legislative program of the executive branch is reviewed by the Bureau of the Budget to determine its relationship to the policies of the President. Projects for governmental reorganization are initiated in the Bureau of the Budget for the consideration of the President. The statistical collection programs of the government are coordinated by the Bureau of the Budget. The government-wide program of accounting and financial management improvement is directed by the Bureau. And, as some of you may have heard, the Bureau has something to do with coordinating the overall administration of the hospital programs of the Federal Government.

The Budget Bureau as a Target

In every organization, in or out of government, the business manager, the controller, or the budget officer — whatever the keeper of the purse is called—is going to take last place in a popularity contest. This is certainly true where we are concerned.

When the budget shows a deficit, the public protests.

When the budget shows a surplus, we are denounced because it isn't larger.

When the Bureau denies some favorite local project, or holds back money for savings, members of Congress criticize it for being too powerful, and introduce bills to restrict its authority.

When the country clamors for economy, members of Congress point to the Bureau and complain that it isn't cutting expenses to the bone.

When the Bureau cuts the requests of the government agencies, the agency heads are not pleased.

When the agency heads take actions of their own to tighten up on spending, they sometimes find it convenient to let the Bureau of the Budget take the responsibility.

Finally, almost every crusading pressure group thinks its troubles would disappear if only the Budget Bureau would disappear, too. And there might be a point there—until you stop and think about it.

It **is** true that the Bureau of the Budget works for economy, wherever and when ever it finds the opportunity.

It **is** true that the Bureau does not recommend that the President approve every spending proposal that is brought up.

It **is** true that the Bureau tries to eliminate public services that no longer appear justified.

It **is** true that the Bureau presses for more efficient methods of conducting government.

It **is** true that the Bureau uses its legal authority to hold back spending of appropriated funds, when conditions change or other factors make the spending no longer sound.

It **is** true that the Bureau questions new expenditure programs when there are no revenues in sight to pay for them.

It **is** true, in summary, that the Bureau of the Budget works every day of every week of every year at budget and management, at trying to maintain the government's fiscal integrity. I think that is what the Bureau is supposed to be doing.

Decisions Are Often Close

Now my experience is that almost every agency proposal involving an increase in the budget is usually backed up with a good case. There is always some need that it would be nice to meet, if we could. I suppose that 75% of the ideas for increased expenditures that originate down the line in the agencies never reach the Bureau of the Budget. They are screened out before they get to us, because the agency heads know the budget problems that face us. And we realize that the proposals that do get through to us are the result of close review by top agency management.

The budget review process is really a procedure for making choices. In spite of what you might think, it is not a process with a built-in negative bias. If all we had to do was to say no to everything, we wouldn't need the kind of staff we have so carefully built and trained. But it that's all we did, we wouldn't be of much use to the President.

The President's job is to make decisions, to choose carefully among the flood of alternative proposals that come to his office. Basically, he has a set of objectives, expressed in laws or in broad administration goals. Against this background, he must select the means through which these objectives can best be attained. The Bureau of the Budget serves him by testing each new proposal, questioning its assumptions, judging its probable effectiveness, matching it on its merits against alternatives, appraising its timing, measuring how thoroughly it has been thought through, considering it in the context of its place in a free enterprise economy, and balancing its initial and ultimate cost against the expected results.

When the Bureau presents the results of its review to the President, a proposal has been carefully examined from every relevant aspect. The decision is the President's, and I think you should know that he doesn't always agree with the recommendations of the Bureau. That's all right with us. We aren't out to make a record. We're advising the President, and his judgment is the one that counts. The important thing is that the President has to have an impartial staff to search out all sides of the story, because the President hasn't the time to do it himself. And if that staff undertook to slant its work on a self-serving basis, no President would put up with it for very long.

Perspective Is Essential

In searching for a word to describe the budget process, I come back to the term "perspective." And this is the important thing to understand. Some are dedicated to caring for the sick and unfortunate. In their eyes this quite understandably may be the most urgent goal of public policy. But if some were physical scientists, with only a million-pound engine thrust between themselves and the moon, they might feel that other things should be put to one side while the United States concentrates on being the first to get there. A political economist interested in international affairs might believe in the paramount importance of helping backward nations through all-out economic and cultural assistance. An educator might feel that more educational facilities and better paid teachers were paramount. A military man might put all these second to the defense of the country. And so on.

These legitimate, but often competing, demands have to be weighed and fitted into a balanced governmental effort which the taxpayers are able and willing to support. The budget is a plan—an instrument for expressing a work program for a given period of time, in terms of priorities and available resources. In this sense, it is obviously much more than a bookkeeper's set of accounts. It is a dynamic program, summing up the collective leadership of a President and his administration, and subject from first to last to the power of the Congress to approve, revise, or reject it.

I will not leave you with the impression that the Bureau of the Budget contains all the wisdom needed to work out these priorities. You know that the basic objectives of our national security system are worked out in the National Security Council, with the President as chairman, and with the Budget Director as a participant. The economic assumptions underlying the budget are formulated with the President's Council of Economic Advisers. Our international economic policies are coordinated through the Council on Foreign Economic Policy. I cite these illustrations in part to show you that public policy is not determined solely by budgetary considerations, and in part to emphasize that program planning in the national administration is a highly organized matter. It is in the framework of these broad planning operations that the Bureau of the Budget tests and examines specific plans and proposals.

Strength for Tomorrow's Tests

We are entering into a period of great economic growth and vitality. Our population is increasing very rapidly, and in 20 years it should exceed 230 million. Our people are on the move to the great urban centers. Research will not only extend life expectancy but, on the industrial front, will create new products and markets to sustain high employment. The rise of new nations in Asia, Africa, and the East will change and widen trade patterns and provide new challenges.

If we are to have the strength and resources needed to meet tomorrow's tests, we must see to it now. The times call for imagination, for confidence, and for discipline. The fact that we are strong and still growing doesn't excuse us from conserving our strength and our resources for the greater efforts still to come. Just as society must be responsible, so must be the government which represents and serves it. Government must be able to judge the climate and the timing of its actions in relation to its total responsibility, and adjust quickly in response to change.

Facing Deficit Budgets

Last January, the President sent to the Congress a budget for the fiscal year which began July 1, six weeks ago, that estimated an approximate balance of revenues and expenditures at a total of about $74 billion. You know what has happened since then. The balance quickly changed into a deficit that may be as much as $12 billion by the time the year ends. One reason for this deficit is a slowdown in the business sector, which caused a major loss of expected tax receipts. At the same time expenditures will be four to six billion higher than we anticipated in January. Why did expenditures rise? In part, they are higher because of greater defense needs. In part, they reflect anti-recession measures to accelerate public works, extend unemployment benefits, and increase housing starts. And in part they are due to higher costs of farm price supports, as a result of bumper crops.

These unforseen increases in the costs of government have come at a time when the Nation also wants to spend money for better education in the sciences, for the development of atomic reactors to produce electric power, for safer air transportation, and for exploration in outer space. All of these expenditures add to what government is already doing; they do not substitute for going programs. And their cost is high.

Pressures for Higher Spending

In the face of what has happened to the budget that we thought was going to be balanced, even greater expenditures are nevertheless constantly being urged upon us. This year in Congress there were bills before committees that would

—launch new public works at a cost of $14 billion over five years;

—lend money for community facilities, at a cost of $2 billion;

—improve farm income at a cost of $36 billion over five years;

—provide for food allotments and livestock payments, at a cost of $3 billion each year;

—grant $100 monthly pension to veterans over 60 years of age, at a cost of $2 billion a year; and

—provide broad aid to education with a cost of $58 billion over five years.

The pressure for more spending reached such proportions that the Democratic Chairman of the House Appropriations Committee took the floor to admonish the membership in an unprecedented dressing-down. He said, to quote him in part, "We are confronted with an alarming situation. And the most alarming feature of it is that nobody is alarmed." Then he added, "We have spent money that we did not have and which will have to be paid by our children, our grandchildren, and our great grandchildren for things we could do without." And, after blaming the administration as well as the Congress, he concluded with this advice to his fellow legislators:

"So when you go home at the close of the session and your people complain about the high cost of living, do not pass the buck. Tell them the facts. Tell them that the more money we took in, the more you spent. Tell them the national debt is higher because you voted to make it higher. Tell them the dollar has gone down and the cost of groceries has gone up because you voted to depreciate the dollar and voted to raise prices. Tell them you thought you were campaigning out of the public treasury and making votes by voting for practically everything everybody and anybody wanted. Then they ought to reelect you and send you back because you told the truth — and then come back and sin no more before it is too late; if it is not already too late."

Well, you can judge how effective that was.

Budget Policies for 1960

Now we are getting ready to send up the budget for 1960, as soon as Congress returns in January. We don't expect to leap from a $12 billion deficit this year to a balanced budget next year. It takes time to work our way back. But there are hopeful signs.

The recovery in the economy is real and it will continue. If present tax rates are held firm, receipts in 1960 from individuals, corporations, and excise taxes should improve considerably. By the same token, further government spending to accelerate recovery will not be necessary. So, we believe we can narrow the gap represented by this year's deficit.

Our standards for the budget will be strict, of sheer necessity. This is no time for the Federal Government to expand going services or begin new ones, unless they meet the most stringent tests of need. We will **again** search for ways to reduce current costs. We will **again** request the necessary legislation to turn over to State and local governments those Federal services that can be performed equally well or better by other levels of government. We will press **again** for user charges to make special Federal services pay their own way. We will seek the cooperation of every Federal agency in adopting more efficient methods of doing business.

Your Responsibility and Mine

All that I have stated reflects my conviction that we must go through a period of serious soul-searching, if we are to put our financial affairs in order for the tests our country faces in the coming decades. Once we take our foot off the brake and start rolling, we will find it very difficult to stop. Responsible government is disciplined government. We must put this discipline into practice in our Federal budget.

May I appeal, therefore, to each of you Federal and voluntary hospital people to share in this soul-searching and ask yourself how you can contribute toward strengthening your Government by reducing unwarranted pressures for Federal spending and through getting the maximum value out of the Federal dollars whose spending you influence. You are citizens and taxpayers first, and the Bureau needs your support if it is to be effective in serving the President and the country.

As we look forward to our nation's future growth and to the great blessings that can be ours—jobs, health, leisure, and above all, peace and security — let us remember that tomorrow's profile is being etched today in the judgment we Americans employ, in the decisions that we make, and in the responsibility that we accept.

Continued from page 10

Higher Gold Price Refutations

per may be "sagging," but when he talks about **all** prices, just where is the "sag?" Consumer prices now above 123.3 in the aggregate are at an all-time high. Food prices at an all-time high, 120.8. Housing, 127.5, rents, 137.1, transportation, 138.7, medical care, 142.3, personal care, 128.3, all at record highs, and wholesale prices in the aggregate, all commodities in March, 119.7, an all-time high. Farm products, 100.5, highest since 1952. Processed foods, 110.7. And farmers are doing all right. The April 15 figures, 266, for the consolidated Farm Price Index, higher than any time since 1952 in the middle of the Truman-Brannan downslide on farm prices.

But do we want our prices for food and everything jumped? Is that the way to cure the claimed recession? The savings of the millions of American people who have accounts in savings banks and savings and loan associations are at an all-time high. The people have the money, department store sales and consumer demand, except, of course, for automobiles and durable goods, are excellent.

Bonanza for a Few and Disaster For Many

With 186% increase in the price of gold, marking down the buying power of our present dollar to 34 cents would mark down the value of the prewar dollar all the way down to 16 cents. What folly!! I don't defend subsidies, any of them, but if we subsidize one commodity, we simply put up its price in relation to the dollar or the basis of the value of other commodities. But gold is different. If we subsidize gold, we debauch the dollar in relation to **all the thousands** of other commodities. We upset the whole standard of all values. Why create this bonanza for a few to the disaster of the 170 million?

(3) I agree that "the high cost of labor has priced some manufactured products and to some extent our farm products, out of world markets." But I emphatically disagree that devaluation of the dollar "would quickly restore our competitive position." Don't you think that all of these nations with pegged currencies would very quickly follow us and devalue their currencies by two-thirds? Of course. They did in 1934! Thus, would it "clear out our astronomical surplus of farm products (at a loss of over $2 billion to Uncle Sam) and stimulate manufacturing, conceivably to boom proportions?" Is that what we want? It's tantamount to turning on the dollar printing presses, as was done with the French franc, the German mark, under Hitler, and all other currencies that have been devalued as a result of inflation. It's another step toward horrible disaster. And who pays for it? Those in the lower income group, especially those on fixed incomes, pensions, etc. To them it is real and stark disaster.

(4) "Corporations struggling with inflexible costs and diminishing volume," he says, "would quickly have a resurgence of buying" and "improving profit margins." That I deny emphatically. Anyone who has traveled around in these countries where the beautiful paper money runs into the 50 and 100 thousand francs, lira, cruzeiros or pesos, knows the disaster that those business firms have faced and struggled against. What he claims would happen didn't happen all the way from 1933 until 1940 when war orders poured in. Devaluation itself simply didn't do it!! And it never will!!

(5) Exports, he claims, would step-up as a result of devaluation. There again the immediate devaluation of the other currencies would put them in the same relative position. And as for "reduction in the billions of give-away money," that surely we would like to do, but how would this infamous measure help? Wouldn't the demand triple to offset the shrunken dollar?

(6) "The intolerable burden of gigantic national debt (and taxes) would become bearable." Just how? The value of the dollar's interest we pay on the national debt would be less in purchasing power, but how about the disaster to the millions of widows, orphans, investment company stockholders, insurance companies, whose stockholders and policyholders run into the millions, and who are owners of U. S. bonds, also devalued automatically. Had he thought of that? Imagine the millions of people suddenly thrown on public welfare!

(7) Marking up gold to $100 per ounce would very possibly "create a Treasury surplus of around $41,000,000,000," as he says, but how would it "permit a sharp reduction in taxes for many years to come?" Don't you think we would need three times as many dollars to run the government, and tax our people three times as much?

No Way to Reduce Debt

(8) He suggests that the "increment created by the new gold price could be used to reduce our national debt." Yes, indeed, that could be done, but again, what of the disaster to the many millions of people holding U. S. bonds who put their savings into them at hundred-cent-dollars, only to have them paid back in 34-cent-dollars. That's worse than Russia's repudiating the interest on her national debt. It's confiscation. And what is devaluation except confiscating the savers?

(9) If "not a single informed economist in the world" . . . "believes the United States can measurably reduce its national debt" . . . "until the dollar is devalued," God help our country! I've heard that before, and perhaps you have. But I suggest that is a sad commentary on the integrity of the American people. Only crooks disavow their honest obligations. Surely we haven't sunk that low!

(10) "Restoration of full convertibility, both internally and externally" I agree is desirable and practicable. But how would it "block the Russians?" I see no possible connection. Furthermore, I don't believe the Russians have any idea of establishing a convertible ruble.

Speaking of Russia, who would benefit from the devaluation of the dollar in terms of gold? In addition to the gold mining industry, obviously the countries with large gold production and holdings, especially the largest, Russia! One hundred dollars per ounce would nearly triple the valuation of her gold holdings in international trade! Ponder that one a moment!

(11) This "hysterical grasping for straws to arrest the downward plunge in our economy," is, as far as I can see, only in the shoutings of those who would spin us into a real depression. The great American economy must be mighty sound and solid to have withstood the vicious attack of these gloom and doom howlers without disaster, and every day we are getting more and more signs of the leveling off. Perhaps at a little lower level than the extreme peak of 1957, but a sound and stable American economy.

Devaluation of 1930's

As for his comparison with the 1930's, who can call that devaluation a success? As far as we can see, all it did was to raise prices drastically, stretch out the depression until 1940 when there were approximately 10 million still unemployed. It destroyed the value of the insurance policy-holder's assets, the value of the savings of investors in bonds of all kinds, and threw disaster right into the teeth of a great many families on fixed incomes, who suddenly didn't have sufficient money to cover the price of food. Does he want us to repeat that type of a disaster?

Actually, the 50-plus measures the Administration has taken to step up the economy and combat unemployment are now having effect. But they are becoming effective without the frantic and wild spending orgies for which the gloom and doom howlers are screaming.

Isn't the way out of this leveling off, or recession, if you wish to so call it, a sound working our way out by sane methods, rather than by wild, frantic panic gestures that can be ruinous?

Banks Would Have to Recapitalize

Apparently, Mr. Speaker, the gentleman has given no thought to the financial chaos that would result from such devaluation. The banks would have to recapitalize immediately and they would have to put up more reserves with the Federal Reserve. Their capital now totaling some $18 billion and insured for roughly $1.8 billion would present problems. They would have to put up enough to keep their ratios in line and immediately, and from where could the money come? The purchasing power of the Deposit Insurance Fund would be only one-third of what it now is.

Fancy the consternation and chaos in the vast financial institutions of our land, insurance companies, investment trusts, mortgage companies, holders of fixed-price guaranteed bonds, debentures, and especially land contracts and mortgages!

I don't know where this gentleman gets his information from inside Russia. What does he mean by "persistent reports from informed (Russian) sources?" Who are these sources? The Intelligence Services don't seem to have it. Could it be purposely pipelined out of the Kremlin to get us to destroy our currency? Maybe we haven't debauched our currency as fast as Lenin predicted when he outlined the way to conquer a nation!

I suggest, Mr. Speaker, that about the worst thing we could do at this time would be to devalue the currency.

Arnold Altex Aluminum Pfd. Stock Offered

A group of underwriters, headed by Cruttenden, Podesta & Co., Chicago, Ill., today (Aug. 28) are offering publicly 300,000 shares of 35-cent convertible preferred stock (par $4) of Arnold Altex Aluminum Co. at $5 per share.

This new issue is convertible into common stock at the initial rate of 1¼ shares of common stock for each share of preferred stock and is entitled to an annual sinking fund. It is also redeemable at $5.50 per share, plus accrued dividends.

Of the net proceeds of the stock sale, $1,150,000 is to be used for repayment of funds borrowed from James Talcott, Inc., on assignment of accounts receivable and warehouse receipts; $40,000 for the purchase of additional equipment and the balance for general corporate purposes.

Yes and More

"Communism comes in the wake of disillusionment and offers some kind of faith and some kind of discipline. But in spite of its apparent success it fails, partly because of its rigidity, but even more so because it ignores certain essential needs of human nature.

* * *

"Unfortunately, communism becomes too closely associated with the necessity for violence and thus the idea which it placed before the world became a tainted one.

"Communism has definitely allied itself to an approach of violence. Even if it does not indulge normally in physical violence, its thought is violent, and it does not seek to change by persuasion or peaceful, democratic pressures, but by coercion and, indeed, destruction and extermination."—Jawaharlal Nehru.

A true indictment, but it must be added that despite all these "short-cuts" communism can not begin to match private enterprise in providing the material good things of life.

Continued from page 2

The Security I Like Best

management. In fact, one leading New York advisory organization prints the motto, "Management Is Everything," on the margin of all its letters and reports to clients. Behind the amazing record of growth and development of Rockwell Manufacturing Company has been an alert and dynamic management group, headed by its Board Chairman and founder, Col. Willard F. Rockwell, and his son, Willard F. Rockwell, Jr., who became President of the company in 1945. Further evidence of the management's progressive-mindedness is the fact that the company operates 15 research and development laboratories, employing 285 research and engineering personnel. In 1957, this program cost the company some $3,300,000, of which some $2,000,000 was devoted to so-called "pure research." At 1.6% of net sales, this amount is well above average for a metal-working company like Rockwell.

Owning some 40% of the 2,305,938 shares outstanding, the management group and members of their immediate families have a substantial stake in the future of the company. This is certainly a fact which should reassure the "outside" investor.

From a financial standpoint, the company is in excellent shape, with a current working capital ratio of 6.9 to 1. The only outstanding senior capitalization is an issue of $18,000,000 20-year 4% sinking fund debentures which were sold privately last June 22. As a result of this financing, the company was able to retire all of its bank debt, pay for its most recent acquisition (Rockwell now owns more than 81% of the stock of Automatic Voting Machine Company of Jamestown, N. Y.), and leave a cash balance of approximately $9,000,000 in the treasury. Part of the surplus cash will go to finance construction of a new plant in Germany, which in time will give Rockwell Manufacturing Company a nucleus to manufacture and sell its domestic lines to continental European markets.

With regard to recent earnings, it is true that net income for each of the first two quarters of 1958 was considerably lower than that reported for the corresponding periods of last year. Nevertheless, the directors have maintained their quarterly dividend at the regular 55¢ per share rate through the first three quarters of this year. In commenting on dividend policy in his June report, Willard F. Rockwell, Jr. pointed out that the continuance of the established rate "indicated our confidence that earnings for the year would support the company's dividend." It is a fact, moreover, that Rockwell Manufacturing Company is characteristically a "fourth quarter company," having reported its best earnings in the fourth quarter almost every year.

Conclusion

In a nutshell, here are the main reasons why Rockwell Manufacturing Company common stock seems attractive to me:

(a) Its management is proven and progressive.

(b) It has a good product and customer diversification.

(c) It is in excellent financial condition.

(d) Its near-term earnings outlook is bright, and the dividend seems secure. At 40, the stock appears reasonably priced, provides a good return, and possesses growth potential.

Statistics

	(000) Net Sales	(000) Net Income	Per Share Net Income*	Per Share Dividends	Market Data High	Market Data Low
1957	$122,388	$9,648	$4.37	$2.20	48	35
1956	114,753	9,358	4.36	2.20	46½	34⅜
1955	82,947	6,794	3.47	2.00	37¾	31¾
1954	76,470	5,724	2.92	2.00	35½	22¾
1953	83,301	5,673	2.90	2.00	28¾	20¾
1952	85,855	5,838	2.98	2.00	29¼	24¼
1951	99,333	6,700	3.43	2.00	30⅝	22¾
1950	71,542	7,949	4.09	1.70	24¼	18
1949	60,678	5,891	3.03	1.15	19½	9⅝
1948	70,540	5,819	2.99	0.75	16¾	10¼

*Earnings per share are stated on the basis of average number of shares outstanding, and are restated to give effect to the 4% stock dividend paid in December, 1956. These figures, as reported in the company's 1957 Annual Report, do not reflect the 4% stock dividend paid in January, 1958.

With Zilka, Smither & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Jack P. Reverman is now with Zilka, Smither & Co., Inc., 813 Southwest Alder.

Simonds Named Director

Clarke Simonds, partner of G. H. Walker & Co., Providence, R. I. has been elected a director of the Worth Fund, Inc.

Joins Hay Investment Co.

(Special to THE FINANCIAL CHRONICLE)

ZANESVILLE, Ohio — Richard A. Gordon has become associated with The Hay Investment Company, First National Bank Bldg.

Field & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Sidney C. Leo has become affiliated with Field & Co., Inc., Cascade Bldg.

With E. I. Hagen Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Jack R. Bratlie is with E. I. Hagen & Co., American Bank Building.

Continued from page 5

The State of Trade and Industry

since the week ending Oct. 5, 1957, when 21,975 units were assembled in a previous changeover period.

The total car figure two weeks ago was placed at 59,677 units, while the corresponding week in 1957 showed 123,130 completions.

Assembly of 1959 models began last week at Buick, "Ward's" noted. Scheduled to join in 1959 production this week are Dodge, De Soto, Chrysler and Imperial factories in Detroit and Rambler in Kenosha, Wis.

"Ward's" noted that last week's car total was provided by six producers, Buick, Plymouth, Ford, Edsel, Mercury and Lincoln. Plymouth concluded 1958 model operations Tuesday in Detroit. Ford Motor Co.'s car lines will stop for model changeover in September.

Truck production the past week was estimated at 8,676 units, down from 12,976 the week before. Inactivity at Chevrolet and Dodge factories was primarily responsible for the large cut the past week.

"Ward's" reported that United States manufacturers have turned out an estimated 2,726,820 cars to date, down 36% from the like period a year ago when output stood at 4,272,635 units. Output of 553,249 trucks this year represents a 25% fall from last year's figure of 740,034 units.

Steel Output Expected to Rise Further This Week

Steel production next year will reach 110,000,000 tons, "Steel" magazine predicted on Monday of the current week. Output will be a third higher than the 82,000,000 expected this year and only slightly under 1957's 112,700,000.

The sharply improved performance will result from rock-bottom steel inventories, an anticipated upturn in consumer spending, rising Federal spending and world unrest, the metalworking weekly commented. The improvement is starting now and will accelerate in September and October.

Leading producers forecast a gain of at least 20% in steel shipments in September. Barring an automotive strike, October will be a better month than September, probably the best of the year. Shipments will remain at a high level during November and decline only slightly at year-end.

Gradual improvement seems to be the style. However, the threat of an auto strike is already putting the brakes on the business recovery. It is holding up some orders for steel from automakers and delaying purchases of steel and other material from those who supply the industry. A walkout would bring the recovery to a jarring halt.

Although automakers are in the market, they are not releasing orders as rapidly as usual. Ordinarily, they would consider current inventories of 20 to 30 days grossly inadequate. Instead of adding to their supplies now, they are depending on three to five weeks' delivery from the mills.

When the UAW contracts are signed, steel producers can expect a rash of orders—and not only from automakers. Other consumers have cut inventories to the bone. When the automakers release big orders, it will be unsafe for other users to gamble on quick deliveries.

During the first eight months, United States steelmakers produced about 51,000,000 net tons of steel for ingots and castings. June's output was the highest at 7,130,000 tons, with operations at 61.7% of capacity.

If steelmen are to turn out 82,000,000 tons this year, they will have to make 31,000,000 tons during the next four months. They must average 7,750,000 tons a month, operating at 66% of capacity.

Last week, furnaces were operated at 61% of capacity, up half a point. Production was about 1,647,000 net tons of steel. District rates are as follows: Wheeling at 80% of capacity, up 6 points; St. Louis at 77, up 2.5 points; Chicago at 73, up 4 points; Western district at 71, up 1 point; Cincinnati at 72.5, up 0.5 point; Detroit at 69.5, up 1 point; Eastern district at 61, up 1 point; Cleveland at 53.5, up 0.5 point; Pittsburgh at 52.5, no change; Birmingham at 52, down 1.5 points; Youngstown at 49, down 4 points; Buffalo at 47, down 4.5 points.

"Steel's" composite on scrap held at $41.33 a gross ton last week. Current price levels are meeting resistance and steel mills have not made any big purchases.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *106.9% of steel capacity for the week beginning Aug. 25, 1958, equivalent to 1,717,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *105.2% of capacity, and 1,690,000 tons a week ago.

Output for the week beginning Aug. 25, 1958 is equal to about 63.6% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 62.6% the week before.

For the like week a month ago the rate was *97.2% and production 1,561,000 tons. A year ago, the actual weekly production was placed at 2,103,000 tons, or 130.9%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Receded Somewhat From Last Week's All-Time High Level As Cooler Weather Set In

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 16, 1958, was estimated at 12,851,000,000 kwh., according to the Edison Electric Institute. Output last week declined from its all-time high level as cooler weather set in.

For the week ended Aug. 23, 1958 output decreased by 365,000,000 kwh. below that of the previous week, but increased 463,000,000 kwh. above that of the comparable 1957 week and registered an increase of 1,146,000,000 kwh. above that of the week ended Aug. 25, 1956.

Car Loadings in Week Ended Aug. 16 Rose 1.2% Above Previous Period but Were 16.6% Below Like 1957 Week

Loadings of revenue freight in the week ended Aug. 16, 1958 were 7,411 cars or 1.2% above the preceding week.

Loadings for the week ended Aug. 16, 1958 totaled 625,991 cars, a decrease of 124,649 cars, or 16.6% below the corresponding 1957 week, and a decrease of 143,653 cars, or 18.7% below the corresponding week in 1956.

Automotive Production Last Week Hit a 10-Month Low Level as Most Manufacturers Ended 1958 Model Output and Geared for 1959 Cars

Automotive production for the week ended Aug. 22, 1958, according to "Ward's Automotive Reports," declined to its lowest level in the more than 10 months, due to model changeover close-downs.

Last week's car output totaled 25,925 units and compared with 59,677 (revised) in the previous week. The past week's production total of cars and trucks amounted to 34,601 units, or a decrease of 38,052 units under that of the previous week's output, states "Ward's."

Last week's car output declined below that of the previous week by 33,752 units, while truck output dropped by 4,300 vehicles during the week. In the corresponding week last year 123,130 cars and 20,491 trucks were assembled.

Last week the agency reported there were 8,676 trucks made in the United States. This compared with 12,976 in the previous week and 20,491 a year ago.

Lumber Shipments Rose 1.7% Above Production in the Week Ended Aug. 16, 1958

Lumber shipments of 472 reporting mills in the week ended Aug. 16, 1958, were 1.7% above production, according to the "National Lumber Trade Barometer." In the same period new orders were 15.9% above production. Unfilled orders amounted to 44% of stocks. Production was 3.7% above; shipments 1.8% below and new orders were 3.9% above the previous week and 31.0% above the like week in 1957.

Business Failures Edged Slightly Upward in Latest Week

Commercial and industrial failures rose mildly to 272 in the week ended Aug. 21, from 262 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties exceeded the 260 occurring in the comparable week of last year and the 215 in 1956. Continuing above the prewar level, failures were 3% higher than the 1939 total of 264.

All of the week's increase took place among casualties with liabilities of $5,000 or more. They climbed to 247 from 227 in the previous week and 218 a year ago. On the other hand, small failures involving liabilities under $5,000, dipped to 25 from 35 last week and 42 in the corresponding week of 1957. Liabilities in excess $100,000 were incurred by 28 of the failing businesses as compared with 29 in the preceding week.

Construction casualties rose to 41 from 32, wholesaling to 33 from 21, while commercial service edged to 28 from 25. In contrast, the toll among retailers dipped to 121 from 125 in the previous week and among manufacturers to 49 from 59. Neither the retailing nor manufacturing groups had as many failures as a year ago, but in other lines mortality exceeded the 1957 level, with the most noticeable rise in wholesaling.

The South Atlantic States, reporting 30 as against 10 last week and the West North Central States, up to 14 from 5, accounted for most of the week-to-week upturn. The tolls in New England and the Mountain States also edged up slightly. On the other hand, four regions had fewer casualties during the week; Middle Atlantic failures dipped to 91 from 93 and Pacific to 63 from 73. In the East North Central States, the toll held steady at 39. Regional trends from 1957 were mixed with four regions reporting higher casualties, four reported lower totals and one had no change.

Wholesale Food Price Index Registered Further Declines in Latest Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell again last week. It stood at $6.49 on Aug. 19, down 1.2% from the $6.57 of the prior week, but was 3.2% higher than the $6.29 of the similar date a year ago.

Commodities quoted higher the past week were sugar, coffee, cocoa, potatoes and steers. Lower in wholesale price were flour, wheat, corn, rye, oats, hams, bellies, lard, cottonseed oil, eggs and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Held Close to Level Of Prior Week

Price decreases in cotton, coffee and steel scrap offset increases in some livestock, rubber and sugar the past week, leaving the general commodity price level close to that of a week earlier. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 278.86 on Aug. 18, compared with 278.69 in the prior week and 293.00 on the comparable date a year ago.

Forecasts of big harvests and the anticipation of a noticeable increase in commercial supplies discouraged grain trading last week. Prices were close to those of a week earlier. Purchases of wheat by flour mills lagged and wheat prices held steady. Reports of favorable weather conditions in growing areas resulted in a dip in corn buying, causing prices to slip fractionally. Prices on rye, oats and soybeans remained at previous week levels.

Reports of record wheat supplies held trading in flour below the prior week and prices fell moderately. Rice supplies were again limited and buying was unchanged, leaving prices close to those of a week earlier.

Although an agreement was reached among the Latin American nations regarding an expanded stabilization scheme, coffee trading lagged and prices fell somewhat. The expectation of an increase in supplies curtailed cocoa transactions the past week.

Prices declined moderately from the prior week. Sugar trading equalled that of a week earlier, but spot prices decreased slightly.

After sagging at the beginning of the week, hog prices picked up at the end of the period as trading improved. Hog receipts in Chicago declined somewhat from both the prior week and the similar 1957 period. Interest in steers rose moderately resulting in a slight increase in prices. There was a fractional increase from the preceding week in cattle receipts, but they were down somewhat from a year ago. Transactions in lambs were steady and prices remained unchanged.

There was a slight decline in cotton prices during the week and trading slackened. United States exports of cotton last week were estimated at 95,000 bales by the New York Cotton Exchange Service Bureau. This compared with 105,000 in the prior week and 90,000 in the comparable week a year ago. From the start of the current season on Aug. 1 through last Tuesday, exports amounted to about 142,000 bales compared with 112,000 bales during the comparable period last season.

Trade Volume Last Week Equalled Level of Like Period a Year Ago

Although retailers reported a slight decline in activity last week, over-all retail trade equalled that of the similar week last year. Much of the week-to-week dip was attributed to extremely hot humid weather in some areas and a decline in clearance sales promotions. Year-to-year gains in the buying of furniture, linens and food specialties were offset by declines in men's apparel, some major appliances and new passenger cars.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 2% below to 2% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc. show. Regional estimates varied from the comparable 1957 levels by the following percentages: South Atlantic States +2 to +6%; West North Central and East South Central +1 to +5; West South Central and Mountain —2 to +2; New England, Middle Atlantic and Pacific Coast —3 to +1 and East North Central States —4 to 0%.

Slight increases in the buying of women's Fall coats, suits, dresses and sportswear offset declines in summer apparel. Over-all sales of women's clothing matched those of last year. Best-sellers in accessories were jewelry, handbags and gloves. Volume in men's summer suits and beachwear dwindled, but interest in some furnishings and sportswear was close to that of a week earlier. There was another slight rise in purchases of children's back-to-school merchandise.

Although volume in outdoor tables and chairs declined seasonally, volume in dining room sets, occasional tables and upholstered merchandise moved up boosting total furniture sales slightly over last year. Slight year-to-year declines prevailed in the call for air cooling equipment, automatic laundry equipment and refrigerators. Retailers reported moderate increases over a year ago in the buying of floor coverings, draperies and linens.

Housewives stepped up their buying of frozen foods, canned goods and picnic food specialties the past week. Volume in fresh produce and most dairy products matched that of a week earlier. Interest in fresh meat and poultry was down somewhat.

Wholesalers reported a noticeable rise in re-orders for children's back-to-school clothing last week as retailers attempted to replenish depleted stocks. Buyers were primarily interested in boys' jackets and slacks and girls' sweaters and skirts. There was a substantial gain in purchases of women's Fall dresses, suits and sweaters. Volume slightly exceeded that of the similar week a year ago. The call for men's Fall merchandise remained close to that of a week earlier.

A noticeable rise in orders for housewares, glassware and silverware occurred the past week as volume matched that of a year ago. Volume in furniture was steady and best-sellers were occasional tables, bedroom sets and upholstered chairs. While interest in air conditioners and fans slackened considerably, the buying of refrigerators and automatic dishwashers was sustained at the level of a week earlier. Wholesalers of linens and draperies reported appreciable year-to-year gains.

There was a moderate increase in over-all textile trading last week. Stepped up orders for sateens, broadcloths and print cloths helped boost total volume in cotton gray goods somewhat over that of the prior week. Interest in carpet wool expanded with some mills reporting limited supplies. Fractional gains occurred in transactions in woolens, worsteds and some industrial fabrics. Incoming orders at mid-Atlantic dyeing and finishing plants were steady.

Food buyers stepped up their orders for canned fish, fruit and vegetables the past week as wholesale stocks dwindled. While volume in fresh produce, frozen foods, fresh meat and poultry expanded, interest in dairy products, cold cuts and flour remained at the level of the prior week.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Aug. 16, 1958, rose 2% above the like period last year. In the preceding week, Aug. 9, 1958, an increase of 2% was reported. For the four weeks ended Aug. 16, 1958, a gain of 2% was also recorded. For the period Jan. 1, 1958 to Aug. 16, 1958, a decrease of 1% was reported below that of 1957.

Retail trade sales volume in New York City last week advanced 2 to 5% above the like period a year ago, spurred by cooler weather.

White goods sales were well received and attractive prices resulted in an increased volume.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 16, 1958 showed no change from that of the like period last year. In the preceding week Aug. 9, 1958, no change (revised) was also reported. For the four weeks ended Aug. 16, 1958, an increase of 1% was reported. For the period Jan. 1, 1958 to Aug. 16, 1958 an increase of 1% was registered above that of the corresponding period in 1957.

Railroad Securities

Western Pacific Railroad Co.

Western Pacific continues to be one of the few roads which has maintained its dividend this year. The road has been paying 75 cents quarterly and it was stated at the annual meeting that it is confidently expected that earnings will be such that there will be no difficulty in maintaining the usual $3 dividend rate.

This railroad has embarked on a large rehabilitation program over the past few years. This has included right-of-way, equipment and tunnels. However, due to the decline in earnings, it has been officially stated rather vigorous reduction in the road's improvement program has been made for this year. It was originally planned to be in the neighborhood of about $5,000,000, but because of the drop in earnings, the program has been cut to $1,300,000.

During the first six months of this year, Western Pacific reported gross revenues of $24,066,027 as compared with $27,275,341 in the first half of 1957. Net income after taxes and charges amounted to $1.24 a common share, excluding tax deferments account of accelerated amortization as compared with $2.92 a share in the 1957 period. Earnings per share before the above deduction aggregated $2.39 a share against $4.14 a share in the 1957 period.

The railroad has not been too successful in its piggy-back operations. The road has had difficulty in obtaining this type of traffic. Truck competition in the service territory is quite severe and it has been found that in instances where shippers have gone to the trucking lines, it is not possible to get the traffic back to the rails even with piggy-back service. As a further experiment in this type of operation a contract has been made with a highway trucker to handle some of his loaded trailers as well as empties in the opposite direction. This has resulted in some increase in the amount of traffic handled by this method.

Tracks of the carrier are being relocated because of the construction of the dam at Oroville, Calif. The State already has started the construction of two of the tunnels involved. The relocation will bring about a shortening between Oroville and Portola by about four miles and the new line also will by-pass part of the area in the Feather River Canyon where there have been a number of slides and traffic interruptions due to rocks falling on the tracks. It is estimated that about 15% of the slides normally experienced during the year would be eliminated by the relocation of the line. The State is paying for this construction work.

Western Pacific continues to stress its industrial development program. The road reports that the number of inquiries continues at a high level with indications a number of companies may be purchasing land with the thought of developing the property and actually constructing plants later.

The new freight car ferry recently placed in service also has proved economical. Because of its speed it can make a round-trip run from Oakland to San Francisco in the same time it used to take to make the trip one way. It handles more cars and by reason of its speed it has been possible to reduce one shift on the ferry so that it now operates only two shifts out of 24 hours.

Prospects now are that Western Pacific's gross revenues for 1958 will be approximately 9% under those of 1957 and amount to around $49,500,000 and it is estimated that on this gross net income before funds will total around $3,000,000.

Stress Is Placed on Savings Bankers To Attend ABA Fall Convention

Savings Bankers' spokesman urges full attendance at Sept. 21-24 American Bankers Association's Convention in order to register complete opposition to amendment that would exclude mutual savings banks from membership in national banking organization.

The Savings Banks Association of the State of New York, in a memorandum to presidents of its 127 member banks, urged that every savings bank have a voting representative present at the American Bankers Association convention in Chicago, Sept. 21-24. The convention is expected to vote on a proposed amendment to ABA by-laws that would exclude mutual savings banks from membership in the national banking organization.

Offices Oppose Exclusion Amendment

The memorandum, signed by Kilgore Macfarlane, Jr., President of the Savings Banks Association, and George M. Penney, managing director, points out that "officers and the Legislative and Administrative Committees of the ABA have unanimously expressed themselves in opposition to the proposal. Mutual savings banks certainly can do no less than support their position by exercising their right to vote in opposition to the amendment."

According to the memorandum, the reasons advanced for his action by the sponsor of the proposed amendment "are completely irrelevant to the question of membership of the mutual savings banks in the ABA."

Adoption of the proposed amendment, the memorandum said, would result in narrowing the scope and function of the ABA, "which historically has embraced all phases of the banking industry."

The text of the letter follows:

"As you know, an amendment to exclude mutual savings banks from membership in the ABA, offered by Arthur T. Roth, will be acted on by the 84th Annual Convention of the American Bankers Association in Chicago, Sept. 21-24. William A. Lyon, President of the National Association of Mutual Savings Banks, in a letter addressed to members Aug. 13, 1958, expressed the hope that each mutual savings bank will have a representative in Chicago to cast a vote.

"This memorandum is to emphasize your Association's endorsement of the request by the National Association that **every savings bank have a representative on hand to cast a vote.**

"Officers and the Legislative and Administrative Committees of the ABA have unanimously expressed themselves in opposition to the proposal. We believe the mutual savings banks certainly can do no less than support their position by exercising their right to vote in opposition to the amendment.

"The reasons advanced by Mr. Roth for his action are completely irrelevant to the question of membership by the mutual savings banks in the ABA, which historically has embraced all phases of the banking industry.

"We urge that you, and any branch officer also eligible to vote, make a point of being in Chicago on Tuesday, Sept. 23, the day when the amendment will be considered at the General Session of the Convention.

"Although it will not be necessary for you to be registered at the Convention to be eligible to vote, you must check in at the registration desk in the Conrad Hilton Hotel to qualify as a voting delegate from your bank or branch. **This should be done during the morning of Tuesday, Sept. 23.**

"All members in good standing may vote. Banks with branches for which ABA dues have been paid are entitled to one vote for each branch, provided that an individual officer is present to vote. An officer of your bank may represent any branch of your bank as long as that branch is in good standing. **No proxies will be permitted.**

"If the amendment goes to a general vote of the membership, balloting (which is expected to be secret) will take place in the afternoon of Tuesday, Sept. 23. **Polls will be open from 1:00 p.m. to 6:00 p.m.**

"Results of the voting will be announced early Wednesday, Sept. 24.

"In the event you want further information regarding the proposed amendment or the voting procedure, please call or wire.

"Kilgore Macfarlane, Jr.
President

"George M. Penney
Managing Director"

"P.S. We believe that this matter deserves your full and immediate consideration."

Scott Heads Div. for Travelers Aid Drive

Stuart Scott, Jr., of Carlisle & Jacquelin, Chairman of the Travelers Aid Executive Committee, will serve as Chairman of the Stock Exchange Members Division of the 53rd annual appeal of the Travelers Aid Society of New York. Announcement was made by William G. Rabe, Co-Chairman of the 1958 Appeal.

Travelers Aid gives immediate, confidential help, free of charge, to anyone in trouble away from home. Its presence at the airports, piers, railroad and bus terminals to give warm, friendly counsel and assistance on the spot when problems arise, averts many tragedies.

During 1957 Travelers Aid's corps of multi-lingual volunteers and staff gave preventive help to 70,552 persons, including: 1,906 children traveling alone and 303 runaways; aged handicapped or inexperienced travelers totaled 6,770; 606 were suddenly ill; 526 were mentally ill; and 3,558 new Americans.

Travelers Aid is a private, non-sectarian agency and receives its support entirely from voluntary contributions. The 1958 appeal will begin on Sept. 15 and end Dec. 31. During this period a goal of $405,000 will be sought to maintain the Society's operations during the coming year.

Form Mt. Secs. & Devel.

SALT LAKE CITY, Utah—Mountain Securities & Development Co. has been formed with offices at 465 East Third South. Officers are C. Larry Frisby, President, and Clifford Frisby, Secretary and Treasurer.

Continued from page 16

"Revival of the Inflation Peril"

steel price increase, and (4) the frenzied speculation in the stock market—all tend to suggest that instead of levelling off or declining, the cost of living will continue to inch upward painfully, to the distress of tens of millions of American consumers.

To be sure, all calculations and forecasts about further inflation are dependent upon the attitude of the American consumer. Will the American consumer be willing to buy at higher prices? Or, even if he is willing to buy, will he be able to buy at the higher prices?

I don't pretend to be a Gallup pollster, but if I had to make a wager, I would say the average American family today is more concerned about rising prices than it is about anything else. If this concern over higher prices is transformed into a buyer rebellion, then the recovery from the recession may prove very short-lived, indeed.

The suggestion of a buyers' rebellion is not original with me. It was made by President Eisenhower last week at his press conference. At the same news conference, the President also held out the possibility of Federal controls if prices and wages continue to go up. Drastic as these steps appear to be, no responsible person should rule out the possibility of the eventual imposition of controls should prices and wages continue to spiral upward.

S. & L. Assn's Acceptance With the Public

Most everyone is familiar with the efforts our institutions have made to acquire status and prestige. We have had to fight every inch of the way for what recognition we have received. It seems to me, after considerable thought and reflection, that the tremendous public concern over inflation presents the savings and loan business with a great challenge and opportunity to achieve greater prestige and public recognition than we have ever before achieved.

If savings and loan institutions can identify themselves as the principal allies of the American people in the fight on inflation, nothing else we could do would do more to enhance our prestige and standing with the American people.

Certainly the American people crave leadership in the fight to stem the inflationary tide. They cannot look for or receive this leadership from the commercial banks because the commercial banks are too timid. The insurance companies are willing to make the fight and, through their Institute of Life Insurance, the insurance industry has struck some effective blows. But the efforts of the insurance companies have lost much of their impact—in part because an insurance company has only a remote or long-distance relationship with its policyholders.

Vacuum in Anti-Inflation Fight

Thus, a vacuum of leadership exists in this important area, and the savings and loan business has the tremendous opportunity to fill this vacuum.

Of course, some savings and loan people will say that combatting inflation sometimes can get pretty controversial because the procedures necessary to effectively battle inflation often border on politics. Certainly I agree that it would be extremely poor business judgment and in bad taste for any savings and loan institution to advise its customers to support one political party over another, or one candidate for public office over another.

On the other hand, I cannot see that it is wrong for a savings and loan association to provide its savers with information, guidance and recommendations on matters that directly affect the value of the savings that have been placed in its hands for safekeeping.

Is it wrong, for example, to caution our savers to be careful and prudent in their purchases and to insist on receiving as much value as possible for each dollar spent?

Is it wrong to suggest that we should have a balanced Federal budget since a Federal deficit ultimately breeds further inflation?

Is it wrong to suggest in a time of inflation that credit terms may often have to be tightened instead of liberalized, and that "tight money" may very often be good for everyone?

It may well be that your institution will decide that matters such as these are too controversial and should be avoided. On the other hand, one institution I have in mind—the Talman Federal of Chicago—has been running full page newspaper ads on such subjects for the past two years and their growth has been among the most rapid of any institution in the country. Apparently it is true that the public likes forthright financial counseling from those institutions where it has placed its savings.

Evils of Inflation's Institutionalization

Actually, I am not sure that savings and loan institutions have any alternative but to undertake vigorous anti-inflation information and education programs among their customers and for the benefit of the public. An article in the current issue of *Business Horizons*, published by Indiana University, points out that the most apprehensive characteristic of inflation is the "ghost of Christmas yet to come, a day when people lose their natural tendency to expect constant prices." The article points out that after a series of prolonged and recurring price increases, people come to expect—and even more important—to *act* upon the expectation of higher prices.

When that happens, people spend their money as fast as they can so that rising prices will not reduce the purchasing power of their income. When this happens, "creeping inflation" has become "galloping inflation" and the threat to the very existence of savings and loan institutions is obvious.

Reviews Legislative Program

I would like now to review the status of our legislative program in Washington. Our Number One legislative objective in 1958 was the defeat of the Curtis Bill which would have reduced our reserve for bad debts before taxes from 12% of total savings to 5% and would have permitted for purposes of deduction only those dividends of 3% or less. We made a determined and all-out effort to defeat the Curtis Bill and it now appears certain that there will be no action on this proposal this year.

All of us should bear in mind, however, that proposals similar to the Curtis Bill will inevitably be thrown into the hopper next year and years following. Actually, we face the continuing task, year in and year out, of warding off attacks on our tax status, and your League officials are fully conscious of these threats. The retention of our present tax status is the first and paramount legislative objective of the U. S. League.

Financial Institutions Act

Another major important 1958 legislative objective was passage of the Financial Institutions Act which passed the Senate last year and was before the House Banking and Currency Committee this year. For reasons that are too involved to go into now, the House Banking and Currency Committee is not going to report this Act out this year—which means this legislation is dead for all intents and purposes.

With the death of the Financial Institutions Act, unfortunately, a lot of effort on the part of the U. S. League has been washed down the drain. Some of the provisions in the Financial Institutions Act, referring mostly to procedural and administrative improvements in the Federal Home Loan Bank Board and the Federal Home Loan Bank System were desirable and we would have liked to have seen them enacted this year. However, we were not entirely satisfied with the provisions the Act included relative to branches for Federal associations, and we may have a chance to improve this language next year.

The legislative item which received the greatest attention this year is, of course, the proposal for establishment of the loan guarantee program for insuring the top 20% of home loans up to 90% of appraised value. The proposal was included in the Omnibus Housing Bill approved by the House Banking and Currency Committee. Because of the strong Republican support we received in the House Banking Committee, we were guardedly optimistic about its passage on the floor. We were also optimistic that if the plan passed the House, which did not happen, it would be accepted by the Senate conferees on the Housing Bill. However, even after passage of all these obstacles, the plan in the future still faces the possibility of a Presidential veto.

Frankly, I have been astonished and shocked by the all-out, no-holds-barred, opposition to the plan that was displayed by the Eisenhower Administration. Here was a bill that was essentially a proposal to bring a private enterprise flavor into high percentage home lending — a bill supposedly in accord with the alleged private sympathies of the current Republican Administration. And yet, this Administration — particularly its housing agency officials with the aid of the White House — used every tool in the book to beat us.

I cannot understand it, and I have told my Republican Congressman that I cannot understand it. There is no doubt in my mind, incidentally, that had it not been for the White House intervention, the proposal would have been approved by the full Senate Banking Committee and then passed by the Senate. We had the votes—until the White House stepped in.

I say that because it is important for everyone in this business to understand that our political fences have to be continually mended if we are to improve the conventional loan to the extent it should be improved and if we are to do a better job of financing American housing.

For all the disappointments and frustrations in the fight over the loan guarantee program, however, it should be noted that a couple of positive goods have been accomplished.

Accomplishments

First, a number of key members of Congress now understand, as they have never quite understood before, that the savings and loan business constitutes a great pool of energy, ability and money for building a better America.

Second, these same members of Congress also realize — as they tended to forget in the past—that conventional lending is the most important single segment of American home finance. From this realization it is only a short step to the further recognition that by modernizing the conventional loan, a greater contribution can be made toward private home building and buying than any of the government housing programs.

I do not mean to imply or suggest that the steady year-by-year encroachment and intrusion into housing and home finance by the Federal Government is at an end. But I do believe that as a direct result of the extended discussion and consideration given to our loan guarantee plan, there is, for the first time in two decades, a good chance that the potential contributions of private institutions will be given greater weight in the Congressional consideration of housing problems than was the case previously.

This may be only a start, but at least it is a start.

I am, by nature, something of an optimist, and perhaps it is my optimism that leads me to the belief that, at long last, Congress may be on the verge of taking a much-needed "second look" at some government housing programs, and wondering if some programs have not wandered from their original purpose.

Most encouraging, this questioning attitude is coming from liberal minded members of Congress. In the recent Senate hearings, when the proposal came up to boost the maximum FHA loan from $20,000 to $30,000, Senator Clark of Pennsylvania observed—with a trace of sarcasm — that he didn't think FHA had been set up to finance luxury homes.

It may also be true that some members of Congress may be getting tired of the empire-building and grabbing tactics of the Housing Agency. Chairman Rains of the Housing Subcommittee of the House hinted at this when he noted the resemblance between the opposition of the Housing Agency to our loan guarantee plan and the continual efforts of the same agency to seize the GI home loan program.

To to be sure, a few threads do not form a pattern, but if they are straws in the wind, then it is a more friendly wind than we have felt for some time.

Continued from page 15

Three Keys to the Future

changeable throughout the whole of this engine family?

Cites RCA Example

A recent annual statement of RCA revealed that 80% of their business last year was in products not listed at the end of the war. One of the reasons why this can be true is the large research effort of the Radio Corporation.

There is another factor to be noted which is a certain amount of ignorance. In going around the country, the managements of some fairly sizable companies complain of their inability to have research and really forward-looking development done. What they do not realize is the post-war growth of facilities to serve them. To the Mellon Institute, Armour Institute and Battelle Memorial have been added many others. To name a few, the Midwest, the Southwest, and Stanford Research Institutes with diversified personnel and facilities. On a recent visit to Stanford Research they were working on some rather fundamental things for electronic components, special airplane antennas and a computer to handle bank accounts.

Research is one of the keys to the future, and industry owes a debt to science and to science sponsored by the armed services in so many ways one could talk all night about them.

There is legislation pending in the tax area which should make it more feasible for business to carry somewhat more of the basic research burden. Let us hope it is passed, in our common national interest.

Automation Considered

Let us now consider automation. It *is* one of the keys to the future, properly regarded.

As I see automation, I am bothered by the lack of imagination and judgment frequently displayed as decisions are made in automation. Often we fasten our eyes on the pounds of hardware per man hour, compute the amortization of the capital investment, and forget flexibility.

Our British friends furnish an example of this pitfall. An interesting radio production line appeared around 1947-48. Three men handled a machine which produced table radios ready to ship directly from the incoming raw material parts. But when changes in the model were needed, the costs were prohibitive especially since there were large down times.

In an entirely different field, one of the country's leading librarians speaking in Washington noted the lack of imagination and judgment in information handling.

He cited one case, for example, of a consulting job for a large company which thought it needed a punched card reference system in the library. Analysis showed that despite the glamor of the machine, two good reference librarians could actually produce faster results. Further, since the librarians could browse just a bit in pulling the references, they could sometimes catch errors in codification, which the machines lacking judgment could not detect.

I hasten to say I am not an opponent of automation. But let us think about it. Let us not plunge blindly or be stampeded.

Sometimes it is efficient to restrict judgment in the interest of cost, if we can retain flexibility. The three axis numerical control systems for profile, contour and skin milling is a case in point. Here we have eliminated costly templates. At the same time we have substituted one judgment, the design engineers, for multiple judgments, those of machinists on the line. The objective digital codes of the tapes precisely control truly duplicate operations. And changes in set-up are not unduly costly or delaying.

Automation Second-Thoughts

Jumping on the other side of the fence, a recent FORTUNE article pointed out that management, the "front office," was guilty of waste not tolerable on the floor. For instance, the article cites computers bought because the competition had them, with no thought to the programming to make computers pay off. The article is interesting and worthwhile reading.

Another reason for giving much deeper thought to automation lies in the new product area. Dr. Hafstad, Director of Research, General Motors, pointed out last fall that radically new products seldom originated where one might expect them. One easy to see example may be interesting—the razor business. Straight razor manufacturers did not devise the safety razor—The safety razor people did not automate the product into the electric shaver. New companies had to make the breakthroughs.

Basic considerations for those dealing in automation—will we thus freeze ourselves into improvements in the old products? Will we then magnify the obstacles in the way of the introduction of truly new products?

One radically different type of automation you may not be aware of. One of our major telecommunications laboratories has a continuing problem — to devise means of cramming more and more information circuits into given overall circuit parameters while retaining transmission fidelity.

Conventionally, one builds experimental equipment and tries new circuit theories—but not this group. A sample speech is recorded as its wave form. The wave form curve is sliced into suitable units, and each unit coded digitally. The coded message is then put into a 704 computer. When a new circuit theory is suggested, it is broken into its parameters which are also fed into 704 programming. The output numbers from the computer are recorded as magnitudes in the proper sequence on magnetic tape. The tape may then be played to listen to the speech output or to measure its characteristics. The suggested system is thus tried out, at least in overall performance, without time and money being spent on apparatus.

This is automation with imagination and judgment.

We have been speaking briefly of the door opening into the future of business. We look through this door hoping to pass through it to greener pastures. The arch above it, preserving the opening, has three critical stones. There is science to generate new products. There are costs which are the determinants of success in the marketplace. Above all, there is the keystone, automation. For intelligently used, automation is the keystone of the arch of new products and new sales.

What is it all of us want in the future? We want to work reasonable hours for enough money to support a high standard of living. We want enough profit in our businesses to insure these things on into the future.

If we wisely plan and use automation, we will succeed in reaching our goal.

Three Less Tangible Keys

Provided we preserve the intangible arch which supports the materialistic structure. Provided we wisely use, as best as fallible humans can, those powers which cannot be built into machines. And these are imagination, judgment and integrity.

I have said little about integrity. But success quickly deserts those without integrity, personal integrity, engineering integrity and product integrity.

Donald Douglas was talking to an airline executive not long ago. The question was "Can you make the DC-8 as quiet as the Boeing 707 is stated to be?" Douglas replied, "No, but we're working on it." The airline man responded, "You've just sold $80 million of airplanes. But we're not buying airplanes. We're buying integrity." The future lies wide open to automation based on imagination, judgment and integrity.

Form Mannfield Co.

RAHWAY, N. J.—Mannfield & Company has been formed with offices at 635 Cora Place to engage in a securities business. Partners are Morton N. Mann and Jerry Fields.

With Christopher Corp.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Joseph G. Foley is with Christopher Corporation, Alfred I. du Pont Building.

Continued from page 15

Ethics in Modern Business

importance for the long pull, such as employee morale, consumer confidence and public opinion.

Relations With Employees and the Public

Being honest and law-abiding does not, of course, comprise all the ethical aspects of business conduct. In relations with employees, great progress has been made in the last generation. There are still sharp differences of opinion between management and some unions regarding the merits of featherbedding practices, the compulsory closed shop, or of runaway wages for favored groups which are ruthless in exerting their economic pressure against the public. However, when it comes to the ethical questions of honor and fair dealing, industry's record is at an historic high. In the fulfillment of contracts, written and unwritten, between capital and labor there is no doubt in the public's mind as to which one keeps the better faith. Yet from some labor publications there is as much vilification as ever. This is not because labor leaders are such immoral fellows, but because they follow the philosophy that "the squeaky wheel gets the grease," which has worked so often and so well for them in the past.

Progress is still to be made in human relations in our plants, but the strides of the present generation or management have been too great to require any apology at the public bar. I wish some business critics could sit in one of our earnest discussions in N.A.M. board and committee meetings looking toward solution of some of the problems of industrial health and safety, the hiring of minority groups and handicapped persons, benefit plans, steady employment, etc. It would certainly open their eyes as to the seriousness with which business executives view their social responsibilities.

Another place where we can judge the ethics and principles of modern business is in its relations to the community. There again, the critic of business may be invited to look reality in the face. It is on the business people that almost every community today relies largely for leadership in civic affairs, including moral backing and financial sponsorship. The responsibility that business assumes toward the community is exemplified every time there is a local disaster or a really worthwhile project. Politicians often outpromise businessmen, but when it comes to performances, the businessman is the one to count on. They know that if business is to retain the freedom essential to its success, it must conduct itself so that it both deserves **and wins** the confidence of the public.

(6) But the story of the reasons for the high standards of business ethics in America would be sadly incomplete if tribute were not paid to the two greatest factors in the whole moral climate of America — namely, the influence, throughout our history, of our churches and colleges. They are the institutions which have fed the fires of idealism in a material world, and have guided and educated the consciences of all of us. In these days when new organizations to "save" the American way of life seem to spring up and solicit support almost every day, we businessmen are in danger of forgetting America's oldest organizations — the churches, and the colleges and universities which they founded. They have done more than all the others put together to create and preserve our great American traditions of personal integrity and individual freedom. The Golden Rule, taught by the Church for nearly 2,000 years, is still the best guide for business ethics and personal conduct.

One Point of Criticism

While I am sure American business ethics deserve far more acclaim and less attack than they have been receiving, I feel there is one point on which we businessmen can properly be criticized, and that is with respect to lack of courage in leading the fight against both dishonesty and demagoguery in city, state and nation. We have sometimes sneered at the "do-gooders" and then vainly called for the police when the "do-gooders" took over. This is an area in which I hope some of the younger men will better our record.

Business and industry leaders, knowing right from wrong and educated regarding the forces of economic law, have a moral responsibility to take the lead in fighting for sound principles and opposing the bad. But how many times have we seen individual businesses and business groups fearing to give public support to sound tax or other economic policies; or refusing to take a firm position against futile or damaging legislation for fear of political attacks or a few transient headlines?

In recent years, we have frequently seen industry caving in before the combined pressures of big labor and big government, even though by so doing management was causing inflation and in effect was selling out the customer, the shareholder, the pensioner, and the frequently unrepresented employee.

Many companies have an established policy of avoiding, as if the plague, close contact with local, state, or national "politics." Business leaders of past generations may have had their faults, but I think they, with their rugged individualism, showed more courage on vital issues than do many of our present generation of management. Maybe we have become so obsessed with the desirability of making friends that we are unwilling to make **any** enemies, even of the right kind!

These are times that **demand** courage and leadership from businessmen. If the corruption which has been exposed is not vigorously attacked on every front, the public will be justified in becoming cynical, and all our cherished American traditions will be jeopardized. Even business cannot long maintain its integrity in a sea of corruption. It is high time we businessmen took more part in this battle, as did the merchants and artisans of Boston when they started the struggle which won our freedom.

Businessmen, educators, and citizens generally must work together to solve the problem of corruption in American life and to restore the high standards of ethical conduct that have provided the moral background of our nation. Only if **all** the forces for sound principles and righteousness join together in a supreme effort shall we be able to win the vital battle for the restoration of high ethical standards **throughout** our nation.

Form First American

PHOENIX, Ariz.—First American Investment Corp. has been formed with offices at 533 East McDowell Road to engage in a securities business. Officers are June Wood, President, and Marie R. Wood, Secretary and Treasurer.

Public Utility Securities

By OWEN ELY

The Southern Company

Southern Company, which took over the southern part of the old Commonwealth & Southern System, controls Alabama Power, Georgia Power, Gulf Power and Mississippi Power. The System serves a population of about 6,550,000 with electricity, plus small amounts of steam heating and transit. Industries in the area include textiles, steel, paper, coal, chemicals, lumber, glass products, food processing, metal and machinery. Agriculture includes cotton, corn, fruit, livestock and tungnuts. Revenues are about 35% residential, 26% commercial, 30% industrial and 8% miscellaneous.

The System is noted for its low rates, partly due perhaps to early competition with TVA and Wendell Willkie's aggressive program of selling appliances. The fact that roughly one-quarter of capacity is in hydro is also a factor in the low residential rates, which average about 2.07 cents compared with the U. S. average of 2.55 cents. Domestic usage of 3,474 is substantially above the national average.

About one-quarter of industrial revenues are from the textile industry. While these revenues have shown a steady growth, the textile proportion of total sales is much lower than 10 years ago.

While the areas served by Southern Company's subsidiaries have not grown as fast as the states of Florida and Texas, nevertheless they have enjoyed a growth trend better than that of the U. S. as a whole. System sales of electricity have increased over the past 30 years at the average rate of 8% compounded, and projections for 1958-60 are substantially above this trend figure. This growth is due mainly to the industrial resurgence of the South. In 1956, 164 new industrial plants costing $250 million were installed in the system areas; and last year plants with an investment of $28 million were built, plus expansion of facilities by 120 other plants costing $86 million. During the decade ending 1957, electric output increased from 7 billion kwh to 18 billion, and over 2 million kw new generating capacity was added to bring the total to about 3.3 million kw. This capacity will be increased some 44% by the end of 1960, according to present plans, when installed capacity will be 4,744,000 kw.

Southern Company is fortunate in having both undeveloped hydro-electric facilities, and cheap, well-located coal deposits for boiler fuel. Some 627,000 kw hydro projects on the Coosa and Warrior Rivers were begun early this year. A joint subsidiary (Southern Electric Generating Company) of Alabama Power and Georgia Power is constructing a huge one-million kw. steam plant in Alabama taking advantage of low cost coal plus other favorable factors; half of this capacity will be completed by 1960. Other new capacity is being built at the Gorgas and Yates steam plants, etc. While the system formerly burned large amounts of gas as fuel, the increasing cost is diverting some plants to use of coal. Early this year system companies expected to spend about half a billion dollars on new construction in 1958-60, of which about $161 million was to be spent this year (compared with $125 million last year).

During earlier years of the postwar decade Southern used to do equity financing each year, but since 1953 this has slowed to a biennial basis. The company sold 1,507,000 shares in April 1957, and another offering is expected in 1959. At present, with large tax savings generated by accelerated depreciation and amortization, about half of the cash requirements can be obtained from internal sources. Bank loans will be used this year to meet 1958 requirements in part, plus the usual senior financing by subsidiaries.

Since Southern Company's common stock was distributed to the holders of Commonwealth & Southern in 1949, it has gradually acquired the characteristics of a semi-growth issue. It is true that the company got off to a slow start because of its heavy equity financing — earnings of $1.29 in 1954 were only 1c more than the $1.28 reported for 1949 (intervening years being lower). Beginning in 1955, however, the company hit its stride with earnings of $1.35 and there have been substantial gains in the three following years, with about $1.80 estimated for this calendar year. ($1.72 was reported for the 12 months ended June 30.) The dividend rate, which remained at 80c during 1950-54, has been raised a dime in each later year.

It might be mentioned however that part of the current earnings gain is due to an increase in the "interest to construction credit" which in the latest 12 months amounted to 10c a share compared with 7c in the previous period. On the other hand Southern Company is still charging about 13c a share for the amortization of plant acquisition adjustments—purely a bookkeeping charge, which should disappear around the end of 1961.

In recent months Southern Company has shared in the popularity of the growth utilities, advancing from last year's low of 20¼ and this year's low of 24¾, to a high of 33⅜. With the sudden decline in bond prices the advance in utility stocks was checked a few weeks ago, and Southern declined about four points. At the recent price around 30, with the dividend rate of $1.20, the stock yields 4% and sells at 16.7 times the estimated 1958 earnings. This is slightly above the general average, but well below the prevailing multiples for the rapid growth utilities.

Form Suffolk Group

AMITYVILLE, N. Y.—The Suffolk Group, Inc., has been formed with offices at 190 Merrick Road to engage in a securities business. Officers are Burton E. Mason, President; Thomas Hennessey, Secretary, and Anne C. Mason, Treasurer. Mr. Mason and Mr. Hennessey were formerly with Randolph Scott & Co., Inc.

E. A. Runyan Opens

CHEYENNE, Wyo. — Elbert A. Runyan is conducting an investment business from offices at 1716 Capitol Avenue under the name of Runyan Investments. Mr. Runyan has been an officer of Atlas Securities Company.

R. W. Selwood Opens

ILION, N. Y.—Richard W. Selwood is engaging in a securities business from offices at 9 Remington Place.

Jackson Reynolds

Jackson E. Reynolds passed away Aug. 18th at the age of 86. Prior to his retirement in 1946, Mr. Reynolds was President of the former First National Bank of New York, which in 1955 merged with the National City Bank to form the First National City Bank.

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. **Office**—1112 Peachtree St., Atlanta, Ga. **Underwriter**—None. Statement effective Aug. 18.

Aircraft Armaments, Inc., Cockeysville, Md.
July 16 (letter of notification) 70,000 shares of common stock (par $1) being offered for subscription by minority stockholders of record July 10, 1958 at rate of seven new shares for each eight shares held (with an oversubscription privilege); rights to expire on Sept. 5. An additional 280,000 shares will be subscribed for by parent, United Industrial Corp., at the same price. **Price**—$2.50 per share. **Proceeds**—To reduce its present short term indebtedness and to procure production and test equipment. **Underwriter**—None.

★ Alaska Nickel Co., Inc., Fairbanks, Alaska
Aug. 7 (letter of notification) 250,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital and general corporate purposes. **Underwriter**—None.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American 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.

★ American-South African Investment Co., Ltd. (9/18)
Aug. 27 filed 1,000,000 shares of common stock (par £1—South African). **Price** — Proposed maximum offering price is $28 per share. **Business**—The trust, incorporated under the laws of the Union of South 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.

Ampal-American Israel Corp., New York
Aug. 8 filed $3,289,100 of 10-year discount convertible debentures, series E. **Price**—61.027% of principal amount, payable in cash or in State of Israel Independence Issue or Development Issue bonds. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

• Apache Oil Corp., Minneapolis, Minn.
July 28 filed 94,766 shares of common stock (par $2.50) being offered for subscription by stockholders at the rate of one new share for each four shares held on Aug. 15, 1958. Rights to expire on Sept. 4. **Price**—$8.75 per share. **Proceeds**—For working capital. **Underwriter** — Piper, Jaffray & Hopwood, Minneapolis, Minn.

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.

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. (9/26)
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.

★ Borg-Warner Corp., Chicago, Ill.
Aug. 26 filed 600,000 shares of common stock to be offered under and pursuant to the corporation's restricted stock option plan for key employees.

• Budget Finance Plan (9/8-12)
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. **Underwriter**—Shearson, Hammill & Co., New York.

Cador Production Corp., Far Hills, N. J.
Aug. 7 filed 1,003,794 shares of class A stock (par $1) and 156,569 shares of class B stock (par 60 cents), the class A shares to be issued in exchange for oil and/or gas properties and the class B shares to be issued as commissions. **Underwriter**—Cador, Inc., Far Hills, N. J.

Cal Ray Bakeries Inc.
Aug. 12 (letter of notification) 42,800 shares of common stock (par $1). **Price** — $7 per share. **Proceeds** — For working capital. **Office**—239 North Howard St., Glendale, Calif. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

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.

• Canada Dry Corp.
Aug. 6 filed 392,611 shares of common stock (par $1.66⅔) being offered for subscription by common stockholders of record Aug. 26, 1958 on the basis of one new share for each five shares held; rights to expire on Sept. 11. **Price** — $16 per share. **Proceeds** — For repayment of bank loans, to purchase and install machinery, and for working capital. **Underwriters**—Eastman Dillon, Union Securities & Co.; Hornblower & Weeks, and Winslow, Cohu & Stetson, all of New York.

Carrtone Laboratories, Inc., Metairie (New Orleans), La.
July 2 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—None.

Central Oils Inc., Seattle, Wash.
July 30 filed 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds** — For drilling costs. **Underwriter**—None. Offering to be made through A. R. Morris and H. C. Evans, President and Vice-President, respectively, on a best-efforts basis. **Office**—4112 Arcade Building, Seattle, Wash.

★ Champion Spark Plug Co. (9/9-10)
Aug. 21 filed 827,400 shares of common stock (par $1.66⅔). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters** — Hornblower & Weeks; Glore, Forgan & Co. and Merrill Lynch, Pierce, Fenner & Smith, all of New York.

• Cinemark II Productions, Inc. (9/15)
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.

★ Cleveland Electric Illuminating Co.
Aug. 27 filed 200,000 shares of common stock to be offered pursuant to the company's employee stock option plan.

★ Clute Corp.
Aug. 21 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay additional costs of construction; and for retirement of obligations and working capital. **Office** — c/o John Harlan Lowell, 2200 Kenton, Aurora, Colo. **Underwriter**—Lowell, Murphy & Co., Inc., Denver, Colo.

Columbia & Rensselaer Telephone Corp.
Aug. 4 (letter of notification) 2,800 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each 2.572 shares held. **Price**—$60 per share. **Proceeds**—For construction

NEW ISSUE CALENDAR

September 4 (Thursday)
North Carolina Natural Gas Corp.____Debs. & Com.
(Kidder, Peabody & Co.) $8,580,000

September 8 (Monday)
Budget Finance Plan____________Preferred
(Shearson, Hammill & Co.) $1,320,000
Sears Roebuck & Co.____________Debentures
(Goldman, Sachs & Co.; Halsey, Stuart & Co., Inc. and Lehman Brothers) $350,000,000

September 9 (Tuesday)
Champion Spark Plug Co.____________Common
(Hornblower & Weeks; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Smith) 827,400 shares
Utah Power & Light Co.____________Bonds
(Bids noon EDT) $20,000,000

September 10 (Wednesday)
Pacific Automation Products Inc.________Common
(William R. Staats & Co.) 125,000 shares
South Carolina Electric & Gas Co.__________Bonds
(Bids 11 a.m. EDT) $10,000,000
Stevens Markets Inc.____________Preferred
(R. S. Dickson & Co., Inc.) $1,166,050
Texas Eastern Transmission Corp.__________Bonds
(Dillon, Read & Co. Inc.) $35,000,000
Washington Natural Gas Co.____________Common
(Dean Witter & Co.) 100,000 shares

September 11 (Thursday)
Western Development Co.__________Debentures
(W. C. Langley & Co.) $3,500,000

September 12 (Friday)
Tropical Gas Co., Inc.____________Preferred
(Offering to stockholders—underwritten by Glore, Forgan & Co.) $2,554,400

September 15 (Monday)
Cinemark II Productions, Inc.__________Common
(Watson & Co.) $300,000
Moore-McCormack Lines, Inc.____________Bonds
(Kuhn, Loeb & Co. and Lehman Brothers) $24,000,000
Rassco Financial Corp.____________Debentures
(Rassco Israel Corp.) $1,000,000

September 16 (Tuesday)
Suburban Gas Service Inc.____________Common
(Kidder, Peabody & Co.) 100,000 shares

September 17 (Wednesday)
Public Service Co. of Indiana, Inc.________Preferred
(Blyth & Co., Inc.) $24,282,600

September 18 (Thursday)
American-South African Investment Co., Ltd.____________Common
(Dillon, Read & Co. Inc.) $28,000,000

September 23 (Tuesday)
Consumers Power Co.____________Bonds
(Bids 11 a.m. EDT) $35,000,000

September 24 (Wednesday)
Consumers Power Co.____________Preferred
(Morgan Stanley & Co.) $15,000,000

September 26 (Friday)
Bankers Management Co.____________Common
(McDonald, Holman & Co., Inc.) $400,000

September 29 (Monday)
Florida Steel Corp.____________Common
(Kidder, Peabody & Co.) 74,925 shares

September 30 (Tuesday)
Mountain States Telephone & Telegraph Co.____________Common
(Offering to stockholders—no underwriting) $70,096,100
Southwestern Bell Telephone Co.________Debentures
(Bids to be invited) $110,000,000

October 1 (Wednesday)
National Fuel Gas Co.____________Debentures
(Bids 11:30 a.m. EDT) $25,000,000

October 7 (Tuesday)
Madison Gas & Electric Co.____________Bonds
(Bids to be invited) $11,000,000

October 21 (Tuesday)
Cincinnati & Suburban Bell Telephone Co.____Debs.
(Bids to be received) $25,000,000

November 6 (Thursday)
Indiana & Michigan Electric Co.____________Bonds
(Bids 11 a.m. EST) $20,000,000

November 18 (Tuesday)
Pacific Telephone & Telegraph Co.________Debentures
(Bids to be invited) $80,000,000

of new telephone plant. Office—19 Railroad Avenue, Chatham, N. Y. Underwriter—None.

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.

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., being 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). Subscription warrants will expire on Sept. 3. 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—$10.38 per unit. 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.

● 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 withdrawn Aug. 25. Other financing may be arranged.

Drinks, Inc.
July 28 (letter of notification) 200,000 shares of common stock, (par five cents). Price—$1.50 per share. Proceeds—For working capital and reducing current indebtedness. Office—136 East 38th Street, New York 16, N. Y. Underwriter — Capital Reserve Corp., 1346 Connecticut Avenue, Washington 6, D. C.

● Electric Power Door Co., Inc.
Aug. 11 (letter of notification) 30,000 shares of class A common stock (par $5). Price—$6.60 per share. Proceeds—For general corporate purposes. Office — 2127 East Lake St., Minneapolis, Minn. Underwriter—Craig-Hallum, Inc., also of Minneapolis.

● Electronic Supply Co., Los Angeles, Calif.
Aug. 8 (letter of notification) not in excess of $50,000 aggregate value of common stock (par 50 cents) to be sold in State of California only. Price—At market (estimated at about $12.25 per share). Proceeds—To selling stockholders. Underwriter—Bateman, Eichler & Co., Los Angeles, Calif.

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.

Exploration Service Co., Ltd., Far Hills, N. J.
Aug. 11 this company and Amkirk Petroleum Corp. (latter of Fort Worth, Texas) filed $400,000 of working interests (non-producing in Sinu Valley Project), to be offered for sale in $12,500 units (of which $8,000 is payable in cash and $4,500 is to be represented by promissory notes). Proceeds—Exploration Service Co. to acquire 80% interest in a certain concession from Amkirk and for exploration program. Underwriter—Cador, Inc., Far Hills, N. J.

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.

Fields' Louisiana Corp., Baton Rouge, La.
July 31 filed 400 shares of common stock (no par) $500,000 of 6% debenture bonds and $50,000 of promissory notes to be offered in units of four shares of stock, $5,000 of bonds and $500 of notes. Price—$7,500 per unit. Proceeds—To take over a contract to purchase the Bellemont Motor Hotel in Baton Rouge; for equipment; and working capital. Underwriter—None.

First Backers Co., Inc., Clifton, N. J.
April 7 filed $1,000,000 of 12% notes, payable nine months after date of issue in units of $100 or in multiples thereof. Price—100% of principal amount. Proceeds—To be used solely for purchase of notes and other indebtedness issued in payment for improvements on homes and secured by mortgages or other liens upon the improved properties. Underwriter—None.

Florida National Development Corp.
Aug. 7 (letter of notification) 300,000 shares of common stock (par one cent). Price—$1 per share. Proceeds—For development of land, promotion and sale of existing properties, payment of mortgage and working capital. Office—438 Mercantile Bank Bldg., Miami Beach, Fla. Underwriters — James Anthony Securities Corp., New York; and Schwerin, Stone & Co., Great Neck, L. I., N. Y.

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. Stop order proceedings have been instituted by SEC.

Fred Astaire Dance Studios (Metropolitan New York), Inc.
Aug. 7 (letter of notification) 299,940 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—For constructing and furnishing new dance studios. Office—487 Park Ave., New York, N. Y. Underwriter—Willis E. Burnside & Co., Inc., New York, N. Y.

Fremont Valley Inn
Aug. 6 (letter of notification) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds—To erect and operate an activities building, comprising a restaurant, cocktail lounge and coffee shop. Office—3938 Wilshire Blvd., Los Angeles, Calif. Underwriter—Oscar G. Werner & Co., Pasadena, Calif.

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.

★ Genung's, Inc., Mount Vernon, N. Y.
Aug. 27 filed 164,000 shares of common stock, the amount of the offering to be reduced by the number of shares issued since May 31, 1958 through the exercise of stock purchase warrants to and including Sept. 2, 1958. Price—To be supplied by amendment. Proceeds — To repay bank loans and for working capital. Underwriter—G. H. Walker & Co., New York.

Georgia Casualty & Surety Co., Atlanta, Ga.
May 6 filed 450,000 shares of common stock (par $1) Price—$6 per share. Proceeds — For general corporate purposes. Underwriter—Buckley Enterprises, Inc.

Glassheat Corp.
Feb. 12 (letter of notification) 150,000 shares of class A common stock (par 10 cents). Price—$2 per share Proceeds—For general corporate purposes. Office—1 E 35th Street, New York 16, N Y Underwriter—James Anthony Securities Corp. 37 Wall St New York 5, N Y

Great American Realty Corp., N. Y.
Aug. 18 filed 484,000 shares of class A stock (par 10 cents). Of this stock, the company proposes to offer 400,000 shares and certain selling stockholders 40,000 shares, the remaining 44,000 shares being subject to option to be offered for the account of the underwriters. Price—To be supplied by amendment. Proceeds—For working capital and other corporate purposes. Underwriters—Joseph Mandell Co. and Louis L. Rogers Co., both of New York, on a best efforts basis.

Great Northern Life Insurance Co.
Aug. 12 (letter of notification) 31,011 shares of common stock (par $1) to be offered to stockholders on the basis of one new share for each seven shares held; warrants to expire Sept. 20, 1958. Unsubscribed shares to be offered to stockholders until Oct. 20, 1958; then to public. Price—$3 per share. Proceeds—For general funds to be used for expansion. Office—119 W. Rudisill Blvd., Fort Wayne, Ind. Underwriter—Northwestern Investment Inc., 502 Gettle Bldg., Fort Wayne, Ind.

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.

● Gulf States Utilities Co.
Aug. 14 filed $17,000,000 of first mortgage bonds, series A, due 1988. Proceeds—Together with cash on hand, to redeem and retire $17,000,000 principal amount of 4⅞% first mortgage bonds due 1987. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; and Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). Bids—Had been expected to be received on Sept. 15, but will be indefinitely postponed.

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 818,333 shares of common stock (par $1) and 575,869 shares of class A stock (par $1) being 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 as of Aug. 19. (The right to subscribe with respect to 133,850 outstanding class A shares has been waived. The offer to common stockholders expired on Aug. 26, and to class A stockholders will expire on Sept. 2. Price—$10 per share. Proceeds—For expansion and working capital. Underwriter—None.

★ Idaho Manufacturing Co., Inc.
Aug. 22 (letter of notification) 2,000 shares of class A and 2,000 shares of class B stock to be offered first to stockholders. Price—$15 per share for class A and $100 per share for class B stock. Proceeds—For expenses of setting up production and distribution; manufacturing and operating expenses and for operating capital. Office—210 North 30th, P. O. Box 5070, Boise, Ida. Underwriter—First Idaho Corp., Boise, Ida.

★ Imperial Packing Corp., Anaheim, Calif.
Aug. 21 (letter of notification) 290,000 shares of common stock. Price—At par ($1 per share). Proceeds—For expenses in the production of citrus juices and by-products and working capital. Underwriter—Simmons & Co., New York, N. Y.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). Price—$1 per share. Proceeds—To develop and operate graphite and mica properties in Alabama. Underwriters—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis.

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.

★ Institutional Income Fund, Inc., New York
Aug. 19 filed (by amendment) an additional 3,000,000 shares of common stock (par one cent). Price—At market. Proceeds—For investment.

Insured Accounts Fund, Inc., Boston, Mass.
May 12 filed 5,000 shares of common stock. Price—$5,000 per share. Proceeds—For investment. Business—To invest primarily in share accounts insured by the Federal Savings and Loan Insurance Corp., in savings and loan associations throughout the country. Underwriter—None. Ben H. Hazen is President.

International Opportunity Life Insurance Co.
June 2 filed 5,000,000 shares of common stock (par $1). Price—$5 per share. Proceeds—For working capital and other corporate purposes. Office—Denver, Colo. Underwriter—Columbine Securities Corp., Denver, Colo.

Investors Realty Mortgage & Financial Corp.
July 24 filed $250,000 of investors income certificates (6% 10-year maturities) and 125,000 shares of class A common stock. Price—The certificates will be offered in various denominations at 100% per certificate, and the class A common stock at $2 per share. Proceeds—For the purpose of owning, buying and selling, and otherwise dealing in real estate, or matters pertaining to real estate and the improvement thereof, in the areas in which the company will operate. Office—Aiken, S. C. Underwriter—None.

★ J. E. Plastics Manufacturing Corp.
July 28 (letter of notification) 39,852 shares of common stock (par 10 cents) of which 38,750 shares will be sold publicly. Price—$2.12½ per share. Proceeds—To selling stockholder. Underwriter—John R. Boland & Co., Inc., 30 Broad St., New York, N. Y.

Jacksonville Capri Associates Ltd., Jacksonville, Fla.
July 23 filed $325,000 of limited partnership interests. Price—$5,000 per unit. Proceeds—For the purpose of

Continued on page 32

Continued from page 31

acquiring and operating the Capri Motel in Jacksonville, Fla. **Underwriter**—None.

★ Johnston Mutual Fund, Inc., New York
Aug. 20 filed (by amendment) an additional 200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

● Kalvar Corp., New Orleans, La.
July 28 (letter of notification) 15,000 shares of common stock (par two cents) being offered for subscription by common stockholders of record Aug. 8, 1958 on the basis of one new share for each five shares held; rights to expire on Sept. 3, 1958. **Price**—$20 per share. **Proceeds**—To retire bank loans, to invest in fixed assets and for working capital. **Office**—909 South Broad St., New Orleans 25, La. **Underwriter**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

● Keystone Custodian Funds, Inc.
Aug. 7 filed (by amendment) 1,250,000 shares of Keystone tax Exempt Bond Fund. **Price** — $20 per share. **Proceeds** — For investment. **Underwriter** — Lehman Brothers, New York. **Offering**—Has been cancelled.

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

★ Lake Shore Industries, Inc.
Aug. 14 (letter of notification) 24,000 shares of common stock (no par). These shares are offered in connection with an amended plant of reorganization approved by the Federal District Court of the Northern District of Ohio, Eastern District. **Price**—$12.50 per share. **Proceeds**—To pay off creditors and for working capital, etc. **Office**—534 Film Bldg., 2108 Payne Ave., N. W., Cleveland, Ohio. **Underwriter**—None.

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.

Lord Elgin Hotel Corp., N. Y. C.
July 29 filed $1,655,000 limited partnership interests in this company. **Price**—$5,000 per unit. **Proceeds**—To purchase hotel. **Underwriter**—Tenney Associates, Inc., 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. **Offering**—Expected in September.

Mairs & Power Fund, Inc., St. Paul, Minn.
Aug. 6 filed 40,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—1002 First National Bank Bldg., St. Paul, Minn.

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

★ Mason Mortgage & Investment Corp., Washington, D. C.
Aug. 20 filed $6,000,000 of warranty and repurchase agreements and 5,000 shares of cumulative preferred stock, 6% dividend series, the latter shares to be offered principally to holders of whole mortgage notes and related warranty agreements, although the company reserves the right to offer such stock to others. **Price**—For preferred stock, at par ($200 per share). **Proceeds**—To be used principally for the purchase of additional mortgage notes for resale to others. **Underwriter**—None.

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**—1363 Bandini Blvd., Los Angeles, Calif **Underwriter**—None.

★ Middle States Telephone Co. of Illinois
Aug. 20 (letter of notification) 12,806 shares of common stock (par $10) to be offered for subscription by stockholders of record Aug. 25, 1958 on the basis of one new share for each 12½ shares held. **Price**—To yield a maximum not to exceed $300,000. **Proceeds** — To discharge short term loans and for working capital. **Office** — 416 Margaret St., Pekin, Ill. **Underwriter**—None.

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.

★ Midwest No-Joint Concrete Pipe Co.
Aug. 22 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Address**—P. O. Box 550, Rocky Ford, Colo. **Underwriter**—IAI Securities Corp., Englewood, Colo.

Milgo Electronic Corp.
Aug. 6 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by present stockholders on the basis of one share for each 8.8 shares owned of record date. Rights expire in September. **Price**—$24 per share to stockholders; $26 to general public. **Proceeds**—For test equipment and working capital. **Office**—7601 N. W. 37th Avenue, Miami, Fla. **Underwriter**—None.

● Montana Power Co.
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**—Had been expected to be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y., but company on Aug. 22 again decided to defer sale pending improvement in market conditions.

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. **Manager-Dealers** — Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc.

Mortgages, Inc.
July 28 (letter of notification) 296,750 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—To be invested in notes secured by first and second liens upon properties to be selected by the management of the company. **Office**—223A Independence Building, Colorado Springs, Colo. **Underwriter**—Copley & Co., Colorado Springs, Colo.

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 nonassessable 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 Fuel Gas Co. (10/1)
Aug. 22 filed $25,000,000 of sinking fund debentures due Oct. 1, 1983. **Proceeds**—To refund $15,000,000 outstanding 5½% sinking fund debentures and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Oct. 1 at Room 2033, Two Rector St., New York 6, N. Y.

● National Gypsum Co.
June 25 filed 298,000 shares of common stock being 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. The acquisition was declared effective on Aug. 21.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston Tex. **Underwriter**—T. J. Campbell Investment Co., Inc. Houston, Tex.

New England Telephone & Telegraph Co.
July 31 filed $40,000,000 of 34-year debentures due Sept. 1, 1992. **Proceeds** — To refund a like amount of 4½% first mortgage bonds, series B, due May 1, 1961, which are intended to be redeemed on Nov. 1, 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids**—Were to have been received at Room 2315, 195 Broadway, New York, N. Y., up to 11 a.m. (EDT) on Aug. 26, but company on Aug. 20 decided to postpone refunding program.

North Carolina Natural Gas Corp. (9/4)
July 31 filed $5,260,000 of subordinated income debentures due Aug. 15, 1983, and 520,000 shares of common stock (par $2.50) to be offered in units of $20 of debentures and two shares of stock. **Price**—To be supplied by amendment (a maximum of $33 per unit). **Proceeds** — Together with funds from private placement of $13,750,000 of 5⅜% first mortgage pipeline bonds due June 1, 1979, to be used for construction program and working capital. **Office**—Fayetteville, N. C. **Underwriter**—Kidder, Peabody & Co., New York.

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.

★ Norton Portland Corp.
Aug. 19 (letter of notification) 29,265 shares of class B stock (par $1) **Price**—$10 per share. **Proceeds**—To pay off outstanding trade obligations and loans by stockholders and officers; and for additional working capital. **Office**—98 Exchange St., Portland, Me. **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—To acquire and operate mining claims and oil and gas equipment, and a reserve for future operations. **Business** properties. **Underwriter**—Universal Securities Co., Enterprise Building, Tulsa, Okla.

★ Pacemaker Life Insurance Co., Phoenix, Ariz.
Aug. 22 (letter of notification) 73,185 shares of capital stock (par $1) to be offered for subscription by holders of life insurance issued by Pacemaker Insurance Co. and Pacemaker Life Insurance Co. **Price**—$3 per share. **Proceeds**—To increase capital and surplus accounts. **Office**—4415 North 27th Ave., Phoenix, Ariz. **Underwriter**—None.

● Pacific Automation Products Inc. (9/10)
Aug. 19 filed 125,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for working capital. **Office**—Glendale, Calif. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

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.

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.

★ Pendleton Investors, Inc., Pendleton, Ore.
Aug. 11 (letter of notification) 1,600 shares of common stock to be offered at par ($100 per share) to investors who purchase an equal number of shares of common stock at par ($50 per share) in Golden Hills Motor Hotel, Inc., and an affiliate. **Proceeds**—To be used to purchase land, make improvements and for construction of a motor hotel. **Address**—P. O. Box 775, Pendleton, Ore. **Underwriter**—None.

● Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co.; Equitable Securities Corp., and Shields & Co. (jointly);

Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

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.

Ponce de Leon Trotting Association, Inc.
Aug. 7 filed 400,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To pay current liabilities, for new construction and working capital. **Office**—Bayard, Fla. **Underwriter**—Robert L. Ferman Co., Inc., Miami, Fla.

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.
Aug. 18 filed 209,993 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** — $3 per share. **Proceeds** — For construction purpose. **Office**—Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., and United Securities, Ltd., both of 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.

★ **Public Service Co. of Indiana, Inc. (9/17)**
Aug. 27 filed 242,826 shares of cumulative convertible preferred stock (par $100) to be offered for subscription by common stockholders of record Sept. 16, 1958 on the basis of one preferred share for each 20 common shares held; rights to expire on Oct. 6, 1958. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter** — Blyth & Co., Inc., New York and San Francisco.

★ **Pure Oil Co.**
Aug. 25 filed 250,000 shares of common stock to be offered to officers and key employees of the company and/or its subsidiaries pursuant to the company's incentive stock ownership plan.

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. (9/15-19)
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 (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **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) being 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. The offer expires on Aug. 30. **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.

● **Sears Roebuck & Co. (9/8-12)**
Aug. 20 filed $350,000,000 of sinking fund debentures due 1983. **Proceeds**—To add $50,000,000 to the capital of All State Insurance Co., its subsidiary; to retire bank loans or for working capital for expansion. **Underwriters**—Goldman, Sachs & Co., Halsey, Stuart & Co. Inc. and Lehman Brothers, all of New York.

★ **Sheridan-Belmont Hotel Co.**
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter**—None.

● **Simplicity Pattern Co. Inc., N. Y.**
Aug. 15 filed 42,500 shares of common stock (par $1). **Price**—At the market or at a price within a range not less than the bid price and not higher than the asking price quoted on the New York Stock Exchange at the time of offering. The shares will also be offered from time to time on such Exchange at a price within the foregoing range. **Proceeds**—To go to Joseph M. Shapiro, the selling stockholder. **Underwriter** — Lee Higginson Corp., New York.

★ **16th St. Corp., Washington, D. C.**
Aug. 19 (letter of notification) 600 shares of class A common stock (no par). **Price**—$500 per share. **Proceeds**—To obtain title to property, remodeling and redecorating and for working capital. **Office**—1020-16th St., N. W., Washington, D. C. **Underwriter**—None.

South Carolina Electric & Gas Co. (9/10)
Aug. 12 filed $10,000,000 first and refunding mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; The First Boston Corp., and Lehman Brothers (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Sept. 10.

Southeastern Fidelity Fire Insurance Co.
Aug. 12 (letter of notification) 8,981 shares of common stock (par $10), of which 2,000 shares are to be offered to stockholders (rights to expire on Sept. 1), and 6,981 shares to the public (plus any unsubscribed shares). **Price**—To stockholders, $20 per share; to the public, $26 per share. **Proceeds**—To expand the operations of the company and to meet the statutory requirements to enter other States and eventually to add other lines of insurance. **Office**—197 Auburn Ave., N. E., Atlanta, Ga. **Underwriter**—None.

Standard Oil Co. of California
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 and 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 because of market conditions.

Standard Oil Co. (New Jersey)
July 31 filed 11,406,078 shares of capital stock (par $7) being offered in exchange for Humble Oil & Refining Co. capital stock at rate of five Standard Oil shares for each four Humble Oil shares. The offer is expected to remain open until Oct. 14, 1958. **Exchange Agent**—Morgan Stanley & Co., New York.

★ **Stanway Oil Corp.**
Aug. 14 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and operation of an oil well. **Office** — 9151 Sunset Blvd., Los Angeles 46, Calif. **Underwriter**—U. S. Corporation Co., Jersey City, N. J.

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.

● **Stevens Markets Inc., Miami, Fla. (9/10)**
Aug. 14 filed 46,642 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Business**—Operates three large supermarkets. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C.

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.

Strouse, Inc.
July 29 (letter of notification) 26,850 shares of common stock (par 10 cents) to be issued upon exercise of warrants. **Price**—$1 per share. **Office**—Main & Astor Sts., Norristown, Pa. **Underwriter**—H. A. Riecke & Co., Inc., Philadelphia, Pa.

Suburban Gas Service Inc. (9/16)
Aug. 18 filed 100,000 shares of common stock (par $1), of which 50,000 shares are to be offered by the company and 50,000 shares by selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, for retirement of bank loan and of obligations incurred in connection with minor acquisitions and for the purchase of fixed assets of Redi-Gas Co.; the balance, if any, will be added to working capital to be available for general corporate purposes. **Office**—Upland, Calif. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Success, Inc.**
Aug. 21 (letter of notification) 690 shares of common stock (no par). **Price** — $55 per share. **Proceeds** — For working capital. **Business**—To purchase, own and operate rental income real estate. **Office**—740 Irvington Ave., Maplewood, N. J. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20, 1957 filed 40,000 shares of common stock (public offering of 500,000 shares now planned). **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.**
Aug. 20 filed $50,000,000 of first mortgage pipe line bonds due Jan. 1, 1979. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co., and Halsey, Stuart & Co. Inc., all of New York. **Offering** — Expected during September or October.

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.

★ **Texas Eastern Transmission Corp. (9/10)**
Aug. 21 filed $35,000,000 of first mortgage pipe line bonds due Sept. 1, 1978. **Price** — To be supplied by amendment. **Proceeds**—To be used in connection with the construction programs of Texas Eastern and its subsidiary Texas Eastern Penn-Jersey Transmission Corp. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ **Thiokol Chemical Corp., Trenton, N. J.**
Aug. 22 filed 113,500 shares of capital stock (par $1) to be offered for subscription by stockholders at the rate of one new share for each 12 shares held. **Price**—To be supplied by amendment. **Proceeds**—To be added to the company's general funds and be available for general corporate purposes, including expansion of facilities principally at its Utah Division. **Underwriter** — To be supplied by amendment (probably Kidder, Peabody & Co.).

Thomas Paint Products Co.
May 26 (letter of notification) 1,250 shares of common stock (par $10) and $37,500 of 6% serial subordinated debentures series 1958, to be offered in units of one share of stock and $50 principal amount of debentures to be offered to stockholders on the basis of one unit for each two shares of stock owned (500 of the shares are being offered to the President of the company). **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—543 Whitehall St., S. W., Atlanta, Ga. **Underwriter**—None.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter** — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

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-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.

Treasure Hunters, Inc., Washington, D. C.
Aug. 14 filed 1,946,499 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For research program, exploration, and it is hoped, recovery of buried and sunken treasure and exploitation of lost mines and other mineral deposits. **Underwriter**—None.

Tricon, Inc.
Aug. 8 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To pay expenses and cost of plant option; for first year's payment on instalment purchase contract for land and improvements; for construction of plant, tools and equipment; advertising and working capital. **Office** — 540

Continued on page 34

Continued from page 33

Steamboat Rd., Greenwich, Conn. **Underwriter**—Sano & Co., New York, N. Y.

Triton Corp., Newark, N. J.
Aug. 1 filed $1,600,000 of 5% debentures due 1973, 4,000 shares of 6% preferred stock (par $100) and 48,000 shares of common stock (par $1) to be offered in units of $8,000 of debentures, 20 shares of preferred stock and 240 shares of common stock. **Price**—$10,240 per unit. **Proceeds**—To acquire, own and operate interests in producing oil and gas properties. **Underwriter**—None. **Office**—11 Commerce Street, Newark, N. J. Timothy H. Dunn is President.

★ **Tropical Gas Co., Inc., Miami, Fla. (9/12)**
Aug. 22 filed 25,544 shares of convertible preferred stock (par $100) to be offered for subscription by common stockholders of record about Sept. 12, 1958, at the rate of one preferred share for each 27 shares held; rights to expire about Sept. 25. **Price**—To be supplied by amendment. **Proceeds**—To acquire the capital stock of Southeastern Natural Gas Corp., for payment of the company's outstanding short-term bank loans and short-term notes payable to suppliers, to the repurchase of notes receivable currently discounted, and the balance for general corporate purposes. **Underwriter**—Glore, Forgan & Co., New York.

Tungsten Mountain Mining Co.
Aug. 11 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To extinguish present indebtedness, increase reserve for contingencies and working capital. **Office**—511 Securities Bldg., Seattle 1, Wash. **Underwriter**—H. P. Pratt & Co., 807 Hoge Bldg., Seattle 4, Wash.

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.

★ **Unified Funds, Inc., Indianapolis, Ind.**
Aug. 22 filed $10,000,000 of series "C" certificates and $12,000,000 of series "D" certificates. **Proceeds**—For investment.

United Asbestos Corp., Ltd., Montreal, Canada
July 29 filed 225,000 shares of capital stock (par $1) to be issued upon exercise of options exercisable at $4 per share. **Proceeds**—To pay outstanding liabilities, to increase working capital and for general corporate purposes. **Underwriter**—None.

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 Life & Accident Insurance Co.**
Aug. 8 (letter of notification) 410 shares of capital stock (par $20) to be offered for subscription by stockholders of record Aug. 29, 1958 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire Sept. 30, 1958. **Price** — $375 per share. **Proceeds**—For operating a life insurance and a sickness and accident insurance company. **Office**—2 White St., Concord, N. H **Underwriter**—None.

★ **United Security Life & Accident Insurance Co.**
Aug. 22 filed 120,000 shares of class A common stock. **Price**—$3 per share. **Proceeds**—To provide the reserves required to be held in life and accident insurance policies, and to pay the necessary expenses in producing insurance. **Office**—Louisville, Ky. **Underwriter**—None. Edmond M. Smith, is President.

U. S. Land Development Corp., Fort Lauderdale, Fla.
Aug. 15 filed 1,200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To be added to the company's general funds and used to develop Pineda Island near Mobile, Ala. **Underwriter**—Palm Beach Investment Co., Inc., 308 South County Road, Palm Beach, Fla.

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-Cyclops Steel Corp.
Aug. 5 filed $22,500,000 of sinking fund debentures due Sept. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay $10,300,000 of bank loans and for construction program. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill., and New York, N. Y. **Offering** — Temporarily deferred due to present market conditions.

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.

★ **Universal Programs, Inc., New York**
Aug. 21 filed (by amendment) an additional $5,000,000 in Systematic Investing Programs with Insurance, Systematic Investing Programs without Insurance and Single Payment Investing Programs. **Proceeds**—For investment.

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. (9/9)
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). **Bids**—Expected to be received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Sept. 9.

Washington Natural Gas Co. (9/10)
Aug. 18 filed 100,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans incurred for construction purposes. **Underwriter**—Dean Witter & Co., San Francisco and New York.

Western Carolina Telephone Co., Weaverville, N. Car.
June 6 filed 89,391 shares of common stock to be offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held. The record date is to be supplied by amendment. **Price**—At par ($5 per share). **Proceeds**—To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. **Underwriter**—None

Western Development Co. of Delaware (9/11)
Aug. 15 filed $3,500,000 of convertible debentures due 1970. **Price**—To be supplied by amendment. **Proceeds**—To refund all existing term and current debt of the company, and the balance will be added to the general funds of the company and will be made available for the development of its present properties and the acquisition and development of additional oil and gas properties. **Underwriter**—W. C. Langley & Co., New York.

★ **Western Factors, Inc.**
Aug. 19 (letter of notification) 191,110 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For working capital. **Office**—212 Beason Bldg., Salt Lake City, Utah. **Underwriter**—None.

Western Heritage Life Insurance Co.
Aug. 8 (letter of notification) 150,000 shares of common capital stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For expense incidental to operating an insurance company. **Office**—533 East McDowell Rd., Phoenix, Ariz. **Underwriter**—First American Investment Corp.

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. Statement effective Aug. 14.

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.

Wizard Boats of Tennessee, Inc., Dickson, Tenn.
Aug. 11 (letter of notification) 150,000 shares of common stock (par one cent) and 75,000 shares of common stock purchase warrants to be offered in units of one share of stock and one-half warrant due Aug. 31, 1962. **Price**—$2 per unit. **Proceeds**—For research and development of subsidiary, to repay open note, overhead, research, salaries, purchase of raw materials and supplies and for working capital, etc. **Underwriters**—Clark, Landstreet & Kirkpatrick, Inc. and W. N. Estes & Co., Inc., both of Nashville, Tenn.

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.

★ **Addressograph-Multigraph Corp.**
Aug. 25 it was reported that the company plans to offer stockholders the right to subscribe for additional common stock on the basis of one new share for each 20 shares held. Offering would follow approval by stockholders on Sept. 9 of a three-for-one stock split and an increase in the authorized common stock to 5,000,000 shares (par $5) from 1,000,000 shares (par $10). **Underwriter**—Smith, Barney & Co., 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.

Basic, Inc., Cleveland, O.
Aug. 2 it was announced stockholders on Aug. 28 will vote upon a refinancing program intended to replace present mortgage debt and preferred stock with a new note and two new issues of preferred stock, to provide about $3,325,000 of new money with which to complete plant improvements under way since early this year, retire bank loans that had been made to finance the improvements, and provide additional working capital. **Underwriter**—Hallgarten & Co., New York, handled last preferred stock financing.

California Electric Power Co.
July 14 it was announced company contemplates marketing between $5,000,000 and $7,000,000 securities in October, 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. **Proceeds**—To repay bank loans.

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.

★ **Commonwealth Edison Co.**
Aug. 25 it was reported that the company may issue and sell $25,000,000 of preferred stock. **Underwriters**—May be The First Boston Corp. and Glore Forgan & Co., both of New York. **Offering**—Expected late in 1958 or during the first three months of 1959.

● **Consumers Power Co. (9/23)**
Aug. 19 it was announced that the company plans to issue and sell $35,000,000 of first mortgage bonds due 1988. **Proceeds** — For expansion and improvement of service facilities. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on Sept. 23. **Registration**—Expected Aug. 29.

● **Consumers Power Co. (9/24)**
Aug. 19 it was announced that the company plans to issue and sell 150,000 shares of preferred stock (no par). **Proceeds**—For expansion and improvement of service facilities. **Underwriter**—Morgan Stanley & Co., New York. **Registration**—Expected Aug. 29

Cosden Petroleum Co.
Aug. 18 it was reported that the stockholders are to vote Sept. 15 on approving a proposed offering of $10,000,000 20-year convertible subordinated debentures. **Underwriter**—Dillon, Read & Co., Inc., New York.

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

★ Florida Power & Light Co.
Aug. 20, McGregor Smith, Chairman, announced that the company plans the sale of 300,000 shares of new common stock. **Proceeds**—To finance construction program. **Underwriters**—May be Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., both of New York. **Offering**—Expected in October.

★ Florida Steel Corp. (9/29-10/3)
Aug. 25 it was reported that the company plans registration about Sept. 9 of 74,925 shares of common stock. **Proceeds**—To selling stockholders. **Underwriter**—Kidder, Peabody & Co., 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 (possibly on a 1-for-20 basis); 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. **Offering**—Expected late in November.

Grace Line Inc.
Company plans to issue approximately $18,000,000 of government insured bonds secured by first preferred ship mortgages 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. **Offerings**—"Santa Rosa" offering expected early in September and "Santa Paula" offering later in year.

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.

★ Hartford Electric Co.
Aug. 27 the directors approved a program under which it plans to issue 149,633 shares of common stock (par $25) to be offered first to common stockholders on a 1-for-10 basis; 100,000 shares of preferred stock (par $50); and $18,000,000 of first mortgage bonds. Stockholders will vote Oct. 6 on the proposal and if approved, the company will seek authorization of the Connecticut P. U. Commission. **Underwriter** — Putnam & Co., Hartford, Conn., for any preferred stock.

★ Heublein, Inc.
Aug. 25 it was reported that the company plans early registration of 400,000 shares of common stock, of which 100,000 shares are to be sold for the account of selling stockholders. **Proceeds**—For expansion. **Underwriter**—Glore, Forgan & Co., New York.

Indiana & Michigan Electric Co. (11/6)
Aug. 18 it was reported that the company plans early registration of $20,000,000 first mortgage bonds due 1988. **Proceeds**—To retire bank loans used for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidder: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 6. **Registration**—Planned for around Sept. 24.

Japan (Empire of)
Aug. 20 it was stated that an issue of between $30,000,000 and $50,000,000 of bonds may soon be publicly offered on the American market. **Proceeds**—For public works projects, etc. **Underwriter**—The First Boston Corp., New York.

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.

Laboratory for Electronics, Inc.
July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

★ Madison Gas & Electric Co., Madison, Wis. (10/7)
Aug. 25 it was reported that the company plans the sale of $11,000,000 first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The Milwaukee Co., and Harris, Hall & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Smith; Otis & Co., Inc.; Smith, Barney & Co. and Robert W. Baird & Co. (jointly). **Bids**—Expected to be received on Oct. 7.

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.

★ Michigan Bell Telephone Co.
Aug. 12 directors approved plans to sell $40,000,000 of 34-year debentures. **Proceeds**—To redeem a like amount of 4¾% debentures due November, 1992. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Had been tentatively scheduled to be received on Sept. 16, but on Aug. 26 it was voted to postpone this refunding program because of present market conditions.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Montana-Dakota Utilities Co.
March 24 it was announced the company plans to issue and sell an undetermined amount of first mortgage bonds (about $10,000,000) in the latter part of this year or in early 1959. **Proceeds** — To repay bank loans. **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. (9/15-19)
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.

Mountain States Tel. & Tel. Co. (9/30)
July 29 it was announced company plans to offer to its stockholders of record Sept. 26, 1958 the rights to subscribe on or before Oct. 24, 1958 for 700,961 additional shares of capital stock on the basis of one new share for each five shares held. American Telephone & Telegraph Co., the parent, owns over 80% of the 3,504,809 outstanding shares. **Price** — At par ($100 per share). **Proceeds**—To repay temporary loans made to finance the company's expansion program. **Underwriter**—None.

Northern Illinois Gas Co.
June 10 it was announced company will sell late this year $10,000,000 mortgage bonds. **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/or 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.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

● Pacific Telephone & Telegraph Co. (11/18)
Aug. 22 it was announced company plans to issue and sell $80,000,000 of 32-year debentures due Nov. 1, 1990. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Nov. 18.

● Pacific Telephone & Telegraph Co.
Aug. 22 it was reported company plans to offer to its common and preferred stockholders 1,594,604 additional shares of common stock on the basis of one new share for each eight common or preferred shares held. **Price**—At par ($100 per share). **Proceeds**—To repay advances and to reimburse the treasury for capital expenditures previously made. **Underwriter**—None. **Control**—Of the 832,000 shares of 6% preferred stock (par $100) and 11,936,835 shares of common stock (par $100) outstanding as of Dec. 31, 1957, there were owned by the American Telephone & Telegraph Co. 640,957 preferred shares and 10,790,943 common shares.

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.

Peoples Gas Light & Coke Co.
Aug. 1 the directors approved a program for the offering of approximately $17,000,000 of additional capital stock to stockholders in October. **Underwriters**—Glore, Forgan & Co. and The First Boston Corp., both of New York.

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.

Sanborn Scientific Instrument Co. (Mass.)
Aug. 4 it was reported company plans to issue and sell 100,000 additional shares of common stock, of which it is intended to offer 17,000 shares in exchange for outstanding preferred stock. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Offering**—Expected in October, 1958.

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. (Indiana)
Aug. 28 it was announced company plans to issue and sell $200,000,000 of debentures due Oct. 1, 1983. **Proceeds**—To retire short-term bank loans and for capital expenditures. **Underwriter**—Morgan Stanley & Co., New York. **Registration**—Expected today (Aug. 28).

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.

Universal Oil Products Co.
Aug. 13 it was reported that an issue of common stock will soon be offered to the public, the proceeds of which may run between $50,000,000 and $60,000,000. Approval of the transaction rests with the New York State Supreme Court (expected within two months). **Proceeds**—To the Petroleum Research Fund of the American Chemical Society. **Underwriters**—Expected to be Lehman Brothers, Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Smith, all of New York. **Offering**—Expected in mid-autumn, probably late in October.

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.

★ Virginian Ry.
Aug. 26 the directors approved a proposal to exchange 2,795,500 shares of 6% cumulative preferred stock (par $10) for $32,148,250 new 6% subordinated income sinking fund debentures to mature Aug. 1, 2008 on the basis of $11.50 principal amount of debentures for each preferred share. **Dealer-Manager**—Harriman Ripley & Co. Inc., New York.

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.

Worcester Gas Light Co.
Aug. 18 it was reported that the company plans the sale of $5,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Offering**—Expected this Fall.

SEC Appeals to Supreme Court on Variable Annuities

The SEC requested that the Supreme Court review as to whether an insurance company selling variable annuity contracts should be considered an investment company and thus subject to securities registration requirements and regulation.

Previously the SEC sought a favorable ruling in U. S. District Court and the Court of Appeals but both requests for rulings were turned down on the ground insurance companies are exempt from securities laws.

SEC officials said that if the court grants a review they intend to prepare a case to be argued during the fall term. SEC Chairman Edward N. Gadsby has stated that if the Supreme Court also rules against the Commission, it will probably seek legislation making insurance companies which sell variable annuity contracts subject to SEC regulation.

Nation-Wide Gains In Net Asset Value

It was announced by Nation-Wide Securities that total net assets were $30,211,281 on July 31, 1958 as against $25,619,347 on Dec. 31, 1957. Net asset value per share on July 31, 1958 was $19.60, compared with $17.32 on Dec. 31, 1957.

Mutual Funds

By ROBERT R. RICH

Expects Irregular Market to Accompany Improving Business

"While there is growing evidence that the American economy is on the recovery path, there is even stronger evidence that the stock market needs a further period of healthy adjustment," according to Harold X. Schreder, a leading New York economist and Executive Vice-President of Group Securities, Inc., $125,000,000 mutual fund.

Harold X. Schreder

In an address before the 1958 Session of the Financial Analysts Seminar* at Beloit College on Aug. 22, Mr. Schreder said, "the recovery sequence of rising new orders, production, employment, personal income, and retail sales is most encouraging. Stock prices have substantially reflected this recovery to date, and by broadly rising to historically high levels in relation to earnings, dividends, and money rates, are vulnerable to disappointments in the extent and vigor of the generally anticipated business recovery."

Mr. Schreder said, "the security analyst today has a most challenging task of reconciling historically high prices in terms of available values and an 'overbought' intermediate market position with numerous longer-term technical indicators which are gradually developing their most favorable basic tone since 1955.

"The reconciliation of the market's juxtaposed position," he continued, "probably lies in the intermediate period of increased irregularity in the stock market as its generally extended position adjusts to the pace of actual business recovery developments, and to the anti-inflationary salvos fired recently by the Federal Reserve Board when it increased stock margin requirements and the rediscount rate.

"At the moment, therefore," Mr. Schreder stated, "our general market position is a cautious one—neither highly pessimistic nor optimistic—with an alert open-minded willingness to move quickly in the directions that daily facts indicate. This seems to us to be the only realistic market attitude until there is more clarity in our unbalanced economy, more light than heat in the international picture, and a better relationship generally between earnings, dividends, money rates, and stock prices.

"In the meantime," he said, "major emphasis should continue to be placed on stocks of well-established companies which operate in clearly growing fields, and whose profits and dividends are most likely to grow during the extended period of general market adjustment.

"Future stock purchases in this adjustment period," Mr. Schreder emphasized, "should be selectively slanted in the direction of the long-depressed dynamic stocks and away from the more conservative types of issues which have been favored for the past two years. Take your time and select carefully though," he warned his fellow analysts, "markets don't change their whole character in a day."

*Organized by The National Federation of Financial Analysts Societies in association with The University of Chicago School of Business.

OCSF Reports Gain In Net Asset Value

On June 30, 1958 the net asset value of Over-the-Counter Securities Fund was $3.63 a share compared to $3.17 a share on Dec. 31, 1957. This represents a gain of 14.5% during the period under consideration.

It was announced by Ralph P. Coleman, Jr., President, that the Fund has continued to implement its policy of investing in selected equities for long-term growth. Positions were taken recently in Fisher-Governor; Foxboro Co.; and William H. Rorer. Eliminated from the portfolio were holdings in Airborne Instruments Laboratory.

American-South African Fund Files 1,000,000 Shares

Dillon, Read & Co., Inc. and associates to market issues here and abroad at $28 maximum price

American-South African Investment Company, Limited filed on Aug. 27 a registration statement with the Securities and Exchange Commission covering 1,000,000 common shares, £1 (South African) par value. American-South African Investment Company, Limited, incorporated under the laws of the Union of South Africa, is a diversified management company of the closed-end type. The proposed maximum offering price is $28 per share, as stated in the registration statement. An underwriting group headed by Dillon, Read & Co., Inc. is expected to offer the common shares to investors in the United States and Europe during the latter part of September, subject to registration with the Securities and Exchange Commission under the Securities Act. The company plans to apply for the listing of the common shares on the New York Stock Exchange.

The policy of the company will be to invest over 50% of the value of its total assets in the common shares, or securities convertible into common shares, of companies conducting, as the major portion of their business gold mining and related activities in South Africa. The balance will be invested in the common shares, or securities convertible into common shares, of companies engaged in other businesses in South Africa, except that up to 25% of total assets may be held in the form of gold bullion or certificates of deposit therefore to be purchased, directly or indirectly, with South African pounds. The securities in which the company invests will be kept in the United States. It is contemplated that the major portion of the company's assets will consist of securities listed on the Johannesburg Stock Exchange.

It is anticipated that a comparatively minor portion of the company's net income will be used for the payment of dividends and that the greater portion of net income and the entire amount of any capital gains which may be realized will be retained by the company and invested. It is the company's intention that shareholders will receive dividends in United States dollars.

The company has entered into contracts providing for purchases directly from present holders of substantial blocks of common shares of certain companies engaged in mining gold, and in other businesses, in South Africa.

Charles W. Engelhard is Chairman of the board of American-South African Investment Company, Ltd. Mr. Engelhard is also Chairman of the board of Engelhard Industries, Inc. and affiliated companies, Chairman of the board of Rand Mines, Ltd., Chairman of the board of Rand American Investments, (Pty.), Ltd. and a Director of Transvaal and Orange Free State Chamber of Mines.

Tax-Exempt Fund Plans Shattered

The mutual fund organizations and investment banking firms which had plans for offering tax-exempt bond funds this year received a severe set-back when the Senate-House conferees eliminated from the technical tax revision bill (Mills Bill) the proposal which would have allowed regulated investment companies confining their investments in state and local bonds to pass the tax exemption on to their shareholders.

Incorp. Income Fd. Share Value Up From $7.64 to $8.24

The Fifteenth Quarterly Report of Incorporated Income Fund reveals an increase in the per share net asset value of the Fund from $7.64 to $8.24 during the quarter ended July 31, 1958. In the three and three-quarter years the Fund has been in existence total net assets have grown from $10,249,040 to a new high of $92,541,534. Shares outstanding have increased from 1.4 million to 11.2 million during this period.

During the last three months new common stock commitments were made in Brooklyn Union Gas, Denver and Rio Grande Western RR., Foremost Dairies, Kansas City Southern Ry., Singer Manufacturing, Southern Natural Gas. Standard Oil of Ohio, Union Electric, Union Pacific RR. and F. W. Woolworth.

Common stocks added to were in American Agricultural Chemical, Bethlehem Steel, Consolidated Edison, Dresser Industries, Gillette, Gimbel Bros., Harsco Corp., Hilton Hotels, Island Creek Coal, KLM Royal Dutch, Louisville & Nashville RR., Mack Trucks, Niagara Mohawk, Sinclair Oil, Spiegel, Sunray Mid-Continent Oil, and United Electric Coal.

TV-Electronics Fund Enlarges Its Equity Position

A more favorable economic atmosphere, influenced by a reduction in inventories, a lowering of the volume of consumer debt and a considerable easing of the banking situation, has made the management of Television-Electronics Fund, Inc. "decidedly more optimistic about the economy of the country," according to President Chester D. Tripp.

The mutual fund executive told shareholders that at the end of the Fund's third fiscal quarter, ended July 31, 95.2% of its assets were invested in common stocks and convertible securities in the electronics field, compared with an 86.9% equity position nine months earlier.

"It is our opinion," Mr. Tripp said, "that business and employment will slowly improve from last spring's low point and, as a result of this feeling on the part of your management, we have substantially increased our equity positions and accordingly decreased our defensive positions which, for months, involved the holding of substantial amounts of short-term paper and cash."

Net assets of the Fund, pioneer and largest mutual fund concentrating investments in the field of electronics and nucleonics, totaled $178,531,343 on July 31, a new record and at a level 32.1% above its resources of $135,100,234 on Oct. 31, 1957, the end of the Fund's last fiscal year. New highs were also recorded in the number of shares outstanding, which rose 18.5% from 13,038,227 on Oct. 31, 1957 to 15,444,896 on July 31; and in the number of shareholders, which grew from 65,312 to 75,171 during the same nine-month period.

Net asset value per share of the Fund increased to $11.56 from the Oct. 31 level of $10.36 which, when adjusted for a capital gain distribution of 55.1 cents on Nov. 30, 1957, reflected a capital value gain of 16.9% during the period, Mr. Tripp said.

While there was only one new addition to the Fund's common stock position during the third quarter of its fiscal year, Mr. Tripp told shareholders, "significant additions were made to existing holdings in your Fund's equity position." The new addition was Air Reduction Co., which he pointed out was "an important supplier of gaseous products for television and electronic tubes and carbon dioxide for low temperature testing of aircraft and guided missile components."

Principal portfolio purchases during the quarter included: Aerojet-General Corp., Allis-Chalmers Manufacturing Co., Columbia Broadcasting System "A," Foxboro Corp., General Electric Co., General Motors Corp., Martin Co., National Cash Register Co., Otis Elevator Co., and Paramount Pictures Corp.

Eliminated from the portfolio during the three-month period were the common stocks of Hammond Organ Co. and Johnson Service Co. Reductions were effected in equity holdings of Admiral Corp., Ampex Corp., General Tire & Rubber Co., Varian Associates, and Walt Disney Productions.

Flying Wholesaler

It was announced by Jack W. Goss of Putnam Fund Distributors of New York that they believe they have the first Flying Wholesaler in the person of William M. Kean, regional representative. "Flying my own plane," says Mr. Kean, "permits me to service the investment dealers in the Southeast three times faster than I was doing by automobile."

Mr. Kean services six states in the Southeast with his Piper Tri-Pacer. He has his headquarters in Orlando, Fla.

With L. F. Rothschild

Leonard M. Heine, Jr. has become associated with L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as Assistant Manager of the Special Sales Department.

Forms Allied Securities

(Special to The Financial Chronicle)

TALLAHASSEE, Fla.—Wendell C. Heaton is engaging in a securities business from offices at 222 W. Pensacola Street under the firm name of Allied Securities Co.

Forms Princeton Inv.

PHILLIPSBURG, N. J.—Paul O. Koether has formed Princeton Investment Co., with offices at 465 Anderson Street, to engage in a securities business.

Investment Company Assets Now $11.98 Billion

The nation's investment companies reported gains in net assets, sales and shareholder accounts, during the second quarter of 1958, according to the National Association of Investment Companies.

On June 30, the combined net assets of the 145 open-end and 24 closed-end investment company members of the N. A. I. C. reached $11,983,705,000, the Association announced over the week-end.

The number of shareholder accounts in both types of investment companies totaled 3,671,285 on the same date, a new high for the industry.

Open-End Companies

Total net assets of the 145 open-end company (mutual fund) members of N. A. I. C. rose to $10,609,839,000 at the end of the second quarter, up from $9,462,830,000 at the end of March and $8,714,143,000 at year-end 1957. On June 30, 1957, total net assets were $9,687,015,000.

Purchases by investors of new shares in open-end investment companies totaled $363,663,000 during the second quarter, compared with $333,713,000 for the first quarter of 1958 and $334,004,000 for the second quarter of 1957.

The total for the month of June 1958, was $131,974,000 (the May figure was $109,483,000). In June 1957, purchases amounted to $104,661,000.

Accumulation plans opened by investors — for the regular monthly or quarterly acquisition of mutual fund shares—totaled 57,102 during the second quarter, compared with 56,184 for the previous three months and 53,604 for the like period of 1957.

Repurchases of shares—redemptions—by open-end companies were slightly higher during the second quarter, the Association reported. They were valued at $111,366,000 for the period, compared with $91,795,000 for the previous quarter and $110,564,000 for the second quarter of 1957.

Purchase of securities for their portfolios by open-end companies during the second quarter totaled $740,534,000—up from the previous quarter purchases of $525,857,000 and $576,972,000 for the comparable period of 1957. Sales of portfolio securities were also slightly higher, totaling $449,778,000, compared with $362,745,000 for the first quarter of 1958 and $347,104,000 for the second quarter of 1957.

Payment of investment income dividends, to shareholders come to $90,084,000 during the second quarter, compared with $110,074,000 for the previous quarter. In the second quarter of last year they totaled $75,861,000.

Distributions of net realized capital gains totaled $14,491,000, a decline from the first quarter's distribution of $89,540,000—which, in part, reflected year-end distributions—and $22,842,000 for the second quarter of 1957.

Holdings of cash, U. S. Government Bonds and short term corporate obligations by open-end investment companies, as of June 30, amounted to $767,443,000. On March 30, they were $619,687,000. A year ago they totaled $544,246,000.

Closed-End Companies

Total net assets of the 24 closed-end investment company members of the Association rose to $1,373,866,000 on June 30, up from $1,281,372,000 at the close of March. On June 30, 1957, with 26 companies reporting, net assets amounted to $1,420,544,000.

Holders of common stock of closed-end investment companies received dividends from investment income during the second quarter totaling $9,263,000, up from $7,365,000 for the first quarter of 1958 and $8,453,000 for the second quarter of 1957.

Capital gains distribution for the quarter amounted to $1,775,000. In the previous quarter, such distributions came to $5,014,000; during the second quarter of 1957, they amounted to $5,386,000.

Preferred stock dividends to stockholders totaled $717,000. The total for the previous quarter was $699,000. Last year, in the second quarter, preferred stock dividends amounted to $812,000.

Closed-end investment company holdings of cash, U. S. Government Bonds and short term bonds rose to $88,239,000 at the close of the second quarter. This compares with $84,608,000 as of March 31 and $78,817,000 on June 30, 1957.

Affiliated Reports Rise in Net Assets

In the past nine months there was an increase of $1.14 or 21% in the value of Affiliated Fund shares of capital stock after adjustment for the capital gains distribution.

At the end of July, 1958, net assets of the Company were $431,641,418, the increase of $85,194,072 being equivalent to an increase per share $6.63 as compared with the Oct. 31, 1957 level of $5.49.

H. I. Prankard, 2nd, President, noted recent upturns in the economy including the rise of two points in both the May and June Federal Reserve Board Index of Industrial Production; and in the area of new housing starts and department store sales in the four weeks ended July 26, 1958. In addition, he reported that unemployment, on a seasonally adjusted basis, declined in June; personal income has risen in the last several months; steel production has made a good recovery in the last three months, and new orders received by manufacturing companies showed a worthwhile increase in both May and June.

President Prankard forsees that while these advances might well indicate the leveling off of the business decline, or even the beginning of a new upswing, we must be cautious in our interpretation of them. The period covered is a short one and some indicators, notably expenditures for plant and equipment, continue to decline.

Common stock issues added to the portfolio include: A.T. & T.; Chrysler; Fibreboard Paper Products; Ford Motor; General Motors; Gulf Oil; H. J. Heinz; I. T. & T. and McGraw-Hill Publishing. Eliminations include American Natural Gas; Consolidated Natural Gas; General Foods; International Shoe; P. Lorillard, Marathon Corp.; merged with American Can); New England Electric; New York State Electric & Gas; Northern Natural Gas and Westinghouse Electric.

Savings Banks' Fund Achieves Substantial Gains

Net assets at market value of Institutional Investors Mutual Fund 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 to unrealized appreciation of about $2.4 million. There were no redemptions of shares for this period. Also on June 30, 1958 the net asset value per share reached a new all-time high of $174.77, as against a net asset value of $163.31 for the previous year.

Today, Institutional Investors Mutual Fund has 91 shareholders comprising 82 savings banks and nine life insurance departments. A year ago the total was 71 savings banks, and in comparison on March 31, 1958 there were 77. A noteworthy feature of the last three months was the gain in periodic dollar cost averaging programs. Many of these programs have a sufficient time interval to include the various phases of the business cycle.

The yield on common stocks held in the portfolio on June 30, 1958 was 4.93% based on cost, compared with 5.05% on March 31, 1958. Both yields are calculated on the then current indicated dividend rates.

Little change has been made in the conservative disposition of funds during the last quarter. New purchases of common stocks have been concentrated largely in those equities which have the growth factor and only moderately in stocks with cyclical characteristics. One new stock was added, American Cyanamid Co., and none were eliminated. Considerable increases were made in certain issues already held, the largest purchases being made in Beneficial Finance; B. F. Goodrich; Owens-Illinois Glass; and U. S. Gypsum.

Per Share Value of Boston Fund Rises To Record High

Boston Fund achieved record highs in net asset value per share, total net assets and number of shareholders during the second quarter of the present fiscal year to July 31.

The net asset value of the fund's shares, which amounted to $14.51 on Jan. 31 and $15.12 on April 30, rose to $15.89 at the quarter-end, an increase of 9.5% for the six-month period. Adjusted for the 2-for-1 stock split of 1955 and capital gains distributions, this represents the highest net asset value per share at any quarter-end in the fund's 26-year history.

Total net assets increased more than 8% to $164,954,447 from $152,760,645 three months earlier. The number of shareholders climbed to 30,924 from 30,057, and the number of shares outstanding increased to 10,382,755 from 10,105,275.

Henry T. Vance, President of the large balanced fund, told shareholders that "the income dividend of 12 cents per share paid on Aug. 27 represents, for those shareholders who accepted the February distribution of capital gains in additional shares, an increase of more than 6% over the amount paid at this time a year ago."

On the same basis, he added, dividends paid from earnings for the six months just ended were about 11% above the amount paid for the corresponding period last year.

Mr. Vance noted that purchases of Boston Fund shares by new investors as well as existing shareholders during the past three months have exceeded the record levels achieved in the April quarter.

The quarterly report revealed the addition to the fund's portfolio of a block of 34,300 shares of American Telephone & Telegraph Co. common stock. Mr. Vance pointed out that this had the effect of increasing the percentage of total assets invested in common stocks but did not affect the fund's fundamental investment balance. The Boston Fund management, he explained, regards this holding as being more in the nature of an investment quality preferred stock because of its characteristics of stability.

Other new common stock commitments were made in American Hospital Supply; Cluett, Peabody & Co.; and Loblaw. Additions to portfolio were made in Beneficial Corp.; Iowa Southern Utilities; McKesson & Robbins; Northern Natural Gas; Savannah Electric & Power; Socony Mobil; Standard Oil Co. of California; Standard Oil Co. of New Jersey; Texas Co.; Transcontinental Gas Pipe Line; Tucson Gas Electric Light & Power; U. S. Rubber; and U. S. Steel.

A number of bond issues were eliminated from the portfolio and one preferred issue. Only decrease in the common stock portfolio was Atlas Powder which diminished by 10%.

Axe-Houghton's Views on Business And Money Market

The Axe-Houghton weekly business index has shown a moderate recession from the second-quarter recovery, largely because of a July downturn in the steel industry and continued slackness in the automobile industry.

Steel scrap prices advanced throughout the July downturn in steel output, and, like the business index, have recovered about one-third the entire decline from December, 1956 to March, 1958. Copper scrap prices have receded slightly, but not enough to offset the advance in steel scrap, so that the Axe-Houghton index of durable goods raw material prices has reached the highest point since October 1957. The index of semidurable goods raw material prices has also shown an upward trend although the advance has been milder than that of the durable goods price index.

The principal favorable business influence has been a further expansion in new construction. The value of engineering contracts awarded, as compiled by the Engineering News-Record, has reached a new high record on the basis of the July average of the weekly figures. The number of housing units started, seasonally adjusted, has reached the highest level since early 1956, and is 27½% higher than the number reported only last February. Orders for lumber have shown a sharp advance since the Fourth of July, contrary to the usual seasonal movement, and lumber prices have advanced. Lumber orders have been higher than production for eight consecutive weeks, and with a few exceptions have been continuously higher since the beginning of March. FHA insurance applications, seasonally adjusted, have reached a new high record. Cement shipments have shown a sharp recovery from the decline reported early this year.

The principal influence tending

Continued on page 39

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)	Aug. 31	§63.6	*62.6	57.8	82.2
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 31	§1,717,000	*1,690,000	1,561,000	2,103,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 15	6,838,935	6,836,185	6,528,385	6,836,915
Crude runs to stills—daily average (bbls.)	Aug. 15	¶7,713,000	7,597,000	7,450,000	7,969,000
Gasoline output (bbls.)	Aug. 15	27,577,000	27,589,000	27,509,000	27,261,000
Kerosene output (bbls.)	Aug. 15	1,950,000	1,545,000	1,304,000	1,852,000
Distillate fuel oil output (bbls.)	Aug. 15	11,628,000	11,730,000	11,266,000	12,425,000
Residual fuel oil output (bbls.)	Aug. 15	6,897,000	6,641,000	6,891,000	7,843,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 15	176,487,000	177,297,000	179,556,000	172,136,000
Kerosene (bbls.) at	Aug. 15	27,018,000	26,306,000	25,631,000	33,021,000
Distillate fuel oil (bbls.) at	Aug. 15	128,767,000	124,838,000	113,483,000	146,703,000
Residual fuel oil (bbls.) at	Aug. 15	67,165,000	67,251,000	67,199,000	50,923,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 16	625,991	618,580	581,817	750,640
Revenue freight received from connections (no. of cars)	Aug. 16	518,061	521,832	451,056	605,314
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 21	$373,038,000	$336,876,000	$455,420,000	$257,744,000
Private construction	Aug. 21	161,376,000	152,018,000	152,643,000	104,251,000
Public construction	Aug. 21	211,662,000	184,858,000	302,777,000	153,493,000
State and municipal	Aug. 21	166,401,000	148,749,000	224,914,000	121,201,000
Federal	Aug. 21	45,261,000	36,109,000	77,863,000	32,292,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 16	8,110,000	*7,965,000	7,510,000	9,570,000
Pennsylvania anthracite (tons)	Aug. 16	404,000	411,000	466,000	468,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 16	124	*120	110	122
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 23	12,486,000	12,851,000	12,319,000	12,023,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 21	272	262	264	260
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 19	6.188c	6.188c	5.967c	5.967c
Pig iron (per gross ton)	Aug. 19	$66.49	$66.49	$66.49	$66.40
Scrap steel (per gross ton)	Aug. 19	$41.83	*$41.83	$38.17	$53.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 20	26.100c	26.100c	26.100c	28.000c
Export refinery at	Aug. 20	25.300c	25.175c	24.875c	26.075c
Lead (New York) at	Aug. 20	10.750c	11.000c	11.000c	14.000c
Lead (St. Louis) at	Aug. 20	10.550c	10.800c	10.800c	13.800c
‡Zinc (delivered) at	Aug. 20	10.500c	10.500c	10.500c	10.500c
Zinc (East St. Louis) at	Aug. 20	10.000c	10.000c	10.000c	10.000c
Aluminum (primary pig. 99%) at	Aug. 20	24.700c	24.700c	24.000c	26.000c
Straits tin (New York) at	Aug. 20	94.500c	94.750c	96.500c	94.375c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 26	89.74	90.92	93.04	87.33
Average corporate	Aug. 26	92.50	93.08	95.32	90.20
Aaa	Aug. 26	97.16	97.94	100.65	94.26
Aa	Aug. 26	95.32	96.07	98.09	92.64
A	Aug. 26	92.35	93.23	95.32	90.48
Baa	Aug. 26	85.85	85.98	87.99	84.04
Railroad Group	Aug. 26	89.51	89.64	91.05	88.40
Public Utilities Group	Aug. 26	92.35	93.23	96.54	90.77
Industrials Group	Aug. 26	95.92	96.69	98.73	91.62
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 26	3.42	3.31	3.11	3.58
Average corporate	Aug. 26	4.24	4.20	4.05	4.40
Aaa	Aug. 26	3.93	3.88	3.71	4.12
Aa	Aug. 26	4.05	4.00	3.87	4.23
A	Aug. 26	4.24	4.19	4.05	4.38
Baa	Aug. 26	4.72	4.71	4.56	4.86
Railroad Group	Aug. 26	4.45	4.44	4.34	4.53
Public Utilities Group	Aug. 26	4.25	4.19	3.97	4.36
Industrials Group	Aug. 26	4.01	3.96	3.83	4.30
MOODY'S COMMODITY INDEX	Aug. 26	391.5	395.8	403.1	421.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 16	261,628	298,376	262,002	260,018
Production (tons)	Aug. 16	294,259	288,874	255,448	286,966
Percentage of activity	Aug. 16	93	92	83	94
Unfilled orders (tons) at end of period	Aug. 16	439,249	471,682	451,865	477,075
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Aug. 22	108.73	109.30	110.31	110.39
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 2	2,442,080	2,425,130	1,322,770	1,195,170
Short sales	Aug. 2	590,890	628,350	277,720	210,600
Other sales	Aug. 2	1,938,740	1,838,600	1,001,640	1,039,990
Total sales	Aug. 2	2,529,630	2,466,950	1,279,360	1,250,590
Other transactions initiated on the floor—					
Total purchases	Aug. 2	568,620	653,740	265,500	152,970
Short sales	Aug. 2	34,300	68,700	20,300	12,300
Other sales	Aug. 2	503,330	526,810	278,770	145,720
Total sales	Aug. 2	537,630	595,510	299,070	158,020
Other transactions initiated off the floor—					
Total purchases	Aug. 2	822,620	818,340	419,094	340,870
Short sales	Aug. 2	208,230	146,760	132,430	47,190
Other sales	Aug. 2	789,742	757,269	478,576	367,770
Total sales	Aug. 2	997,972	904,029	611,006	414,960
Total round-lot transactions for account of members—					
Total purchases	Aug. 2	3,833,320	3,897,210	2,007,364	1,689,010
Short sales	Aug. 2	833,420	843,810	430,450	270,090
Other sales	Aug. 2	3,231,812	3,122,679	1,758,986	1,553,480
Total sales	Aug. 2	4,065,232	3,966,489	2,189,436	1,823,570
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	Aug. 2	1,520,845	1,478,058	979,005	1,200,138
Dollar value	Aug. 2	$68,972,997	$68,517,401	$45,019,661	$60,584,735
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 2	1,596,284	1,521,088	902,816	890,848
Customers' short sales	Aug. 2	12,556	19,974	6,599	8,078
Customers' other sales	Aug. 2	1,583,728	1,501,114	896,217	882,770
Dollar value	Aug. 2	$70,358,060	$66,151,566	$38,883,018	$43,945,336
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 2	555,590	506,670	294,410	229,350
Short sales	Aug. 2	------	------	------	------
Other sales	Aug. 2	555,590	506,670	294,410	229,350
Round-lot purchases by dealers—					
Number of shares	Aug. 2	450,250	489,470	331,080	501,190
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	Aug. 2	1,094,050	1,203,580	617,440	366,710
Other sales	Aug. 2	18,458,120	18,527,810	10,237,690	8,840,780
Total sales	Aug. 2	19,552,170	19,731,390	10,855,130	9,207,490
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug 19	118.8	119.0	119.3	118.0
Farm products	Aug. 19	93.0	*93.2	94.1	92.1
Processed foods	Aug. 19	110.7	*111.2	112.4	106.8
Meats	Aug. 19	108.2	109.9	112.9	97.5
All commodities other than farm and foods	Aug. 19	125.9	126.0	126.0	125.7

*Revised figure. ¶Includes 985,000 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
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of July (000's omitted):			
Total U. S. construction	$2,601,754	$1,899,389	$1,589,073
Private construction	941,666	633,782	637,218
Public construction	1,660,088	1,266,107	951,855
State and municipal	1,031,506	824,402	677,410
Federal	628,582	441,705	274,445
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of June 30:			
Total consumer credit	$43,122	$43,027	$42,491
Instalment credit	33,054	32,957	32,608
Automobile	14,691	14,713	15,127
Other consumer goods	8,203	8,176	8,165
Repairs and modernization loans	1,942	1,933	1,905
Personal loans	8,218	8,135	7,411
Noninstalment credit	10,068	10,070	9,883
Single payment loans	3,645	3,616	3,530
Charge accounts	3,949	3,956	3,948
Service credit	2,474	2,498	2,405
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE— Crop as of Aug. 1 (in thousands):			
Corn, all (bushels)	3,487,159	3,311,249	3,402,832
Wheat, all (bushels)	1,420,725	1,343,490	947,102
Winter (bushels)	1,170,768	1,129,727	707,201
All spring (bushels)	249,957	213,763	239,901
Durum (bushels)	18,753	14,985	39,680
Other spring (bushels)	231,204	198,778	200,221
Oats (bushels)	1,345,157	1,255,244	1,308,360
Barley (bushels)	452,592	423,175	435,695
Rye (bushels)	34,093	31,386	26,528
Flaxseed (bushels)	36,682	31,804	25,754
Rice (100-pound bags)	47,989	46,977	43,130
Sorghum grain (bushels)	496,132	------	561,977
Cotton (bales)	11,583	------	10,964
Hay, all (tons)	115,936	114,246	121,402
Hay, wild (tons)	10,604	10,607	11,313
Hay, alfalfa (tons)	63,941	63,339	69,092
Hay, clover and timothy (tons)	22,611	22,160	22,087
Hay, lespedeza (tons)	5,237	5,001	4,852
Beans, dry edible (cleaned) (100-pound bags)	18,369	18,269	15,771
Peas, dry field (cleaned) (100-pound bags)	2,459	2,360	3,270
Soybeans for beans (bushels)	535,887	------	479,841
Peanuts (pounds)	1,657,410	------	1,445,110
Potatoes (hundredweight)—			
Winter	4,780	4,780	6,790
Early spring	3,904	3,904	4,408
Late spring	26,901	26,901	30,104
Early summer	11,042	10,459	9,047
Late summer	35,811	35,449	32,209
Fall	173,906	------	156,981
Total	256,344	------	239,539
Sweetpotatoes (hundredweight)	17,807	17,542	18,053
Tobacco (pounds)	1,728,292	1,688,559	1,660,553
Sugarcane for sugar and seed (tons)	7,332	7,332	6,750
Sugar beets (tons)	14,631	14,549	15,497
Broomcorn (tons)	33	------	43
Hops (pounds)	51,918	52,218	40,135
Apples, commercial crops (bushels)	125,999	123,920	118,548
Peaches (bushels)	75,510	74,889	62,335
Pears (bushels)	28,204	28,068	31,676
Grapes (tons)	2,696	2,704	2,599
Cherries (12 States) (tons)	186	177	240
Apricotes (3 States) (tons)	118	117	190
Pecans (pounds)	179,200	------	141,350
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of July:			
Weekly earnings—			
All manufacturing	$83.50	$85.10	$82.39
Durable goods	89.83	89.89	88.00
Nondurable goods	75.27	75.08	74.47
Hours—			
All manufacturing	39.2	39.2	39.8
Durable goods	39.4	39.6	40.0
Nondurable goods	38.8	38.7	39.4
Hourly earnings—			
All manufacturing	$2.13	$2.12	$2.07
Durable goods	2.28	2.27	2.20
Nondurable goods	1.94	1.94	1.89
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49—100—Month of July:			
Seasonally adjusted	133	*131	145
Unadjusted	125	*132	135
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)— Month of April:			
Net railway operating income	$36,900,976	$44,004,297	$81,286,885
Other income	19,408,443	20,876,603	18,926,390
Total income	56,309,419	64,880,900	100,213,275
Miscellaneous deductions from income	4,141,189	4,753,563	4,588,165
Income available for fixed charges	52,168,230	60,127,337	95,625,110
Income after fixed charges	20,761,402	28,519,448	65,222,863
Other deductions	4,033,976	3,983,499	4,231,553
Net income	16,727,426	24,535,949	60,991,310
Depreciation (way & structure & equipment)	50,180,879	50,181,644	48,256,178
Federal income taxes	13,057,669	15,102,391	29,896,376
Dividend appropriations:			
On common stock	17,930,487	24,537,760	29,808,065
On preferred stock	591,114	1,818,626	604,931
Ratio of income to fixed charges	1.66	1.90	3.15
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of June:			
Net sales	------	$73,296,450	------
Net purchases	$58,167,000	------	$182,398,500
U. S. GOVT. STATUTORY DEPT LIMITATION —As of July 31 (000's omitted):			
Total face amount that may be outstanding at any time	$280,000,000	$280,000,000	$275,000,000
Outstanding—			
Total gross public debt	275,466,164	276,343,213	272,468,742
Guaranteed obligations not owned by the Treasury	102,094	101,220	106,672
Total gross public debt and guaranteed obligations	$275,568,258	$276,444,438	$272,575,414
Deduct—other outstanding public debt obligations not subject to debt limitation	429,147	430,998	444,439
Grand total outstanding	$275,139,111	$276,013,439	$272,130,975
Balance face amount of obligations, issuable under above authority	4,860,888	3,986,560	2,869,024
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of July 3	$275,568,258	$276,444,438	$272,575,414
General funds balance	5,118,714	9,749,102	4,475,128
Net debt	$270,449,544	$266,695,336	$268,100,286
Computed annual rate	2.632%	2.638%	2.741%

Continued from page 37

Mutual Funds

to retard business recovery is continued slackness in the automobile industry. New passenger car registrations, seasonally adjusted, have reached the lowest level since 1952, although the decline has not been quite so severe as indicated by unofficial retail sales figures. Used car prices have held up unusually well, however, and dealers' new car inventories are not so high as in some previous summers, so that the new-model year should get off to a fairly good start.

Money Market

Both short-term and long-term interest rates have advanced. The yield on Treasury bills has crossed the Reserve Bank discount rate, and the San Francisco rate has been advanced. Long-term Treasury bond prices have declined sharply despite heavy purchases by the Reserve Banks and the Treasury itself, so that the yield on these bonds has recovered more than half the entire decline in the money-easing episode of October 1957 to April 1958. In part, this advance represents the correction of an abnormal spread between yields on governments and corporate bonds; but the sharpness of the reversal in the government bond market and the failure of corporation bond yields to follow the trend of yields on governments appear to reflect an unusual and abnormal situation in the money market. Another unusual development has been a decline in yields on high-grade common stocks to a level slightly lower than the yield on high-grade corporation bonds, according to Standard & Poor's averages.

The upturn in interest rates is attributable largely to the too-vigorous easing of the money market by the Federal Reserve Banks earlier in the year. The combined effects of reducing reserve requirements, reducing the discount rate, and open market operations (any one of which might have been sufficient for the purpose at hand) was to cause a marked advance in stock prices, to prevent any further liquidation of commercial and industrial loans, to encourage an expansion in security loans, to bring about a marked expansion in member bank holdings of government and other bonds, and to prolong the gold export movement. These developments, together with an unexplained increase in money in circulation, have been more than enough to cause an increase in interest rates and to bring about the most confused money market situation in many years. It is impossible of course to foresee exactly how the present abnormal situation will be straightened out, or straighten itself out, but it seems probable that the United States is in for a period of higher interest rates which may last for some little time.—**From Research Department of E. W. Axe & Co., Incorporated.**

EARNINGS STATEMENT

FEDERAL INSURANCE COMPANY

Notice of Availability
of Earnings Statement
for the
Twelve Months
Ended June 30, 1958

PLEASE TAKE NOTICE that Federal Insurance Company has made generally available to its security holders an earnings statement of the Company covering the twelve month period ended June 30, 1958. This period began after the effective date of the Registration Statement of the Company relating to 400,000 shares of capital stock offered in exchange for shares of capital stock of The Colonial Life Insurance Company of America, filed under the Securities Act of 1933, as amended. This earnings statement has been made available in accordance with the provisions of Section 11 (a) of the Securities Act of 1933, as amended. A copy of the earnings statement will be mailed on request to any security holder.

FEDERAL INSURANCE COMPANY
By: Joseph J. Magrath
Secretary
90 John Street
New York, N. Y.
August 28, 1958

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The Congress of 1958 can now be chalked up as the most reckless spending law-making body ever to represent the American people. There has never been a legislative session like it.

It is pretty obvious that many of the members vote for money bills on the theory that it is much more popular to spend than to reduce taxes. Many New Dealers and Fair Dealers in and out of Congress are already pointing with pride to the 1958 session. Here was a session of tremendous accomplishment, they declare, without giving the whole story.

If appropriating more than $72,000,000,000 of money, billions and billions more than the Treasury will take in, then there is no argument about 1958 being a year of major accomplishment on Capitol Hill. But the big question Congress left unanswered is: How long can the Government continue running a multi-billion dollar deficit each year?

Fearful of Labor

The truly great opportunity that Congress had of doing something really constructive for the good of all the American people was sidestepped with premeditation. Certainly one of the big issues in this country today is Big Unionism. The Democratic controlled Congress sadly refused to do anything to restrain the ever growing unionism, despite the disclosure after disclosure of corruption and racketeering in some of the big unions.

The Senate and House leadership is only partially responsible for letting the people down in their hour of need. Many members of both parties were opposed to passing anything that might be regarded as anti-Labor in 1958, a national election year.

In the years ahead, perhaps youngsters of today will point to 1958 as the year Congress voted to admit Alaska to statehood, and appropriated more money in peacetime than any Congress in history. Sure there was a crisis this year, and as it has been pointed out here before, there will be a crisis every year. If a legitimate one does not crop up, the politicians in Washington will try and create a phony one.

Measures Approved

Certainly Congress passed a lot of legislation, but it is questionable whether all of it was good. Some major pieces of legislation enacted were extension of reciprocal trade, extending the corporate excise taxes, raising social security payments, increasing postal rates, increasing the pay of more than 1,000,000 government workers, abandoning the pay-as-you-go Byrd plan for the highway construction program, raising the debt ceiling to $288,000,000,000, and providing some tax relief for small business.

Also Congress passed the Alaska statehood bill, emergency housing program, defense reorganization, creating a space agency, providing increased unemployment benefits, and requiring labor and management to disclose publicly their pension and welfare funds, providing a new mutual security program, and enacting a humane slaughter bill. There were numerous other bills passed.

Judgeship Bill Sidetracked

Some important bills got sidetracked along the way after they came out of committee. For instance, there was the omnibus judgeship bill that would have created 46 additional Federal judges. The Judicial Conference of the United States and the Justice Department wanted the bill, because of congested dockets and overworked jurists in several areas.

The hard, cold facts are the Democratic leadership snuffed out the life of the Judiciary Committee approved bills. Why? They did not want a Republican President of the United States to get the credit of naming the judges. All judgeships nominated by the White House must be confirmed by the Senate. President Eisenhower has shown that he will nominate Democrats for judicial positions.

Spending Attacked

After watching Congress in action for years, old time neutral observers say they never witnessed such a spending hayride as the Congress of 1958. Senator Harry F. Byrd of Virginia said that not in his memory had an American Congress been so reckless. The Virginia independent Democrat was not alone among his colleagues.

In his swan song in the Senate, Senator William E. Jenner, Republican of Indiana, who is retiring voluntarily, declared that there was nothing in the New Deal, nothing in World War II, nothing in postwar years of Korea, anything like as outrageous as the spending spree of 1958.

"My fear is this," said Senator Jenner in his farewell speech. "The American people, like other people, can not stand the moral deterioration, the intellectual decadence, that the flight to inflation brings. The men in Congress who pushed the American economy over the brink, from financial responsibility to runaway inflation, will have to answer for the destruction of everything political, economic, moral, intellectual that made America strong."

Senator Jenner perhaps made the most overall thought-provoking speech that has been delivered in the United States Senate in the 85th Congress. It is too bad that the text of the address was not printed all over the country.

Warns Against "Easy Money"

He pointed out what few people in the United States realize, when he declared: "Congress is kept in a state of perpetual confusion, goaded to such speed the members can not think. But if you look carefully, there is no confusion. The problems are really simple.

"If I had to reduce everything I have learned in the last 14 years to one sentence, I could sum it up in these words, 'Please do not give your government so much money' . . . Easy money is the root of political corruption. Rigid control of public money is the root of political morality and political creativeness.

". . . If the New Dealers had not had too much money, they could never have set up 'emergency' agencies and created the sprawling bureaucracy which devoured the old line Federal agencies. . . . If the postwar agencies had not had far too much money, they would have been unable to make our executive branch so huge, that Congress can not control it, so secret that neither Congress, the press, nor the people can find out what is going on.

"No spending government ever gave up spending voluntarily. If it is threatened with less of the money it leaves, a spending government will fight with everything that it has, to preserve its advantage."

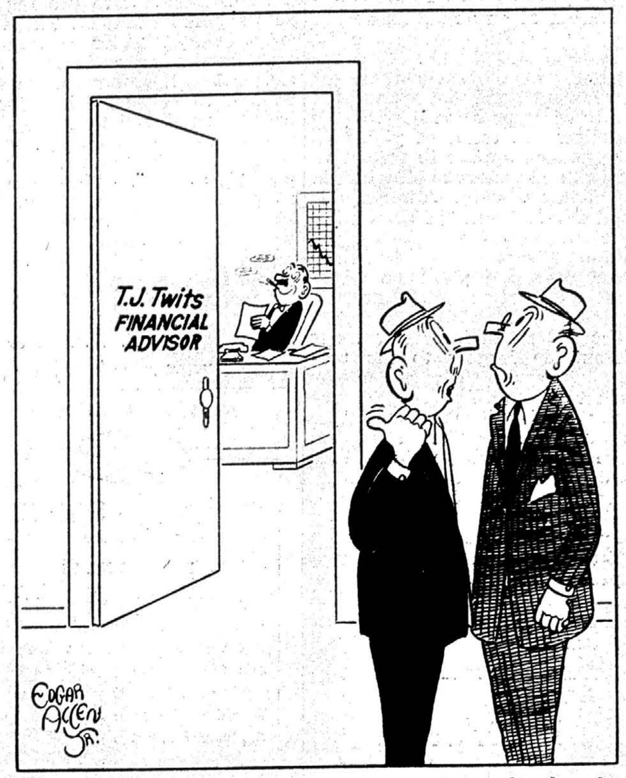
Don't "Abandon the Ship"

After declaring that the 1958 Congress engaged in the "wildest spending debauch ever engaged in by any Congress," and "I have chosen these words deliberately," the Indianian admonished: "I have not said the American people are going to travel the primrose path of inflation. I say they are being pushed in that direction by wild-eyed socialists, ambitious intellectuals, power-seeking demogogues and hidden Communists.

". . . To leave the Senate is not to abandon the fight. Those who have been once involved in this conflict will never be able to turn away again until the fight is won . . . I leave the Senate with regret. I return to my home in Indiana with hope and joy. . ."

[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" owns views.]

BUSINESS BUZZ



"He says the present economic condition is due to international uncertainties, conservative consolidation and certain corporate contingencies—in other words, he doesn't know either!"

Moes to Be Manager Of New Bache Branch

Maurice Moes has been appointed manager of the new branch office of Bache & Co. which is expected to be opened on Tuesday, Sept. 2, in the busy New York garment district, Harold L. Bache, senior partner of the investment firm, announced today. Located on the ground floor at 1407 Broadway, the corner of 38th Street, the new office is the first Bache branch in that area and the sixth office of the firm in New York City.

Mr. Moes brings to his new post many years of experience in the securities industry, having started his Wall Street career in 1936 in a research capacity.

Ted Siff will serve as assistant manager of the new office, and Arthur Brooks will be associate manager.

Joins Walston Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—William E. Shine has joined the staff of Walston & Co., Inc., 550 South Spring Street.

Business Man's Bookshelf

American Association of Advertising Agencies 1958 Roster — American Association of Advertising Agencies, Inc., 420 Lexington Avenue, New York 17, N. Y.—paper.

Catalogs of Technical Reports: Molded Plastics (No. CTR 347); Polystyrene (CTR 346); Zirconium (CTR 344); Anodic Coatings (CTR 348); and Greases and Lubricants (CTR 345) — U. S. Department of Commerce, Washington 25, D. C.—10c each.

Contract Method of Construction Safeguards Public Funds—Brochure—Associated General Contractors of America, Inc., Washington, D. C.—paper.

Growth of Life Insurance in the State of New Jersey 1940-1957—Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y.—paper.

Growth of Life Insurance in the State of Texas 1940-1957—Institute of Life Insurance, 488 Madison Avenue, New York 22, N.Y. —paper.

Duke Endowment Year Book, including Annual Reports of the Hospital and Orphan Sections—The Duke Endowment, Power Bldg., Charlotte, N. C.—paper.

Handbook for Employers with Key Forms: A Guide to Employer Rights and Responsibilities under the New York State Unemployment Insurance Law—New York State Department of Labor, Albany, N. Y.

Management for Tomorrow—Nicholas A. Glaskowsky, Jr., Editor —Graduate School of Business, Stanford University, Stanford, Calif.—cloth—$4.75.

Position of Paper Industry in the Economy of Kalamazoo County Michigan in 1954 — The W. E. Upjohn Institute for Community Research, 709 South Westnedge Avenue, Kalamazoo, Mich. — single copies on request.

Project Cinderella — Report on programs used to launch 47 diversified consumer and industrial products on low-budget—Document House, P. O. Box 242, Greenwich, Conn.—$10.

Survey of Equipment and Services in Reproduction by duplicating processes — Offset Duplicator Review, Inc., 101 West 31st St., New York 1, N. Y.

Survey of Manufacturing Activity in Australia — Industries Division, Department of Trade, Commonwealth Government of Australia, Melbourne, Austrailia — paper.