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EDITORIAL

As We See It

Members of Congress have gone home in a self-gratulatory mood. This general state of mind appears to prevail, generally speaking, among both Democrats and Republicans. Final results were in point of fact surprisingly well supported all around, considering the charges and countercharges that characterized earlier outgivings. Although the President has offered some rather important strictures, it would seem that both the Administration and the "opposition"—which in this case is in the majority in Congress—are well satisfied with the practical harmony which prevailed at the end and which is reflected in the legislative output of the session. It is also apparent that the concensus appraises results as constructive, by and large, and in accord with the needs of the time.

Yet careful observers report that Congress adjourned uneasy. Many members are wondering, for example, to quote John D. Morris in a dispatch from Washington appearing in the New York "Times," "whether the United States is moving with sufficient speed and boldness to overcome the Soviet lead in space-science and long-range ballistic missiles. There is anxiety over the course of the country's foreign policy, over the condition of its national economy and of the Government's finances." Just how fully the rank and file share this uneasiness we have no way of knowing. Possibly, some indication on this phase of the matter may be given by the voting this autumn, although it is not altogether easy to see how it can — in view of the lack of division in most of these matters between one party and the other, or, for that matter, between

Continued on page 22

The Market Outlook

By AUGUST HUBER

Partner, Spencer Trask & Co., New York City
Members New York Stock Exchange

Market analyst asserts dramatic rise in stock prices, with abnormally high capitalization of earnings, reflect growing confidence in recovery of profits, continuing war threats, and inflation, including that stemming from labor's hiking of production costs. As depressing factors, he points to counterbalancing deflationary elements, including excess of productive capacity, and considers market vulnerable to an overdue correction. Mr. Huber presents statistics showing that, in the recessionary first quarter of 1958, the Gross National Product was 50% higher than in 1950 but corporate earnings 31% lower.

The dramatic recovery in stock prices, as measured by the Dow-Jones Industrial Averages, carried to within striking distance of the all-time high point reached last year. The Dow-Jones Industrial Averages, at around 512, recently reached a point not far from the all-time peak of 521. The astonishing factor in this over-all market situation is that earnings on these "averages" were running at an annual rate of $37.60 per share during the first six months of last year and had slumped to about a $23.00 per share rate during the first six months of 1958, a most substantial drop of almost 40% from the same period a year before.

August Hube

The result of the advance in stock prices and the decline in earnings is that the "averages" are now selling at 22 times the annual rate of first half-year earnings compared with 15 times at the peak of 521 last year on full-year all-time record earnings of $36.08 per share. The abnormally high rate at which currently lower earnings are being capitalized in the market reflects a growing investment and speculative confidence that profits should soon return to the former peak

Continued on page 16

Bond Investment Climate

By DAVID M. KENNEDY*

President, Continental Illinois National Bank and Trust Company of Chicago

Mr. Kennedy cites extraordinarily wide fluctuations in bond yields since Federal Reserve's abandonment of market support in 1951-1953 period; reflecting Government's policy moves in offsetting cyclical economic swings. Shows fruitlessness of pegging operations attempted since late 1940's. Maintains Treasury support activities are unworkable, are improper, and embody abuse of power. Urges individual investor to practice flexibility, with portfolio liquidity, and a conservative and balanced investment program. Warns institutional managers to abstain from speculative flyers in government debt issues.

The turbulent investment climate of the 1950s under a "free" market stands in sharp contrast to the war-induced stability of the decade of the '40s. It is readily apparent that investors' decision-making processes have been governed by sharply contrasting conditions following the Federal Reserve abandonment of market support in the 1951-1953 period. Since that time, and especially today, yields on Government securities, as well as on corporate and municipal issues, have shown wider fluctuations than at any time since the 1920s.

David M. Kennedy

Basically these fluctuations reflect free markets moving with and anticipating the developments in our market economy and the resultant policy moves of Governmental authority in offsetting the cyclical swings of our economy. Since World War II, there have been several such cyclical swings. Since 1951 there has been accompanying flexibility in Governmental policy moves especially in credit and monetary policy and often in debt manage-

Continued on page 22

*An address by Mr. Kennedy before the U. S. Savings & Loan League, Chicago, August 26, 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

RODGER W. BRIDWELL
Investment Counsel
Lake Tahoe, Nevada

Tri-Continental Warrants

To qualify as the security I like best a stock must at least double—and preferably triple—in price during the next major market advance. Moreover, there must not be the slightest doubt about the stock's ability to do this.


R. W. Bridwell

To the best of my knowledge there is only one security that can meet this requirement and that is Tri-Continental warrants. Plainly no one can be absolutely sure that the stock of any company engaged in production or distribution of goods—or of a service company for that matter—will out-perform the market during the next bull market. Although in retrospect, to be sure, it will be seen that any number of stocks have accomplished this feat. But only with TY warrants can you be certain of attaining this goal **in advance.**

Why am I so sure? Well, in the first place Tri-Continental Corporation is an investment trust which has consistently out-performed the market. For example, last year net asset value declined only 6.9% compared to a decline of 12.8% in the Dow-Jones Industrial Average.

In the second place, this former highly leveraged issue has been transformed into a non-leverage stock of the highest quality. Each year as the public becomes more aware of this change the former wide discount at which the stock sold from net asset value narrows. Several years ago the discount ranged around 40-45%. On Dec. 31, 1957 the discount was 23.5% and currently it is estimated to be about 15%. Other trusts such as Lehman Brothers with no better management record sell at a premium. Therefore, it does not seem unreasonable to assume Tri will do the same during the next bull market.

Management's record in the past year or so has been especially gratifying to stockholders and suggests that last year's outstanding performance record will be repeated in the future. Long before the market broke last year management had been selling cyclical common stocks and building up its position in cash, senior securities and a few commitments in industries which have enjoyed bull markets of their own in recent months. Specifically, from 20,000 to 38,000 shares each of four ethical drug stocks were added at prices far below the current market. From 20,000 to 26,800 shares each of three Food Chains were acquired also at substantially lower prices. Tri also took a position in United Aircraft and added substantially to its position in utilities. In contrast, sizable blocks of Olin-Mathieson, General Electric, Outboard Marine, American Airlines, Eastern Airlines, Illinois Central and Southern Railway were sold.

All in all, on March 31, 14.26% of assets was concentrated in bonds, 7.51% in preferred stocks, 11.73% in oils and 19.42% in utilities. Among the latter, Tri holds 172,200 American Electric Power, 125,000 Florida Power and Light, 90,000 Middle South Utilities, 165,000 Southern Company and 85,000 Texas Utilities all of which have contributed to Tri's excellent performance record. In turn, this enabled the common stock to post a new bull market high last month at a time when the Dow-Jones average stood some 20 points below its 1957 peak.

But, even if the common fails to outperform the market in the next bull market the warrants are certain to do so. Why? Because each warrant carries with it the right to buy 1.27 shares of common stock at $17.76 per share without any time limit. It follows that the warrants must advance **at least** 1.27 times as rapidly as the common stock. It should also be pointed out that the warrants also can go down 1.27 times as rapidly as the common although as the two issues decline the warrants usually command a premium which cushions their downside potential somewhat.

As this is written, the warrants have almost tripled in price since October of last year—which gives some idea of their volatility—but also suggests a reaction may be in the offing. But need this disturb the new owner who is prepared to hold on for the higher prices that are assured in the future? Not at all. Consider the potential: If the Dow-Jones Industrials reach 750 at the peak of the next bull market—which is less than a modest 50%—about the 1956 peak, Tri would sell at about 55 assuming the discount remains unchanged and the increase in asset value is at the same rate as the market averages. The intrinsic value of the warrants would then be (55-17.76) x 1.27 or 47¼. At a Dow of 1,000 Tri warrants would be worth a minimum of 66⅜ and possibly considerably more if the common sells at a smaller discount or if Tri's asset value continues to grow at a better than average rate.

From these figures it can be seen that at some point the warrants will sell at the same price as the common — a fascinating thought to those who own the warrants. This magic price, incidentally, is 84⅝. From there on the warrants will be worth more than the common.

The immediate kicker in this situation is due to the tremendous short interest. On Aug. 15 there were 169,684 warrants short out of a total of only 1,149,170 outstanding on July 15. In short, the potential scarcity factor alone could cause the warrants to sell at progessively larger premiums in the future.

As a matter of fact, in recent weeks the shorts have been scrambling to cover their positions and as a result the warrants have commanded a premium of up to three points. Indeed many brokers refuse to execute additional short sales in this explosive situation—either because of their inability to borrow additional stock, or fear of the possible consequences should the warrants runaway on the upside. At first glance, this eventuality may seem unlikely since theoretically the warrants should not sell much, if any, above their intrinsic value in terms of the common. Nevertheless, with the supply steadily dwindling and the short interest steadily expanding, something is bound to give and there is no limit to the premium at which the warrants could sell if the shorts should decide to run for cover all at once.

HORACE I. POOLE
Manager, Corporate Finance Dept.
Eisele & King, Libaire, Stout & Co.
New York City
Members: New York Stock Exchange
Assoc. Members: American Stock Exch.

Barnes Engineering Corporation

Dramatic newspaper pictures of the fiery re-entry of a Jupiter Missile's nose cone were front page reading for millions of people less than a month ago, introducing them to infra-red, an impressive new device in our military arsenal. Infra-red equipment from Barnes Engineering Corporation helped track and photograph this first successful recovery of a Jupiter IRBM's full-scale nose cone, which is capable of carrying a nuclear warhead.


Horace I. Poole

How might an investor make money from this news? Just what is infra-red? and who is Barnes Engineering (which trades Over-the-Counter, at about $7½ a share)? are probably some of the questions in your mind. I'll try to answer them in that order. And I'll try to be objective in this report. Because of my enthusiasm, however, I want to remind the reader that my firm, which does not necessarily share my views, may have a position in these shares from time to time. I have modest holdings myself, which I have recently increased.

Investors, in trying to assess the profit potentialities of infra-red, are meeting a new technology of major significance. Therefore, investment psychology and timing, that sixth sense, become important. As you'll recall, auto shares, if purchased in the early twenties, returned huge profits. In more recent times, chemicals, television stocks, the drugs, and electronics issues became the fashions in finance. Usually, these groups "caught on" before the investing public realized that a new and possibly revolutionary industry had been born and was growing. Later, when there was widespread realization of the impact the new industry might have upon the economy, a heady scramble ensued for shares of the companies in the industry.

I believe we are about to witness the emergence of infra-red with its, literally, hundreds of uses. Large sums will be spent to develop its important commercial as well as military applications. Infra-red is being used in missile guidance systems. As infra-red cannot be jammed, it is used to track other missiles, to detect submerged submarines and to defect aircraft and missiles. It can be used for reconnaissance on earth satellites. Mounted on a rifle it will locate an enemy soldier, in total darkness. The Army uses infra-red to locate opposing artil-

Continued on page 29

Keynes on Speculation And the Stock Market

By HENRY HAZLITT

Economist and publicist charges Lord Keynes' views on investment and speculation are replete with confusions, and that his ridiculing of speculators' activities buttress antipathy to free markets. Denies Keynes' contention stock market is unduly influenced by short-term factors, challenging validity of his emphasis on need to forecast the course of mass psychology. Mr. Hazlitt maintains, in connection with attacks on Wall Street speculators, that all business activity involves speculation, concluding contrast between speculation and enterprise is false. Scores suggestion that state assume direction of private investing activities.

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

Keynes's Chapter 12, "The State of Long-Term Expectation," is crowded with confusions. It is one of those chapters in which Keynes revels in pure satire and ends by believing his own paradoxes. All this is in the tradition of Bernard Mandeville, Bernard Shaw and Lytton Strachey rather than of serious economics. But as passages from this chapter are often quoted with delighted approval by those who wish to rationalize their antipathy to the system of free enterprise and free markets, it is worth examining them in some detail.

Henry Hazlitt

Fictions About the Stock Market

The Chapter is chiefly an essay in satire. And in order to patronize the behavior of entrepreneurs and to ridicule the behavior of speculators Keynes finds it necessary to patronize and ridicule the human race in general:

"If we speak frankly, we have to admit that our basis of knowledge for estimating the yield ten years hence of a railway, a copper mine, a textile factory, and goodwill of a patent medicine, an Atlantic liner, a building in the City of London amounts to little *and sometimes to nothing*" (my italics; pp. 149-150).

It is true, of course (and this seems to be mainly what Keynes is saying) that with regard to the future we can never act on the basis of *certainty*. We are not *certain* that an earthquake will not destroy our house next week. We are not even *certain* that the sun will rise tomorrow. We are forced to act on the basis of *probabilities*. But to admit that our knowledge of the future of an investment necessarily contains elements of *uncertainty* is far different from saying that it amounts to little or "nothing."

Keynes's trick in this chapter is to mix plausible statements with implausible statements, hoping that the latter will seem to follow from the former. "It is probable," he declares, "that the actual average results of investments, even during periods of progress and prosperity, have disappointed the hopes which prompted them" (p. 150). It is probable. "If human nature felt no temptation to take a chance, no satisfaction (profit apart) in constructing a factory, a railway, a mine or a farm, there might not be much investment merely as a result of cold calculation" (p. 150). This is possible, but it is hard to say whether it is probable. It is not easy to imagine precisely what would happen if human nature and human motives were entirely different from what they are.

On the Ignorance of Investors

But then Keynes begins to expatiate upon all the dire consequences which follow from "the separation between ownership and management which prevails today" (p. 150), and all the evils which follow from the opportunities which organized stock markets give to the individual to revise his commitments. He does this by creating a number of fictions. One is that people know nothing about the future, and chronically guess wildly. Another is that those who buy and sell shares on the market are ignorant of the companies in whose shares they deal, and that only the "professional entrepreneur" has "genuine" knowledge. Still another fiction is that professional speculators are not concerned with the real prospective yields of investments, but merely with their ability to pass shares on at a higher price to "gulls" among the public, or even to gulls among themselves! Expectation comes to mean expectations regarding expectations: "We have reached the third degree where we devote our intelligences to anticipating what average opinion expects the average opinion to be" (p. 156).

Still Satirizing Our 1928-1929 Market

In this chapter Keynes is still satirizing the New York stock market of 1928 and 1929. Today, of course, it is not hard to see in retrospect that optimism then

Continued on page 24

INDEX

Articles and News Page

Regular Features

*Column not available this week.

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Observations . . .

By A. WILFRED MAY

The Big Investor Still Shuns Common Stocks

Remarkably, one most important investor group, the life insurance institutions, persists in its spurning of the common stock. In the face of the growing "respectability" of the equity share as a medium of investment, and, more significantly, their professed concern over the impact of inflation (leading even to *variable-annuity* agitation), the life companies' holdings of common stocks have not only remained negligible, but are now actually declining.

A. Wilfred May

This neglect, as shown in the following table, is true both in absolute terms and as a percentage of total assets:

Common Stocks Owned by U. S. Life Insurance Cos.*

Year-End	Total Holdings (in millions)	Percent of Total Assets
1955	$1,889	2.09
1956	1,952	2.03
1957	1,867	1.84
1958-June 30	1,481	1.43

*Data supplied by Institute of Life Insurance, N. Y. C.

With the New York State law typically permitting common stock holdings up to 5% of total admitted assets, or one-half of the surplus to policyholders, whichever is less, there is still great leeway legally for further stock purchases of which there is evidently no inclination to take advantage.

While this year's further decline in the life companies' holdings of commons is explained in some quarters as ensuing from the substantial decline in the bond market making it inadvisable to tap that source for funds to meet obligations, they increased their holdings of bonds during the interval by $1.2 billion, or 2.3%. Thus, bond portfolios now total $52½ billion, or 36 times their stock holdings. Furthermore the annual increase in mortgage investment has been maintained, with mid-year total holdings at $36 billion, or 35% of total assets, up substantially from last year-end. This increase in mortgages is in line with the policy of the savings banks, whose net new money placed in mortgages has likewise risen sharply during 1958—hardly a policy for combatting that inflation threat!

While the life companies' objections to the purchase of common stocks are of course plausible, it seems to this writer that they would be overcome by amortizing the risk from the extra income that is available in most periods.

* * *

An Eleventh Hour Rescue

The news that the scheduled refunding of five utility bond issues, totalling $200 million, has been deferred because of the sudden turn-about in the money market, again highlights the gross unfairness of the call feature to the bondholder. Because of the rise in interest rates he is in this instance graciously permitted, despite the built-in "heads-you-win-tails-I-lose" arrangement, to remain in his investment free of penalty inflicted on him by the borrower when there is an *ex post facto* change to easier market conditions.

Because of the underwriter's commission and other costs, the reduction in the yield foisted on the investor through refunding via call is customarily a minimum of 0.75 percentage point.

Significant is the exceptionally successful sale during last week's sticky market of $50 million of Southern California Edison Co. bonds because of non-refundability protection until 1963.

* * *

On the Stock Dividend
(A Communication)

DEAR MR. MAY:

I want to commend you for your article in the Aug. 28 issue of the *Commercial & Financial Chronicle* on "A Breakdown of Stock Dividend Myths." I definitely share your opinion that there has been a gross misunderstanding on the part of the small investor as to the real significance of stock dividends, from a realistic point of view.

I believe it is particularly unfortunate that many company officials try to give holders of their stocks the impression that a stock dividend can be logically considered as the equivalent of income—which presumably would not be available to the stockholder if such a "dividend" was not declared. Actually, of course, any stockholder could declare a "dividend" for himself of an extra 9% by merely selling 9% of his holdings and consider the proceeds a dividend, particularly at any time that a corporation raised its cash payments by 10%, or by the amount which would be necessary if the dividend *rate* was to be unchanged after the declaration of a 10% stock distribution. After all, by selling 9% of his holdings, the stockholder would be reducing his partnership interest in the business by no more or no less than if a 10% stock dividend was declared and he sold the additional shares and credited the proceeds to income. Actually, he could even be slightly better off, since he would not be competing with as many other stockholders who might be disposing of odd lots they would have received if the company itself had declared a 10% stock dividend and thereby increased the potential floating supply of outstanding shares by at least 10%.

D-J Average Yield "Padded"

In this connection, I should also like to call attention to the misleading statistics frequently quoted on the yield obtainable on the widely followed Dow-Jones Industrial Average, on the basis of the market value of stock dividends in addition to cash disbursements. During recent weeks, the press has carried the statements that the current yield on the Dow-Jones Industrial Average was 4.18% at the 510 level for that Index, whereas on the basis of current cash disbursements, the yield is only about 3.7%. This makes quite a difference when comparisons are made with the yields on bonds, where the disbursements are, of course, on a current cash basis. In theory, this might not matter a great deal when the current spreads between bond and stock yields are compared with those of previous years, supposedly calculated in the same manner. However, from a practical and intellectually honest point of view, it must be recognized that payment of stock dividends has become much more popular in recent years, and that such declarations are not nearly as regular as are cash disbursements. I think it is particularly unfortunate that the sponsors of the Dow-Jones Industrial Average do not make clear to the public that the yield figures which appear in their publications are "padded" to the extent that in some 12-month periods, when stock dividends have been declared, the value of such capitalization adjustments are considered as the equivalent of cash payments.

I hope you will continue your fight to have Wall Street expose rather than encourage practices which take advantage of the gullibility of the small investor.

ANTHONY GAUBIS

New York City,
Sept. 2, 1958.

Joins Johnston Bell

(Special to The Financial Chronicle)

BRADENTON, Fla. — Harry S. Nyles is now with Johnston E. Bell Company, 811 Manatee Avenue, West.

The State of Trade and Industry

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

The post-Labor Day uptrend in the steel industry is already well underway. Improved order books are solid affairs with no water, no duplication and slim chances for cancellation. Assurances of a stronger steel market have not appeared with such clarity since the downtrend started last year, states "The Iron Age," this week.

However, it reports that auto firms, consciously or unconsciously are putting their steel suppliers on the spot. Their orders are not up to either expectation or potential need. Furthermore, auto business is being placed on a piecemeal basis, with no relation to the sensitivity of the steel deliveries.

If there is an auto strike, the metalworking weekly believes chances are still better than 50-50 there will be, steel firms will be further involved in the troubles of the auto companies.

First will be the gap in steel orders, then the auto companies will expect them to make up for their shutdowns with major tonnages of steel on a moment's notice.

Furthermore, the auto companies are aware they have every steel supplier watching each other to see that none walks off with more than its "fair share" of available steel orders.

Automakers will use this competitive advantage to insist that, if they are shut down, they must count on fast and substantial delivery at the end of the auto labor negotiations.

There is an additional complication in that many other consumers will want their steel promptly later this year. However, in recent weeks many consumers have started a stronger trend to bigger orders, more of them and longer deliveries.

These factors point to a probable tightening of the market over-night, not to the point of steel scarcity, but certainly to a point where most hand-to-mouth buyers must run for cover.

A pickup in steel orders from automakers, when it comes, will tighten the delivery of material other than flat-rolled, this trade weekly points out. This is because automotive sheet and strip will get a bigger bite of available steel ingots. That, in turn, will force steel mills to build their own stocks ahead of their finishing units.

In the past five to six weeks, fresh order volume has been running ahead of shipments. This trend has accelerated in the past week. There has been far less building of steel stocks at the mill than some reports indicate.

New orders placed last month ran from 20 to 25% ahead of July for many firms. With others, the increases were not so sharp, but there was fair-sized improvement.

At a time when some industries, particularly automotive, are dragging their feet, fabricated structural awards are rising faster than fabricators expected. This will be reflected in a much stronger plate and shape market during the fourth quarter, "The Iron Age," concludes.

The labor situation, according to a current report from the United States Department of Labor, shows that increased employment in seasonal industries caused a dip for the fifth week in a row in the number of workers drawing unemployment compensation.

It stated, 2,231,400 workers were drawing unemployment compensation in the week ended Aug. 16, a drop of 51,900 from the previous week, but an increase of 1,071,000 for the like week in 1957.

New claims, however, rose to 295,800 during the week ended Aug. 23, up 7,000 from the prior week. Initial claims for the corresponding week of 1957 were 185,700.

Labor officials attributed the rise in new claims to temporary layoffs in the auto industry caused by model changeovers and secondary effects of a trucking industry labor dispute in 11 Western states.

Workers getting unemployment compensation for the week ended Aug. 16, the department added, made up 5.3% of the labor force, the lowest since last December compared with 5.4% the previous week and 2.8% in the like 1957 week.

In the automative industry the past week, harassing strikes at various Big Three auto plants hampered the industry's opening drive for 1959 model production volume, "Ward's Automotive Reports," stated on Friday last.

The statistical agency counted last week's United States production at a mere 16,432 cars and 8,037 trucks, the combined 24,469-unit volume standing as one of the poorest efforts in recent years.

At General Motors Corp. last week, the end of a strike in

Continued on page 28

Simmons Enters the Living Room

By DR. IRA U. COBLEIGH
Enterprise Economist

The world's largest manufacturer of bedding products is now broadening its market by offering beautifully designed and highly functional upholstered furniture for the living room—a brand new line bearing a brand name renowned for quality.

If you're sleeping better these days, you may owe a debt of gratitude to Simmons Company. For four generations, the Simmons family has been improving on sleep. The founder, Zalmon G. Simmons, has the distinction of getting Americans off of slat and cord supported beds onto bedsprings. His son (also Zalmon G.) shifted the mode in recumbent posture from solid mattresses to bouncier ones with coiled springs. The grandson of the founder, Grant G. Simmons, Sr., sponsored the trend to twin beds, and "Hide-A-Beds," sofas swiftly convertible into beds. And now Grant G. Simmons, Jr., the great grandson of the founder and company President, is directing the organization into the living room so that the American public can be sitting pretty on furniture designed by Raymond Loewy Associates, and produced in the Simmons tradition of quality and craftmanship.


Ira U. Cobleigh

Actually this decision to enter the production and distribution of upholstered chairs and sofas seems most logical. Manufacturers' brands in this field are largely unknown, whereas the Simmons name has become exceedingly familiar to the American public during the past 88 years. Not only does the management have confidence in its ability to turn out sitting furniture of surpassing excellence, but it expects its line to achieve new standards of comfort, durability and style. Style creation, in either provincial or more modern motifs, originated by the Raymond Loewy organization, assures an eager public acceptance while structurally a new dimension in functional efficiency has been added.

Simmons upholstered furniture will have a new type of suspension — a torsion device called "Comfortorc." Patterned after those automotive devices that keep a vehicle from getting lopsided, even if weight distribution is unbalanced, "Comfortorc" makes it possible for a portly 210-pound husband and his lithe 110-pound wife to sit comfortably on the same sofa without tilting (assuming, of course, that they'd want to sit together in the first place). This all suggests not only sitting comfort but even a new level of domestic tranquility!

The new Living Room Division will also embody a drastic change in manufacturing and distribution policy. In the past Simmons has gradually centralized manufacture, merchandising and distribution. With the furniture line, however, the operation is to be decentralized among some ten plants, with quality built-in by hand tailoring products to local retail requirements. The new line will be distributed from local plants through carefully selected stores, instead of from centrally located plants and warehouses. This program is designed to offset the costs in rail and truck transportation which have been rising steadily since the war; and by shorter hauls to reduce the incidence of damage in transit. These mounting transportation expenses have operated to decentralize the furniture manufacturing industry, and given considerable competitive advantage to plants nearest to major markets.

Enthusiasm over the enlarged corporate profitability which the Living Room Division may create, should not, however, overshadow the solid results Simmons has achieved in its more traditional product line. "Beautyrest" mattresses are regarded as the best, and the best known, in the world. Laboratory and market research have recently established that mattresses, to deliver the maximum in sleeping comfort, rest and serenity, should offer buoyant firmness. Accordingly, the newest Beautyrest is a little firmer in construction (with 12% more support) and it also has a more streamlined tailored appearance.

Since about 30% of our population either has, or has had, some form of back trouble, Simmons consulted the medical profession with a view to producing a mattress that would contribute to back relief. The result was "Back Care," an entirely new kind of mattress with a bedboard in the center between two layers of inner springs. It provides firm resilient support and does not permit body sag. "Back Care" was favorably reported on by a panel of doctors, and tests have proved that it does bring back relief. Public acceptance has proved most rewarding.

The Hide-A-Bed line, too, has been updated and Simmons now offers a greater variety than at any time since the line was introduced, ten years ago. Hide-A-Bed Sofas now come in 48 styles, with 180 different fabrics to choose from. While dual use is still essential, the public now insists that the sofa be a fine, and fine looking, piece of furniture in its own right, and not an austere barrack-style box.

The foregoing product description was set down, not to bore you with details, but to outline the manner in which, for decades, Simmons Company has been a uniquely successful enterprise, attaining, in its best year, 1955, net sales of over $156 million and net income equal to $5.31 per share. 1957 showed some slippage due to the recession with net sales lower at $128¼ million and per share net of $4.87. This year, for the first half, the downtrend continued with sales off 14% from comparable figures in 1957 and per share net reduced to $1.56 against $2.11 for 1957. The picture today, however, indicates possibility of some turnabout deriving from improved business conditions generally, and aggressive advertising and merchandising of the attractive new products catalogued above.

In 1929, Simmons common (NYSE symbol, SIM) was a great speculative favorite, ranging in that year from a low of 59½ to a dazzling top of 188; and even a Simmons Beautyrest mattress could not induce serene slumber for those who had bought shares at that exalted figure. In the years since, however, SIM has taken on the characteristics of a mature and quite dependable equity having paid uninterrupted cash dividends since 1936, and earning above $4 a share in every year since 1946.

Simmons Company has 22 plants, 11 in the U. S., four in Canada and one each in Australia, Argentina, Cuba, England, Hawaii, Mexico and Puerto Rico. It provides employment for 8,500 persons, and dividends for almost 15,000 stockholders.

Corporate structure is quite simple, consisting of $12,879,454 in long-term debt followed by 1,156,236 common shares now selling at 39¼ to yield a shade over 5% on the indicated $2 dividend. Custom has been, in recent years, to pay out around 60% of net in cash dividends. Cash position is excellent with about $40 million in net working capital.

1958 may well be a milestone year for Simmons as it makes a major move into a new line, and features its new trademark, a modern capital "S" wearing a crown, instead of its more familiar identification, an owl on a bedstead opining "One third of your life is spent in bed." (Even selling living room furniture, the owl should still be a good symbol as, traditionally, that bird does more sitting than sleeping!)

The eagerness and progressiveness of the present youthful management is exemplified in the words of the President in the 1957 annual report: "And above all we must serve you, our shareholder, by expanding your business and your profits on a sound basis. . . .We enter 1958 with confidence." Sitting, sleeping or investing, Simmons is ready to give you support.

Ronald Beaton Adds

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Glenn L. Riley is now affiliated with Ronald A. Beaton Investment Securities, 2744 Central Avenue.

With Beil & Hough

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Ralph E. Stevens is now affiliated with Beil & Hough, Inc., 350 First Ave., North, members of the Midwest Stock Exchange.

Joins Kidder Staff

(Special to The Financial Chronicle)

MIAMI, Fla.—John J. Anthony has joined the staff of A. M. Kidder & Co., Inc., 139 East Flagler Street.

Outlook for the Bond Market

By GIRARD L. SPENCER*
Partner, Salomon Bros. & Hutzler, Members N. Y. S. E.

Mr. Spencer, asserting period of credit easing is past, general economic and fiscal climate is inflationary, Federal Reserve policy is restrictive, demands on capital market will increase; predicts (in absence of business setback or major international crisis), yields will continue to rise and bond markets to recede, but at a slower rate. Also expects yield curve will become flatter as short-term yields outrun those for longer maturities.

Under any circumstances it is hazardous to make predictions about the bond market, and there always are unpredictable and unforeseen influences that will alter expectations.


Girard L. Spencer

Uncertainties in the money market, in the domestic economy, and the international picture have seldom been greater than at present. With that proviso, I offer: my opinion of the outlook for the bond market in the period ahead and the reasons back of it:

(1) Statistics indicate that the economy is continuing to strengthen, and that any need to stimulate it further, through additional ease in credit, is long past.

(2) Demands outside of the United States Treasury in capital markets continue heavy from private, as well as public borrowers.

(3) Markets for bonds have not, nor does it appear that they will in the near future, recover from the speculative excesses of last winter and spring.

(4) The action of the stock market is being interpreted as major evidence of incipient inflation, particularly by the monetary authorities.

(5) Recent price increases in various categories of goods, services, and materials are potentially inflationary.

(6) Actual defense expenditures that will increase in the months ahead, will add to business activity and to consumer purchasing power without furnishing additional consumer goods.

(7) Financing of the Treasury deficit will increase the money supply and this, too, is potentially inflationary.

(8) The period of seasonal expansion in bank loans, whether or not the improvement in economy is rapid or more leisurely, is just ahead.

(9) Finally, Federal Reserve policy has already undergone a decided change in emphasis, if nothing more drastic, and I expect the trend toward less ease to continue. Last week free reserves dropped to the lowest figure since February, with the exception of two weeks in June, and probably indicate a new lower average level. Two member banks were authorized to raise their discount rates.

With no possibility of a balanced budget this fiscal year, and almost surely none in fiscal 1960; with the Treasury having tapped the intermediate and long-term markets in the last 12 months in amounts that were greater than could be readily absorbed; with the prospect that demands in the capital market will increase sometime in 1959 (perhaps even earlier); with the "once bitten—twice shy" attitude of institutional investors toward the bond market; and, of commercial banks with respect to extending their portfolio maturities; and, above all, with the expectation that the Federal Reserve authorities in months ahead will make their errors on the side of restraint rather than ease, there is no prospect of any return to the yield and price levels that were reached last spring.

On the other hand, any further substantial increase in yields for Governments could seriously curtail the market for high-grade corporate and municipal bonds, and also for real estate mortgages; and thus retard public and private construction, including residential housing which has been a major facet in the administration's recovery program;

And, there seems little chance that the Treasury will tap the market in over five-year maturities in the next several months. It almost certainly will confine its cash and refunding operations to shorter issues.

After weighing these factors and, barring an unexpected business setback or a major international crisis, I expect the market will stabilize and that temporarily prices may improve slightly, but the prospect is for yields to continue to rise and markets to continue to recede, but at a slower rate than has been the case since June. I also expect that the yield curve will become flatter as short-term yields advance more rapidly than those for longer maturities.

*Summary of an address by Mr. Spencer before the United States Savings and Loan League, Chicago, August 25, 1958.

"How's Business?"

By NEIL F. SHIFFLER*
Assistant Professor of Economics, Bucknell University

Professor Shiffler asserts decline and recovery in this recession appear to be shorter than during previous cycles. As current discouraging factors he lists persistently depressed state of durable goods sales, wage-price relationship, overbuilt condition of plant and equipment with substantial overcapacity in key industries, inventory cutting incomplete, and continuing unemployment. Among revival signs he notes residential construction activity, which may be the upswing's "ace in the hole," non-durable goods and general consumer service spending, and rebounding corporate profits. Concludes paradoxical situation of creeping inflation with a higher rate of unemployment might be the "norm" for next few years.

How's business?" How often have you heard that statement? The answer given depends on facts—and just like baseball or any other sport, the economic sector depends upon facts for measurement. There is a wealth and variety of economic facts available, and we are still developing new kinds for use in economic forecasting. However, the basic ingredient in economic forecasting is still human beings, more specifically "buyers." There are three groups of these "buyers," namely consumers, business and government. With these three groups in mind, let's take a look at:

Neil F. Shiffler

(1) Where we have been.
(2) Where we are now.
(3) Where we are going.

*A talk by Professor Shiffler before Pennsylvania Bankers Association Summer School.

Where We have Been

It is interesting to compare the present decline with the two previous declines which we have had since the end of World War II. The percentage expressed in Table I shows total change from the preceding peak of prosperity to the low point reached in each decline. It assumes that the low point of 1958 was reached in April-May.

You will notice that a drop in the sectors of consumer and business spending have been mainly responsible for the decline in economic activity during 1957-58. At times, especially during February and March, the current slide was sharper than any previous one, but so was the upturn. During the previous two declines, it took nearly a year to hit bottom, though this time it took only nine months.

Where We Are Now

A look at some of the components of the spending groups will reveal some important points (Table II). Gross National Product (GNP) is the total of all spending done by the three buyer groups — consumers, business and government. Notice that the decline of business spending on plant and equipment, business decreasing their inventions and decreased consumer spending on durable goods were prime sectors affecting the drop.

TABLE I

	1948-49	1953-54	1957-58
Consumer spending—			
Durable goods	up 13%	down 10%	down 5%
Non-durable & services	up 3/10 of 1%	up 4/10 of 1%	up 3%
Business spending	down 31%	down 20%	down 10%
Government spending			
(Federal, state & local	up 8%	up 4%	down 12%
Unemployment	4.8 M (7.8%)	5.4 M (7.1%)	4.1 M (6.4%)

TABLE II

	1957 1st Quar.	1957 2nd Quar.	1957 3rd Quar.	1957 4th Quar.	1958 1st Quar.	1958 2nd Quar.
GNP	$436.3B	$441.2B	$445.6B	$438.9B	$425.8B	$429.0B
Consumer	279.8	282.5	288.3	287.2	286.2	288.3
Durables	40.2	39.5	40.4	39.6	36.3	35.6
Business	65.9	67.0	66.7	61.5	49.6	49.2
Plant & Equip.			37.0			30.0
Change in Inventories	1.1	2.9	2.2	—2.3	—9.5	—8.0
Government	86.4	87.5	87.0	88.3	89.5	90.9

Consumer confidence is about the same as last year. This is in part reflected in the stability in retail sales. Department store sales, through Aug. 9, were reported just 2% behind 1957's. The last two reporting weeks showed these sales 1-3% ahead of the corresponding weeks in 1957. Non-durable sales and spending on services is up over 1957. Durable goods sales are still depressed, and new car sales are expected to total only 4.3 million this year (1955, a record 7 million).

The wage-price relationship, which affected the sale of consumer durable goods, is still very much with us. Due to the fact that wages in the highly organized mass production industries (notably auto, steel and rubber) increased faster than in other fields, many products were priced beyond the reach of a large proportion of the population.

The original estimate for business spending on plant and equipment for 1958 has been revised downward again from $32.0 B to $30.0 B. Spending on plant and equipment in 1957 was $37.0 B. Plant capacity is temporarily overbuilt and the spending is slowing down here. For instance, the automobile companies have the capacity to turn out eight million cars. The steel companies can produce 141 million tons, when the maximum amount ever purchased in one year was 117 million tons. Some areas (i.e., utilities) are still expanding though. The economy could and usually does begin an upturn even with capital spending decreasing though it is a much harder pull.

Indications are that inventory cutting is still taking place at an annual rate of $18 billion level. Steel, construction and fuel were the big ones cutting their inventory. The turnabout in the total picture is expected in October assuming there is no further drop in sales. Some have reduced inventories only to find that their sales have decreased too.

Residential construction starts hit a 2½ year high in the month of July. Over 1.1 million units at an annual rate) were started; in June the figure was under 1.1 M. For the year of 1957, 970,000 units were started. Private residential building may be the "ace in the hole" in the current upswing.

Where We Are Going

There are some definite signs clearly seen in the figures now for a prospective revival in the fall. Allowing for the lag in the statistics gathered, and additional information that may confirm, it is entirely possible that we are going upwards already.

But "how fast" and "to what extent" are the bigger questions. The evidence often looks conflicting around the point of revival.

Personal income and savings are up — installment credit is being paid off and stable — consumer confidence is good. It appears that this sector will increase their spending during the next six months.

There are some questionable areas though. As was mentioned, the wage-price relationship in durable goods has put them out of the reach of many in the middle-income bracket. Automobiles which accounted for a large drop in consumer durable sales should pick up in the fall for 1959 models. However, I don't look for a terrific impetus to the economy as in other years in durable goods. I believe there is a trend away from a person putting all of his money in cars towards more diversification in spending. The public just doesn't get as excited over a new car as it did before. It is partly due to a change in mode of living (vacations, houses, furnishings, family needs, etc.) as well as the high prices, obsolescence, horsepower, operating costs, etc., of the cars.

The non-durable goods and consumer service spending should do well. In the non-durable goods category, foods, drugs and apparel will do better than average.

Spending on plant and equipment is not likely to go above the estimated $30 B. The same amount is estimated for early 1959, though the latter part of 1959 may see some increase. Corporate profits appear to be rebounding and this may change this spending picture. They provide funds for expansion and are an incentive for investors. Businesses are increasing the amount of money spent on research and development (mostly on new products) which often is self-expanding.

In a few months inventory liquidation should be completed, unless sales move lower. There is some indication that retailers are starting to rebuild their stocks. It may be that some companies are finding it possible to get along with a lower sales to inventory ratio. Since World War II, this ratio has been 7-8:1. However economic conditions have changed the past few years and additional inventory cutting may be done to achieve a higher sales to inventory ratio. This is one area where the statistics are often not as accurate as others. Some companies don't report at all and others don't report fully for competitive reasons.

Total housing starts for the year should be ahead of 1957. The peak year was 1950 with over 1.4 M. A big boom here like that or as in 1955 doesn't appear very likely. Family formation is temporarily decreasing and the costs of construction have pushed housing out of the reach of many.

A few brighter spots might be mentioned. The index of industrial production continues its upward movement which previously had an eight month down trend. It shows more of an across-the-board increase too. A turnabout in machinery may be evident.

Manufacturers' new orders are rising slowly which is a good indicator. They usually drop first and lead recovery. November, 1956 was the peak and March 1958 the low.

With the upturn in military spending, increased pay raises for civil service workers increased outlays for housing, farm program, roads, hospitals and schools, and all governmental units (Federal, state and local) will increase their total spending $4 to $6 B in 1958 over 1957.

Spending by Various Groups

The signs indicate that the consumer will spend a little more this year, businesses less and governments more. These estimates add up to a small increase in total demand. But it is important to guard against over-optimism with regard to the strength of the upturn. In this regard it would be wise to notice the employment outlook.

Unemployment did drop in the month of July, but short of the normal improvement expected at this time of year. With approximately one million persons added to the labor force each year, rising productivity, and the fact the employers usually lengthen the work before hiring additional workers, a substantial drop in the five million unemployed is not expected. Additional capital spending by business will be needed to help here.

A strike in the automobile industry would offset many of the indices that are looking upward. A wage settlement could have a disturbing affect too, particularly if these are passed on in the form of higher prices for the new models. A paradoxical situation is occurring: creeping inflation and a higher rate of unemployment. On the other hand, this might be the "norm" for the next few years.

Customers Brokers Get Slate of Officers

The Nominating Committee of the Association of Customers

Alan C. Poole Gerald Wilstead

Brokers has presented the following slate to be voted upon at the annual meeting of the Association to be held Sept. 11 at Whyte's Restaurant:

President: Alan C. Poole, Hemphill, Noyes & Co.

Vice-President: Gerald L. Wilstead, Hallgarten & Co.

Secretary: Albert P. Gross, Bear, Stearns & Co.

Treasurer: Leo J. Larkin, Carl M. Loeb, Rhoades & Co.

Executive Committee: David Bell, Herafeld & Stern; Percy H. Dixon, Goodbody & Co.; Alan K. Gage, Parrish & Co.; Leon S. Herbert, Hayden, Stone & Co.; Walter G. Peterson, Josephthal & Co.; J. Harold Smith, Hirsch & Co.

Eugene Geddes Partner In Clark, Dodge & Co.

Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange, announce that Eugene M. Geddes, Jr. has become a partner in the firm effective Sept. 1.

Equalized Estate Opens

WHITE PLAINS, N. Y. — The Equalized Estate Ltd. has been formed with offices at 199 Main Street to engage in a securities business. Richard E. Petrucci is a principal.

Our Farm Situation— Today and Tomorrow

By HON. EZRA TAFT BENSON*
Secretary of Agriculture

Secretary Benson details great progress made by agriculture through farmers' increased income, prices received, exports, reversal of surpluses' build-up, and raised standards of living. Notes cost-price squeeze still exists as a basic problem, ensuing from formerly existing causes; and lists other challenges ahead, including further soil and water needs. Declares surplus reduction, price support and acreage control, improved agricultural research, and more effective conservation, must all continue. Insists conservation can never be dictated from Washington, but through practical decisions on individual farms and in thousands of local communities.

Too many of our people overlook the fact that agriculture has been, is, and will continue to be, our most basic industry. Never in history have so many depended on so few to feed and clothe us so well. Think for a moment of the agricultural revolution which enables today's farm worker to produce in one hour what it took two hours to produce in 1940 and three hours in 1910. Our farm population is less than 1% of the world's population; yet it produces one-fifth of the world's output of red meat, and nearly one-third of the world's milk. This Plowing Contest and Conservation Exposition symbolizes the great progress of American agriculture. And progress is more than ever on the march today. Here are some facts:

Ezra Taft Benson

Realized net income of farm operators in the first half of 1958 was at an annual rate of approximately $13.3 billion—22% higher than in the first half of 1957. The increase from a year earlier was the greatest since the end of World War II when price controls were eliminated. Gross farm income in the first half of 1958 was the highest on record.

Income per person on farms, from all sources, was $967 in 1957, the second highest on record, 8% higher than in 1956, and the highest since 1951 during the Korean War. And this average may well set a new record in 1958.

Cost-Price Squeeze Basic

The cost-price squeeze still exists as a basic problem—because the damage was done years ago. During the period from 1940 to 1952, the index of prices paid by farmers, including interest, taxes, and wage rates, increased more than 100%. Since then we have largely checked the rise in costs. From January 1953 to June 1958, this index rose only 7%.

Farm assets are at an all-time high—$188 billion as of Jan. 1, 1958.

Farm ownership is also at a record high. Two out of every three farms are free of mortgage debt.

The postwar downtrend in prices which started in 1951 has been stopped and turned up. Prices received by farmers in the first half of 1958 were 8% above a year ago and 10% above two years ago.

Farm exports set a new all-time high record in 1957 and continue at a high level in 1958.

The build-up of surpluses has been reversed. Government investment in surplus farm products owned and under loan has dropped about one-eighth in the past year and a half.

The standard of living on farms is the highest in history, based on the percentage of farms with electricity, telephones, automobiles, and the purchasing power of the average value of farm products sold or traded.

Such facts, and there are many more, show the great farm progress. Agriculture is marching forward.

But while we take pride in the progress of our agriculture, we must never forget the challenge of the future. The issues we are now facing are perhaps the most important of our lifetime—maybe, in many ways, the most important in the history of the United States.

In an age of peril, we seek to maintain peace for the world—national security and prosperity for our nation—and freedom and opportunity for self-development for every individual. We must redouble our efforts to perfect these aims. The price of failure, indeed, is beyond calculation.

We must strengthen our defense, strengthen our industry, strengthen our agriculture, and hold fast to spiritual and moral values.

Real Problem Ahead

Our real problem is not so much our strength today. Our real problem is to do now what will give us adequate resources for the job that lies ahead. This is a challenge to every group, of whatever kind, in this nation. It is very definitely a challenge to agriculture.

What are the outlines of the job ahead?

Let's look forward 10 years—to 1968. Of course no one knows what the future will bring. But judging by present trends there is an excellent chance that the population of the United States may reach 205 million by 1968. That would be a gain of over one-sixth—around 30 million additional customers for food, clothing, shelter and other wants which agriculture helps to fill — and some of which only agriculture can fill.

But this population gain is only part of the picture. In the past 20 years as income has risen, we have seen our people demand better diets — different foods — a greater variety of foods. Last year the average person ate about twice as much chicken and two and a half times as much turkey meat as 20 years ago. Compared with two decades ago, he consumed nearly twice as much ice cream — more than 10 times as much of frozen fruits and fruit juices — and nearly 20 times as much of frozen vegetables.

There is no reason to believe this revolution in eating habits is at an end. There's a mighty big job to be done in the next 10 years if agriculture is going to feed our expanding population better.

It would mean a tremendous demand for feed and forage to meet the potential requirements for poultry, eggs, meat, milk, and dairy products. It takes six or seven times as many acres to feed a given population by growing grain for livestock and eating the livestock products, as it does if the people eat the grain itself.

That's a sketchy outline of the potential job ahead.

How are we going to do it? Even if the total increased demand for farm products by 1968 should be only a conservative 25%, there are tough problems to solve.

First, we have relatively little good new land to bring into production. In fact, some of our best land is going into suburbs, airports, highways, shopping centers, and other non-farm uses at a rate of at least a million acres per year.

Second, our farmers are already the most efficient in the world. They've set production records almost every year since the end of World War II. From 1945 to 1957 farm output has increased an average of 1.4% per year. Although we now have sizable surpluses of some grains, output of most farm products must continue to expand in order to take care of growing needs for domestic consumers and for export.

Third, farmers have been able to achieve their recent gains in production by drawing on a 50-year accumulation of research results.

Fourth, taking the nation as a whole, our soils are still on the decline.

Fifth, in many areas, we are approaching the limits of available water that can be economically used in agriculture under current conditions.

In fact, water is rapidly becoming our Number One resource problem. It takes nearly a ton of water to grow a pound of wheat grain — and three-fourths of a ton to grow a pound of clover or corn. It takes 25,000 pounds of water to grow a pound of cotton—and 15,000 pounds of water to produce the grain to make a pound of beef.

Irrigation needs are growing. Although only a fraction of our crop land suitable for it is now under irrigation, the practice of irrigation is spreading across the nation.

There is a sixth element in the problem—an element that is often overlooked. **We have been operating under basic price support, acreage-control programs that put a ball and chain on farming and marketing efficiency.** Efficient farmers have been seriously handicapped by crippling allotments and artificial pricing — which have had the effect of freezing agriculture in uneconomic patterns, destroying markets and piling up price depressing surpluses in government warehouses.

Fortunately, Congress has been progressively reducing this handicap. Another major step in that direction was taken just this week by enactment of the new farm bill.

These six aspects of the problem point to the following basic needs if agriculture is to accomplish successfully the big job ahead:

(1) **Present surpluses must continue to be reduced.** Thus agriculture can move forward with renewed confidence. We are helping to do this through the Conservation Reserve of the Soil Bank, the surplus disposal operations, and more vigorous marketing at home and abroad.

(2) **Programs of price support and acreage control must continue to be adjusted.** Farmers want and need greater freedom to plant, market, compete, and make their own decisions—more freedom, in short, to become more efficient. I repeat, that the new legislation just passed by Congress is a long step in this direction.

(3) **We must continue to increase and improve agricultural research.** We need more of the basic research that has been responsible for so much of our agricultural progress. Currently we must continue to emphasize utilization research also—studies which are finding new uses and outlets for our farm products. Research appropriations have been doubled in the past 5 years, but there is still need for greater research efforts.

(4) **We need more effective conservation.** We must all redouble our endeavors — government and private—Federal, State, and local—not only to conserve, but to build up, the nation's soil, water, and timber resources. Only then can our people face the future with assurance that our natural resources are adequate to any foreseeable contingency.

(5) **We need to keep in focus the whole agricultural picture.** There are many inter-relationships in agriculture. Some of the difficulties of recent years have stemmed from over-simplification —from a tendency to over-estimate vastly the role of government—and especially the role of price support. We must regain perspective in our approach to farm problems. The farms of America cannot be run from a desk in Washington. All of these basic needs can be met. They **must** be met. They **will** be met.

It will take continued drive and determination, skill and knowledge, cooperation and teamwork. But I feel sure that we can produce the drive—and the skill—and the cooperation.

Conservation and Research

For the next few minutes I want to talk specifically about the conservation and research aspects of the job ahead.

Research in soil, timber, and water conservation has been greatly improved. Our conservation and research agencies have worked out an effective two-way communication system on needs and accomplishments. To speed this process still more, we appointed last month a special working group to study facility needs for soil and water conservation research.

We must turn more to basic research—to research that provides facts not about a specific crop in a specific soil, but research that establishes principles applicable to **all** crops, on **all** soils, under **all** soil and water conditions.

The research job is huge—it is demanding — and it must be done. The improved technology so necessary for the future must be applied on U. S. farms and ranches—but it must be applied in the American way. Government and other agencies can assist farmers, but farmers must make their own decisions. This is the American system. Over the years it has proved to be effective. We must make it even more effective. We have tied many Department of Agriculture agencies into this effort.

Over one-third of all farms and ranches are now in some stage of having a basic conservation plan

Continued on page 28

*From an address by Secretary Benson before the National Plowing Contest and Conservation Exposition, Hershey, Pa., Aug. 22, 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. 41—Report on possible role of lithium in a thermo-nuclear fusion device, etc.—Atomic Development Mutual Fund Inc., 1033 30th Street, N. W., Washington 7, D. C.

Automotive Review — With comparative statistics on 27 companies—Sprayregen & Co., 26 Broadway, New York 4, N. Y.

Bank Stocks — Bulletin — Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is a report on **California Bank** and **Firstamerica Corp., Lucky Stores, Inc.**

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

Business and Securities—Analysis—Shearson, Hammill & Co., 14 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.**

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

Life Insurance Stocks—Study—Dewey, King & Johnson, 64 Wall Street, New York 5, N. Y.

Major Tire & Rubber Companies—Report—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Monthly Investment Letter including comments on Middle Eastern Outlook; Flight from the Dollar; and Investment Policy—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

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

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

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

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

Stocks for New Investors — Selected portfolios in "Current Comments for Investors"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are a list of seasonal favored stocks and a brief analysis of **Allis-Chalmers Manufacturing Company.**

Utilities for Investment Portfolios—Report—Bache & Co., 36 Wall Street, New York 5, N. Y.

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Aetna Insurance Co.—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

American Machine & Foundry Co. — Memorandum — Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

American Potash—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are analyses of **Detroit Steel, McCrory Stores** and **Southern Pacific.**

Associated Dry Goods Corporation—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Philco Corporation.**

Brazilian Traction Light & Power Company—Data—Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also in the same report are data on **California Packing Corporation, Chicago, Milwaukee, St. Paul & Pacific Railroad, Imperial Oil Ltd.** and **International Minerals & Chemical Corporation.**

Colorado Fuel & Iron—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Carter Products.**

Dresser Industries—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a survey of **Small Loan Companies** with particular reference to **American Investment Co., Beneficial Finance, Family Finance, General Acceptance, Household Finance,** and **Seaboard Finance.**

General American Oil Company of Texas—Analysis—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Government Development Bank for Puerto Rico — Quarterly Report—Government Development Bank for Puerto Rico, San Juan, Puerto Rico.

Hubshman Factors Corporation — Report — The Milwaukee Company, 207 East Michigan Avenue, Milwaukee 2, Wis.

Jefferson Electric Co.—Memorandum—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Kaiser Industries Corporation—Analysis—First Boston Corporation, 15 Broad Street, New York 5, N. Y.

Pacific Uranium—Report—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

San Juan Racing Association—Report—Hunter Securities Corporation, 52 Broadway, New York 4, N. Y. Also available is a bulletin on **Siboney Caribbean Petroleum Company.**

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

Southdown Sugars, Inc. — Memorandum — Howard, Weil, Labouisse, Friedrichs & Co., 222 Carondelet Street, New Orleans 12, La.

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

Sterchi Brothers Stores, Inc. — Analysis — Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, Dallas 1, Texas.

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

Western Union Telegraph Co. — Analysis — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Westinghouse Air Brake Company—Analysis—Schweickhardt & Co., 29 Broadway, New York 6, N. Y.

Zenith Radio Corporation—Analysis—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill.

The Economic Situation And the Stock Market

By PERCY S. WEEKS

Harris, Upham & Co., Members New York Stock Exchange

While continuing to subscribe to long-term bullish policy, Mr. Weeks points out several current elements of uncertainty, including Washington's deep-seated antipathy to inflation and unhealthy and unreasonable price advances in some stocks. Urges investors confine present commitments to issues with satisfactory yields, with quest for growth temporarily deferred.

We have been passing through a period of widely divergent views among economists and stock market analysts. We, ourselves, have not wavered from our repeated recommendation that all sound well-bought stocks be retained by investors, and that reactions be used to make new purchases — but there have been no reactions worthy of the name. Instead the market has been telling us all that an economic recovery is ahead. The sensitive business indices generally under observation gave a faint signal in early spring, which since has been strengthened, so that it is possible to say now that the corner appears to have been turned.

Some Uncertainties

This does not mean that we are on the way to an early return of the happy boom conditions of 1957. Upward progress is likely to be slow until some of the uncertainties have been cleared away. One of these is the wage question. That will be brought into still greater prominence as negotiations between Reuther and the automobile manufacturers progress. In all industry there has been developing a narrowing of profit margins due to the forces of competition and the uptrend in wages beyond the gain in productivity by the wage earner.

We are now seeing a modest gain in steel production as inventories are built up, and an impressive increase in housing starts. The key industry is automobile manufacturing, and until the reception of new models by the public can be gauged, the full extent of recovery prospects cannot be judged. During the model year just about to close, price consciousness was emphatically apparent.

Government bonds, already weakened by the liquidation of unwieldy speculative positions in recent issues, sank further on the announcement of an increase in the re-discount rate by the Federal Reserve Bank of San Francisco. There are differences of opinion as to whether this anti-inflationary step is premature. Undoubtedly this signal preceded by an increase in margin requirements, is designed to cool off the stock market, and incidentally remind the country that we have in Washington a deep-seated antipathy to loose and unknowing talk about inflation.

The Inflation Factor

Inflation as previously known here has taken the form of spirited demand backed by an ample supply of dollars, competing for a limited supply of goods. That has been changed. Productive capacity exceeds demand. The present type of inflation is a need for government expenditures too great to be met by funds in sight and a consequent depreciating dollar.

We now are confronted by an increase in the limit on government debt, a prospective deficit of $12 billion with our military budget failing to approach a minimum defensive necessity; and with a liberalization of social security.

In the stock market in recent months, there have been instances where demand has exceeded supply, with an unreasonable price advance in certain stocks. The present situation is not healthy. High grade bonds and stocks have been selling at approximately the same yields, indicating that a switch to stocks has been taking place. A correction of the abnormal relationship may result from the monetary controls of the Federal Reserve. That certainly is one of their objectives. Until this condition straightens itself out, we confine our recommendations to sound income producers with satisfactory yields. The quest for growth can be temporarily deferred.

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. 18-19, 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. 18, 1958 (New York City)
Corporate Transfer Agents Association 12th annual golf tournament and outing at Colonia Country Club, Colonia, N. J.

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.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

This week the Advertising Committee of the N. S. T. A. salutes Mr. Maurice Hart and the New York Hanseatic Corporation who have, as in the past, contracted for a half page advertisement in the annual Year Book and Convention issue.

Alfred F. Tisch

Maurice Hart

The advertising program of the National Security Traders Association is enabling the Association to accelerate the efforts of its Public Relations and Publicity Committees in an educational program aimed at presenting the trader and the importance of this work.

We are grateful to the many advertisers who support the N. S. T. A. and we invite not only brokers and dealers, but industry as well, to buy space in an issue that reaches every segment of the financial business.

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

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Annual meeting and election of officers of the Investment Traders Association of Philadelphia will be held Wednesday, Sept. 17 in the ballroom of the Warwick Hotel.

James B. McFarland

Rubin Hardy

Willard F. Rice

John Edward Knob

Jack Christian

Nominees for office for the year 1958-59 are:

President: James B. McFarland, Stroud & Company, Incorporated.

First Vice-President: Rubin Hardy, First Boston Corporation.

Second Vice-President: Willard F. Rice, Eastman Dillon, Union Securities & Co.

Secretary: John E. Knob, Drexel & Co.

Treasurer: Jack Christian, Janney, Dulles & Battles, Inc.

BOND CLUB OF DENVER

The annual summer outing and golf tournament of the Bond Club of Denver was one of the most successful ever held, with 40 out-of-town guests from 15 cities.

Winners in the various events were:

Golf: Robert Mitton, Robert Mitton Investments, winner with low gross of 71 and low net of 68; Don Bell, Purvis & Co., second, with low gross of 72 and low net of 69.

Team Competition: Don Bell, Purvis & Co., and Harry Buchenau, Bosworth, Sullivan & Co., with low net of 139; with Robert Mitton and Gerald Bachar, J. A. Hogle & Co., runners up with low net of 141.

Robert Baker, Don Chapin & Co., Fort Collins, had most birdies, and Robert Mitton most pars.

Putting contest was won by Edward Altman, Stone, Altman & Co. and John MacKenzie, North American Securities Co., San Francisco. Robert Taaffe, Blyth & Co., Inc., Chicago, and William Buxton, Magic Mountain, Inc., were tied for second place.

Gin rummy tournament was won by Glenn R. Schultz, Continental Illinois National Bank & Trust Co., Chicago, with Harold D. Writer, Peters, Writer & Christensen, Inc., second, Nicholas Truglio, Bosworth, Sullivan & Co., third and Thomas Owen, Peters, Writer & Christensen, Inc., fourth.

Among the out-of-town guests were:

Albuquerque—Darrel Fowler, Quinn & Co.

Cheyenne—W. Robert DuBois, Stock Growers National Bank.

Chicago—Robert Brinker, John Nuveen & Co.; William Christy, Braun, Bosworth & Co.; P. J. Cummings, Bear, Stearns & Co.; Linus Groene and Walter E. Kistner, A. C. Allyn & Co.; D. Acheson Keeler and John Parker, Lord, Abbett & Co.; Laurence Morgan, Parker Corp.; William Ostrander, First Boston Corp.; Floyd Sanders, White Weld & Co.; Edward H. Welch, Sincere & Company; George Wendt, First National Bank; Harry J. Wilson, Harry J. Wilson & Co.; Ray Michaels, Salomon Brothers & Hutzler.

Dallas—George Rooker, Metropolitan Dallas Corp.

Kansas City, Mo.—John Bondank, Zahner & Co.; E. Stephen Brown, Barret, Fitch, North & Co.; Joseph M. Crowe, Luce, Thompson & Crowe; John Fogarty and Russell E. Siefert, Stern Brothers & Co.; Harry F. Mayfield, Commerce Trust Co.

Lincoln, Neb.—E. M. Hunt, First Trust Co.

Los Angeles—J. C. Hecht, Dempsey-Tegeler & Co.

Minneapolis—Stanton Aby, Kalman & Co., Inc.; Steiner E. Hansen, Eaton & Howard, Inc.; Nicholas V. Schaps, J. M. Dain & Company, Inc.

New York—James Shields, Gregory & Sons.

Omaha—Charles Heider and M. J. Warren, Wachob-Bender Corp.

St. Louis—Harry N. Schweppe, Jr., Mercantile Trust Co.; Jerome F. Tegeler, Dempsey-Tegeler.

Salt Lake City—William Sargeant, J. A. Hogle & Co.

Phoenix—Benton Lee, Dean Witter & Co.

Tucson, Ariz.—Henry Dahlberg, J. A. Hogle & Co.

Carl M. Loeb, Rhoades & Co. to Finance Oil Program in Argentina

Carl M. Loeb, Rhoades & Co., investment bankers of New York City, have undertaken a major oil financing program in Argentina. The initial objective will be to assist Yacimientos Petroliferos Fiscales, the Argentine state oil agency, in developing the important oil reserves of the Mendoza area of Western Argentina.

Contracts between Loeb, Rhoades and YPF were officially approved by executive decree of the Argentine Government. They contemplate two distinct, but related programs, one for the development and production of oil reserves, and the other for the financing and construction of transportation and other facilities.

The initial production and development program will embrace several producing structures in the Mendoza area which, it is believed, can rapidly become a major source of supply for the Argentine economy. Loeb, Rhoades will provide all needed capital and will assume all risk as to whether production will suffice to amortize the investment. YPF retains ownership of the entire production as well as the exclusive right to determine its disposition. Loeb, Rhoades' compensation is payable in money rather than in oil, the amount of the payments being determined by the value of production. Fifty per cent of that value is applied to reimbursement of capital advances, and 20% to the compensation of the bank.

The development program contains a number of features which are unprecedented in such international contracts as this, where the entire risk of production is borne by the private company. Work programs are to be drawn up by mutual agreement rather than being entrusted to the exclusive judgment of the contractor. Moreover, responsibility for the actual performance of these programs is vested in an operating committee on which YPF has representation. The contract also establishes a procedure by which YPF may, at its option, buy out Loeb, Rhoades' interest in the contract prior to the expiration of its 20-year term.

Loeb, Rhoades will cooperate with YPF to implement the contract as rapidly as possible. Work has been in progress for several weeks on measures needed to begin actual field operations. It is believed that these will commence in the near future and substantially in advance of the time contemplated in the contract.

The financing program provides that as transportation facilities become necessary to move additional production, they will be financed through the placement by Loeb, Rhoades of 20-year YPF bonds.

San Francisco Branch For McDonnell & Co.

SAN FRANCISCO, Cal.—T. Murray McDonnell, managing partner of McDonnell & Co., members of the New York Stock Exchange with offices in New York, Chicago, Detroit and Asbury Park, has announced the opening of a West Coast office at 300 Russ Building. Raymond J. Doyle, Jr., has been appointed manager of the office and John G. Eidell, former President of the San Francisco Security Analysts, has been admitted to the firm as a Limited Partner, resident in San Francisco.

Thomas D. Walsh With Swift, Henke & Co.

CHICAGO, Ill.—Swift, Henke & Co., 135 South La Salle Street, members of the Midwest Stock Exchange, announce that Thomas D. Walsh has become associated with them. Mr. Walsh was formerly with Doyle, O'Connor & Co.

Two With Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Russell Gedeon and John M. Grayell have become connected with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

Retaining Independent Status of Federal Deposit Insurance Corp.

By JESSE P. WOLCOTT*

Chairman, Federal Deposit Insurance Corporation

Ex-Congressman Wolcott briefly reviews development, organization and structure of the now independent bank deposit insurance activity and proudly explains some of its functions and accomplishments. He pleads, however, that the independent status of the FDIC be retained, and refutes arguments for Congressional budgetary control of the Corporation.

For several months we have been aware that our economic system has been operating at something less than its full capacity. Much has been said regarding the causes and possible remedies for the reduced level of economic activity. In view of the wide differences of opinion expressed, we may well feel uncertain as to how best to proceed and as to when the upward swing will come. However, we may be confident that recovery will not be hindered by the fear that a portion of the circulating medium will be destroyed or made temporarily unavailable because of bank failures. That fear vanished — let us hope forever—shortly after the establishment of the Federal Deposit Insurance Corporation almost 25 years ago.

Jesse P. Wolcott

In the years 1930-1932 more than 5,000 banks had suspended. Only a few weeks previously a banking holiday had closed the banks throughout the country, and at its termination thousands of banks remained unlicensed. Many depositors had withdrawn cash from their accounts and held it in places which they regarded as safer than banks. Others found their deposits unavailable because of the bank suspensions.

Development And Purpose of FDIC

The creation of the Federal Deposit Insurance Corporation was part of a program designed to strengthen the tottering banking system, restore the circulating medium, and promote recovery of the economy. Public confidence in the banks was reestablished, hoarded money flowed back to the banks, and bank credit could once more be extended freely to agriculture and industry. Federal deposit insurance quickly became a strong pillar of support for the nation's banking and economic system.

Today, Federal deposit insurance is firmly established in the banking structure of our country. Almost 95% of all the banks are now insured. Approximately 98% of the accounts in these banks have balances of less than $10,000 and are therefore fully protected. The stabilizing influence which deposit insurance exerts upon the financial structure is of incalculable value.

Explains FDIC

At this point let me point out what Federal deposit insurance is —and what it is not. It is a mutual insurance system which is supported by the insured banks themselves, and administered through a government controlled corporation.

The corporation is directed by a bipartisan board, two of the directors are appointed by the President, and are subject to Senate confirmation. The Comptroller of the Currency, who is also appointed by the President with the approval of the Senate, is the third member of the board.

The corporation originally had a capital of $289 million, $150 million of which was subscribed by the Treasury Department, and $139 million by the 12 Federal Reserve Banks. The corporation has repaid all this capital with interest and operates entirely without the use of appropriated funds. Federal deposit insurance is not, and was never intended to be, a guarantee of bank deposits by the government. The Treasury of the United States is directed to lend to the corporation not in excess of $3 billion outstanding at any one time, if requested by the corporation. This provision was placed in the law to provide additional funds to the corporation in case of a serious emergency in the economy of the country. The government is not otherwise obligated to come to the aid of the corporation.

My own connection with the corporation began a relatively short time ago so I cannot be accused of boasting when I say that the corporation has established an outstanding record in its administration of the deposit insurance program. We owe a debt of gratitude to those members of the Congress who have insisted that Federal deposit insurance must be free of political influence and the operations of the corporation unencumbered by unnecessary restrictions which would limit its ability to perform its functions adequately and promptly. The directors and officials of the corporation who guided it over its formative period were men of foresight and wisdom. The public has learned that the corporation will meet all calls upon it without delay, impartially, and unaffected by changes in the operations of government bureaus.

Independence Envisioned

When Federal deposit insurance was established, Congress wisely provided for its administration through a corporate instrumentality for the express purpose of providing independence and flexibility in operation. The Federal Deposit Insurance Corporation must maintain its independent status in order to perform properly its functions as a monetary agency. By a monetary agency is meant an agency performing a function or functions having a direct effect on the amount of circulating medium. More than nine-tenths of the business in this country is conducted through the use of checks. Bank deposits, therefore, constitute the major part of the circulating medium. The corporation is responsible for restoring a portion of the circulating medium which has been destroyed or has become temporarily unavailable because of a bank failure. It is also responsible for helping to maintain a sound banking system, thus preventing contraction of the circulating medium because of bank failures or fear-fed hoarding.

The Federal Deposit Insurance Act requires that "Whenever an insured bank shall have been closed on account of inability to meet the demands of its depositors, payment of the insured deposits in such bank shall be made by the corporation as soon as possible. . . ." Immediate payment is required even if it is clearly apparent on the date of the failure that depositors, in the absence of insurance, would receive full recovery at some future date upon final liquidation of the bank's assets.

It is the duty of the corporation to make available at once the full amount of each insured deposit, rather than reimbursing depositors the difference, if any, between the amount of their insured deposits and their dividends from the receiver. If deposit insurance were purely for the protection of insured depositors against loss, payments from insurance authorities might be delayed months or years after the failure of the bank while its assets were liquidated. There can be, of course, only one reason for the procedure adopted: deposits are restored to their holders in full, up to the insurance maximum, so as to immediately replace circulating medium lost through a bank failure.

There are two agencies of the Federal Government which have direct responsibility in regard to the volume of the nation's money supply. These are the Federal Reserve System, with its power over bank reserves and therefore over the creation of the largest portion of the circulating medium, and the Federal Deposit Insurance Corporation, with responsibility for maintaining a sound banking system and of restoring circulating medium which has been destroyed as a result of bank failures.

Free From Influence

The principle of independence within government for those agencies which deal with the nation's money supply has been well established by history. It has long been recognized that government faces an almost insurmountable problem when it attempts to establish an agency which will deal directly with the nation's money supply. Such an agency must be within the government—in order that it not be responsive to private pressures — and within the government it must be sufficiently independent so that it will be equally free from political pressures. The financial history of this country is marked with the great debates and controversies which have raged over this very problem—from the chartering of the Bank of the United States in 1791 to the present day.

It is doubtful if there is today any serious disagreement with the proposition that a monetary agency should be free from political influence. There is no question that it is within the authority of the Congress to establish principles for the conduct of such agencies and to alter them whenever it so desires. However, within the framework of these principles, monetary agencies must be permitted to operate with a maximum degree of independence. The need for such independence was apparent to Congress both in 1913, when it established the Federal Reserve System, and in 1933 when it created the Federal Deposit Insurance Corporation.

As far as bank failures are concerned "an ounce of prevention is worth a pound of cure." This was recognized by Congress, and the corporation has been given certain powers which are useful in preventing the closing of insured banks. When an insured bank is in danger of closing, the Board of Directors of the corporation may determine that continued operation of the bank is essential to provide adequate banking service in the community. In such circumstances, the corporation is authorized to make loans to or purchase the assets of, or make deposits in the bank. It should be noted that such action is to be taken in order to maintain banking services which are essential to the well-being of the community, thus preventing a reduction in the circulating medium.

The supervision of insured banks is another method by which the corporation seeks to prevent the closing of banks. It is true that one of the reasons for which the corporation is given supervisory powers is the very natural one of providing an insurer the right to examine the risk it undertakes to insure. However, a more important purpose, with which there has never been disagreement, is that through the exercise of such supervisory powers the corporation can contribute substantially to strengthening the nation's banking system and to the maintenance of a high level of public confidence in insured banks.

Preventive action has not eliminated all bank failures, although only a small number have occurred in recent years. When the Federal Deposit Insurance Corporation acts to avert impairment of circulating medium as a result of a bank failure it may take one of a number of courses. If the bank is placed in receivership by the appropriate chartering authority, the corporation may pay the depositors of that bank the amount of their insured deposits, or it may determine that its interests, as well as the interests of the depositors, are best served by reopening the bank or by facilitating an assumption of the liabilities of the closed bank by another insured bank. If the bank has not yet been placed in receivership and the corporation finds that it can reduce its own loss and at the same time facilitate a merger it may provide funds for that purpose. If it finds that continued operation of the bank is essential to the community the corporation may, as I mentioned a moment ago, make a loan to, purchase assets from, or place a subordinated deposit in the distressed bank.

It is essential that the corporation be free to choose a procedure based upon an appraisal of the effects which the closing of the individual bank may have upon other banks in the community or the Nation as well as upon its decision as to the need for banking service in the community affected. There is a provision in the law requiring the corporation, when acting as receiver of a failed bank, to liquidate the assets with ". . . due regard to the condition of credit in the locality . . ." Thus, the corporation endeavors to avert financial distress in affected communities through the orderly liquidation of the assets acquired from closed banks.

Pressures on FDIC

In a period of economic crisis, when great numbers of banks both large and small may be in difficulty, decisions by the corporation may have important and far-reaching consequences. At such times the pressures to which the corporation will be subject from individuals, from banks, from government authorities, and many other sources will undoubtedly be intense. It is during such times that it is of crucial importance that the Federal Deposit Insurance Corporation be in a position in which its decisions can be made solely with a view to carrying out its monetary function.

It is essential that the corporation be able to carry out its supervisory duties in an impartial and objective manner. These duties include, besides the examination of banks, passing upon applications for admission to insurance and certain mergers, as well as upon recommendations that insurance be withdrawn from banks operated in an unsafe or unsound manner. In making decisions and in carrying out its functions the corporation must be able to resist the pressures of those seeking only their selfish ends as well as those who seek action which appears to be popular but which in the long run would prove destructive. I should like to call to your attention a statement by the Honorable Leo T. Crowley, who was Chairman of the Federal Deposit Insurance Corporation from 1934 until the fall of 1945. Mr. Crowley said, "Based upon my experience in banking and bank supervision, I believe that one of the greatest deterrents to sound bank supervision in this country in the past has been the political control to which it has been subjected."

Of the 13,400 banks now insured by the Federal Deposit Insurance Corporation, 7,000 are State banks which are not members of the Federal Reserve System. Proper operation of Federal deposit insurance necessitates (and the law requires) that there be no discrimination against these banks by the corporation. How well could this be accomplished in practice if the corporation were made subordinate, as has sometimes been proposed, either to the Treasury, which department is responsible for the chartering and supervision of national banks, or to the Federal Reserve System? Decisions relating to withdrawal of insurance from a bank because of its unsafe or unsound operation must be taken solely with regard to the merits of the case in terms of the corporation's duty to help maintain a sound banking system. How well could this be accomplished if the corporation were placed in a relationship to another government agency which may be inclined to give weight to the pressures which inevitably arise in such instances?

Independent From Federal and Treasury

In 1933 the Congress rejected proposals to subordinate the corporation to the Federal Reserve System or to the Treasury. Since that date the Congress has repeatedly reaffirmed its original decision and has rejected every attempt or proposal to subordinate the corporation to any other agency.

There is, however, a different threat to the independence of the corporation. On several prior occasions and again in the recent session of the Congress proposals have been made which would subject the corporation to annual budget review, limitation and control by the Bureau of the Budget and by the Congress. I sincerely believe that it would be most unwise to restrict the operations of the corporation in this way. Advocates of this proposal attempt to justify it because, as I mentioned earlier, the corporation is authorized, should the need arise, to borrow government funds. The weakness of this argument is at once apparent since it is not proposed that the same controls be extended to all corporations which have access to public funds or for whose obligations the Treasury has a liability.

No need for budget control of the corporation has been or can be shown. Those who support this proposal bring no charge of extravagant or improper use of funds by the corporation. The continued efficient operation of the corporation is adequately assured by the interest of insured banks in their assessment costs and assessment credits resulting from such operations, as well as by the fact that the corporation is regularly audited by the General Accounting Office. Insured banks are furnished the corporation's annual report to Congress, which includes the audit report, and also a mid-year report on operations.

Proponents of budget control pointed to one or more departments or agencies of government that have some remote resemblance to the corporation and conclude that, because such department or agency is subject to budget control, therefore the same treatment should be given to the corporation. The fallacy of this

*An address by Mr. Wolcott before the Annual Convention of the Ohio Bankers Association, Toledo, Ohio.

argument is that such departments and agencies have only secondary, if any, resemblances to the corporation. Only the Federal Reserve System, which is not subject to budget control, has any major responsibility in the maintenance of the monetary system of the nation. Thus, the comparisons are not appropriate.

There are a number of reasons for believing that irreparable damage would result if the corporation were placed under budget control. It is impossible to predict a year in advance how many banks will fail and how great the disbursements of the corporation must be. Yet, if insufficient allowance for this had been approved in the budget, the corporation might be unable to promptly make payments to insure depositors. On the other hand, if unusually large amounts were included in the budget in any year, the resulting publicity would undermine confidence in banks.

Because of these difficulties it has been proposed that only the administrative expenses of the corporation be placed under budget control. However, that is also unworkable since the corporation's administrative expenses are inseparably tied to its insurance expenses. If banks begin to experience financial difficulties the administrative expenses of the corporation must rise. Furthermore, the corporation's budget, like other budgets, would be subject to curtailment as determined by the current policy of the government. Bank supervision cannot operate soundly if it is not allowed to operate evenly and without the year-to-year changes which would inevitably result from placing the corporation under those controls to which government operations in general are subject.

Conclusion

It appears to me therefore, after reviewing all the potentialities of budget control, that the independence of the corporation is of crucial importance. Otherwise there can be no assurance that the corporation can function to effectuate the purposes for which it was created.

The Federal deposit insurance program can succeed only so long as it has the confidence of the depositing public. Time and again the corporation has demonstrated its ability to act quickly and effectively to protect the interests of the depositors. This flexibility and ability to meet demands promptly is due to the fact that the corporation was created and has remained an independent agency, largely free from typical government controls. It would indeed be a tragedy if the independence of the corporation were reduced and its priceless asset, the confidence of the depositing public, were impaired.

Joins Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla. — Wilbur W. Beal is now connected with Goodbody & Co., 21 South Palm Ave.

With Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Carl E. Anderson is now with Hemphill, Noyes & Co., 10 Post Office Sq.

F. L. Rossmann Partner

On Sept. 4, F. L. Rossmann & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Samuel Schneider to limited partnership.

Three With Roberge

(Special to THE FINANCIAL CHRONICLE)

LEWISTON, Me.—Leo J. Cyr, Frederic L. Leblond and Robert N. Morneau have joined the staff of Gaston J. Roberge & Co., 124 Lisbon Street.

What About Bonds?

By ROGER W. BABSON

Observer lists various categories of bond buyers and issues. Warns against purchase of corporate bonds by ordinary investor, confining recommendation to those offering convertible feature, and in any event avoiding long-term maturities. States as fallacious the supposition that money rates alone determine the trend of bond prices, to the exclusion of the overall business picture.

Roger W. Babson

While stocks have been firming moderately in recent months, the trend in bond prices has been weaker. It must be remembered, however, that in bonds, the maturity — as well as price — must be given due consideration in determining yield.

Government bonds are bought mostly by banks and insurance companies. Because the yield is so small and they are subject to taxation without benefit of any dividend credit, private investors as a rule do not make very heavy commitments in these issues. When they do buy governments, they usually look for very short maturities selling around par. However, elderly people often buy certain maturities of government bonds which are selling at a discount and which the (Federal) Government will accept at par upon death for estate taxes. Your broker-dealer can give you a list of the special issues which have this privilege.

Many investors buy government bonds only in time of war or other national emergency as a patriotic duty. But the large numbers who do wish governments primarily for safety, or for liquidity, usually buy the Saving Bonds (Series E and H). Most municipal and revenue bonds should be attractive for investors in high income brackets.

Corporate Bonds

Ordinarily, business firms issuing corporate bonds look to the life insurance companies for support. The life companies periodically figure when (and in what amounts) they will need cash at a given future date to fulfill their underwriting obligations as indicated by actuarial tables. Their bond buying is pegged to these requirements. Life insurance companies are also heavy bond purchasers because the kind and number of stocks they can buy are restricted by law. Fire underwriters, however, are free to buy common stocks without restriction; but in practice they usually hold sizable quantities of high-grade corporate bonds.

As a rule, corporate bonds should be avoided by the ordinary investor when inflation is on the uptrend because the money thus invested will buy less when the bonds come due. The only corporate bonds I recommend at the moment for private investors are "convertibles." With these you can "have your cake and eat it too." If **deflation** should come and stocks go down, you can forget the convertible feature and get payment in cash at maturity. If **inflation** comes and stocks go up, you can turn these bonds into stocks. Unfortunately, however, there are not many **good** convertible bond issues available. Most of these sell at quite a premium.

Prices and Outlook

During the past year, the Dow-Jones corporate bond average fluctuated from a low of 84 in November 1957 to a high of 91 in June 1958; at the present time this index is 88. As to future price: This depends almost wholly on the price of money and the trend of general business. It is certainly not wise to buy bonds—even the highest grade — when your banker feels sure money rates will go higher.

However, it is a mistake to think that money rates **alone** will determine the trend of bond prices. It is true that bond prices are not usually so quickly responsive to general business trends as are stocks. But it is foolhardy to believe that bond prices will not or cannot be affected by sharp changes in the over-all business picture, no matter what the prevailing interest rate.

A Final Word of Advice

However attractive bonds may seem to you, don't build an investment reserve of long-term maturity bonds. Long-terms, even those of the very highest quality, are poor risks **at any time.** A 1% rise in interest can wipe out a number of years' income on long-term bonds. Try to stick to short-term governments, good convertibles, and tax-exempts that you expect to hold to maturity. Before you invest your corporation's money in bonds, be sure you realize your corporation must pay 52% of any profit to the Federal Government. There is no tax relief or "credit" as is the case with dividends you receive on stocks.

Before buying any bonds, consult your banker who will give you his frank appraisal of interest rates and business trends. Before buying stocks, consult an investment counselor. Any free advice about the stock or bond markets is usually worth just about what it costs you—nothing!

John G. Cravin Opens

John G. Cravin has opened offices at 37 Wall Street, New York City, to engage in a securities business. Mr. Cravin was formerly with General Investing Corporation.

Associated with him as Manager of the trading department is Nicholas J. Federico.

Schneider, Bernet Branch

ABILENE, Texas — Schneider, Bernet & Hickman, Inc. has opened a branch office in the Hotel Wooten under the direction of George N. Leitner.

James C. Vacha With Doyle, O'Connor Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James C. Vacha has become associated with Doyle, O'Connor & Co., 135 South La Salle Street. Mr. Vacha, who was

James C. Vacha

formerly in the investment business in Chicago for many years, most recently with Leason & Co., Inc., was previously manager of the trading department for Kakouris & Co. of Miami.

To Be Sage Partner

John A. Wreszin, member of the New York Stock Exchange, on Aug. 26 became a partner in Sage & Co., 1 Wall Street, New York City, members of the New York Stock Exchange.

The United States and The World Economy

By HON. C. DOUGLAS DILLON*
Under Secretary of State for Economic Affairs

Secretary Dillon urges obligation on more fortunate nations, as with individuals, to perform their responsibilities, maintaining that it may be even more expensive to neglect such duties. Hails support of World Bank, International Monetary Fund, and Development Loan Fund, in solving the world's foremost economic problem, namely development. Concludes free world's economic cooperation is main hope in defeating massive Soviet offensive, through more international trade, increased financial stability, and greater flow of international investment.

The key word in any description of the world economic situation today is "interdependence." We all know that the free nations have become dependent upon each other for survival in this day of nuclear weapons. But many of us may not yet realize how greatly interdependence in the economic sense has grown, especially in the past few years.

C. Douglas Dillon

Interdependence imposes duties upon nations just as citizenship brings obligations to people. In a community the more fortunate individuals must be the more responsible, and this applies equally to nations. Canada and the United States are certainly among the most fortunate of nations and therefore Canada and the United States must be truly responsible in handling their economic policies.

Canada and the United States, and Western Europe as well, now enjoy the highest standard of living ever known in history. More of our people enjoy the comforts and pleasures of life than was ever the case before. But elsewhere, and particularly in Asia, the Near East and Africa, grinding poverty and near starvation are often the lot of the average man. It is clear that we Canadians, Americans and Europeans cannot survive forever as islands of comfort in a sea of poverty, disease and frustration. We depend on the other people in the world and they depend on us. Doing our duty as good citizens may sometimes seem expensive but not doing it would be far more expensive, and morally indefensible to boot.

Economic Development First Problem

The first and foremost world economic problem today is economic development. We in North America know a great deal about development. The explorers of the West and the voyageurs of the North first pointed the way to vast and new opportunities. It remained for the pioneer settlers, the farmers, the manufacturers, traders and bankers to take advantage of these opportunities and to develop the resources of a continent. This process still continues in North America, and with special vigor in Canada.

In the early days of its development the United States obtained its capital elsewhere, by offering favorable conditions for investment. As it grew and matured economically it began to provide much of its own capital. Eventually it became a net exporter of capital. Canada is still going through this process, and is therefore a net importer of capital from other countries, including the United States.

While we in the United States and the people of Canada are achieving higher and higher living standards through the efforts of private capital and enterprise, masses of people in Asia, the Near East and Africa are existing on a hand-to-mouth, bare-survival basis. They are growing in number from year to year so rapidly that a substantial increase in output is essential every year if the standard of living is not to decline. In these areas capital is needed in large quantities. It is needed to provide increased production, necessary public services, and increased and more diversified skills. This need for capital will in part be met from private funds, but for certain types of investment, such as roads, harbors and schools, private capital is unsuitable. If the development of these areas is to go forward, private funds must be supplemented by public capital. It is with this in mind that we in the United States and in Canada have been firm in our support of the IBRD and IMF. It is with this in mind that we in the United States have set up our Development Loan Fund. It is in this context that we have used wheat, cotton and other surplus agricultural products to feed and clothe people in countries which desperately need their limited foreign exchange earnings for capital equipment for development purposes. We have thus designed our surplus agricultural disposal program to make it contribute to economic development.

We know that our arrangements for agricultural surplus disposal have not always been greeted with enthusiasm in Canada.

Aim to Eliminate Canadian Criticism

In certain respects, Canadian criticism was at one time justified. We have, however, altered our programs so as to minimize or eliminate interference in commercial markets, and we have put our emphasis on disposal in areas which lack the funds to buy commercially. The result has been beneficial, notably in such commonwealth countries as Pakistan and India.

The Canadian response to the needs of underdeveloped countries, like Canada's response to problems of common defense has been perceptive, generous and effective. Canada has done a great deal to show the peoples of the underdeveloped areas the way to material progress and better economic life. We in the United States profoundly welcome Canada's great contribution. We know that people in both our countries sometimes question the value of such expenditures, but I do believe that popular support for foreign economic assistance is growing. Only a few countries can afford to help others and we are both fortunate in being able so to contribute to world development. Our common policy in this field may surprise some people in both our countries who have been preoccupied with the differences between us. But from far away, we look a great deal alike. We must remember this, and remember that we are much alike in our external interests and aspirations, regardless of possible differences which from time to time may seem important to some of our citizens.

Along with capital, economic development requires an expansion of international trade. In the period between the two world wars there was much discouragement about the prospects for international trade. Most countries were trying to insulate themselves from foreign competition by establishing tariffs, quotas, preferences and restrictive commodity agreements, and by developing a bilateral balancing of trade on a barter or clearing basis. Many thoughtful people perceived that economic nationalism of this type was injurious to all and beneficial to none, but there was the problem of getting a start in removing barriers, and of having some confidence that others would reciprocate. The United States took the lead during the 1930's in reducing tariffs and other trade barriers under the authority of the Reciprocal Trade Agreements Act. Other countries made comparable efforts to reduce their very considerable barriers to trade, but the movement was interrupted by World War II. After the war Canada and the United States were among the leaders in promoting the establishment of the kind of trading system in which governments are bound by rules of fair play and reciprocate in multilateral and non-discriminatory exchanges of tariff and other trade concessions, under the aegis of the General Agreement on Tariffs and Trade.

This is not to say that free trade has ensued. Hardly any country advocates or practices free trade. Every country protects domestic economic activities in some measure, and it is hard to modify a tariff structure, as we in the United States and Canada have discovered. For example, there is a belief common in Canada, which is that Canada has a low tariff and the United States a high one. I assure you that there are many people in the United States who have exactly the opposite belief. As a matter of fact, judgments about the relative heights of national tariffs are often technically worthless and usually generate more heat than light. The important thing is that tariffs should be reduced, and in this both Canada and the United States have made progress. Yet much more progress must be made if the economy of the free world is to function productively and if the newer and aspiring nations are to have an opportunity to earn a living by selling their goods in the world markets.

Stability For Primary Commodities

Not only must trade-barriers and restrictions be reduced or kept at a low level, but also there must be attention to stability in world markets for primary commodities. We in Canada and the United States have generally been considered as opponents of commodity stabilization, but this has not prevented us from joining agreements on wheat and sugar. It is probable that there are very few commodity situations susceptible to the commodity agreement approach, but it seems only fair to examine pragmatically what can and should be done to lessen violent fluctuations in the markets for primary commodities so that the newer and developing countries can have a better idea of the future of their export earnings.

In North America, we like to assure ourselves that we believe in private enterprise and in the operation of a free competitive economy. This is true domestically in our countries and, in some measure, it is true internationally but it goes without saying that there is not a free competitive international economy. Every government acts to protect the interests of its citizens as it sees them, and most governments are responsive to the expressed wishes of their citizens. Many citizens who are producers of commodities or services are anxious to prevail upon their government to do something to help them improve their terms of trade. Governments cannot do this very effectively for one group of citizens against another group in the same country, but they can do it against people in other countries. Thus, we have American producers of lead and zinc asking for protection against imports from Canada, Mexico and Peru, and you have producers of fruits and vegetables or of manufactured goods in Ontario asking for protection against imported goods from the United States.

I am afraid that many Canadians have come to believe that the United States has imposed trade restrictions contrary to its international trade-agreement commitments. I want to make it clear that this is not the case. Such restrictions as we have had to apply have been applied consistently with the obligations and procedures provided for in the General Agreement on Tariffs and Trade. And under these procedures we have consulted the Canadian Government at all points where Canada's trade interests have been affected.

My reason for mentioning these points is to emphasize the fact that all of us in the free world — whether it is Canada, the United States, the United Kingdom, France, Germany or Japan — are sometimes compelled to protect our domestic producers against severe competition from abroad. But moderation should be the rule when our domestic actions affect the vital interests of other countries. We must remember to talk things over, to have regard for the other fellow, and to emphasize the elements of cooperation rather than the elements of division.

Impact of Soviet Offensive

Economic cooperation among the countries of the free world is particularly essential now, when we are faced with the fact of a massive economic offensive directed against us by the Soviet Union.

The Soviet economy and the economies of countries bound to it, or associated with it, are directed from the center and are subject to an elaborate structure of administrative control which enables Moscow to manipulate a rich and diversified economy to serve its political purposes. The rulers of the Kremlin do not need to present budgets to Parliament or Congress; they do not need to run for elections; they do not need to explain to people at home what they do abroad; they do not need to give their people the economic fruits of their efforts; they can, therefore, simply organize and direct the human and material resources of a vast empire to achieve their objectives.

What are these objectives? They can be easily ascertained by reading what has been written by Lenin or Stalin or Khrushchev or any number of other Soviet writers. Soviet leaders may occasionally differ on scholastic points and may now and then disagree about tactics. But they all adhere to the same dogma. That dogma is scientifically false, economically unsound, and completely amoral. The dogma calls for a program of action designed to achieve world domination for the rulers of the Kremlin. Let there be no mistake about this; these people are true to their creed, diligent in their efforts and resourceful in their tactics. They have at their disposal vast material resources and a talented and sturdy group of peoples. The representatives of this group of rulers may on occasion be charming and friendly, may seem reasonable and anxious to please, and may say that they intend no harm. People are free to believe this if they wish, but they do so at their peril. A general acceptance of the idea that sweet reasonableness and moral principles like our own animate the rulers of the Kremlin can lead only to enslavement, from which there is no escape.

I have dwelt a little on the essential nature of the Soviet regime because I think we tend to forget, with that agreeable human faculty for self-tranquilizing, the unpleasant facts of the past which are still truthful indicators of the continuing purposes of international Communism. I am not saying we cannot coexist with the Soviet Union; I am saying that we can coexist only if we are determined to maintain our principles and to struggle for them.

Eternal vigilance is necessary, and this is difficult to maintain in democratic societies like ours in North America, where we tend to be too much preoccupied with our creature comforts and amusements. When there have been Soviet military threats, we have identified them easily. The Soviet threat to the free world economy, however, is fully as dangerous. It is nothing less than a challenge to the whole economic system of the free world. It would cast the free enterprise system onto the rubbish heap of history and install in its place the Communist system of control.

Action Needed

How is this challenge to be met? It cannot be met by economic warfare, by attempting to countervail specific Soviet measures with piecemeal actions of our own. It cannot be met merely by labeling the Soviet offensive as propagandistic and subversive, even though these adjectives aptly describe its nature and purpose. The Soviet economic offensive can only be met by action to strengten the free world economic system itself. This means more international trade. It means more assistance to the less-developed countries. It means greater international efforts to provide financial stability to the world community. It means inducing a greater flow of private international investment so that the economic resources of the free world will be more fully used for the benefit of all mankind.

I am more than hopeful that these things will be done.

If the governments of the free world will now — over the next few years — adopt measures of a practical sort to enlarge world trade, to step up their assistance to the less-developed areas, to increase the resources and influence of the existing international financial institutions, and, finally, to put to work the great forces of private capital — then we need have no fear of the Soviet economic offensive. For the forces of freedom will win this battle of the economic systems if we will only allow them to work.

*An address by Secretary Dillon before the 1958 Couchiching Conference, Geneva Park, Canada, Aug. 11, 1958.

Reg. Representatives For Walston Co.

Elizabeth R. Sill and Sylvia E. Mollinger are now registered representatives with Walston & Co., Inc., 74 Wall Street, New York City, members of the New York Stock Exchange.

Now With Link Gorman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Hugh D. Habberstad has joined the staff of Link, Gorman, Peck & Co., 208 South La Salle Street. He was formerly with First Securities Company of Chicago and Daniel F. Rice & Co.

The Problem Facing Us

By WILLIAM H. GUMPEL
Financial Writer, New York City

Mr. Gumpel avers one of our most important tasks over next twenty years, midst East-West tension, is to preserve free enterprise. Maintains equally important with giving away money and goods is demonstration that our way and standard of life outclasses communism.

In the next twenty years the world must choose between EITHER World War III, which will mean the end of civilization, and the beginning of barbarism; OR a state of co-existence between Capitalism and Communism, between Russian Imperialism and Western Democracies.

William H. Gumpel

One of the most important problems to be faced by the United States in the next twenty years will be in my opinion the survival of our System of Free Enterprise. Our Country is destined for Leadership of the Free World in a never-ending struggle between two diametrically different ideologies. Not only must we provide the best armament for our defense, but we must also create a better understanding of the American Way of Life, which is based upon our Free Enterprise Economy.

It is true that our Free Enterprise provides an incentive for profit, and that the profit motive creates jobs and prosperity by producing more goods and services at progressively lower costs, thus creating a rising standard of living for our population. It is equally true that Free Enterprise serves as a bulwark of peace. Even in the most democratic countries —England, Sweden, Switzerland, and the United States of America —the personal liberty of the individual is subordinated to the general welfare of the Country; however, this is done only for the purpose of preserving Freedom, while the Communists are suppressing freedom for the purpose of transforming government into tyranny and dictatorship.

Industrial Harmony

Labor leaders, as well as business men, must assume responsibility commensurate with their power, the principal problem being how to provide for higher living standards and assure complete cooperation between management and labor. Can good relations between labor and management be brought about by regulations? Is human relationship a decisive element in the success of any enterprise? If these problems are solved, then only will Democracy flourish and spread over the entire World.

Mr. Walter H. Wheeler, Jr., head of Pitney-Bowes, Inc., told the Boston Rotary Club, that American business should take the offensive in combatting "the trend towards socialism — with measures such as sharing profits with employees." He added, "the trend to the left that has been prevalent in Western Europe and England was basically the result of capitalistic systems which were not sufficiently democratic and competitive." He also stated: "profit sharing in some form or other, is one of the best means of preserving the free enterprise system. Our problem is to bring these things about within the framework of democracy and freedom."

As to the ownership of business, a number of industrial enterprises (corporations) have successfully solved this problem by creating harmony between "labor, management and shareholders", saving many millions of dollars by avoiding strikes, and creating an incentive for all those participating in business. Heretofore several methods have been found workable, but not yet a formula for maintaining economic peace.

The solution for procurement of Equity Capital is of utmost importance. It enables millions of Americans to own income-producing securities of the foremost American companies. The great program to create a "Nation of Investors" would be even more successful if—besides huge advertising campaigns and educational lectures — there would be some corrective measures with respect to tax relief. Also, there should be more simplicity in corporate financing methods in order to enable the "little man" to understand the facts by himself.

The foregoing allegorized: Every enterprise should become a democracy in itself. By thus erecting hundreds of thousands of small democracies within our Great Democracy, we could reach harmony. Every such democracy of ours is a little stone in the gigantic mosaic picture of our democracy. This unique picture would arouse the admiration of the nations of the world, and impress upon them the recognition that the American Way of Life comprises the highest standard of living with a high standard of life, and that "materialism" does not necessarily exclude "idealism".

America has accepted the leadership in the fight for freedom and democracy for all the people of the World; America occupies only 6% of the World's area; Americans constitute 7% of the World's population, but Americans have nearly two-thirds of the World's financial resources. Our purchasing power is greater than the combined purchasing power of all the peoples of Europe and Asia. We owe an obligation to the World to utilize that vast power to make our Country not only the arsenal of democracy, but a haven for culture, science and education.

How to Make Our System of Free Enterprise Survive

If we want to help the underprivileged and undeveloped countries successfully, we should improve our great Foreign Aid Program by giving capital and technical aid to these countries with "no strings attached." The Governor of the Central Bank of the Philippines in Manila, said: "These people fear that investments from abroad might dominate the economic, if not the political affairs of their nations". Money or goods cannot buy the good will of the people of the World; money will never buy love and friendship; giving away our surplus is never appreciated. What counts, and will impress, arouse, and convince the peoples of the World is to SET AN EXAMPLE—and that is exactly what we must do. We must demonstrate to the World that we have not only achieved an industrial evolution without parallel in the world's history, but that we also recognize that economics and morals can not be divorced. Let us prove to the whole world that not only our "Standard of Living" is the highest, but that we are also on our way to a high "Standard of Life." Then, and only then, will the masses all over the World realize that our economic system —and our way of life—is better than Communism, because it is based upon individual initiative, freedom and liberty, and not upon tyranny and slave-labor. The effect may well be that the suppressed and underprivileged people will feel greatly encouraged to rebel against their suppressors.

The future of this great Republic depends upon our young people. It is the Youth that is called upon to carry the Banner of Freedom through the future. Youth must be taught that making money is not the sole purpose and meaning of life.

A look at the statistics will convince us that we ought to spend a greater part of our wealth for more and better schools, and higher wages and better standards for the teaching profession. Let us improve the education, the scientific training, and the fitness for life of our youth. Let us realize that a high standard of living is not the only goal to reach for, but we must also try to achieve a high standard of life. Just as the Western World has taken over some of our customs, systems, technical achievements, and even some of our mannerisms, our youth should absorb from them, some of their cultural standards and respect for art, and an admiration for artists, composers, writers and poets. They are not useless dreamers, but express a more idealistic viewpoint of life, apart from materialism. In order to get the most out of life, our youth must learn to have greater respect for spiritual and cultural values.

Referring to this whole problem, Walter Lippman wrote: "Our public institutions, particularly those having to do with education and research, have been, as compared with the growth of our population, scandalously starved. There is a greater popular disrespect for, and even suspicion of brains and originality of thought. In other countries, and in most of Europe and in Germany and in Russia, it is an honor universally recognized, to be a professor. Here it is something to put a man on the defensive, requiring him to show that he is not a highbrow and that he is not subversive."

Conclusion

Eventually condemned to a coexistence with Communism, we must not only give money and goods to the world but we must SET AN EXAMPLE . . . so that the masses in all other countries will recognize that our system of life is better for them than Communism—because it is based upon personal initiative, freedom and liberty, and not upon terror and suppression. When we improve our system of Free Enterprise by attaining harmony between labor, management and capital — and when we do more for the education, scientific and spiritual training of our Youth, then will we convince the masses of the whole World that we have not only the highest standard of living, but that we are on our way to achieving a higher standard of life. Such general recognition will enable our system of Free Enterprise to survive and ultimately to defeat any communistic competition.

Two With Carter Harrison

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Paul G. Bowers and Gilbert W. Longstreet are now connected with Carter H. Harrison & Co., 209 South La Salle Street, members of the Midwest Stock Exchange. Mr. Bowers was formerly with Hornblower & Weeks.

Joins Kidder Peabody

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles G. Brown has joined the staff of Kidder, Peabody & Co., 33 South Clark Street.

From Washington Ahead of the News

By CARLISLE BARGERON

SWAMPSCOTT, Mass.—Republican prospects do not look any too good in the New England states. National contests are to be held this year in Rhode Island, Massachusetts, Connecticut, Maine and Vermont. Both Rhode Island, and Massachusetts are conceded to the Democrats but Democratic Senators are the incumbents so they will constitute no Republican loss. A hot race is coming up in Maine next Monday with Republican Senator Payne being opposed by the Democrat, Governor Muskie. Admittedly, Governor Muskie would have been a hard man to beat in this ordinarily Republican state but Senator Payne's relations with the Boston industrialist, Goldfine, who has been the subject of a Congressional investigation, is not calculated to do him any good. Goldfine who was revealed to have paid hotel bills and given expensive gifts to New England Senators and Governors, including Sherman Adams, Assistant to the President, went further with Senator Payne. He put up the $3,200 down payment for the house Senator Payne lives in in Washington. Payne explained that it was a loan and when asked when he expected to pay it back, he said that when he sold the house.

Carlisle Bargeron

It may be that the opportunity to sell the house will be given him now. However, the episode is not an issue in the campaign. Muskie is studiously avoiding it. But it is being widely talked about and may have some bearing on the outcome.

It is doubtful if the story would have ever come out if Payne had not told it himself. The Congressional committee was after Sherman Adams. It was not concerned with the derelictions of Senators or of fellow Congressmen.

In Vermont there is a hot primary fight for the seat occupied by Republican Senator Ralph E. Flanders who is retiring. Senator Flanders is the one who started the fight to censure former Senator Joe McCarthy. He later said he never regretted anything more in his life.

Seeking the opportunity to run for his seat on the Republican ticket is Winston L. Prouty, the state's lone member of Congress, and former Governor Lee Emerson. The fact that both men have previously won statewide elections shows they are both vote getters. Presumably whoever gets the nomination will be the next Senator.

Connecticut now has two Republican Senators but the incumbent Purtell faces former Congressman Dodd as his Democratic opponent and many observers expect the latter to win. However, there was a bitter Democratic primary fight with former Senator William Benton and former OPA Administration and Ambassador to India, Chester A. Bowles contending. The bitterness engendered in this fight may be a break for Purtell. He needs it.

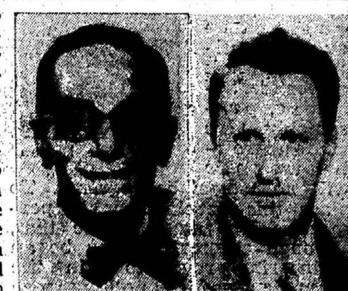
Republicans look so gloomily on their chances that they do not have a condidate entered against Senator Pastore in Rhode Island, and in Massachusetts they only have a token candidate against Senator John F. Kennedy. They though they had a chance for Governor in the person of Attorney General Finegold, against Governor Furcolo, but Finegold has just dropped dead.

It is not a pretty picture for the Republicans. Summed up there is a possibility that they will lose two Senators—Payne in Maine and Purtell in Connecticut. The upturn in business has not made itself appreciably felt in New England.

Course Offering Investment Guidance

Series covering varied phases of today's markets, featuring A. Wilfred May and Leo Barnes, announced by the New School.

The New School for Social Research, 66 West 12 Street, New York City, announces a series of 12 sessions on "Your Investments:



A. Wilfred May Dr. Leo Barnes

Strategy and Tactics for Today's Markets," beginning Thursday, Sept. 25, at 5:30 p.m. The series will be given by A. Wilfred May, Economist and Executive Editor of the *Commercial and Financial Chronicle*, and Leo Barnes, Chief Economist, Prentice-Hall, Inc., and author of books on business and investment.

The course, which offers practical guidance to all concerned with handling of money (including the non-professional investor), emphasizes the avoidance of prevalent foibles and pitfalls in a realistic appraisal of investment objectives and opportunities. The advantage of evaluating individual issues is stressed, on the premise that it is impossible to forecast the market as a whole. Guest experts will examine special problems.

Basic starting decisions are discussed in the first session, followed by four periods devoted to various approaches to security selection. The remaining sessions are concerned with the management of securities, market forecasting and timing, estate planning and family finance, portfolio management, mutual funds and investment companies.

There will be open discussion of course, members' specific questions and investment problems at the last session, which summarizes the highlights of the series.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

BELLEVILLE, Ill. — Harold E. Wolfe has been added to the staff of Fusz-Schmelzle & Co., Inc., 22 North Illinois Street.

Alm, Kane Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Jerome A. Hayes has been added to the staff of Alm, Kane, Rogers & Co., 39 South La Salle Street.

Automation's Impact on Capital

By YALE BROZEN*
Professor of Economics, The School of Business
The University of Chicago

Terming automation the most advanced stage of the industrial revolution, Chicago economist opines automation will produce consequences whose order of magnitude is much smaller than those to which the economy has adjusted in the past. Explains why changes in technology and employment go hand in hand, and need not be the other way around, and foresees automation requiring more skill and judgment, improve demand for older workers, and eases displacement problem. Estimates staggering capital required at more than two trillion dollars, assuming no population change; sees modernization-demand for capital strong for many decades; and hopes overpricing of labor, incentives to dissave and not-produce do not continue. Says automation, plus investment and capital savings inventions, and expected population increase, will raise national income 15% in next four years, increase wages 8%, raise returns per unit of capital 5 to 10%, and provide larger capital returns.

Automation is conjuring up visions of a society in which human beings are as obsolete as horses. Machines run machines, repair machines, program production, and, in some science fiction fantasies, run governments and rule men. Union leaders collect no dues and businesses lack customers, because, presumably, the production-line worker will no longer be required. To place this development in perspective, we must realize that, although automation may be an engineering revolution, in the economic sense it is nothing more than a continuation of an evolution which has been going on for centuries. Beginning with a world in which men could barely capture enough to keep themselves alive, we went through a *first* industrial revolution that ended about 3000 B.C. It raised productivity sufficiently so that societies could afford priestly classes, an aristocracy, armies and a bureaucracy. We even reached the stage of the Greek democracies. These were democracies of the few, however, resting on a large class of slaves.

Prof. Yale Brozen

The second industrial revolution (the one normally thought of as *the* industrial revolution) abolished slavery. It became cheaper to use mechanical power than human muscles, and created the base on which mass democracy now rests. The economic gains of the first industrial revolution went to the few; those of the second have gone to the many; perhaps the gains of the automation revolution will carry us on from a mass democracy to a mass aristocracy, provided we do not sabotage it by creating more incentives to dissave and to not-produce than we already have.

In the past century, we quintupled the productivity of the average man and tripled his annual income. If we can do the same in the next century, average family income can go to $18,000 a year instead of the present $6,000. The common man will become a university educated, world traveler with a summer place in the country, enjoying such leisure time activities as sailing and concert going; able to call on superior medical services to maintain his health, eating exotic foods from the far corners of the world in fine restaurants, and living in a home equipped with beautiful furniture and paintings. Essentially, this is what automation promises.

*From a talk by Dr. Brozen before 3rd Annual Conference on Automation, Operations Research and Business Planning, Chicago, Ill.

Automation and Unemployment

But what about the unemployment that is threatening? Walter Reuther testified before the Joint Congressional Committee on the Economic Report that he was alarmed over the effect of automation on labor requirements. He cited a Ford official's statement that automation reduces direct labor requirements by 25 to 30%. He told about the new automatic engine plant in Cleveland which turns out 154 engine blocks per hour with 41 men. This, he compared with the 117 men required under former methods.

What are the probable employment effects? Those who talk about the unemployment caused by technological change usually say something like the following. In 1954, unemployment hit a peak of 3,700,000. If productivity had not increased between 1953 and 1954, private industry would have needed 730,000 more workers to turn out the goods it did. If productivity had not increased, then, there would have been less than 3,000,000 unemployed.

One way of reducing this to absurdity is to see the number of workers required to turn out 1954 production if we had stopped increasing productivity in, let us say, 1947. In that case, we would have needed 8.1 million more workers than were available. Unemployment would have been minus 8.1 million, obviously an impossibility.

The Federal Reserve Bank of Minneapolis, in its May 31, 1955, *Monthly Review*, said that unemployment was higher at that time than it would have been with the current expansion of output because "the installation of new equipment has raised output per worker in many plants." It implied that the rise in productivity was responsible for unemployment. But this was simply not the case. Neither output nor employment would have been as large as it was if productivity had not increased.

Real wage rates were raised at a rapid clip in 1953. As a result, it became uneconomic to use marginal facilities. Workers were laid off in late 1953 and early 1954. As more efficient productive facilities became available during 1955 and 1956 through new capital formation, high-priced workers were rehired. The new equipment was sufficiently productive so that employers could afford to hire workers whose wage rates were too high to permit using them on old equipment without suffering losses. Expansion of output and employment occurred because of the increasing availability of more productive equipment. If productivity had not increased, unemployment would be greater now, than it is.

We must recognize that *there is no such thing as technological unemployment*. If there were, then the number of unemployed should increase with the rate of technological change. Yet, we find that periods of large unemployment have been periods of slow technical change. Periods of most rapid change have been associated with minimal amounts of unemployment.

There may be technological displacement but not unemployment. We seem to always recognize this *displacement*, but seldom do we pay much attention to the *absorption* of workers which occurs because of technological change. If we were to measure the number of jobs created by technological change, as well as the number of workers displaced, we would find that, at any given wage level, more jobs have been created than have been eliminated.[1] The number of jobs available now would be far larger than the available work force, despite—or rather because of—all the new techniques that have become available in recent decades, but for the job destroying effects of the great increase in real wage rates which have occurred in past decades.

Employment levels, other things being equal, are a function of the wage rate. From the beginning of the third quarter of 1952 to the third quarter of 1953, for example, real wage rates were raised by 6%. If there had been no increase in productivity, we would have had 12 million unemployed in early 1954 instead of 3,700,000. The elasticity of demand for labor, according to Senator Paul Douglas' studies, is between minus three and minum four. A 6% increase in wage rates, then, would cause about a 20% decline in employment, other things being equal.

Fortunately, other things were not equal. Productivity rose by about 4%. Consequently, the net unemployment causing rise in wage rate was less than 2%. As a result, the decrease in manhours worked amounted to only 5% instead of 20%. The rise in productivity *prevented* unemployment. It did not cause it.

If increases in productivity were to reduce employment, we would expect the industries which have had the greatest rise in productivity to have had the greatest decrease in employment. Those which had the least increase in productivity should show the least decline in employment. Yet the opposite has been the case. From 1909 to 1937, Solomon Fabricant found employment negatively correlated with unit labor requirements. In industries in which labor requirements per unit of product were cut most drastically, above average increases in employment occurred. In industries in which unit labor requirements were cut least, employment increased least or declined.[2]

If the correlation has any causal significance in the relationship of productivity to employment, we can expect employment to rise in automating industries. It is argued, however, that automation is a new kind of technological change. We cannot judge its consequences, according to this argument, by what has occurred in the past.

Even if we grant that automation is different from other kinds of technological change, we should not blind ourselves to history to the point of saying it is something new. Automation is an old technique in some industries.

Essentially, what automation will do will be to turn machine operators into machine tenders and servers. This has already occurred in the textile industry, to name one example. Walking into the loom room of a modern mill, your first impression is that of a vast space filled with busy machinery and no people in sight. Yet employment in textile mill products is above one million.

An automatic, card programmed loom was devised by Jacquard over 150 years ago. An automatic flour mill was built in 1784. Automatic silk looms were designed by Jacques de Vaucanson in 1741. Early steam engines had automatic governors.

The chemical and petroleum refining industries are continuous process, automatically controlled industries with many years of experience behind them. They, too, provide employment on a large scale, amounting to more than 600,000 for the two industries. Automation was not born last year. We have some directly applicable history.

The effect of automation has been to reduce the *relative* number of machine operators required, but it has greatly increased the number of maintenance men, engineers, office employees, and other non-machine operators required. This again, is nothing new or peculiar to automated industries. In 1899, less than 7% of the labor force of the manufacturing industry consisted of persons other than production workers. Today, over 20% of the employees in manufacturing industries are not production workers. Taking only the period since 1939, we have seen production workers in manufacturing rise by 55% while other workers increased by nearly 95%.

Technological Displacement

Suppose we grant that there is no such thing as technological unemployment, and that neither automation nor increasing productivity is new. Does it not remain that automation is coming with a rush since we have developed electronic controls and feedback and self-adjusting systems? Does this not mean that we will displace people on a scale not previously encountered? A professor from M.I.T. has said that factories will be fully automated in 10 years. Will this not affect 16 million manufacturing employees and require adjustments of an unparalleled magnitude?

Suppose we argue that all the $26 billion worth of equipment purchased annually (the 1956 level of purchases) in the United States will be used solely for labor saving purposes. How much displacement will be caused?

I have examined a number of new developments in order to get a measure of what to expect. To give you a few examples, the Commonwealth Edison Company of Chicago installed an IBM computer in 1956. Its cost was about $1,000,000 and it reduced the billing force requirements from 470 clerks to 270 clerks. This was directly offset only by three maintenance men and an applications engineer after the machine was first installed. Average investment in equipment per employee displaced was $5,000, aside from an investment of about $10,000 per displaced man in preparation and transition costs.

The new Fairless Steel Works outside Philadelphia was built to produce about 300 tons of steel per man-year with an investment in equipment of $90,000 per man. At that time, the steel industry produced only 160 tons per man-year. To save one man, then, required a $100,000 investment.

In the automobile industry, the Cross Transfer Machine, which costs $2 million, reduces operating man-power requirements from 33 to 9 men. A rise in maintenance labor is required. Net saving in man-power amounts to approximately 22 men. To accomplish this, $90,000 of equipment must be purchased per man saved.

The average new equipment purchase required per man year reduction in labor requirements seems to run about $35,000. On this basis, if the $26 billion of new equipment put in place in 1956 is the prevailing level of the future and is strictly for the purpose of saving man-power, approximately 700,000 men per year will be displaced from present jobs. An independent estimate, made by other means by R. L. Meier of the University of Chicago, arrived at a figure of 300,000 men per year as the outside limit of displacement.

Actually, surveys of the capital programs indicate that half of the new equipment currently purchased is intended for expanding capacity, the other half for modernization and replacement of old equipment. On this basis, about 300,000 people are likely to be displaced. While this is not an alarming number, how can we handle the problem?

Commonwealth Edison's approach is indicative of what can be done. Despite the 200 man reduction in billing force requirements, not a single person was laid off. People were transferred to other departments of the company to fill vacancies. Most firms face a voluntary quit rate of 20 per 100 employes per year. In *manufacturing* alone, then 3 million people per year must be hired to replace voluntary quits. The 300,000 men year displaced by automation in *all* industries, then, can usually be transferred to jobs in the same company vacated by voluntary quits. Even if they must find jobs elsewhere, there are a large number constantly becoming available through quits and, in addition, through *expansion*. Our only real problem is the older worker who usually finds it difficult to obtain a new job. Many more of these men, however, are displaced by changes in tastes and business failures than by automation. This is not a problem whose proportions are importantly affected by these new techniques.

Automation and Wage Rates

Actually, the most alarming potentialities of automation are in the field of wage rates. Although automation of the type resulting from new inventions in recent years will raise the *average* productivity of the work force, wage rates depend on *marginal* productivity. This may be decreased, although not necessarily.[3] If an industry introducing newly-invented automatic techniques drains large amounts of capital from other industries, and releases workers, the capital-labor ratio in other industries will fall. Marginal productivity and wage rates will decline under these circumstances despite the rise in average productivity and national income.

* * *

This effect occurs only under the narrow assumptions made above, however. With the quantity of capital growing more rapidly than population, automation in a few industries would have to

Continued on page 26

1 S. C. Gilfillan estimates, on the basis of a sample of 120 most important inventions, that only 33% of inventions are labor-saving. Even labor-saving inventions do not necessarily displace labor. By decreasing the cost of a product, the rate of demand is expanded frequently to the point where large numbers of workers are *absorbed* because of the labor-saving invention, not displaced. This occurred, for example, in the automobile industry. A recent example is provided by Admiral Corporation, which has automated its circuit production for TV sets. As a consequence, it has been able, in the past year, to cut its 24-inch console model receiver from $500 to $340. The increased sales have resulted in absorption of workers. No displacement occurred despite such changes as the elimination of 425 hand-soldered connections from each television receiver.

Of the balance of the inventions examined which were not labor saving, Gilfillan found that 45% were new developments of consumer goods. The remaining 22% were capital-saving inventions. Both of these varieties, as will be shown later in this paper, act to increase the demand for labor and create additional jobs at any given wage level.

2 *Employment in Manufacturing, 1899-1937* (New York, National Bureau of Economic Research, 1942).

3 See Y. Brozen, "The Economies of Automation," *American Economic Review*, May 1957, for a complete discussion of the circumstances which determine whether marginal productivity will increase or decrease.

The Electronics Industry's Service to the Defense Effort

By LaMOTTE T. COHU*

Chairman and President, Cohu Electronics, Inc., San Diego, Cal.

Maintaining that our country possesses a tremendous asset in the capabilities, courage, and initiative of individuals associated with small companies, in contrast to Russia's deprivation thereof, Mr. Cohu urges removal of obstacles unnecessarily hindering them. Among such handicaps, he cites tax laws, red tape, "interminable" delay in payment of government receivables, and contract changes without written authorization, and "jerking" contracts over to larger organizations after completion of preliminary work. Stresses importance of small company's flexibility to defense effort.

I thought it might be of some interest to all of us to have a look at when this young growing industry of ours, the electronic industry, first started. The first fellow who had any idea of electrons and figured it out pretty well, even though he was not able to prove it, was a fairly well-known fellow by the name of Benjamin Franklin in 1756. Faraday made some tests with silver in 1833 and pretty well proved that electrons actually existed. After that there was quite a long wait before anything happened. And then Crooks in 1879 made the first vacuum tube which was, I imagine, the beginning of the industry. It was further developed by Sir J. J. Thomson through his development work in 1913 and later in 1926. Thus, we can realize that our young industry is not quite as young as we thought it was.

LaMotte T. Cohu

Boost from War

World War II gave the science of electronics and the whole industry a tremendous boost, and while up to this time electronics had largely been used for communication now many other uses appeared, such as computers and fast, high accuracy electronic measurement instruments. At the beginning of World War II the modern airplane had less than one percent of its total value in electronic equipment. It consisted largely of a radio system. The modern jet airplane has some 30 to 40% of its total value in electronic equipment, and if we take into consideration the electronic measurement equipment necessary to check out the engines and other parts of the airplane, the percentage is even higher. Of course, when we get to the missiles they are basically fuel, a bunch of assorted junk, and electronic equipment from the testing of the components before they are put into the missile to the actual missile in flight.

Now over the last few years perhaps the most important development of electronics is that it has given man a method of measuring all sorts of physical phenomena such as heat changes, pressure changes, accelerations, bending moments, stresses, etc. that is many thousand times faster and far more accurate than anything that has ever been developed in the past.

It is rather interesting to contemplate the importance of being able accurately to measure things in our whole technical advancement. If we cannot measure something we cannot build it. The science, we may call it, of measurement is really the bell cow or the lead camel to all of our material improvements. The whole science of medicine would have stood still or had little change if we had not found means of measuring the activity of a bacillus or the change in the chemical components of the body due to changes in the activity of many small glands. We see the same things in the chemical industry with its marvelous advance so, measurement is around us everywhere and is something so common and universal that very few of us think of its real importance.

Progress of Measuring

Man first started to measure things by the breadth of his hand or the length of his stride. He measured heat or cold by whether it was comfortable or disagreeable to his touch. We have come a long way since then. Now we can take 100,000 accurate measurements, compile them, and read the results in 15 to 20 seconds. I think it is rather interesting to note how long some measurements have remained static through the centuries even after the original reason for the measurement has long disappeared. A rather interesting one is the odd width of railroad tracks. If I remember, it is 4 feet 8 inches and some fraction of an inch in width. This was the width of the Roman chariot wheels, and it worked out because it provided a vehicle that would comfortably seat two people and was narrow enough for two such vehicles to pass each other on the width of the Roman road. Apparently the axle builders took this measurement and carried it all the way down to our modern railroad. Of course we do have wide gage railroads in Russia and narrow gage elsewhere, but the standard is 4 feet 8 inches and some fraction.

I have purposely chosen the measurement facet of electronics rather than its older use in radar, radio, television, etc. because I believe that the measurement side has more rapidly developed over the last few years than the other uses for electronics.

The People in the Industry

Now I think it might be interesting to see what kind of people are in this activity which has grown from a very small business in 25 years to one of the most important industries in this country and perhaps the world. In the United States there are about 4,000 companies engaged in the electronics business. Of these there are 664 in the western states, and these 664 companies employ a total of slightly over 123,000 people. Now get this. Of the 123,000 people employed in the industry in the western states, 93,000 are employed by 22 companies. So the remaining 642 companies employ only about 30,000 people or an average of less than 50 per company. How did this come about? The way it came about is through our free enterprise system. Individuals largely scientifically trained who had an idea for a new instrument or a means of solving an intricate problem started up a business of their own, perhaps in a garage or small rented building. The very number of these small companies creates a rather complex problem but the very fact that so many brilliant and competent minds unfettered by controls have been working on these new and different problems have led to a much more rapid solution of these problems than could have been done in any other way.

The value of this type of company to the national defense is that it has great flexibility and can move faster than the very large organizations. This condition is very good in the early stages of development of a new scientific industry. It was true of the airplane industry when I first got into it. It was true of the automobile industry and many others. Eventually it works down to where the less competent companies disappear and the others grow or are merged to give further financial stability to the enterprise.

The best results to be obtained from the industry for the national defense in its present stage of development will ensue from making sure that the minimum number of unnecessary obstacles are put in the way of the full development of the potential of these pioneering people who are already pretty well handicapped by our tax laws.

This is what we should do if we want to get the maximum benefits from this vital industry, but what we actually do is to put on these little outboard motorboats of industry the same anchors and anchor chains that we do on a 45,000 ton battleship. This creates quite a problem. The big ship has power winches to haul in the anchor when it has to get underway to do its job, but the little fellow has to have the whole damn crew engaged in the time-wasting job of hauling up the anchor before it can begin to do the job that it is fitted to do. The outboard motorboat is sometimes sunk in the process. The red tape which is an annoyance to a big company can be a veritable death trap to the small company where often the president is chief engineer, production manager, office manager, and salesman. If his time and the time of his few key people are employed in filling out complicated forms, we have a disastrous waste of talent and ability.

I can give you a few examples of the kind of things that I mean. In one instance a company, that I am well acquainted with, found when they were negotiating for a very small contract, $10 or $20 thousand, that they were required to file certified copies of automobile insurance policies. That does not make much sense to me. Another of these traps is the interminable delay in payment of government receivables and in particular a practice which has developed of withholding payment even though it is due during an investigation of the financial position of the company. I know of one company which had to close its doors because the government delayed payment so long that it could not meet its payroll, even though the payment was due. If the payment had been made this company would still be in business with a very scientifically competent group of people.

Another thing that is bad is the permitting or even persuading of small companies to proceed on changes in a contract without written authorization. Of course I suppose they should know that they should not do this, but nevertheless if it happens to be a company where the president is chief cook and bottle washer, it is pretty hard for him to know all the traps that he can get into because of this practice. In big companies there is an entire department set up just to make sure no contract changes are made without written authorization and still some slip by.

I think the procurement agencies in the case of small business should do everything in their power to see that the little fellow does not fall into this trap.

Tough on the Little Fellow

Another tough thing on the little company is the practice of negotiating towards a purchase and after complete engineering evaluations have been made and after the small company has spent a lot of time and effort of its key men in working up complete application engineering — then after all of this work is done the whole thing is jerked out from under the little company who has done all of the work and is put out to bid.

These are small contracts that I am talking about. If one reached $250,000 it would be a great big one. The little company, even though it does have the proven talent and ability to do the job and has so demonstrated by the engineering evaluation, can easily lose the contract to a big company who will bid low because it may want to buy into the business. It seems to me that while the government may gain momentarily on this approach, in the overall it loses a whole lot of the technical competence that we must have if we are to win our fight with Russia.

An Accounting Nuisance

Another thing that is a real problem to the little fellow and a great nuisance to the big fellow is the separate accounting methods of the Navy, Air Force, and Army Ordnance. If a company gets a contract under the Army Ordnance or the Air Force and the area in which he operates happens to be under Navy cognizance then the Army Ordnance or Air Force contracting officer will not approve the Navy accounting methods and the Navy accounting will not approve the way the Army Ordnance or Air Force has set up the contract. So the poor little guy is sitting right in the middle while an argument which may last for months goes on and he calls for the sheriff to close the doors. I have even seen instances where a payment was held up because the form of signing was not correct even though the change in the form had been made between the time the document was submitted and the payment was due.

I can go on and on along this line for a long time but I think I have said enough. It would seem that in spite of all its talk about helping small business, the government appears to be doing as good a job as possible in making it tough on the small business which cannot afford the overhead of maintaining personnel to cope with these practices and to untangle the light years of red tape. I can speak with some authority on this subject for my own experience encompasses very large companies and smaller companies. I repeat that the practices which can be an annoying flea bite to large corporations can be the bite of the deadly cobra to little companies.

Possible Remedies

Now, what can be done to help this situation and to permit the government to obtain the full benefits of the great talents available in these small companies? Remember, these small companies would not exist unless they had these highly specialized abilities. I would suggest that each procurement district — and for the love of mike let us have the Army, Navy, and Air Force sing out of the same page of the hymn book — make periodic checks on the capabilities of all such companies in its district. Have them evaluate the engineering competence of the company, the production ability, the financial ability, its accounting practices and keep an up-to-date record of these evaluations. It might be advisable to give each of these companies a rating in these various areas. Then when a purchase is to be made from the company let it be made with a minimum of red tape and paper work and as expeditiously as possible. If these evaluations were made before a purchase was negotiated it would save a tremendous lot of time for the prime contractor and money for the little fellow. What I am thinking of is to put the small companies somewhat in the same category of the approved list of components which the Armed Forces use in the purchase of standard items.

In conclusion, I would like to re-emphasize that we have in our country a tremendous asset in the capabilities, courage, and initiative of the individuals who have made these small companies possible. This is an asset that Russia never can have so let us make the most of it, for it is the strength of a free people.

*A talk by Mr. Cohu before the American Ordnance Association, San Diego, Calif., August 14, 1958.

Now With Bear Stearns

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Frank B. Kendrick has become associated with Bear, Stearns & Co., 135 South La Salle Street. He was formerly with Reynolds & Co.

Joins A. G. Becker

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—William H. McCoy has become affiliated with A. G. Becker & Co. Incorporated, 120 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Owen M. Mason has become associated with Paine, Webber, Jackson & Curtis, 209 South La Salle Street. He was formerly with Walston & Co., Inc., and Rodman & Renshaw.

Continued from first page

The Market Outlook

levels. The moderate turn-about in economic activity from the low point in April resulted from accelerated Government spending and credit policies, and the fact that a few major industries (steel operations, for example, down to about 45% of capacity) had declined sharply to a low enough rate from which some improvement would ensue. The development in July of the Mid-East crisis contributed to a psychological "inflation" impact which acted as a market stimulant and suggested also, that industry would probably pursue more aggressive policies relative to operations and inventories.

New War Threats

Now that the Middle East is out of the headlines, there is Quemoy, and the Chinese communists. When one foreign political pot simmers down temporarily, the Communists are quick to set another to boiling. We may as well recognize that we shall have to learn to live with the Middle East "situation" and other foreign political and military "situations" for a long time to come.

Underlying the general market sentiment has been the oft-heard word, "inflation." In periods of economic recession, basic government policies—whether Republican or Democratic—have been designed to stimulate the economy through increased spending coupled with credit policies which increase the money supply. Since these actions counteract economic forces which would correct basic maladjustments in prices and wages, etc., created during the previous boom, the result among other things is continued wage increase pressures and higher prices for manufactured goods even during the periods of sharp business declines.

The prospective $12 billion Federal Government deficit—and the probable relatively inflationary method of financing it through the commercial banks—along with the wage-price situation already described, largely motivates the current inflation psychology and influences a considerable part of stock market thinking.

The question to be asked is what makes a stock worth more in "inflation?" Is it the theoretically greater dollar value of the companies' assets? They aren't going to be sold in any event, and any resale value would be predicated more on the profits such facilities can produce. The properties and plant facilities are owned and operated for one over-riding and primary purpose. This is to produce profits. Profits and earning power—either current or prospective—are, in the vast majority of cases, the prime determinents of stock prices. When confidence is high in anticipation that profits will in the future increase, the market tends to rise until prices often reach a level which reflects in advance, the anticipated higher rate of earnings. Conversely, as happened last year, the market declined sharply with the expectation of lower earnings. Recently the market recovered almost to the all-time high, with earnings 40% lower than the year before. Hence, a great deal of expected and hoped for improvement is again being discounted in the anticipation process. The market is already selling at 14 times the highest earnings ever shown.

Reverting to the discussion of "Inflation—Stock Prices—Corporate Profits," what does the record show:

	Gross National Product	Money Supply (Billions)	Net Corp. Earnings Total U. S.	Earnings Per Share Dow Jones Industrial Averages	Dividends Dow Jones Industrials	Price Range D-J Ind. High	Low
1950	$284	$177	$22.7	$30.70	$16.13	235	197
1954	363	209	16.8	28.40	17.47	404	280
1955	397	216	23.3	35.78	21.58	488	388
1956	419	222	23.0	33.34	22.99	521	462
1957	440	227	21.7	36.08	21.61	521	420
1st Quarter 1958	426*	229	15.5*	23.00*		Current	508

*First quarter annual rate.

It is interesting to observe, for example, that the U. S. output of goods and services (Gross National Product) in 1950 totaled $234 billion, and 1957 was $440 billion, an increase of 55%. Yet in 1950 net corporate profits in the U. S. totaled $22.7 billion, and last year they were $21.7 billion, a decrease of 4%. In other words compared with seven years ago, the economy had expanded by $156 billion and yet corporate profits were $1 billion lower.

For the first quarter of 1958, a recessionary period, corporate earnings were at an annual rate of only $15.5 billion, or 31% under those of 1950, whereas, Gross National Output of goods and services in the first quarter of 1958 were $426 billion, or still 50% above 1950.

The Inflationary Pressures

In an economic environment characterized by an over-abundance of raw materials and production facilities far in excess of current demand, higher prices come not from "inflation" but stem from the power of labor in fostering higher production costs.

This type of "inflation" as applied to corporate profits would appear to leave much to be desired. Corporation profits have not kept pace with the inflated dollar expansion of the economy. The pattern of labor costs increasing faster than productivity, while excess productive capacity promotes keen competition which mitigates adequate price increases, puts a squeeze on profit margins. This condition is accentuated during periods of even moderate recession since consumer resistance to high prices is then greater.

The substantial excess of American productive capacity promises to continue as a retarding influence on underlying inflationary pressures; paraticularly as applied to corporation profits, as the past record clearly demonstrates.

Earnings for the larger companies,as indicated in the table showing the results of those issues in the Dow Jones Industrial Average, fared better than those of U. S. corporations as a whole. Through size, industry position, and operating efficiency, the larger corporations can better cope with higher labor costs and associated problems. However, it will be noted that profits and dividends for this group in 1955 were about the same as in 1957—around $36 per share for earnings and $21.60 for dividends—whereas the "Averages" ranged in price between 488—388 in 1955, and 521—420 in 1957.

Of greater importance is the fact that around the present level of 510, the market is ostensibly already discounting a rapid recovery of previous peak earning power. **This achievement would require an increase of 55% in earnings over the rate shown in the first half year of 1958.**

Things may work out differently in the future than in the past, and often do, but the past record is, nevertheless, something to think about; particularly since higher common stock prices have been resulting, not so much from basically rising earnings, as from investors paying more for earnings in the market place.

The changing rate at which stocks sell in relation to earnings, is subject to the whims of human behavior and we know how changing conditions, or the development of unforeseen events, alter investment thinking and emotions.

The evidence indicates that the present moderate upturn in the economy should continue. How soon the business upturn can recover to previous peaks however is subject to many imponderables. One factor likely to act as a drag, at least working against rapid reattainment of previous peak areas of general business activity, probably will be the lower level of capital expenditures for new plant and equipment. The excess of plant facilities and productive capacity now existing, appears likely to remain as a restrictive factor relative to any nearer-term sharp expansion of new private capital expenditures.

A normal market recovery was conceivably nearing completion in July around the 480 level (about a 60% recovery of previous 100-point decline) when the Mid-East crisis brought about a new set of conditions. These were interpreted as accentuating the mild recovery in business activity already in evidence, along with firming some prices and also tending to bring about a reversal of the trend of inventory liquidation.

The Dow Jones Industrials quickly added another 30 points or so on top of the previous substantial price recovery. With the market having spurted to within striking distance of the historical peak greater stock price vulnerability now probably exists in view of this upper resistance area, the low yields, and the abnormal price-earnings ratio.

The present high level of stock prices, relative to current earnings, seems largely predicated on the expectation that the combination of "inflation" and further business recovery should materially increase corporate earnings. Yet should the prospective deficit financing no more than counterbalance the deflationary forces now in the economy, and general business recovery be insufficient to lift profits to previous high levels (considering over-capacity, competitive factors, and pressure on profit margins) the general level of the stock market is in a high area.

While the market has approached its all-time high, the vast majority of leading stocks are still well below previous peak prices. There are, as always, selected areas of relative attraction within the general framework. Discriminate selection for specific investment purposes continues as an important consideration.

Correction "Overdue"

I continue to regard the underlying expansive forces in the economy as strong for future years and I gauge the long range outlook accordingly. Viewing the market generally, however, and considering the advanced level of stock prices relative to earnings and dividends, in conjunction with the intermediate economic prospects, I believe this is not the time to abandon a conservative market policy. Briefly, a correction of the substantial advance from about the 440 level in April, to the recent high of 512, is considerably overdue.

Securities Salesman's Corner

By JOHN DUTTON

Too Busy Making a Living to Make Money

In the investment business, you are constantly meeting and dealing with certain people who have the erroneous idea that all you have to do is to wave some kind of a magic wand and you can supply them with money. If you are not careful you are going to waste a lot of time being polite to some of these ambitious promoters. When I was a bit younger, and possibly more eager, I used to waste so much time looking into ventures that I thought might have possibilities that would warrant public financing, that I woke up one day and discovered that I was neglecting my regular business of making a living selling securities. The top payoff was one character whom I had met through a client who claimed to have perfected an improvement of some sort for a gasoline engine that was revolutionary. Everything went fine until he dragged a wooden model of a huge six cylinder motor into the office and asked for me. It was complete in all the working parts and he had half of it sawed off so that you could see the pistons work and watch the gears turn. The receptionist at the door couldn't get rid of him until he went into a screaming tantrum condemning all of Wall Street and me in particular, because I wouldn't get him a million dollars. He was crazy as a loon.

Don't Waste Time on Deals That Are Not Sound

You will often receive calls from friends who have someone in mind who needs a loan, or some equity financing, and to listen to their story they are certain that here is a very interesting situation that could develop into a choice and desirable opportunity for a private placement, an institutional loan, or public financing. You later check and find that the borrower, or the company looking for equity capital, needs money within the next week and that some finance company has a first mortgage on everything that can be nailed down; the profit margin is near to zero; and working capital is strained to the breaking point. Don't waste your time. Good financing is like everything else. It has to be developed over a period of time, through proper contacts, or the cementing of associations that are lasting through the years. Many a salesman has found out to his chagrin that the time he has wasted trying to sell a sour deal in the hope of picking up a finder's fee could better be devoted to developing his clientele and servicing his active accounts.

If You Are a Salesman of Securities Do a Good Job and Relax

You learn how to do in this life the hard way. Only a few of us are so fortunately endowed that we can learn from the mistakes and the successes of others. If I may go back to my own experiences just to illustrate the point, it was during this period of life when I thought that the only thing worth doing was the "big deal" that I had my eyes opened to the fallacies of such thinking. I changed firms and it was my good fortune to work with one of the most successful retail securities salesmen that I believe ever walked the streets of William, Wall and Pine. Month after month this man's production of sound investment business ran into high four figures commissionwise. His phone was busy from 9 a.m. until 5 p.m. Call after call would come in to him from friends, clients, and other brokers who talked with him about situations, investment opportunities and who created a volume of business that kept two secretaries busy all day long. Tied to his desk by a constant stream of business, and saddled with a physical condition that finally brought him to an untimely and tragic death, he was a dynamo of activity. Nothing was too small to merit his attention. No fact went unchecked if he could possibly find the answer. His organization reflected the tempo and the thinking of this man who was first of all a great human being, and a salesman in the truest significance of the word.

One day I brought a situation to him that was not without merit. He looked at the figures and then he began to ask me some questions. His keen, penetrating, mind looked through this proposed deal as if it were the clearest window pane. Then he handed the papers back to me and he said, "This is a time waster, the man wants something that he does not deserve, don't waste your time on it".

Then he turned to me and he said, "Don't waste your valuable time; time is the most important thing you have. I've been busy today, much too busy making a living to make any money." When he passed on, his wife and children did not have to worry about their financial future, and those of us who knew him knew why.

Pension Planning Co. Seminar Series

The Pension Planning Company of New York announces a series of free one-day seminars on pension and profit-sharing plans: Philadelphia, Sept. 19; New York City, Sept. 26, and Newark, Oct. 2.

W. R. King Opens

CUMBERLAND, Md.—William R. King is engaging in a securities business from offices on Holland Street Extension.

With Lehman Bros.

F. Brent Neale has become associated with the sales department of Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange.

Rice Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHAMPAIGN, Ill. — William T. Johnson is now with Daniel F. Rice and Company, 110 West Church Street.

V. L. Norwood to Admit

V. Lee Norwood & Co., 20 Bank Street, New York City, members of the New York Stock Exchange, on Sept. 11 will admit William K. Wall to partnership.

With J. C. Flax Co.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFFIELD, Mass. — Malcolm A. MacDonald is with J. Clayton Flax & Co., 1562 Main Street.

With Wm. Tegtmeyer

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Vincent J. Dourian is now with Wm. H. Tegtmeyer & Co., 39 South La Salle Street.

Hess Investment Adds

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill. — James A. Rice has been added to the staff of Hess Investment Company, Illinois State Bank Building.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market, sometimes troubled with post-Labor Day selling, slipped right by the holiday without noticing it this week and industrials, particularly, set about promptly on a successful bid to post a new high for the year.

* * *

Low-priced issues continued to furnish the features more times than not, which isn't exactly desirable leadership. But there was quality demand, too, notably for staid American Telephone which pushed to its best price since 1956 with the issue going in for wide gains per session and, an even odder achievement, an occasional appearance on the list of most active issues.

Split Rumor Revived

The age-old hope for a stock split and, ultimately, a better dividend in Telephone was fanned by a serious financial service's opinion that the time wasn't too far away when both these hopes would come true. Telephone's classic $9 payment, maintained for a third of a century without change, has achieved an unique fame in the dividend books. But, as so many have pointed out recently, $9 these inflationary days bears no relation to what that payment represented in 1922.

* * *

There were some other issues where the action was downright drastic. A hop of around 10 points, or nearly 60% improvement in value, in Artloom Carpet in about a week attracted official attention on the part of the securities regulatory agencies and provoked a ban against stop orders by the New York Stock Exchange.

* * *

Such a ban is a relatively new device, first used by the Exchange when trading in Lukens Steel turned disorderly mostly because of a large short interest in the issue. It seemed to quiet the issue down to more restrained action and was used again in Haveg Industries when that issue started skyrocketing. It, too, has had a routine trading life since, even after the ban was removed.

Motors a Key

Much of the thinking about fall business prospects centered on the big auto makers whose operations could give the overall economy a good lift if the new models go over well. Indications on which to make some intelligent estimates, however, were still lacking.

For one the threat of a strike is still hovering over the industry since the union has been working without a contract for more than three months, and the leaders have strike authorization from the membership. Foreign competition also is stiffening, not alone in the sale of imported cars here but in foreign markets where American exports were once so prominent.

* * *

Ford has shown the smallest recovery from its low of any of the Big Three, but this is tempered by the fact that four-fifths of the cars it makes are its lowest price line which makes Ford pretty much a one-car operation.

* * *

General Motors increased its domination of the field almost to the point where it accounted for half of total registrations so far this year. The GM line is being revamped perhaps more radically than those of its competitors. But with a record-breaking 280 million share capitalization, earnings projections are modest and little likelihood is held out for any improvement in the dividend which, incidentally, is the only one of the Big Three that has been maintained.

* * *

Chrysler, with the smallest capitalization in the trio, could be the most volatile and, in fact, has been in the past as the company bounced from a poor year to a good one, and back again. So far the extent of the model changes isn't known and how the company will fare is a wide open question. If Chrysler, now down to 14% of total registrations, is able to take over 18% of the 1959 market—a level achieved in 1957—earnings projections run as high as $9.50 a share, leaving plenty of room for a sharp change in the present 20-cent quarterly dividend rate. If, however, the present 14% penetration persists, the projections come to no more than $2.50 to illustrate how widely the fortunes of Chrysler can range depending on its ability to draw attention to its models.

* * *

In short, there is little clear-cut in the auto picture and it is one that assuredly will be given close inspection until some definite trends appear.

Drugs Favored

Drug shares continued to find investment favor, bolstered by the good earnings statements they have been issuing when other lines were concentrating on recession alibis. Sterling Drug, however, hasn't been as prominent as some of the ones more active in the glamor fields of new preparations. One illustration is that on the 1957 dividend rate, the recent market price has offered a return of 4%.

* * *

In areas where growth is the order, returns of that much are rare. In part the reason is that Sterling is far better known for its proprietary drugs and not too much attention has centered on its expanding participation, via Winthrop Laboratories division, in what it calls the ethical drug section. One big unknown, and unique, operation of Sterling, is a process to eliminate pollution from organic waste, a process still regarded as in the pilot plant stage. A trial plant has been operating in Chicago and negotiations are now underway to add two sewage disposal plants in that city. Any widespread acceptance of this process could radically alter Sterling's future prospects.

Chemical "Growth" Item

Chemical shares, premiere "growth" items, are also on the low-yield side and here, too, Spencer Chemical offers a return of better than 4%. The obvious explanation in Spencer's case is that it once was noted mostly as an agricultural supplier inordinately dependent on the demand for nitrogen products alone. The company, however, has been stressing diversification and last year succeeded in boosting non-agricultural sales to nearly half of the total, including an important position as a supplier of polyethylene to the plastics industry where, despite an oversupply at the moment, the company is sufficiently confident of a rebound to be planning large production increases for later this year.

* * *

Diversification also has been helping another "one-product" firm—Ferro Corp., leading producer of porcelain enamel for coatings on appliances. Despite a definite lag in appliance sales, the company recently increased its dividend to a $1 basis, on which a yield of 4% is available. Earnings projections are more than double the dividend requirement. Wider uses of porcelain coating, including on metal paneling for buildings, and expansion into fiber glass and chemicals for the plastics industry has been helping the company widen its horizon.

[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.]

With Smith, Clanton & Co.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Gurney P. Hood is now with Smith, Clanton & Company, Hood Bank Building.

Complete Public Financing for Texas-Florida Pipeline

A $52,246,425 check to help build a natural gas pipeline from Texas to Florida was delivered by Wall Street investment bankers to officers of The Houston Corporation, which will start construction on a 1,500-mile mainline pipeline from the Rio Grande to Miami. Shown above are: F. E. Stanley, President of The Houston Corporation (standing left); Morris Natelson, partner, Lehman Brothers (standing center); W. J. Bowen, a Senior Vice-President of Houston (standing right); Eugene Bashore, a Senior Vice-President of Blyth & Co., Inc. (sitting left) and Theodore Rinehart, Senior Vice-President for finance of Houston (sitting right).

The check represents the public financing part of an overall $185,000,000 capital program to build the line which is expected to start gas deliveries in June, 1959.

Insurance Industry Provides More Capital First Half 1958 Than 1957

A 9% gain in capital supplied by U. S. life insurance industry for first half of this year over first half of last year is reported by the industry's Institute. Data supplied shows more government securities were purchased but total holdings declined four percent.

New capital made available for the nation's economy by the more than 1,300 U. S. life insurance companies in the first half of the year amounted to $2,603,000,000, a gain of about 9% over the first half of last year, the Institute of Life Insurance reports.

"Aggregate new investments, including those acquired from reinvestment operations, were $8,467,000,000 in the six months," the institute said. "This is a reflection of the growing contribution life insurance funds are making to the dynamic progress of the economy."

Largest Block of Investments

The largest block of life insurance policy funds invested during the first six months of the year went into securities of U. S. industrial corporations, railroads and utilities, financing business and industry in an amount of $2,836,000,000. This was about 6% more than new investments of this type in the first six months of 1957. About 82% of the corporate securities acquired were in the industrial and miscellaneous categories.

New investments in State, County and Municipal bonds in the U. S. showed a 71% gain for the first six months of this year over the corresponding period last year. These acquisitions amounted to $244,000,000, bringing total holdings of this type to $2,521,000,000.

Purchases of U. S. Government securities in the half year were $2,063,000,000, up 20% over a year ago. However, a higher rate of maturities and replacements resulted in a 4% decrease in the year of total holdings of this type to $6,979,000,000.

Real estate mortgages acquired by the life insurance companies amounted to $2,338,000,000 in property financing during the first six months of the year. This was an 11% decrease compared with the first half of 1957. Total mortgage holdings were $35,983,000,000 at June 30, a gain of $763,000,000 since the beginning of the year.

Armstrong Inv. Co. Formed in Dallas

DALLAS, Texas — Marion H. Armstrong, Jr. has formed Armstrong Investment Co. with offices at 7138 Vivian Street to engage in a securities business. Mr. Armstrong has recently been with Midland Securities Co., Inc. and prior thereto was with Perkins & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

The First National City Bank of New York

This, the third largest bank in the United States, was chartered under the laws of New York two days prior to the outbreak of the War of 1812 against the British. Its initial capital was $600,000. It succeeded to the business of Alexander Hamilton's first Bank of United States. When the national banking system was organized during the Civil War, City Bank shifted from a state to a national charter. It is the undisputed leader among banks in the international field, having for years been a dominant factor in helping to develop and facilitate our foreign trade. Today there are 57 overseas branches in addition to 71 located in Greater New York's five boroughs. The bank has weathered six wars and 13 major depressions.

In the domestic sphere, City has long been regarded as one of the most progressive of our great banks. It was one of the pioneers in local branch banking. From the time of its organization, National City has been a leader in the commercial life of the nation, numbering among its accounts many of the country's foremost industrial concerns. For about a quarter century it has maintained a personal and consumer credit service that has been a leader in the field. Since the initiation of this service 30 years ago, 8,760,000 loans have been made for a total of $4,140,000,000. There are nearly 17,000 employees; shareholders number 71,460.

In early 1955, First National Bank of New York was merged with National City to form First National City Bank. The shareholders of First National were paid off at the rate of $550 a share, well above the 1954 year-end book value of $477.41. First had been organized in 1863, during the Civil War, and was fundamentally a bank for bankers, large corporations and wealthy individuals. It was an unusually compact organization with relatively few depositors and a staff of only about 240 employees and 15 officers.

Affiliation with City Bank Farmers Trust Company, effected in 1929, carries double distinction since Farmers was the first American institution to be granted trust powers, and today it ranks among the leading units in its field. The funds under its control and supervision run into the billions.

Statement of Condition — June 30, 1958
(First National City Bank Only)

ASSETS (Billions)		LIABILITIES (Billions)		
Cash and Due from Banks	$1,825,609	Deposits		$7,132,710
U. S. Gov't Obligations	1,500,873	Liab. on Accept. & Bills		116,097
State and Munic. Secur.	434,349	Due to Foreign Cent. Banks		499
Other Securities	125,705	Reserves: Unearned Income		32,591
Loans	3,965,541	Taxes, Accrued Exp.		58,906
Customers' Accept. Liab.	111,023	Dividend		8,280
Federal Reserve Stock	18,600	Capital	$240,000	
Internat. Banking Corp.	7,000	Surplus	380,000	
Bank Prem., Furniture and Fixtures	39,924	Undivid. Profits	87,350	
Items in Transit	9,661	Shareholders' Equity		707,350
Other Assets	18,146			
	$8,056,433			$8,056,433

A breakdown of these assets into principal categories follows:

Cash	22.7%	Loans	49.2%
U.S. Gov't Obligations	18.6	Bank Prem. & Equipment	0.4
Other Securities	7.3	Miscellaneous Assets	1.8

Adding City Farmers' assets at the same date brings total resources to $8,217,163,000, and capital funds to $741,348,000.

The following percentage breakdown gives a distribution by maturity categories of the bank's government bond portfolio, using call dates for 1951-1953:

Maturities

	Up to 5 Years	5 to 10 Years	Over 10 Years		Up to 5 Years	5 to 10 Years	Over 10 Years
1951	85%	15%	--	1955	c46	51	3%
52	81	19a	--	56	c48	35	17
53	83	17b	--	57	c56	25	19
54	c52	46	2%				

a Due in 7 years and 2 months.
b Due in 6 to 9 years.
c Maturity basis.

For the same period the following schedules give, first, the distribution of sources of gross income and, secondly, the average rate of return derived from loans and from government obligations:

	Loan Int. a	Int. and Divs. on Securities a	Fees, Commissions, Etc. a		Loan Int. a	Int. and Divs. on Securities a	Fees, Commissions, Etc. a
1951	43%	32%	25%	1955	49%	29%	22%
52	48	30	22	56	59	20	21
53	50	28	22	57	61	18	21
54	47	31	22				

NOTE—Net earnings remitted from overseas branches included under "Fees, Commissions, etc." a Includes City Bank Farmers Trust Co.

Average Rate of Return

	On Loans	On Gov'ts		On Loans	On Gov'ts
1951	3.18%	1.56%	1955	3.68%	2.05%
52	3.39	1.70	56	4.13	2.29
53	3.68	1.93	57	4.33	2.56
54	3.63	1.91			

It is probable that with the changed conditions in the money market the trend toward higher returns as evidenced above will be reversed; but it is very doubtful that the banks in general will see a return to the rate levels of a decade ago.

Ten-Year Statistical Record — Per Share*

	Book Value	Operating Earnings	Invested Assets	Dividend	Price Range High	Low
1948	$38.53	$2.38	$342	$1.49	32⅝	28
49	39.35	2.42	370	1.42	34¼	28⅞
50	40.90	2.48	402	1.70	36	30½
51	44.80	2.65	426	1.85	40¼	36⅛
52	46.67	2.95	425	1.75	42½	36⅜
53	47.26	3.20	436	1.86	45	38¼
54	56.91	3.45	468	2.13	58¼	47⅞
55	59.37	3.54	458	2.08	64¾	56¼
56	60.18	4.33	472	2.21	72¾	60⅛
57	61.31	5.02	487	2.90	69⅝	56⅞

NOTE—Based on 6,200,000 shares 1948-1950 inclusive; 7,200,000 in 1951 and 1952; 7,500,000 in 1953; 10,000,000 in 1954 and 1956; 12,000,000 in 1957.

First National's data not included as the shareholders of that bank were paid off in cash. *Adjusted for 4.17% stock dividend.

In this decade book value was up about 69%; operating earnings about 114%; dividend 95%. The invested assets comparison is distorted by the changes in the number of shares in the period.

City has unallocated reserves of about $115,000,000, which include a "bad debt" reserve of around $96,000,000. As recently as mid-year 1956 this reserve stood at approximately $60,000,000.

National City boasts one of the longest unbroken dividends of American enterprises, going back over 145 years. The present rate is $3.00 annually, so that at the price at which the stock now sells in the Over-the-Counter market, 65½, the yield is approximately 4.67%. The shares are selling at about 13 times 1957 operating earnings; and 1957 earnings gave 8.2% on the year-end book value. Only about 60% of operating earnings is being disbursed in dividends.

Inflation Alarm Seen Amply Justified

Dallas bank executive and economist presents precursory evidence of inflation ahead, and demands resort to taxes and not to deficit financing except in the advent of severe emergency. Grieviously concerned that there is ample justification to be alarmed about inflation, Dr. Smith advises present emergency is not severe enough to require deficit financing. He strongly asserts "every cent of Federal spending should have been raised (since 1946) from taxes — and should be now."

Writing in the August "Economic Letter," about the prospects for inflation, published by First National Bank in Dallas (Texas), Vice-President and Economist Arthur A. Smith finds there is justification for inflation alarm.

Arthur A. Smith

The "Letter" makes these five observations:

"(1) The international situation — more especially our commitments to defend the Middle East—preclude any possibility of reduced military spending, and **the constant threat of war actually means much greater outlays,** not only to support our own defenses, but to extend more aid to our 'friends' abroad. Our experience in Korea taught us nothing except that the United States will pay the lion's share of the cost of such ventures in the name of the UN wherever they are. In his role as World Fireman, if Uncle Sam seeks to put out every conflagration that the Soviet firebugs kindle, there can be no foreseeable end to his vast spending. Of course, it is always more expensive to put a fire out than it is to start it.

"Other areas of spending likewise are headed upward. Result: More deficit financing.

"The books have been closed on the fiscal year ended June 30, 1958. **Uncle Sam was back in the red again** (about $2.8 billion), and the most conservative estimates for the current fiscal year indicate a deficit of at least $10 billion. Congress raised the Federal debt limit to $288 billion. $3 billion of which will be 'temporary.' By now the people surely are aware of the hollow and ludicrous meaning of 'permanent debt limit.' As they must also be aware of the fact that the Government has balanced its budget only four times in the past 28 years, and even in the most prosperous years of our history could not reduce the debt.

"Greatest single source of inflation has been Government deficit spending. Between 1947 and 1957, Government spending tripled. More is on the way unless a different course is followed.

Federal Reserve and the Treasury

"(2) In the area of monetary policy it is difficult to understand how the Federal Reserve authority can ignore the plight of the Treasury — not only in the latter's efforts to finance new deficits, but in its efforts to refund maturing obligations. **The feasibility of easy and cheap money will be obvious.** Conditions conceivably could arise where the difficulties of financing and refinancing in the market would be so great that vast sums of public money would have to come from the banking system, since fear of inflation, if it continues to mount, certainly would ruin the market for fixed income obligations, except at very high rates of interest which in turn would wreak detrimental effects elsewhere.

"In other and plainer words, **the Treasury's debt management problem under an unbalanced budget now precludes the possibility of anything but cheap money** (low interest yield), because deficit financing and a tight money policy would generate an irrepressible conflict — a serious competition between private enterprise for funds to support an upturn in business and the Government for funds to meet a deficit and to refinance obligations falling due. And, of course, if World War III should develop, financing problems would multiply, indeed.

"(3) Although not conclusive, **the flow of gold out of the country bears watching.** There is a growing sign that it is not just a temporary movement soon to be reversed. Rather it seems to be an indication of foreign distrust of the American dollar.

Attacks Gold Price Rise Proposal

"The belief persists that **it is only a matter of time until the price of gold will be raised by the United States.** Most guesses are that the new price will be $50 an ounce, but some run as high as $70, or double the present established price. Obviously the purpose of an increase in the legal price of gold would be to enlarge the number of counters in the gold reserve base — a move ultimately as inflationary as if the Bureau of Engraving started the printing presses to roll out greenbacks.

"(4) No one denies the disastrous consequences of inflation —its ultimate destructiveness. Yet the will and determination to put the nation back on a reasonably sound monetary basis are far too inadequate to check the trend. Those of us who hoped that political change in the election of 1952 would make a significant difference have been disillusioned. Sound finance finds little support from either major political party.

"It has not been difficult to sell the American people on measures which contribute to inflation—and careful study of our monetary system clearly reveals that it contains a strong inflation bias, surmountable only (1) **by a strong determination to balance the Federal budget and (2) by sounder controls over private credit.**

"The illusion of something for nothing — an age old illusion — makes unpopular the sufficient use of taxation to pay as we go. **Somehow people believe that what the Government spends on credit does not cost them anything.** Even the lessons of World War II (to say nothing of the lessons of history generally) seem not to have taught us that what we do not pay in higher taxes we pay in higher prices. In other words, we pay in one way or the other. But there is an important difference in resulting costs: **Paying with inflation is far more costly in the long-run than paying with taxes.**

Creates Communism We Fight

"The costs are many, but the greatest is the ultimate destruction of the economy itself — the economy we have called American. **Use of inflation increases the people's dependence upon the central government and enlarges the government's powers.** Examples are numerous, but witness the repeated increases in Social Securit benefits in order to keep pace with rising costs of living; or the successive increments in the legal minimum wage; or the many 'guarantees' the Government has underwritten; or the expansion of areas in which Government does the financing. These and many others result from the vicious cycle which inflation generates.

"The irony of it all is to be found in the flagrant contradiction of spending billions of dollars annually to fight Communism and at the same time moving steadily toward a Communistic system right here at home. In a moment of jubilation in Moscow, a high Soviet official is reported to have said about America: 'What difference does it make? Your grandchildren will be Communists anyway!'

"(5) Much of the basic cause of inflation is traceable to a different philosophy of economics and government which has developed in this generation and has become rather deep-seated. **People simply**

do not hold to the same economic virtues which meant so much to our forefathers. We are more dependent-minded; more security conscious; less venturesome. We will not work for money if we can vote for it. Debts do not worry us, and thrift no longer rates very high on our scale of virtues. The philosophy of government planning has seized America and has a strong grip on us, placing the destiny of our economic life too much at the mercy of political will. As a consequence, **politics more than sound economics shapes our course.**

Three-Fold Price We Pay

"Worst of all that has happened in our day is that much of the price is, and will be, paid by those who are thrifty, who live within their means, and who conduct their businesses soundly and wisely. Yes, they pay: (1) **in high taxes;** (2) **in loss of savings to inflation;** (3) **in competition from the inefficient fellow** who will not be allowed to suffer for his own economic stupidity, but will be kept in business by Government largess.

"When a government is virtually in control of a nation's banking and credit system, political spending is made much easier than it would be if that government was obliged to go to the people for an equivalent amount in taxes. In wartime when critical emergency demands speedy military outlays, there is justification for large use of public credit; but it is economic folly to resort to such measures at other times.

"True, since World War II there has been an uneasy peace, and our defense outlays have been as much as $40 billion annually—higher during the Korean episode; but non-military spending has continued to climb higher, too, as the Government has widened its functional scope. A sizable amount of the latter spending is open to question; and there are intelligent critics who even say we could get much more from our military dollar.

Would Limit Recourse to Deficit Financing

"But let's assume an $80 billion Federal budget is absolutely necessary—that there is no waste, inefficiency, or unnecessary spending in the budget. Whatever the emergency is it is not severe enough to call for the use of deficit financing at this time—nor has there been a time since World War II when there was justification for the use of public credit. **Every cent of Federal spending should have been raised (since 1946) from taxes—and should be now.**

"But that is not going to be. Why? Because, the politician will tell you the people will not stand for higher taxes. Yet they will stand for the use of public credit. Well, what the politician is really admitting is that he would have to cut out some of the spending if he had to go to the people to get the money in taxes; thus, in effect, conceding the vital point that **the political will in Washington is less accountable for its economic acts when it can resort to public credit so easily.**

"Deliberate for awhile on the admonition of George Washington in his Farewell Address: 'As a very important source of strength and security, cherish public credit. One method of preserving it is to use it as sparingly as possible; avoiding occasions of expense by cultivating peace . . .; avoiding likewise the accumulation of debt, not only by shunning occasions of expense, but by vigorous exertions in time of peace to discharge the debts which unavoidable wars have occasioned, not ungenerously throwing upon posterity the burden which we ourselves ought to bear.' "

Wage Demands in Britain

By PAUL EINZIG

Dr. Einzig commenting on annual Conference on Confederation of Shipbuilding and Engineering Unions with the resulting pressure for higher wages, says skilled workers should blame unions and Labor Party for narrowing wage differentials. Asserts union officials omit giving due credit to labor-saving equipment's contribution to holding-down of labor costs. Notes lag in productivity, with increase in proportion of non-productive workers. Calls on employers' organizations and government to publicize the true facts for the public's enlightenment.

LONDON, Eng. — The annual Conference of the Conferation of Shipbuilding and Engineering Unions marked the beginning of another period of pressure for higher wages. In his opening address the President of of this all-important labor organization delivered an attack on employers and the Government on account of the alleged inadequacy of wages in the engineering and shipbuilding industry. Beyond doubt in comparison with wage increases obtained by unskilled labor during the past 20 years, the increases secured for skilled labor have been far from excessive. Skilled engineers have every reason to complain about the narrowing of wage differentials. For this they have, however, the trade unions and the Labor Party to blame. Employers are reluctant to concede a widening of wage differentials because it only means that the trade unions put forward additional demands for unskilled labor, so that the widening is purely temporary.

Dr. Paul Einzig

One-Sided Argument

There is a typically one-sided argument in support of the Confederation wage claim. The President said that in relation to each unit of output, engineering labor costs merely doubled compared with before the war, while the prices of engineering products trebled. What he ommitted to say is that the reason why the labor costs of these goods did not increase more was the adoption of expensive labor-saving equipment. Most firms in the engineering industry spent large amounts on modernizing their works, so that the same goods can now be produced in much less man-hours than before the war.

Evidently the trade unionist view is that the workers are entitled to the full benefit of the labor-saving achieved with the aid of modern equipment. What the trade unions deliberately overlook is the fact that wages had already been paid out to those workers who produced the labor-saving equipment. If additional wages are paid out to the full extent of the labor-saving achieved it would simply mean that the man-hours represented by the equipment are paid for twice over. Apart from the fact that the capital invested in the equipment has to be remunerated—an argument which does not impress the class-conscious worker—it is necessary to provide for the depreciation of the new equipment in order that it could be replaced when it becomes worn out or obsolete.

In the Soviet Union due allowance is made for this consideration when fixing the level of wages. In a capitalist country, however, trade unions like to pretend to believe that the capital equipment, with the aid of which the labor cost of products are reduced, had been conjured out of thin air. But even if the engineering works were expropriated without paying any compensation to their owners, the new management would have to retain a due proportion of the proceeds to provide for depreciation and obsolescence.

Lag in Productivity

It is characteristic of the spirit in which wage demands are pressed that such obvious considerations are ignored. Nor is this all. In many industries productivity has not increased since prewar days, and in some occupations it has actually declined. Moreover, the proportion of non-productive workers has increased considerably. If the entire proceeds of increased productivity in the progressive industries are distributed among those employed in those industries there would be nothing left to distribute among non-progressive industries, and among other sections of the population which also claims to benefit by progress.

The trade unions would be the first to protest against a contention that the real wages of transport workers, for instance, should be kept down at their prewar level. Yet if the workers in progressive industries are paid the full benefit of increased productivity in those industries then any addition to wages outside those industries is sheer inflation.

The above facts are so obvious that it would be an insult to the intelligence of trade union officials to suppose that they are unaware of them. After all, most of them had been educated in the London School of Economics or received at any rate some form of elementary economic education. They are afraid, however, that if they tried to enlighten the rank and file of their unions instead of defending their interests by hook or by crook they might lose their jobs. There is, therefore, an explanation, if not an excuse, for trade union officials to state only one side of the arguments. That is what they are paid for.

There is, however, neither an explanation nor an excuse for employers' organizations and for the Government not to repair the ommission by stating and explaining the arguments which trade unionists would like to ignore out of existence. Throughout the controversies over wage demands in recent years employers and the Government failed to make an attempt at explaining that capital equipment represents wages paid out in the past, and that their maintenance calls for additional wages to be paid out in future. Such an explanation might be understood by many workers, even though they may look upon capital as their enemy and they deny any *moral* right for the owners of capital to participate in the proceeds of increased productivity.

Enlightenment on Productivity Needed

Nor have the improved national income statistics been used for the enlightenment of the public about the way in which the proceeds of increased productivity are distributed. Figures indicating the share of the employees in these industries in the increased proceeds and the increased wages in other industries which have not contributed towards the increase in the national output, would go a long way towards laying bare the causes of inflation. To put it in a nutshell: prices have risen because the trade unions have successfully insisted on distributing more than there has been available for distribution.

Wage disputes are not decided by the relative merits of arguments. Even so, trade unions cannot be indifferent to pressure of public opinion. If only the public were enlightened about the extent to which the wage demands are unjustified excessive wage demands would become much more unpopular among the consumers who have to pay the excess eventually.

Chicago Municipal Men To Hold Field Day

CHICAGO, Ill.—The Municipal Bond Club of Chicago will hold their 22nd annual field day Sept. 11 and 12. Cocktails and dinner will be held Thursday night at the University Club, to be followed by a full day of activity at the Elmhurst Country Club. Features of the day will be golf, softball, tennis, horseshoes, and other special features.

Wm. J. Corbett, Jr.

Guest Fee, $35; non-resident member fee, $20; member fee $10. Reservations should be made with Carl H. Ollman, Dean Witter & Co. General Chairman of the field day.

Other committee members are:

Arrangements: O. H. Heighway, Hornblower & Weeks, Chairman; Clayton F. Brown, Northern Trust Company; William R. Chamberlin; James E. Harper, Paine, Webber, Jackson & Curtis; Walter A. Hintz, A. G. Becker & Co. Incorporated; Clarke J. Robertson, William Blair & Company.

Reception: William J. Corbett, Jr., Burns, Corbett & Pickard, Inc., Chairman; Arthur E. Kirtley, First Boston Corporation; Robert E. Simond, Sr., Halsey, Stuart & Co.

Entertainment: Kenneth L. Eaton, A. C. Allyn & Company, Incorporated, Chairman.

Golf: Paul L. Hackbert, Rodman & Renshaw, Chairman; George L. Barrowlough, First of Michigan Corporation; William A. Grigsby, John Nuveen & Co.

Softball: Andrew D. Buchan, Bacon, Whipple & Co., Chairman; James G. Brophy, First of Michigan Corporation; Robert C. Hawley, Harris Trust & Savings Bank; Raymond B. McCabe, Halsey, Stuart & Co.

Special: Alan H. Bede, Julien Collins & Co., Chairman; Robert R. Brinker, John Nuveen & Co.; John N. Faust, Kidder, Peabody & Co.; John H. Kramer, Harriman Ripley & Co.; Robert A. Riley; Thomas H. Shockey, Julien Collins & Co.

Prizes: Robert J. Taaffe, Blyth & Co., Inc., Chairman; Thomas L. Kevin, Glore, Forgan & Co.; Blair A. Phillips, Jr., Shearson, Hammill & Co.

Transportation: Arthur G. Field, Lee Higginson Corporation, Chairman; Milton Newton, Benjamin Lewis & Co.; Carl T. Swanson, Continental Illinois National Bank & Trust Co.

Tennis: George D. Smith II, Harris Trust & Savings Bank, Chairman.

Horseshoes: Edgar S. Beaumont, E. Ray Allen & Co., Inc., Chairman.

William J. Corbett, Jr., Burns, Corbett & Pickard, Inc., is President of the Bond Club.

Eaton & Condon Will be Hosts at Breakfast

CHICAGO, Ill.—Kenneth Eaton, A. C. Allyn and Company, Incorporated, and Joseph Condon, McDougal and Condon, will be hosts at the ninth annual informal breakfast for out of town visitors attending the Municipal Bond Club outing, and Chicago members wishing to visit with their friends.

Kenneth Eaton J. P. Condon

Breakfast will be held from 8:30-10:30 a.m. on Sept. 11 in the Marine Grill and cocktail bar of Welty's Restaurant.

Information Meeting On $30 Million Indiana Debentures

An information meeting concerning the $30,000,000 State of Indiana State Office Building debentures which have been advertised for public sale on Sept. 9 will be held in the Lehman Brothers Auditorium, 9 William Street, New York City, at 10:30 a.m. (EDT) on Friday, Sept. 5.

Representing Indiana will be Lieutenant Governor Crawford F. Parker and John A. Whitehead, executive director of the State Office Building Commission. Wilber J. Altsilisch, partner of Chapman & Cutler, of Chicago, whose legal opinion will accompany the debenture issue, will be available for a discussion of legal matters. Also present will be an architectural and engineering representative of Graham, Anderson, Probst & White Inc. of Chicago, and Raymond Kastendieck of Gary, who designed the building project and will supervise its construction.

The meeting will be presided over by D. R. Bonniwell, partner of Cruttenden, Podesta & Co. who, jointly with Walter, Woody & Heimerdinger of Cincinnati, are bringing the debentures to public sale at the direction of the commission.

Elected to Board

John G. Forrest, financial and business editor of the New York "Times," has been elected a member of the board of directors of the Children's Blood Foundation at the New York Hospital, it was announced by Harold Weill, President of the Foundation.

The Foundation is launching a city-wide appeal to raise funds for the expansion of its treatment and research program on the blood diseases of children. Established in 1952, the Foundation supports the Children's Blood Transfusion Clinic and the Children's Blood Research Laboratory at New York Hospital. It is the only organization in the United States involved with the full range of blood diseases of children and whose research approach emphasizes the common factors of these diseases.

Ferdinand C. Smith

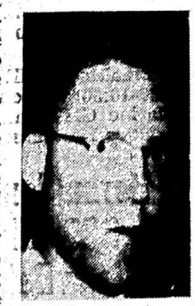
Ferdinand C. Smith, partner in Merrill Lynch, Pierce, Fenner & Smith, passed away Aug. 22.

People, Space and Power In the Soviet Union

By HOLLAND HUNTER*
Associate Professor, Haverford (Pa.) College

Expert assesses sources of Soviet massive economic power, and discounts what he believes are exaggerated or incautious views about USSR achievements and capabilities. He remarks, for example, on the Soviet people's enthusiastic acquiescence in placing their talents at the direction of the Kremlin and precariousness of the food base for over 200 million people. The author of "Soviet Transportation Policy" concludes: (1) resource problems will not limit Soviet industrial growth in the foreseeable future; (2) it would be logical for USSR to import food from abroad; (3) Russians are prone to describe a glowing future as though it were actually present; (4) Eastward movement and development is not likely to produce fundamental shifts overnight; and (5) effective use is made of limited railroad system which has kept transportation from hampering their growth.

A great many contradictory things can be said about the USSR, and yet they will all be true. It's true, for example, that in the last year the Russians have launched two very large Sputniki into outer space. It's also true that old women in the streets of Leningrad and Moscow still sweep with twig brooms. The USSR today is a confusing mixture of the new and the old, of the advanced and the backward, the good and the bad, the humane and the cruel. A visitor finds many things similar to what he is used to, and cheek by jowl with them, many things utterly different.


Holland Hunter

This reminds me of the story about a Soviet visitor to this country. He was explaining about the difference between the two systems, and said: "Under capitalism, man exploits man. But with us, it's just exactly the other way around!"

In this confusing situation, the great problem is somehow to get an accurate perspective. I shall try this afternoon to select a series of facts and impressions making up an intelligible pattern. We need a pattern in order to permit some estimate of trends at work and prospects for the future. This is only one man's interpretation. Others are clearly possible, and mine may be seriously incomplete.

People of Russia

My title at least has the virtue of being orderly. Taking the terms in order, let me begin with People. There are now some 206,000,000 Russians, compared to 173,000,000 in the United States. Their population is about 20% larger than ours. They are increasing at the rate of 1.7 per year, and this is about the same as our rate of increase. The Russians themselves are not sure exactly how many people they have. There will be a census in 1959 to get more exact information. Nevertheless, it is clear that this is a large population, roughly of our dimensions—not like China or India, of course, but much bigger than that of any one European country.

The USSR contains quite a mixture of races. The largest groups are Slavs, but there are also various Turkic Moslems and several Asian groups. The talents of the Russian people have already been amply demonstrated. Consider, for example, the fields of music and mathematics. Both before and since the Revolution, it is easy to think of Russians who have made large contributions. More broadly, one can say that in literature and the arts, as well as in the various physical sciences, Russian and Soviet contributions have been appreciable. There has been a pronounced blight in many fields during the last two or three decades; I am merely arguing that the talent is there when it is not suppressed.

When one talks about a people, it is tempting to describe their national character. I regard this notion as a dubious concept. Some pretty foolish things have been written about the great Russian character, as about other "national characters." Perhaps there is some meaning, however, in discussing the cultural heritage that a people has. These cultural heritages do differ from one country to another. And people do have an image of themselves, defining a type they suppose themselves to reflect. This national myth will in fact cover an enormous amount of individual variation, but perhaps it does motivate individuals in a noticeable way.

The Russian image is supposed to be that of a person subject to wide swings of energy and lassitude, of confidence and despair, of love and hate. Some, like the late Yale geographer, Professor Huntington, have linked this with the short growing season that demanded enormous exertions, and the long winter that enforced sustained idleness on the Russian people for many centuries. Others have linked the traits with an old Russian practice of swaddling babies for the first nine months or so, with occasional unwrappings to let the baby move.

This untrammeled alternation of mood is supposed to have led the Russian people to recognize a need for authority over them, a need for some sort of restraint from above. And within himself, the Russian has a deep emotional life, struggling to control his moods. More recently, Soviet psychologists and educators have developed a model called "The New Soviet Man." Here the emphasis shifts to willpower, to a disciplined character who controls himself rationally and who devotes himself wholeheartedly to the national cause.

Now as I say, the whole concept of national character is a fragile one, and I am sure we could find large numbers of individual Russians utterly unlike either the old or the new model type. Nevertheless, for what it is worth, this is roughly what is usually said about the Russian people.

Less Space Than Realized

Let me turn now to the next term in my title, namely, "Space." The first point to be made is that the Russians have a great deal less usable space than they claim. You must all have encountered the phrase, "Socialist Sixth of the Earth." It's true that the USSR covers one-sixth of the land area on this planet, but since the country is so far north, about half the territory is of very little use. The Black Sea, at the bottom of European Russia, is in the same latitude as our Great Lakes. This means that the Ukraine is more or less analogous to Saskatchewan, and is by no means comparable to, let's say Iowa. You should think of Canada instead, and include northern Canada, too. Huge parts of the USSR are far removed from any ocean, and therefore suffer the extremes of heat and cold that go along with "continentality." In the southern parts of the country, where the growing season is sufficiently long for good agriculture, there is a marked dearth of rainfall. What this all comes down to is that the vast Russian space actually provides a quite precarious food base for over 200 million people. This is not to say that starvation stares them in the face, but it is to suggest that the USSR has precious little in the way of Elysian Fields. In fact, one can feel some compassion for a people dependent on such niggardly agricultural resources.

Discounts Natural Resources

If we turn to the matter of natural resources for industry, I would suggest another discount applicable to the usual Soviet publicity. You know how promoters are in talking about mineral wealth all over the world — Canadian gold mine promoters and South American tin promoters have their counterparts in the USSR, where grandiose claims about mineral wealth have been voiced for many decades. Obviously in this vast territory, a good part of which is mountainous, large absolute amounts of "stuff" can be uncovered. Unfortunately the rich deposits are typically widely separated from each other. This means that it is expensive to bring them together for man's use. The availability of natural resources is usually thought of in terms of amounts. This is wrong. They should be thought of in terms of costs. That is, a whole series of amounts is available, at gradually increasing real costs. For example, we won't literally run out of iron ore when our Mesabi deposits are used up; we will merely shift to less rich and higher cost deposits.

If Russian raw material supplies are examined from this point of view, it turns out that their supplies of really rich deposits are distinctly finite, and in fact that some of the best are already nearing exhaustion. Plenty more is left, but it will not always be easy to obtain and use these additional supplies.

Another problem in evaluating Soviet discussion of the potentialities of their space can be called the problem of "budet." This means in Russian — "it will be." Again, like the rest of us, the Russians have a tendency to describe a glowing future as though it were already present. There is great psychological satisfaction in this. Sometimes it seems as though Russian writers, or Russian people when you talk to them, do not distinguish sufficiently clearly between what "will be" and what actually exists. Somehow these things that "will be" have a way of receding steadily into the future. I don't mean to sound cruelly cynical toward this Russian trait. After five, or ten, or twenty years, many grandiose projects have actually been completed. And this will continue to occur. But it is necessary for an outside observer to keep in mind that what is actually on hand is a good deal smaller than what is described in Soviet literature.

Basis of Soviet Power

If these are some basic characteristics of the Russian people, and of Soviet space, how do they interest to produce Soviet power? Basically, it seems to me, Soviet power arises from applying modern technology to these people in this space. Over the last forty years, the Bolshevik regime has made giant steps in educating the people and persuading them to work hard toward increasing Soviet power. A skilled industrial labor force has been created, and a competent managerial corps has been developed. This is very valuable human capital, embodying the know-how that has accumulated in the West and assimilated (and in some respects improved up) in the USSR. Modern technology is also embodied in the large stock of capital plant and equipment that has been painfully erected in the USSR since 1928. By our standards, the capital stock is highly distorted—impressive if one counts the number of lathes, but pitifully inadequate if one looks at the urban housing stock or at things like the number of toilets. Nevertheless, the people and the space have been transformed sufficiently by the industrialization process so that in any relevant sense of the word, the USSR now has great "power."

But how is technology related to the space limitations?

Here, the geographic impact of recent technological advances seems to me to deserve great emphasis. Notice, for example, that the Diesel engine, and electric power, are far better than the steam engine for use in northern climates. It is obvious that Canada and Alaska have been spurting ahead in the last 10 or 20 years, and this is not an accident. If you take an Olympian view of man's history over the last five or 10 thousand years, you will notice that technological progress has slowly permitted man to live effectively farther and farther north. The process is evidently by no means completed. It is certainly a boon for the Russian people.

In the USSR, for various geographic reasons, to go East is in effect to go north. Until recently, the Russians essentially were huddled in the wooded and prairie areas of European Russia. Modern technology is now permitting them to spread northward and eastward into what was previously more or less unusable territory. It is hard to evaluate the prospects for this eastward movement. We have many accounts giving vivid descriptions of the horrors of life in corrective labor camps in Siberia. The first stages of pioneer development are terribly rigorous. However, when dwellings have been established, transportation links provided, and other civilizing facilities made available, then northern life becomes bearable. I suppose people differ on this — my grandfather was born in Saskatchewan and therefore perhaps I am more impressed by the beauties of northern life than others are, though of course Saskatchewan is a far cry from, say, Hudson's Bay. The relative considerations, though, is not whether you and I would be happy in Siberia, but whether a sufficiently large number of Russians will live there voluntarily and cheerfully. I think perhaps they will.

Transportation Effectively Used

Let me turn now to another aspect of using space. The Bolsheviks have evolved a distinctly new way of meeting their transportation problems. They inherited the basis skeleton of a railroad network, together with one good river and one useful sea. Westerners have almost always thought that Soviet transportation facilities were grossly inadequate and that this was an Achilles' heel of the whole system. In fact it is not, as was demonstrated during World War II.

The point is that England and the United States have a lavish system of railroads, built before the automobile appeared on the scene. Starting from scratch, we would never reproduce these systems today. We are, and have been for 40 years, overbuilt with respect to our railroad facilities. Hence we are accustomed to using these facilities very lightly. By our standards, Soviet railroads are terribly overloaded.

Now a heavily loaded railroad, from many points of view, is a joy to operate. Railroad transportation is very cheap indeed when facilities are used to full capacity. The Russians got in a jam for about three years during the early 1930's, but since then they have made very effective use of their facilities and kept transportation from hampering their growth.

If we turn our attention to water transportation, I should confess immediately that I have a jaundiced view, different from that of most geographers, including my friend, Professor Kish. The great difficulty in the USSR is that Soviet rivers and seas are handicapped by long periods of freezing. Shippers simply don't like to use water carriers. I once read a heart-rending story in the Russian railroad newspaper by a traffic official who complained that Soviet shippers had "hydrophobia." He explained in considerable detail why the shippers and receivers of freight did not like to be dependent on river or sea carriers if they could use the railroads instead. Soviet officials are far more sanguine than I about the prospects for growing water transportation, but when they tried to persuade me during some interviews I had last year, I could only parry with the Russian proverb, "We will live, and we will see."

The sharpest present contrast between Soviet and American transportation is that we have a huge amount of automobile and truck transportation, based on an enormous investment in highways, while the Russians are at the very beginning of this development. The big pull in the U. S. came from people who wanted to ride around in passenger cars. Trucks then crept onto these highways, and intercity truck transportation arose as a by-product. In the USSR, as you may guess, no similar pull from the consumer's side has been present over the last 30 years. It will be many decades before the USSR has what we would consider an adequate system of paved highways.

As for air travel, I can be very brief through referring you to an excellent article by Professor Kish in the latest issue of the "Geographical Review." Air travel is burgeoning. I commend the article to you.

Offers Tentative Conclusions

Perhaps it would be well now to propose a few tentative conclusions and then duck. First of all, I would suggest that resource problems will not limit Soviet industrial growth in the foreseeable future. It is true that, as I argued earlier, some costs will rise as poorer or more distant supplies have to be drawn on. However, this tendency is offset by improvements in technology that make it possible to obtain resources more cheaply or use new resources as substitutes.

Thus my guess is that technological progress and hard work will enable the USSR to extend its domestic industrial resource base without facing prohibitive barriers. By contrast, however, in view of the shaky food base, I think it would be logical for the USSR to import food from places with longer growing seasons and more adequate supplies of water.

*From a talk by Prof. Hunter concluding session of Program of Russian Studies and Soviet Affairs, University of Michigan, Ann Arbor, Mich.

So far, the Russians have been unwilling to become dependent on outside sources of supply for anything. But it would be mutually beneficial for the USSR and other members of the Soviet bloc, at least, to trade — with manufactured products going from the USSR to countries than can supply cheap agricultural products in exchange.

Another conclusion about the way Soviet space will be used can be put this way: the eastward movement in the USSR is not likely to produce fundamental shifts overnight. So far it has been proceeding very slowly. The Second World War gave a considerable eastward push to the economy, but postwar recovery pulled it westward, and between 1950 and 1955, industrial output rose more rapidly in European Russia than in the east.

I mention this because Soviet writers are very misleading on this point, and many outside observers follow them incautiously. A pamphlet used in a summer survey course, for example, has some really purple prose on the eastward movement. Launching big projects in the wilderness, starting from scratch, is certainly spectacular, but actually most of the industrial expansion has been in well-settled territory. European Russia still accounts for almost exactly three-quarters of the population and three-quarters of the industrial output.

What about the space around the USSR? The border areas of China, Afghanistan, and Iran are only beginning to be touched by the process of industrialization. They may be flourishing and highly productive areas a hundred years from now, but even then they are not likely to be major economic centers. Look at our Rocky Mountain and high-plains areas—fine places, of course, but not dense regions of population and industrial activity. Most of the territory from Turkey to Manchuria along the Soviet frontier is pretty forbidding country — though I understand there are supposed to be some fertile and pleasant districts in Sinkiang in Western China. A new railroad being built through there will certainly open up vast new regions. I can't help thinking, though, that in the next 10 or 20 years most of the talk here will run in terms of "will be."

The broadest issue growing out of this set of problems has to do with the use to which Soviet power is put. Massive economic power has resulted from bringing modern technology to bear on these people, in this space, and this power is in the hands of a one-Party dictatorship. We are all vividly conscious of the outward thrust of this power, and understandably nervous. I don't think we're satisfied yet that we fully understand its sources. What gives the leadership its Messianic sense of mission? I don't think the underlying people have any very overwhelming urge to reorganize life in other countries, any more than we do. My own conviction is that the Russian people themselves are fine.

People's Enthusiastic Acquiescence

But somehow they seem to acquiese in the leadership's drive —more than that, they work enthusiastically for the regime's ends. It is precisely because Russian people find their system producing tangible results at home — and because there is no other channel for having a useful career — that the Russians put their talents at the service of the Kremlin.

Yet in doing so they further the spread of a fundamentally unsatisfactory kind of society. This suggests one final question — a question we haven't thought about enough yet. Not enough people are even asking it. The question is whether anything Americans say or do can contribute to a reduction in the outward thrust of the top Soviet leadership. It is not enough to have a nuclear stalemate. The positive problem now is to seek a way to "calm the Kremlin down." Perhaps there is nothing we can do from here. But as we speak and act in the next few years, I would think this was a good criterion to use in testing our policies. If we see this clearly as our objective, perhaps the people, space, and power of the USSR can be made to yield a positive contribution for all mankind.

Coast Exchange Member

Admission of David A. Davidson, President of Gibson Associates, Inc., of Great Falls, Montana, to membership in Pacific Coast Stock Exchange through its Los Angeles Division, was announced by Frank E. Naley, Exchange Chairman. Gibson Associates, Inc., organized in 1935, also holds membership in the Chicago Board of Trade and the Salt Lake Stock Exchange.

New Racine Office

RACINE, Wis. — To serve investors in the Racine area more fully, The Milwaukee Company, has opened a permanent office in Racine, at 310 Fifth Street.

William F. Rayne, who has been associated several years as a registered securities representative with the investment firm, will be in charge.

Thomson & McKinnon Will Move Offices

After 33 years in one location at 11 Wall Street, Thomson & McKinnon, one of the nation's leading brokers in securities and commodities, is moving its executive offices to the ultra-modern 30-story building now under construction on the site of the famous old Produce Exchange, just off Historic Bowling Green at 2 Broadway, New York City.

A long term lease for 35,000 square feet on the 13th floor was negotiated by A. J. Peters of Cushman & Wakefield, Inc.

From its conception in Indianapolis, back in 1885, Thomson & McKinnon has grown until it now serves the investor through a streamlined wire network of 46 offices in the U. S. and Canada.

The new headquarters will feature every conceivable, modern innovation to promote efficiency, comfort and convenience for customers and employees.

Included will be the latest teleregister quotation board, electronic connections to all 46 branches and automatic intercom-systems. The building will be scientifically air-conditioned and the offices, all on the one floor, will feature the very latest in business decor and equipment.

Ralph M. Reitz

Ralph M. Reitz passed away suddenly Sept. 1 at the age of 48. He had been associated with Berry & Co., New York City.

Assets of Non-Insured Pension Funds

Study by Cleveland bank calls attention to decided shift to common stocks in fast growing non-insured pension funds. Reveals, also, shift to corporate bonds, decline in U. S. bonds, and overall rate of return of 3.84%.

According to the August monthly "Business Bulletin" of continued to grow in 1957. This type of institutional fund, the continue to grow in 1957. This type of institutional fund, the "Bulletin" points out, has had a remarkable expansion during the past several years.

"Utilizing data contained in the latest annual survey by the Securities and Exchange Commission, released in June, the Cleveland Trust's analysis states, "assets of non-insured pension funds totaled $19.3 billion (book value) at the end of 1957. This was nearly three times as large as in 1951. The SEC study does not cover insured funds, which had reserves of about $14 billion at the close of 1957."

Data in the table below furnish a picture "of assets broken down by classes of investment. (Other assets' include mortgages, cash and deposits, and miscellaneous.) Over the entire period, all types except Government securities showed gains. The largest additions were in the holdings of corporation bonds, with common stocks in second place.

"If expressed as a percent of the total, a different picture emerges for the various kinds of investments. Changes in the distribution of assets, both in dollars and in proportionate shares, are given below for 1951 and 1957.

Assets of Non-Insured Pension Funds Book Value, End of Year

	1951 Amount (Million $)	1951 Percent of Total	1957 Amount (Million $)	1957 Percent of Total
U. S. Govt. securities	$2,170	31.6%	$2,032	10.5%
Corporate bonds	3,125	45.4	10,392	53.8
Preferred stocks	272	4.0	611	3.2
Common stocks	812	11.8	4,770	24.7
Cash and deposits	291	4.2	368	1.9
Other assets	206	3.0	1,146	5.9
Total	$6,876	100.0%	$19,319	100.0%

Shift to Stocks and Private Bonds

"As revealed by the percentage columns in the table, common stocks accounted for 24.7% of all holdings in 1957 at book value (or 30% at market value). This compares with 11.8% in 1951. Each of the past seven years has recorded a large excess of common stock purchases over sales with the respective 1957 figures being $1,186 million as against 208 million. The share of corporate bonds has also advanced considerably since 1951, while that of Government securities has dropped sharply. No great change has occurred in the other groups. Investments in mortgages are not shown separately because figures are not available prior to 1955. They have grown substantially since then, but still represent less than 2% of the total.

Overall Return 3.84 Per Cent

"Receipts of all funds were $3,322 million in 1957. About two-thirds of that sum consisted of employer contributions, and most of the remainder was interest and dividend income and employee contributions. Benefits paid out amounted to $628 million, and expenses were $12 million, leaving net receipts of $2,682 million. The overall rate of return on income was 3.84%."

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Extra banking hours will be provided by **The First National City Bank of New York** at seven of its New York City branches in early September to measure customer need for this additional convenience.

Effective Sept. 2, four branches will open at 8:30 a.m. each business day. They are Lexington Avenue and 42nd Street, Park Avenue and 46th Street, 96th Street and Broadway, and 52 Wall Street, all in Manhattan.

Commencing Sept. 5, the branch at Roosevelt Avenue and 81st Street, Queens, will open each Friday night from 5:30 to 7:30. Starting Sept. 8, the branch at Jamaica Avenue and 218th Street, Queens Village, will open each Monday night from 6:00 to 8:00. Also commencing Sept. 8, the branch at Clinton and Myrtle Avenues in Brooklyn will be open each Monday night from 5:30 to 7:30.

Arthur C. Thompson, 54, a Vice-President of the **Hanover Bank in New York**, died Aug. 28. Mr. Thompson joined Hanover in 1928 as a credit investigator. At the time of his death he was a loan officer as well as a Vice-President.

* * *

John J. Cunliffe, 53, a Vice-President of the **Chemical Corn Exchange Bank, New York**, died Aug. 31. Mr. Cunliffe joined the Chemical in 1925. He was a Vice-President of the **Chemical Bank and Trust Company, N. Y.**, when it was merged with the **Corn Exchange Bank** in 1954.

* * *

William T. Vance has been promoted from Assistant Vice-President to Vice-President of the **Lafayette National Bank of Brooklyn, N. Y.**

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Industrial Bank of Utica, Utica, N. Y., filed an application for permission to use the title **Bank of Utica** in connection with proposed conversion into a State Bank.

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By the sale of new stock, the common capital stock of **Rockland National Bank, Suffern, New York** was increased from $1,170,000 to $1,316,250, effective Aug. 19, (Number of shares outstanding 131,625 shares, par value $10.)

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President Edward L. Clifford of the **Worcester County Trust Co., Worcester, Mass.** announced that Mr. Richard K. Davis was elected a Vice-President at a regular meeting of the bank's board of directors.

He will begin his duties in the bank's Trust Department on September 2.

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The Hackensack Trust Company, Hackensack, N. J., has received approval from the New Jersey State Superintendent of Banks to open a branch office in the Fairmount section of Hackensack, Brice A. Eldridge, President, announced. The branch, which will include drive-up facilities, will be opened for business toward the end of this year.

* * *

The passage of a substantial check from the hands of Mary G. Roebling, President and Board Chairman of **Trenton Trust Co., Trenton, N. J.** to those of Garrett S. Boetsma, President of **Prospect National Bank, Trenton, N. J.** finalized the joining of these two Trenton financial institutions. The assumption of new management for the Prospect office of Trenton Trust Co. took place at the close of banking hours Aug. 29.

There will be no changes of personnel in the new Prospect office, according to Mrs. Roebling. Mr. Boetsma, recently named a Vice-President and to the directorate of Trenton Trust, will head an advisory committee of ten members of Prospect, one of whom will be Abram W. Lewis, also recently named a director and Vice-President of Trenton Trust.

The other members of the Prospect advisory committee will be: William Abbotts, George A. Berrell, Herbert W. Bohl, George Breafleck, Jr., James J. Eppolito, Harry G. Mather, John S. Quimby, and Joseph L. Strong.

With the addition of Boetsma and Lewis, the present panel of Trenton Trust directors includes Mrs. Roebling, Bruce Bedford, Harry J. Bodine, Alan W. Bowers, Dr. John G. Connor; William C. Ehret, J. Conner French, I. D. Gindhart, Charles M. Jones, H. Sinclair Kerr, M. J. McHugh, Jr., Edward D. Parsons, Samuel Swern, and Hudson T. Winner.

As of Sept. 1, the officers' panel at Trenton Trust will include the following: Chairman of the Board and President, Mary G. Roebling; Senior Vice-President, Alan W. Bowers; Vice-President and Secretary, Carlisle R. Whitlock; Vice-President and Trust Officer, W. Harry Bloor; Garrett S. Boetsma, Frank Bowers, Abram W. Lewis, Francis A. Schuchardt, James T. Sutphen and Robert D. Vandenbergh, Vice-Presidents.

The Treasurer is Norman Woolley. Assistant Vice-Presidents George A. Berrell, Elmer L. Carty, Thomas Maddock, Lewis K. Thorn, Jr.; Assistant Treasurers, Cecil W. Kilby, Jr., E. W. Leonard, and Foster H. Van Ness, Jr.; Assistant Treasurers and Assistant Secretaries, Paul F. Cooley, Raymond W. Eades, Leon H. Hill, John W. Logan, Lewis M. Parker, and Watson M. Stokes; Assistant Secretaries, Harry W. Kraft, Edith W. Smith, and Addie P. Solomon.

The Assistant Trust Officer and Assistant Secretary is Roderic C. Bazzel; Assistant Trust Officer, Mary L. Higgins; Comptroller, J. Morris Blackford; and Auditor, John A. Hoyer.

* * *

Merger certificate was issued approving and making effective, as of the close of business Aug. 15, the merger of **The National Bank of Cockeysville, Cockeysville, Md.** with common stock of $100,000, into **Fidelity - Baltimore National Bank, Baltimore, Md.** with common stock of $3,600,000. The merger was effected under the charter and title of Fidelity-Baltimore National Bank.

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Robertson Griswold, Vice-President of the **Maryland Trust Company, Baltimore, Md.** died Aug. 29. He was 74 years old. Mr. Griswold joined Maryland Trust in 1920 as a Vice-President. He had planned to retire at the end of the year.

* * *

Howard W. Fenton, former President and Board Chairman of the **Harris National Bank and Trust Company of Chicago, Ill.**, died Aug. 29 at the age of 80.

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Harold L. Jenkins has been elected a Vice-President of **Traders National Bank, Kansas City, Mo.**

Continued from first page

As We See It

one candidate and another. There is in our mind, however, no doubt at all that there is good cause for uneasiness, and that these matters that are said to be much in the mind of members of Congress are only a few of the current conditions which need treatment far different from any that have been proposed by any of the influential political leaders of the day. The most serious of all causes for uneasiness is, to our mind, found in the all but total lack of understanding in Congress — and presumably among the people themselves—over what, basically, we must do to save ourselves. This, so it seems to us, was very definitely a New Dealish Congress. Little or no disposition was to be seen in either party running counter to the tenets of Franklin Roosevelt and his heirs. The protests of the Administration, so far as there were any that bear on this phase of the matter, had only to do with the speed in which we seemed to be going in the direction of economic madness.

The Sorry Record

Take a look at the record. Extended inquiries by Congressional committees disclosed almost incredible corruption in the conduct of several of the country's labor unions. It is obvious that workers are being bespoiled right and left of rights and privileges they have, or thought they had, paid for in pension and welfare schemes —to say nothing of abuses in connection with the financial management of ordinary union funds. When comparable misbehavior, real and imagined, occurred in the business world in years past, the securities acts, the public utilities acts, and other measures going much further than was necessary to cure the ills complained of (so far as they were real) were rushed to the statute books. What did this Congress do about all this mess in the field of organized labor? Nothing at all but a milk and water requirement that certain vague documents be filed half disclosing and half revealing what goes on!

No investigation, Congressional or other, was needed to render it plain as a pikestaff that one of the major causes of the persistent rise in prices and the cost of living was and is to be found in the misuse of the monopolistic position the unions occupy by the grace of the national lawmakers. Prices are threatening to move still higher, and the unions are still striking or threatening to strike against individual employers who may not under the law combine to protect themselves in the manner open to the unions and used by them regularly. A corresponding situation in the business world in the nineteenth century produced the Sherman anti-trust law, and much less "violations" added other anti-monopoly acts after the turn of this century. But Congress—this Congress—remained utterly indifferent to the labor union monopoly. Neither party, nor any influential political group, even suggested any drastic action of the sort so badly needed.

The Administration and some of the saner elements in Congress staved off movements toward pre-election extremism in the form of agricultural legislation. A final bill was passed which tempered somewhat the New Deal and the Fair Deal policies and programs. That is about all that can be said for it. No one even thought of suggesting that agriculture in this country be required to stand on its own feet as most other types of business are expected to do. The only division in Congress concerned the question whether mild amelioration of past folly or something very much worse would be adopted. What is imperatively needed, of course, is an end to all farm subsidy and other special treatment at the earliest feasible moment. This year was certainly not too early to make at least a beginning.

$12 Billion Deficits

All sorts of wild schemes for massive spending by the Government and for curtailment of tax collections were at one time pressed upon Congress by fervent New Dealers. To its credit, or perhaps better said, to the credit of its leaders, the more extreme and dangerous of these were rejected. But let it not be forgotten that what Congress did do and what the President signed into law has the authorities talking about $12 billion deficits—and let no one suppose that what this Congress did in the way of housing, agricultural and other legislation will affect only this or the next fiscal year. At best it will be years before the mischief of this sort done this year can be expected to disappear from the financial reports of the Federal Government. Such fiscal recklessness at any time prior to Franklin Roosevelt would have been almost universally viewed with horror. The President protested here and there, but without much effect. Meanwhile the recession in whose name these financial sins were committed seems to be curing itself long before anything that Congress did could take effect.

There is no need to labor the point further. The most distressing aspect of it all is the fact that both political parties appear to expect to gain support from the voters on account of the "cooperation" they developed in taking such steps as these. Neither seems to have the most remote idea that their standing may be hurt by reason of the fact that they did not even start on the vast amount of work that needs to be done in getting our economy and our social system back on the basis upon which it flourished for a century or more prior to the appearance of the New Deal. And we are obliged to admit that there is little apparent prospect that their political judgment will prove defective this autumn.

Continued from first page

Bond Investment Climate

ment and fiscal policy as well. Such flexible response to the gyrations of our market system have established a fascinating, if precarious, climate in which to make investment decisions.

U. S. Government securities generally have been more responsive than other rates to changes and expected changes in economic activity and in monetary and fiscal policy. Treasury Bills, for example, have fluctuated over a range of more than three percentage points in recent years. Longer term rates have had smaller yield fluctuations but their price changes and consequent effect on portfolio values have been equally dramatic. Private money market rates as well as yields in the longer term capital markets have tended to move — usually after some lag—with government rates. Today's investment climate cannot be understood or appreciated unless some perspective is obtained by looking back at the increasing flexibility in money and capital markets that has occurred in recent years.

Review of Interest Rate Developments

Interest rates, after a decade of relative stability, showed a gradual upward trend in the early 1950s reaching a peak in mid-1953. During the relatively mild 1953-54 recession, credit demands from both business and consumers declined. Commercial banks expanded their investments in government securities as monetary authorities eased bank reserve positions. Easier money was accompanied by a sharp downward move in short term rates to a low point in mid-1954. At that time, the Federal Reserve discount rate stood at 1.50% and Treasury Bills moved down to 5/8%. As banks reached out for longer government maturities to improve earnings in the face of a loan decline, and as the Treasury supplied no long bonds to the market, intermediate and long term government security prices rose. Yields on these issues also reached their low in mid-1954.

Rates on government securities began to increase in the fall of 1954 as business recovery occurred. The improvement in the economy gathered momentum and all interest rates followed the lead of governments, rising rapidly through 1955 and 1956 and on into the fall of 1957. By early 1956, most rates were above their earlier 1953 peaks. Increasing demands for credit and capital in the expanding economy exerted the greatest pressure on short term interest rates. These rates which had declined most sharply in 1953-54 advanced most sharply in the business upswing. Long term rates lagged until 1956 and 1957 when the need to finance the huge expenditures for plant and equipment pressed on the supply of investment funds.

Pattern of Yields

During the fall of 1957, interest rates pushed to new peaks, much above 1953 levels. The relationship of short- and long-term yields on government assumed a pattern not seen for many years with short and intermediate rates higher than those on long bonds. Demand for funds was strong in all maturity areas but especially in intermediate term markets where the U. S. Treasury concentrated its new cash and refunding issues and where banks were selling bonds to get funds for loans. In October of last year, yields in intermediate governments pushed to all-time highs just under 4%. Yields on long bonds rose to around 3¾% — about the high levels of the late 1920s. The advance in yields, unprecedented in recent history, reflected in general an economy operating near full capacity and more specifically unprecedented demands on the money and capital markets to finance record business outlays for plant and equipment. This large demand for loanable funds tended to outrun the supply of savings and bank credit over the period. Other factors adding to pressures toward higher interest rates were frequent and sizable trips to the market by the U. S. Treasury due to excessive short-term debt and an inadequate surplus in the budget, plus a Federal Reserve policy of restraint on bank credit expansion over the 1955 to late 1957 period.

As business activity slowed and as monetary restraint was gradually relaxed in the last quarter of 1957, market interest rates responded dramatically. The decline in interest rates from mid-November when the discount rate was reduced into early 1958 was both more abrupt and more marked than the 1953-54 decline. In fact, looking back through our financial history it is difficult to find a period when interest rates dropped as rapidly and as far. Long-term rates dropped about as much as in 1953-54 but did this in a two-month period in contrast to the long, gradual 1953-54 move. After their abrupt decline in the last quarter of 1957, long-term rates showed little change in the first half of 1958. Short Treasury rates, however, not only plunged in the last quarter of 1957 but continued to fall during 1958 until the Treasury Bill rate reached the 5/8% area in May — a decline from above the 3⅝% level last October. This precipitate drop reflected a general rush for liquidity which was aided by easier money and credit conditions and also by an aggressive Treasury debt funding program which reduced the supply of short-term paper.

The failure of the long rate to fall further in 1958, while disturbing to many observers, largely reflected a continuing heavy demand for new capital despite the business downturn. Corporate and state and local demand for funds in the first half of 1958 exceeded such demands for the same period in 1957 despite the expectation month after month that "next month" such demands would surely fall off. In addition, Secretary of the Treasury, Anderson, seized every opportunity to lengthen the debt which added materially to the supply of long-term bonds.

The disparity in the movement of market interest rates of varying maturities from the very high peak levels of last fall resulted in an extraordinary wide differential between long and short rates—much greater than that of the 1953-54 recession. Last fall at the peak of interest rates, yields on long governments as compared with such short-term paper as Treasury Bills, commercial paper, and bankers' acceptances were roughly at the same levels. By May of this year, the differential between long bonds and Treasury Bills had widened to over 2½ percentage points. This development was also characteristic of municipal and corporate markets. Thus not only must the investor operate in a climate of sharp fluctuations in all interest rates but one in which the various sectors of the market shift rapidly with respect to one another.

Current Rate Developments

It was against this background of widely fluctuating rates over a five-year period that investment markets entered the recent crucial period in the summer of 1958. The current period demonstrates the importance of another factor in the shaping of investment decisions-expectations. Despite the existence of a relatively depressed economy and easy money conditions, security markets began a reversal in June that in rapidity and severity carried beyond any other such reaction in the memories of even the most seasoned observers. The basis of this move was not so much the climate existing in either the economy or in monetary and credit policy. Rather it was the expectation that a broad-based economic upturn was in the offing and that this time the Federal Reserve would be quick to resist any inflationary pressure. Expectational factors played an ever more proximate role in the recent reaction both through the development and subsequent liquidation of a large speculative interest in government bonds and through the anticipated impact on the economy and the Federal Budget of international tension in the Middle East.

Within a few months time, security prices dropped and yields on longer maturities moved back toward their 1957 peaks. In a few weeks time, some of the longer government bonds dropped over 10 points in price. Yields on long term bonds which had fluctuated around 3.15%, climbed to around 3¾%. Short-term rates resisted the upward movement initially as investors, seeking a safe haven for funds, kept available funds close to shore while waiting out the adjustment. Long rates moved sharply higher in June and July but at the end of July Treasury Bills were still trading under 1%. Then during August, short rates reacted sharply to Federal Reserve tightening moves and the Bill rate moved above 2% following the increase in the discount rate.

Rate Fluctuations and Governmental Policy

This chronicle of interest rate developments over past years and especially over recent weeks reveals precipitous moves which have been sufficiently disruptive to money and capital markets to cause not only support of the government market through the usual operations of Treasury investment accounts but also extraordinary support by the Federal Reserve. The unfortunate support operations of the latter thus overthrew Federal Reserve operating techniques that had been developed and functioned well over a five-year period.

Downward pressure on the security markets began in mid-June in connection with the Treasury's June financing operation. Over the preceding half year, takers of new Treasury issues had found the after-market favorable for handsome profits in new issues. This expectation continued to prevail for the June financing. The economy was still in recession, credit policy was easy and it was reasoned that the securities market should be good for at least one more profitable turn on the new issues. The Treasury's long-term offering, the 3¼s of 1985, was limited to $1 billion which resulted in a shift of the speculative interest to the next longest offering—the 2⅝s of 1965. Announcement that over $7 billion had been exchanged into this issue and only $1.8 billion into the short 11-month alternative revealed the breathtaking size of the speculative interest.

Treasury Support

Expectation of a quick profit evaporated in following days as some of the new 2⅝s were dumped by temporary holders. Concurrently, improvement in the near term outlook for business appeared quickly along with a growing expectation that credit policy would also tighten rapidly—the later based on earlier statements regarding the Federal Reserve course of action in the event of a business upturn. Even at this stage in late June, the market was regarded as sufficiently unsettled to require massive Federal Reserve and Treasury support. Federal Reserve supports was orthodox, however, involving open market purchases of Treasury Bills to provide reserves which were only partially absorbed by other reserve factors. As a result, the unborrowed reserves of the banking system rose and the money market eased. The Treasury also made substantial purchases—mostly the new 2⅝% issue. Treasury action at this point was more of an emergency nature than Federal Reserve activities. In an effort to aid the government market the Treasury announced the size of its support activities—purchases of nearly $600 million of the new issue—as well as noting that nearly half billion of the 2⅝s purchased had been retired. It also took pains to announce that its imminent cash needs would be met only by new short term issues, hoping this would give confidence to the intermediate and longer markets.

Despite these efforts, longer issues continued to move sharply lower as the flow of business news day by day pointed to a quick reversal of the economic downturn. Discouraging news from the Middle East compounded bond market pressures. Investors as well as speculators continued to sell or at least remain on the sidelines and not buy in the declining market. Any reinvestment or new funds stayed largely in the short area. Apparently many funds sought refuge from inflation by turning to the stock market.

Federal Reserve Support

In the Federal Reserve's eyes, the U. S. Government securities market had deteriorated to a disorderly state. On July 18 it was announced that the manager of the open market account had been instructed "to purchase government securities in addition to short term securities." The System had departed from the short market and purchased when-issued securities only once before in connection with the Treasury financing in November 1955. On that occasion some $200 million of when-issued certificates were purchased. The departure last month was much more massive involving purchases in excess of $1 billion of the 1¼% when-issued certificates plus some other longer term issues. The bulk of the System's operations were aimed directly at support of the new Treasury issue in direct contrast to the policy adopted in 1953 to refrain from such activities during periods of Treasury financing.

Only slight and temporary recovery occurred in the bond market following Federal Reserve intervention. Support worked no better this time than it had in the past. Some 30% of the holders of maturing issues took cash rather than the new issue. Another 10% of the maturing bonds were sold to the Federal Reserve. On top of market problems, the Federal Reserve had poured huge sums into the market at a time when there were signs of a business turnaround which made such massive additions to the money supply undesirable. Thus late in July the Federal Reserve found itself in a dilemma: its operations had increased excess bank reserves much above the desired amount and eased the money and credit markets appreciably; its purchases in excess of $1 billion to support the Treasury would pour further funds into the market on Aug. 1. In addition, the Treasury would pay out almost a billion dollars on Aug. 1 and about $1.9 billion on Sept. 15 to those who had elected to take cash rather than the new issue on the financing. Federal Reserve intervention in the long market also left the expectation in some quarters that it would continue to support prices in this maturity range for some time. Meanwhile, the patient that had been the recipient of these many administrations of aid still looked very sick. The government market and other capital markets continued the prolonged downward price move.

Business news, especially price and production developments, became increasingly bullish. The turn toward recovery seemed to be moving much beyond most earlier expectations. In the face of this broad economic trend, the Federal Reserve was resolute in its action to resolve the dilemma. It moved with great dispatch to absorb the billion or more of excess money it had created. In the week ended Aug. 6 it withdrew quickly from the support of the long market and sold Treasury Bills aggressively to absorb funds from the banking system. The interlude of support thus must be regarded as a short-lived experiment to correct a so-called disorderly market condition. The treatment failed and probably led to even more market trouble as those who expected support were disappointed.

Signs of disorder continued to appear from time to time in early August as the long market lost additional ground. Shorter maturities also joined the upward movement in rates with yields on Treasury Bills jumping by over 100 basis points within a few days time. Signs of a long overdue technical rally finally appeared on Aug. 12 and 13 with some issues registering price gains of nearly two points in these two days. The rally was short-lived. The market declined further following the announcement of an increase in the discount rate to 2% on Aug. 14. Market reaction to this signal of credit restriction has been moderate, however, with markets now nervously awaiting signs of further tightening by the Federal Reserve through its open market operations.

Current Outlook

The current investment climate is thus one highly conditioned by the past few turbulent summer months. It also is conditioned by the experience of the past few years which have seen greater rate flexibility — indeed, larger price and rate gyrations than in any other period of our recent financial history. These developments, especially those of the past few weeks, make for a very difficult atmosphere in which to assess the current status of money and capital markets, let alone possible future developments.

One must be impressed by the extent and rapidity of the recent unprecedented decline in long-term bond prices. A logical question is whether or not this move has been overdone and if some prolonged reaction is possible. There are some indications of this possibility. The long term bond price decline was unique in that yields on longer bonds reacted so much more quickly and markedly than short term rates. Also they reacted at a time when many competent observers thought we were at the lowest point reached so far in the recession. They reacted at a time when Federal Reserve policy appeared to be one of ease.

Much of the explanation surrounds the aforementioned expectational factors, of course, but many observers query if the move has not been overdone and if the business pickup has not been overanticipated. In view of almost daily new evidence of mounting business confidence and of the increasing pervasity of inflation psychology, and of more evidence of a shift in money and credit policy toward tighter money, it is nevertheless difficult to become bullish on the long bond market.

It is even more difficult to become bullish on short rates which have begun to react but which are vulnerable in view of the expected trend of Federal Reserve policy, assuming that open market Bill sales are utilized, and the necessity of the Treasury to resort heavily to short term maturities in its large, fall financing program.

Treasury Financing Problems

Looking for just a moment at the Treasury's problem in the coming months makes one feel he had slipped back a complete year. After only a brief interlude of recession, the problem again seems to be one of refunding sizable maturities at increasing rates plus financing a sizable cash deficit under generally unfavorable market conditions. The current outlook provides another sad commentary on the state of our fiscal affairs as we approach what could be a potentially dangerous inflationary period with the prospect of a budget deficit of $12 billion or more for the current fiscal year—much larger than the actual deficit of about $3 billion for fiscal 1958. A year ago we also were in a period of rising interest rates with a general lack of demand for government bonds. This lack of demand was aggravated from time to time as newly offered Treasury securities fell to a discount shortly after issuance. One result of these conditions was the postponement by the Treasury of its debt lengthening program and efforts to place the debt outside the banking system. It was necessary to resort excessively to shorter term issues to handle the pressing Treasury requirements.

And now, here we go again. Investors are shying away from Treasuries. New issues become book losses almost as soon as the books are closed. For the Fall, market commentary again refers to the necessity of financing through commercial banks with the Federal Reserve supplying the requisite reserves. All this despite its inflationary implications for the period ahead. This prospect should make us all realize the importance of a sound overall fiscal climate within which the Treasury can carry out its debt management activities. This means a budget more than balanced with an adequate cash surplus to retire debt during prosperous times. Not only does the success of debt management rest in part on a proper budget position, but also the success of Federal Reserve action to meet the basic overall needs of the economy is closely tied to the government's budget position.

In order to finance this year's deficit, the Treasury has already borrowed $3.5 billion through tax anticipation securities. It will probably be necessary to go to the market for a similar amount of cash in October. At this time it is difficult to say what additional year-end cash needs may be, but in December the Treasury also has maturities of over $12 billion to refund. The Federal Reserve holds $8 billion of these issues so the amount to be refunded with the public will not be as large as the recent massive refinancing operations. If the economy is on an upward tilt at that time, however, the refunding and cash borrowing will be difficult.

This kind of a situation will make it hard to accomplish further extension of the debt. In the past year the Treasury has issued a substantial volume of intermediate and longer term issues. At times, due to their size and timing and the accompanying unprecedented speculation, the program has caused problems in the market. But fortunately the authorities have been willing to take steps to meet the increasingly difficult and pressing problems of lengthening and spacing debt maturities in an attempt to avoid a series of crisis refundings resulting from frequent trips to the market for almost unmanageable amounts of funds. Now, perhaps some new bold approach to debt management is called for. This might take the form of the recent Canadian move which offered attractive long term issues in exchange for a substantial portion of their total public debt now in the form of short and intermediate maturities. Alternatively, some plan for regularizing and standardizing offerings of long term bonds might be used. For example, a small amount of long term issues could be offered each year on a regular basis regardless of existing economic conditions.

Federal Reserve Problems

The prospects mentioned for this Fall contain far-reaching implications not only for the Treasury but also for Federal Reserve policy. Reserves must be furnished to meet the Treasury's requirements and to meet at least the seasonal and growth needs of the economy. The crux of the problem for the Federal Reserve, and thus for money and capital market participants, involves just how many reserves will be placed in the market. If we are facing inflationary pressures, how strongly will the Federal Reserve resist the demand for funds and how reluctantly will reserves be supplied?

The scene again appears familiar in terms of the needs of the economy over coming months. In the Fall of 1954 similar needs for reserves existed and were met in part by a reduction in reserve requirements. Could not reserve needs this Fall be filled in a similar manner? Fractional reductions in requirements earlier this year revealed the scalpel-like precision with which this supposedly blunt instrument could be applied when skillfully manipulated and timed. The small reductions tied in precisely with the like-sized money market needs and, smoothed over by open market operations, provided a classical example of a central bank functioning at its best. With the Federal Reserve apparently willing to adapt its policy instruments to new or different approaches—witness the last two uses of the discount rate change as a signal to the economy—this Fall seems to present such an opportunity to monetary authorities. This could be done to meet both short and long range policy goals. The objection might be raised that lower reserve requirements would be inconsistent if credit policy were moving toward restraint. However, the market has become so much more understanding of Federal Reserve techniques that this objection no longer seems valid. What is important, of course, is the overall posture of Federal Reserve policy at any particular time.

Conclusion

Looking back it seems that some general conclusions are apparent. In the first place, Federal Reserve pegging operations did not work either in the late 40s and early 50s or last month. The latter attempt revealed once again not only the technical difficulties of such support operations but also the disruptive aspects of such action in the workings and psychology of securities markets. Secondly, Treasury support did not work. In addition to immediate market difficulties that arise, such action provokes more fundamental objections in that it clouds the proper spheres of responsibility for monetary policy. Support actions by the Treasury can preempt a part of the Federal Reserves' sphere of responsibility. In addition, such Treasury action raises serious questions for the future over potential abuse of this power.

Finally, and more specifically to the individual investor such as yourselves, it seems axiomatic that investment policy in years to come must be readily flexible, even fluid in its outlook. This observation follows from looking back at a five-year period of pronounced flexibility both in credit and monetary policy and in the movements of interest rates and then observing the current and usual uncertainty about the state of the economy. For many investors such flexibility can be achieved by maintaining a high degree of portfolio liquidity and a conservative, balanced investment program. Short governments provide this liquidity and flexibility in the portfolios of those not able or unwilling to anticipate swings through which the money and capital markets will go in the years ahead. The recent swings certainly should have provided an object lesson to all institutional investors: managements' first responsibility is to engage in the institutions' primary line of lending activity and not to engage in speculative flyers in the debt of the United States Government.

Norbert McKenna Pres. Intercontinental Fin.

Announcement is made that Norbert A. McKenna, formerly a general partner of Reynolds & Co., has become President of Intercontinental Financial Corporation, 120 Broadway, New York City. Intercontinental Financial Corporation specializes in overseas finance with particular emphasis on Latin America.

With L. F. Rothschild

L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announced that T. Kevin Kelly is now associated with the firm in the Institutional Sales Department.

With Kenneth B. Stucker

(Special to The Financial Chronicle)

MIAMI SHORES, Fla. — Robert M. Kane is now connected with Kenneth B. Stucker Investment Securities, 9822 Northeast Second Avenue.

Now With Grimm & Co.

(Special to The Financial Chronicle)

ORLANDO, Fla. — Bernard L. Voss is now affiliated with Grimm & Co., 33 East Robinson Avenue. He was formerly with Johnson and Geisler.

Continued from page 3

Keynes on Speculation And the Stock Market

went to excessive lengths. Hindsight is always clearer than foresight; and Keynes seems to be preening himself on how much better his hindsight of 1936 is than the foresight of the speculative community of 1929. But was Keynes sure enough of his ground *in early 1929* to sound a clarion warning, or to sell short and make a killing (and incidentally confer a social benefit by helping to mitigate excessive optimism)? Apparently not; but he explains that there were certain difficulties. Before we go into his further rhetoric, however, it may be advisable here to make a simple point. Whenever men are allowed liberty, and freedom of choice, they will make mistakes. Liberty is not a guarantee of omniscience. But neither are the mistakes of free men a valid excuse to take away their liberty, and impose government controls in its stead, on the ground that all wisdom and disinterestedness resides in the people who are going to do the controlling.

Seasonal Influence

I have pointed out before that Keynes disdains to offer serious statistical evidence for statements that could easily be proved or disproved by available statistics. For example: "Day-to-day fluctuations in the profits of existing investments, which are obviously of an ephemeral and non-significant character, tend to have an altogether excessive, and even absurd, influence on the market. It is said, for example, that the shares of American companies which manufacture ice tend to sell at a higher price in summer when their profits are seasonably high than in winter when no one wants ice. The recurrence of a bank-holiday may raise the market valuation of the British railway system by several million pounds" (pp. 153-154).

Let us take these statements as they occur. Contrary to Keynes's first assertion, what nearly always surprises daily market commentators and outside observers is how *little* attention the market usually pays to non-significant day-to-day fluctuations in profits. A strike in the steel industry may be front-page news in every newspaper in the country, but shares of steel companies may not go down at all, or only by a tiny fraction. On the day that the strike is *settled*, however, and the whole country is breathing an audible sigh of relief, the steel stocks may go *down*. This is always ridiculed in letters to the editor as "illogical"; but it may happen because, though operations are being resumed, the higher wage-cost involved in the settlement may be regarded as threatening a reduction of profits *in the long-term*.

Notice how Keynes's second assertion above begins. "It is said." Is such hearsay Keynes's notion of evidence? Apparently it is; for he offers nothing else. In these days of electric refrigerators, his illustration of ice-manufacturing companies may seem obsolescent; but I have succeeded in digging up two American ice companies, and I print in Appendix A the high, low and average prices for each of the 25 years from 1932 to 1956, inclusive, compared with the high, low and average prices of the same shares in the mid-summer period July-August, as registered on the New York Stock Exchange. In the final column the July-August average is presented as a percentage of the January-February average.

What do these comparisons show? They show that the shares of the American Ice Co. averaged higher in summer than in winter in 14 of these 25 years, but actually averaged lower in summer than in winter for nine of them. The shares of City Products Co. (formerly City Ice & Fuel Co.) averaged higher in summer than in winter in 12 of those years, but lower in summer than in winter for nine of them. Out of 50 cases, in short, the shares of these companies sold higher in summer than in winter only 26 times—about as often as a penny might come heads instead of tails in 50 throws.

The results here, it may be said, are inconclusive because summer ice companies were usually also in the winter fuel business. This is true; but it merely emphasizes the frivolous and apocryphal nature of Keynes's undocumented illustration.

Keynes's third assertion, about bank-holidays, lends itself more easily to statistical verification or disproof. In Appendix B I present a table comparing the closing bid-an-asked prices of the Southern Railway Company's deferred ordinary shares on two specific days out of every year for the 25 years from 1923 to 1947, inclusive. The Southern Railway Co. has been chosen because it was one of the "Four Main Line Railway Companies" and did not have dividends falling due in August. The 25 years from 1923 to 1947 were chosen because amalgamation of the British Railways took effect as from the first of January, 1922, when the "Four Main Line Railways Companies" came into being, and because nationalization of the principal railway undertakings was effected on the first of January, 1948, when they were vested in the British Transport Commission and shareholders received compensation by way of a fixed interest stock (guaranteed as to principal and interest by the British Treasury), and its market prices were not therefore influenced by earnings.

Now the most famous English Bank Holiday (which bears that specific name) is the one that falls on the first Monday in August. This is the one most likely to show the effect of Bank Holidays on the quotations of British Railways. Therefore the table in Appendix B compares the closing bid-and-asked prices of Southern Railway shares on the last business day in February (chosen as being furthest away from the August Bank Holiday and also reasonably away from the Christmas-New Year holidays) with the closing bid-and-asked prices on the first business day after the August Bank Holiday.

And what do the results show? Comparing the price on each of the two days, we find that in only seven of the twenty-five years was the price of these railway shares higher on the day after the August Bank Holiday than on the last day of February, whereas in 18 of the 25 years it was actually *lower* right after the August Bank Holiday.* From Keynes's point of view this is simply rotten luck. On the mere law of averages, assuming that the Bank Holiday didn't affect the value of railway shares one way or the other, Southern Railway shares should have been higher at Bank Holiday time about as often as they were lower. I attach no significance to the fact that the result turns out to be exactly the reverse of that of Keynes's unsupported statement. But the actual comparison is a good lesson against making sarcastic jabs at the expense of the speculative community on the basis of unconfirmed and, as it may turn out, quite false information.

***Though the figures are not shown in Appendix B, I found that the results were exactly the same if the day chosen for comparison was the last business day *before* the August Bank Holiday.**

The Attack on Professional Speculators

Keynes next attacks professional speculators: "they are concerned," he writes, "not with what an investment is really worth to a man who buys it 'for keeps,' but with what the market will value it at, under the influence of mass psychology, three months or a year hence" (p. 155). And this behavior is an "inevitable result" of the mere freedom to buy and sell securities: "For it is not sensible to pay 25 for an investment of which you believe the prospective yield to justify a value of 30, if you also believe that the market will value it at 20 three months hence" (p. 155).

Such reasoning on the part of a professional speculator is of course *possible*, but it is fantastic to regard it as *usual*. It assumes a speculator saying to himself something like this: "I know from my own sources of information that this stock I can buy now for 25 is really worth 30, on the basis of what it is going to earn; but I have a hunch that some apparently bad news is going to break within the next few months, and though *I* know that this will not adversely affect the *real* value of this stock, other people, who constitute the *majority* (in their ability to determine the value of stocks) will be foolish enough to be influenced by this news, and therefore they will push the quotation of this stock down to 20, even though *more* people by that time will know as I do that the stock is *really* worth 30 on the basis of yield," etc., etc., etc.

The Mental Somersault-ers

It is a byword in Wall Street that people who turn this number of mental somersaults to arrive at a conclusion quickly go broke. Contrary to what Keynes supposes, it is the speculators who try to figure what the real future values of stocks are going to be who are most likely to come out best in the long run. Many seasoned speculators got out of the market in 1928, for the sound reason that stocks were selling too high in relation to existing or likely earnings. Then, seeing the market still going up, some of them decided to jump in again, on the assumption that "the others" were not only crazy, but could be safely counted upon to go still crazier. It was the speculators who threw away their own sensible calculations, in a cynical effort to beat the mob psychology, who got caught.

Anticipating Crowd Behavior

But Keynes is firmly convinced of the opposite: "Investment based on genuine long-term expectation is so difficult today as to be scarcely practicable. He who attempts it must surely lead much more laborious days and run greater risks than he who tries to guess better than the crowd how the crowd will behave" (p. 157). Keynes apparently believes this precisely because it is so implausible. "It is the long-term investor, he who most promotes the public interest, who will in practice come in for most criticism, wherever investment funds are managed by committees or boards or banks. . . . If he is successful, that will only confirm the general belief in his rashness; and if in the short run he is unsuccessful, which is very likely, he will not receive much mercy" (pp. 157-158).

To one who, like the present writer, spent many years writing daily on the stock market for New York newspapers, the foregoing sounds suspiciously familiar. It sounds like a man who once gave investment advice that turned out to be wrong, and who is looking for an alibi. It is the system that made the mistake, not he. The stock he recommended should in all logic have gone up to 108, even though it never did. . . . But such suspicions are unworthy, and I shall return to the merits of the argument.

Gambling, Speculation, Enterprise

What is it that Keynes is trying to prove? He is trying to prove that "liquidity" is wicked; that the freedom of people to buy and sell securities in accordance with their own judgment ought not be allowed; and that their money ought to be taken from them and "invested" by bureaucrats, omniscient and beneficent by definition:

"Of the maxims of orthodox finance none, surely, is more antisocial than the fetish of liquidity, the doctrine that it is a positive virtue on the part of investment institutions to concentrate their resources upon the holding of 'liquid' securities. It forgets that there is no such thing as liquidity of investment for the community as a whole" (p. 155).

It is true that there is no such thing as liquidity of investment for the community as a whole. (But only if this means the *world* community. The British, for example, can relieve a crisis by selling their American shares. Any individual country can sell or buy gold or dollars, etc.) But even if we grant that there is no such thing as liquidity of investment for the world considered as one big community, this does not mean that "liquidity" cannot still be of considerable advantage to individual countries, individual cities, individual corporations, or individual persons—and *therefore* of advantage to the community as a whole.

On the same kind of reasoning as he used in this instance, Keynes could have argued that fire insurance is worthless because *someone* must bear the loss of the fire. It is true that someone must bear the loss; but the whole purpose of insurance is to distribute and diffuse the loss. And this is what "liquidity" also serves to do. It is easy to see how much good can come, and it is difficult to see how much harm can come, from allowing an individual to sell his securities to others. Others are not forced to buy them. They buy them only at a price that they regard as advantageous to themselves; and they may turn out to be better judges than the seller.

"Beating the Gun"

This is why there is no point to Keynes's complaint that: "The actual, private object of the most skilled investment today is 'to beat the gun,' as the Americans so well express it, to outwit the crowd, and to pass the bad, or depreciating, half-crown to the other fellow" (p. 155). This is a peculiarly unfortunate image for Keynes, the advocate of government spending, deficit financing and inflation, to have used. For if the half-crown is depreciating, it is depreciating because the politicians are printing too much money, and if the half-crown can be passed on, despite the other fellow's unwillingness to take it, it is because the politicians have made it legal tender. Keynes forgets that what he is describing is not merely the purpose of stock-market speculation, but the purpose of enterprise as well. For the enterprises who make the greatest profits will be the minority who first and best anticipate the wants of consumers, who, if Keynes wishes to put it that way, "beat the gun" as compared with the majority of their competitors.

Keynes once derided economists who worried about results "in the long run." "In the long run," he said cynically, "we are all dead." It is amusing to find the same man complaining here that long-run considerations are minimized because "human nature desires quick results, there is a peculiar zest in making money quickly, and remoter gains are discounted by the average man at a very high rate" (p. 157). But for Keynes, *any* stick was apparently good enough to beat the capitalist system with.

In attacking "speculation" in Wall Street, Keynes forgets that *all* enterprise, *all* human activity, inextricably involves speculation, for the simple reason that the future is never certain, never completely revealed to us. Who is a greater speculator than the farmer? He must speculate on the fertility of the acreage he rents or buys; on the amount of distribution of rainfall over the coming crop season; on the amount of pests and blight; on the final size of his crop; on the best day to sow and the best day to harvest and his ability to get help on those days. And finally he must speculate on what the price of his crop is going to be when he markets it (or at what day or price to sell for future delivery). And even in deciding how much acreage to plant to wheat or corn or peanuts, he must guess what *other* farmers are going to plant, and how much they are going to harvest. It is one speculation after another. And he and every enterpriser in *every* line must act in relation to some guess regarding the actions of other enterprisers.

When all this is kept in mind, Keynes's attack on "speculation" begins to look pretty silly. His contrast between "speculation" and "enterprise" is false. If he is merely attacking *bad* speculation, then it is bad by definition. But intelligent speculations, as economists and market analysts have pointed out over and over, mitigates fluctuations, broadens markets, and increases production of the types of goods that consumers are most likely to want. Intelligent speculation is an indispensable and inherent part of intelligent production.

But Keynes deplores human freedom; he seems to deplore practically all the financial progress of the last two centuries: "Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes a bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done. The measure of success attained by Wall Street, regarded as an institution of which the proper social purpose is to direct new investment into the most profitable channels in terms of future yield, cannot be claimed as one of the outstanding triumphs of *laissez-faire* capitalism" (p. 159).

Speculation and Gambling

This tirade, which treats speculation as merely a synonym for gambling, reflects the prejudices of the man in the street. The difference between gambling and speculation is clear: in gambling the risks are arbitrarily invented or created; in speculation the risks *already exist*, and *somebody* has to bear them.

In gambling one man wins $1,000 and another loses it, depending on whether a ball falls into an odd or even number on a roulette wheel or on which horse comes in first on a race track. But the wheel could be spun and the race could be run without the betting, without either losses or gains. The world would probably be richer rather than poorer if gambling casinos and race tarcks did not exist at all.

But it is not so with the great organized exchanges, either for commodities or for securities. If these did not exist, the farmer who raises wheat would have to speculate on the future price of wheat. But as they do exist, the farmer who does not wish to assume this risk can hedge by selling wheat now for future delivery, so passing the risk on to a professional speculator. Similarly, a corporation manager who knows how to make air-conditioners, but does not wish personally to assume all the financial risks involved from the vicissitudes of competition and of changing market conditions for air-conditioners, may offer stock on the market and let investors and professional speculators assume those financial risks. Thus each job is done by a specialist in that job, and is therefore likely to be better done than if either the producer or the speculator tried to do both jobs.

The market, consisting of human beings, unable to foresee the future with certainty, will make mistakes — and some of them in retrospect will look like incredible mistakes. Yet Wall Street, notwithstanding its academic and political detractors, *can* be claimed as one of the outstanding triumphs of *laissez-faire* capitalism. The results speak for themselves. The United States has achieved the greatest volume of investment, the greatest capitalistic development, the greatest volume of production, the greatest economy of man-power, the highest standard of living that the world has ever known. And it has been able to do this in an important degree precisely *because* of the help rendered by the marvelous financial organization centered in Wall Street and not in spite of it. Surely it should have struck Keynes and his followers as worthy of notice that the country with the greatest "gambling casinos" and the greatest "liquidity" was also the country with the world's greatest capital development!

Transactions Transfer Tax

But Keynes carries his hostility to freedom to the pont where he suggests "the introduction of a substantial Government transfer tax on all transactions" as "the most serviceable reform available". (p. 160). Continuing, he declares: "The spectacle of modern investment markets has sometimes moved me towards the conclusion that to make the purchase of an investment permanent and indissoluble, like marriage, except by reason of death or other grave cause, might be a useful remedy for our contemporary evils" (p. 160), He draws back from this totalitarian suggestion for a moment, only to work himself up again: "So long as it is open to the individual to employ his wealth in hoarding or lending *money*, the alternative of purchasing actual capital assets cannot be rendered sufficiently attractive" (p. 160). "The only radical cure for the crises of confidence . . . would be to allow the individual *no choice* (my italics) between consuming his income and ordering the production of (a) specific capital-asset" (p. 161). For people don't know what they are doing anyway. "Most, probably, of our decisions to do something positive . . . can only be taken as a result of animal spirits —of a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities. Enterprise only pretends to itself to be mainly actuated by the statements in its own prospectus" (pp. 161-162). Free private investment depends upon "the nerves and hysteria and even the digestions" of private investors (p. 162), on "whim or sentiment or chance" (p. 163).

And what is all this leading up to? The denouncement comes in the final paragraph of the chapter: "For my own part I am now somewhat sceptical of the success of a merely monetary policy directed towards influencing the rate of interest. I expect to see the State, which is in a position to calculate the marginal efficiency of capital-goods on long views and on the basis of the general social advantage, taking an ever greater responsibility for directly organizing investment" (p 164).

Bureaucratized Investing

So there you have it. The people who have earned money are too short-sighted, hysterical, rapacious and idiotic to be trusted to invest it themselves. The money must be seized from them by the politicians, who will invest it with almost perfect foresight and complete disinterestedness (as illustrated, for example, by the economic planners of Soviet Russia). For people who are risking their own money will of course risk it foolishly and recklessly, whereas politicians and bureaucrats who are risking *other* people's money will do so only with the greatest care and after long and profound study. Naturally the businessmen who have earned money have shown that they have no foresight; but the politicians who haven't earned the money will exhibit almost perfect foresight. The businessmen who are seeking to make cheaper and better than than their competitors the goods that consumers wish, and whose success depends upon the degree to which they satisfy consumers, will of course have no concern for "the general social advantage"; but the politicians who keep themselves in power by conciliating pressure groups will of course have *only* concern for "the general social advantage." They will not dissipate the money for crop supports that keep submarginal farmers in business and submarginal acreage in cultivation, or to build showy dams and hydro-electric plants that cannot pay their way but can swing votes in the districts where they are built; or to set up Reconstruction Finance Corporations or Small Business Administrations to make loans to projects in which nobody will risk his own money. There will never be even a hint of bribery, or corruption, or the gift of a mink coat to a minor official by the beneficiary of the loan. . . .

This is the glorious vista that Keynes unveils. *This* is "the new economics."

L. L. Fane Branch

CARTERET, N. J.—L. L. Fane & Co. has opened a branch office at 104 Washington Avenue under the management of David Lasner.

First Idaho Branch

NAMPA, Idaho — First Idaho Corporation has opened an office at 122 Twelfth Avenue South under the direction of William H. Moad.

Watling, Lerchen Office

BIRMINGHAM, Mich.—Watling, Lerchen & Co. has opened a branch office in the Creson Building under the management of Wayne M. Spade.

L. R. Austin Opens

BILLINGS, Mont.—Lawrence R. Austin is engaging in a securities business from offices at 2331 Spruce Street.

Forms C. A. Benson Co.

PITTSBURGH, Pa.—C. A. Benson and Co., Inc., has been formed with offices in the Empire Building to engage in a securities business. Carl A. Benson is a principal.

Murray Honored by Columbia University

The establishment of a new professional chair, the S. Sloan Colt Professorship of Banking and Finance, and the appointment of Dr. Roger F. Murray to the chair, were announced by Dr. Courtney C. Brown, dean of the Graduate School of Business of Columbia University.

Roger F. Murray

Many successful businessmen have contemplated teaching assignments as the capstone of their careers. Usually the gap proves to be too wide to jump, but not so for Dr. Murray. The sequence of events that led to his appointment is unusual in the academic world. Following his graduation from Yale and early in his business career, Dr. Murray began a long and arduous evening program of study for the Ph.D. degree at New York University. Recognition of achievement came early. When Dr. Murray resigned as a Vice-President of the Bankers Trust Company three years ago to accept an appointment as associate dean of the Graduate School of Business, he left a high office that he had held for a decade. His responsibility at the School included working with the curriculum, with the doctoral program and with the Faculty.

During the past academic year a Faculty Selection Committee was appointed by Dean Brown to search the nation and nominate a replacement for a forthcoming retirement in the field of finance. Dr. Murray's name was presented to the dean as the first choice of the Committee and an appointment of professorial rank was made by the Trustees of the University.

Meanwhile, officers of the Bankers Trust Company, studying alternative ways to expand their program of support for higher education, were considering the establishment of a professorial chair in the field of banking and finance. When Columbia disclosed Dr. Murray's appointment as a professor in the Graduate School of Business, it was decided to place the chair in that institution. Dr. Murray has now been assigned by the University as the incumbent. The Bank has named the chair to honor Mr. S. Sloan Colt, who, until his retirement last September, had been its chief executive officer throughout the past 25 eventful years.

During the forthcoming academic year, Professor Murray will divide his time between a research project on "The Impact of Public and Private Pension Systems on Savings and Investment" undertaken for the National Bureau of Economic Research, and continuing supervision of the major curriculum revision now under way in the Graduate School of Business of Columbia University.

Unified Underwriters

INDIANAPOLIS, Ind.—Unified Underwriters, Inc. has been formed with offices in the Guaranty Building to engage in a securities business. Beryl E. Hicks is a principal.

Now First Mutual

The firm name of N. C. E. Shares Distributor, New York City, has been changed to First Mutual Securities of America, Inc. Offices are now located at 630 Third Avenue.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The pressure continues on the money market as the monetary authorities go about their work of tightening money and credit in a rather piecemeal fashion. These small doses of credit restraint seem to indicate that they are still going to be cautious in their movements, in spite of all the talk of inflation and the return of boom times in business which is expected to intensify the wage-price spiral. Because credit is being made less plentiful, and the cost of obtaining it is also going up, there is less attraction among investors for Government securities. This in spite of the fact that yields on some of these securities are now at levels that are attracting a bit more long-term money. Short-term rates appear to be the bellwethers of the money market and the sharp uptrend in these yields will be sure to bring about higher Central Bank rates.

Higher Yields Attract Long-Term Investors

Government securities continue to drift lower in a market which at times appears to be disorderly and on what is termed very light volume. It is evident that the money tightening operation of the powers that be is not going to do the market for fixed income bearing obligations any good. Nonetheless, not a few money market specialists are of the opinion that prices of bonds are going down to levels where more than a passing amount of attention will be received from long-term investors.

The more the money market is restricted, and this means that money and credit will also cost more, then this competition must be met by not only Government securities, but also corporates and tax free obligations.

To be sure the restrictive action so far has been slow, gradual and deliberate, which shows that there must be some concern in the minds of the monetary authorities about the business pattern and what it might do in the future. If the inflation angle and a quick return of the boom conditions were as prominent in the minds of the money managers as some would have people believe, it appears as though the restrictive action in the money market would be of a much more drastic nature.

Stock Market Overdone on Up Side?

Although there is not very much in the way of bullishness in the Government market because of the increase in yields and the decline in quotations, there has been a fair amount of scale down buying going on. This averaging down operation does not have too large a following because many money market specialists would rather pay somewhat higher prices and be sure that the turn had been made, rather than making purchases and having quotations continue to slip down to new low levels. The fact that yields in Government securities are at levels that make them more attractive than a great many equities is causing some money market followers to look with the good eye at these issues. As a result, some commitments are being made at these prices, even though they are not very large so far. It is having a minor cushioning effect on quotations, but it will not halt the price decline abruptly.

Nonetheless, the feeling that the bond market is being overdone on the downside and the stock market is being overdone on the upside could be one of the first signs that the market for Government obligations may be in the process of working out a bottom. However, it should be borne in mind that the extent of the restrictive monetary policy will dictate the time it takes Governments to work out a positive bottom formation.

Interest Centers on New Treasury Financing

More attention is being given now to the new money raising venture of the Treasury, the terms and the amount of which should be made public in the not distant future. The Treasury is not going to be flush with funds until money is borrowed, because on Sept. 15, $1,900,000,000 will have to be paid out to meet the maturities of the 2¼ and 2⅜s which were not exchanged for new securities in the recent refunding. Income tax payment will bring in some money, but substantial funds will be needed to meet the deficit of the Government. To be sure, some funds could be raised by increasing the weekly offering of Treasury bills to $200,000,000. This would only be of token proportions since the Government will have to raise several billion in the next few months, and a big chunk of it will be obtained in the next couple of weeks.

E. A. Sheslow V.-P. Of Ernest Smith & Co.

Everett A. Sheslow, member of the American Stock Exchange, has been elected a Vice-President of Ernest Smith & Co., Inc., 29 Broadway, New York City, members of the American Stock Exchange.

Joins Winslow, Cohu

Hunter B. Grant, Jr. has joined the staff of Winslow, Cohu & Stetson, 26 Broadway, New York City, members of the New York Stock Exchange.

Hirsch Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla. — John R. Sharp is now connected with Hirsch & Co., 238 South County Road. He was previously with Sincere & Company.

With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Mrs. Violette O'Gara is now with Francis I. du Pont & Co., 723 East Green Street. Mrs. O'Gara was previously with Dempsey-Tegeler & Co. and J. Logan & Co.

Two With Leo MacLaughlin

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Ejay Shepard and Philip D. Terrill have become connected with Leo G. MacLaughlin Securities Company, 65 South Euclid Avenue.

With Burton, Dana

WASHINGTON, D. C.—William E. Lawler has become associated with Burton, Dana & Co., 1001 Connecticut Avenue, N. W., as registered representative.

Public Utility Securities

By OWEN ELY

Puget Sound Power & Light Co.

Puget Sound Power & Light serves electricity to a population of about 735,000 in the western section of the state of Washington. Over half of its customers live outside of incorporated cities and towns, and the largest city had a 1950 population of about 34,000. Major activities in the area are lumbering, diversified farming, fruit growing, dairying, manufacturing, commercial fishing, shipping, and national defense.

Only 11% of Puget's revenues are obtained from industrial customers, so that it is little affected by industrial recessions. Thus despite cutbacks in aluminum, lumber, etc. in the Pacific Northwest, the company's revenues in the first half of 1958 showed a gain of 5% over last year. Major industries in the area include the building of airplanes, ships, freight cars, trucks, and logging equipment, the manufacture of pulp, paper and other wood products, chemicals, light metals, steel and iron products, cement, and the processing of food products. Two large oil refineries served by a pipeline from Canada are in operation and a third is being completed currently.

Recent industrial developments included the introduction of natural gas, plants for the production of folding cartons and formaldehyde, and Boeing, at Renton where the "Model 707" commercial jet transports are being built. Additional facilities for manufacture of sulphuric acid and electronic control equipment for airplanes and missiles are planned. An abundant fresh water supply, together with tidewater location, gives the area a fine opportunity to secure new industry. To accelerate this the company in 1957 established an Area Development Department, with "Fact Manuals" prepared by Arthur D. Little, Inc., giving comprehensive information regarding the nine counties served and naming the industries which should have the greatest potential in the area.

One reason for the high proportion of residential revenues (57% last year) is the large consumption, which last year increased 6% to 7,642 kwh, nearly two and a half times the national average. "All-electric" home customers use nearly 10,000 kwh, and if space heating were included the figure would rise to around 33,000 kw, it is estimated. Heavy domestic use is explained by the low average rate of 1.14¢ per kwh, compared with the national average around 2.55¢.

Low rates are explained by the large proportion of hydro power, produced and purchased, with only a small amount of steam power except under drought conditions. Last year the production cost of hydro power was less than a mill per kwh, although purchased hydro cost nearly two mills. On the other hand steam power is quite expensive since the standby plant's largest unit dates from 1929. In future, because of new sources of hydro power it seems unlikely that use of steam power will prove necessary. Based on median water conditions it is estimated that about 90% of 1958 power requirements will be available from the company's own hydro plants and the Chelan Public Utility District's Rock Island Project, with the balance obtained by purchase and interchange.

Population gains in the area have been impressive. During 1940-1955 population increased 74% or about three times as fast as the U. S. rate. An authoritative survey forecasts an increase of 60% in population for the service area during 1955-65 vs 16% for the country as a whole. Puget's average load growth in the past 25 years has been about 10% per annum.

Because of probable future limitations on use of Federal power from Bonneville due to the preference clause, Puget has stepped up its own development program and has also arranged for substantial future power from PUD developments, on a partnership basis. In 1957 construction cost nearly $29 million, largest amount in the company's history, over half being for the 158,000 kw hydro development on the Baker River, and the 22,000 kw enlargement of the Snoqualmie Falls Plant. About $30 million will be spent this year.

In order to replace Federal power in later years Puget has arranged to obtain 100,000 kw from the Priest Rapids project of Grant County PUD (scheduled for 1961 completion) and the Wanapum project. Still more important is the 346,000 kw (half the total capacity) to be obtained from the Rocky Reach Hydro Development being built by Chelan PUD, which last year sold $250 million bonds to complete the project by 1962.

The other half of the power will be taken by Aluminum Company of America and three utility companies. Purchase of power on a "service-at-cost" basis as set forth in these long-term contracts will provide Puget with a level of power costs which will be relatively constant.

Through its own new hydro plants and the substantial PUD projects Puget expects to have ample power to meet a projected peak demand of 1 million kilowatts around 1965 (last year's peak, depressed by warm weather, was 527,000kw).

Puget Sound P. & L. for many years conducted a running fight with the PUDs and was forced to sell several units of property to them, although it did so at a profit over original cost (using the money to retire senior obligations). In September last year the last of 13 condemnation cases against the company by PUDs and municipalities was dismissed. The company also renewed some of its long-term franchises. Formation of the Puget Sound Utilities Council, in which Puget Sound P. & L. is cooperating with the Seattle and Tacoma Municipal systems and some of the PUDs to develop new power projects, presumably brought about this change. The partnership approach, which is in line with Federal policy, has met with strong support from newspapers and magazines, public opinion surveys, etc.

Puget Sound P. & L. was recently quoted around 29 compared with a range this year of about 31½-27 and last year of 30½-20. The dividend rate, which has been raised in each of the past five years, is now $1.36 compared with earnings for the 12 months ended June 30 of $1.89. In view of the increase in earnings of 14¢ in the past 12 months, another rise in the dividend later this year would appear a reasonable expectation. The yield based on the current dividend is about 4.7% and the price-earnings ratio 15.3, which is about the general average.

While the steady increase in earnings of the past six years has perhaps been stimulated by use of accelerated depreciation (tax savings are not normalized), nevertheless the company would seem entitled to inclusion among the growth utilities. No dilution due to equity financing has been necessary in recent years because of property sales and the present equity ratio around 50% seems high enough to avoid a common stock issue for some time to come.

Continued from page 14

Automation's Impact on Capital

absorb the excess of current savings over that needed to provide for a larger population, and in addition, capital from other industries to cause this to happen. Also, some types of automation are capital saving, and other capital saving inventions and innovations normally occur constantly. Capital using automation would have to absorb this capital saving as well as current saving and capital from other industries to bring about the consequences described above.[4]

With a constant supply of labor, weekly marginal productivity over a four-year span seems likely to rise from $80 to $90 (1956 dollars). Of course, in a four-year period, the labor supply will rise by about $3 million. Despite the large rise in the marginal productivity curve, then, the marginal productivity of the actual labor supply will rise somewhat less, perhaps only to $85, because of the population increase.

Automation and Capital Requirements

The capital required to automate industry to the levels possible with available techniques amounts to a staggering sum. Electronic computers involving investments of a million dollars and more are common. Price tags on automatic grinders run $300,000, automatic machine production lines for electronic components cost $700,000 as against a $90,000 investment for conventional techniques, and transfer machines often cost $2 million and up. Over-all, the investment necessary to automate the manufacturing industry alone would run on the order of one-half trillion dollars.

Our net supply of savings in excess of that required to equip the numbers added each year to our growing work force will be on the order of $10 to $15 billion annually for the next few decades. If this entire amount were used to automate only the manufacturing industries (which constitute less than a fourth of all industry, measured by volume of employment), at least 30 years would pass before automation to the extent possible with present techniques would be complete.

Some of the capital will go for the modernization and automation of industries other than manufacturing. Automated railroad yards, for example, have been running between $5 and $34 million per yard. It is very improbable that manufacturing industries will achieve the level of automation envisioned as possible in less than half a century. Forecasts, put forward by some writers several years ago, of completely automatic factories displacing all others in ten years, are nonsensical.

When considering the amounts of capital required to build modern plants, it becomes obvious that the net investment required to modernize industry, assuming no population growth, will run in excess of $2 trillion. The 108 new paper mills which were put into operation in 1956 used $25,000 of plant and equipment per worker. Even these did not apply all the capital which would have been economic if more savings had been available. One of the mills, for example, used $36,000 per man and, as a consequence, was able to produce 17 pounds more paper per man-hour than the average for all 108 mills. As old mills are replaced, less than $5,000 per man will become available through depreciation and conversion of the capital embodied in old plant and equipment. This means that a net investment of at least $20,000 per man will be absorbed in the paper industry.

A modern steel plant uses $110,000 of capital per man as compared to a present average investment in plant and equipment of about $10,000 in the steel industry. Between 1952 and 1955, average investment per worker in electric power plants rose by $24,000. Half of the capacity now in place in the industry will be replaced in the next two decades which will result in a further rise in investment of at least $50,000 per employee. Adding up these requirements for all industry, the estimate of a two trillion dollar requirement for modernization appears modest.

In view of the slow pace at which savings are being accumulated and made available for this purpose, the demand for funds for modernization will be strong for many decades. The only apparent restrictions which seem likely are either an adverse movement in the tax structure or an over-pricing of labor to the point where it would absorb so much of the revenues from prospective investments that they are not worth undertaking.

Conclusions

The probable consequences of automation together with the usual amount of new investment and capital saving inventions and the expected population increase consist of the following:

(1) National income will increase in the next four years by about 15%.

(2) Wage rates will rise by about 8% (assuming they increase only to the extent compatible with maintenance of full employment), but wage income will rise by 12 to 13% (because of the 4% increase in labor supply).

(3) Wage payments will be a proportionately smaller share of national income.

(4) Returns per unit of capital will rise 5 or 10%. Total return to owners of capital (including the return to government from the share of capital's earnings confiscated through tax measures) will rise 20% (because of the larger supply of capital).

(5) Payments to those receiving the returns on capital (including the government) will become a proportionately larger share of the national income.

Automation will produce consequences whose order of magnitude is much smaller than those to which we have adjusted in the past. If any special measures are desired because of fears of automation, they should be shaped in the direction of making the economy more flexible and adaptable and toward increasing the rate of saving and investment. While the objectives of the guaranteed annual wage, which seems to be the United Auto Workers' method of meeting the threat of automation, are desirable, it is not the means which will accomplish the objective. Turning variable labor costs into fixed costs introduces additional rigidities into our economy rather than making it more flexible. Insofar as it introduces additional risks in saving and investing, it will reduce the rate of increase in capital which will be forthcoming at any given rate of return. This will slow the rate at which the marginal productivity of labor moves upward and, consequently, the rate at which we absorb the unemployed at any given wage level, or alternatively, the rate at which the wage level moves upward. Insofar as capital is actually consumed supporting laid off workers (the higher the level of unemployment compensation, measured as a percentage of take home pay, the longer people will remain unemployed), less capital is left to purchase equipment which will raise the marginal productivity of workers.

Although technological change (including automation) generally reduces the man-hour requirements for turning out a unit of product, it does not reduce total employment. If product demand is sufficiently elastic, reductions in costs and prices expand the rate of demand and increase employment despite reduced labor inputs per unit of product. If demand is inelastic, reduced prices do not expand the rate of demand sufficiently to maintain employment in the directly affected industries. But the reduced prices leave more income in people's hands. This makes it possible for them to buy more of other products. The displaced laborers are absorbed, then, in the industries to which people turn when they have more money left to spend. That is why manufacturing industries have expanded employment as farm labor requirements have dropped. If manufacturing employment drops because of automation, then education, research, entertainment, medical, and leisure time industries will expand as people turn their spending to the tertiary group.

Automation is different in its results only to the extent that it is turning machine operating labor into machine maintenance and machine tending labor. To the extent that this type of labor is less routine, more creative, it is tending to put interest back into jobs. Also, insofar as this type of labor requires more skill and judgment, and less muscle, it is likely to improve the demand for older workers in the long run and make displacement of them from other causes a less awkward problem.

Appendix

(A) **Technological displacement and technological unemployment.** It may seem paradoxical to admit that an increased rate of technological change may result in a larger number of employees losing their jobs each year, and yet argue that there is no such thing as technological unemployment (and that the number of jobs may even be increasing and unemployment decreasing because of technological change). The paradox can be explained in the following way:

In a normal year, the quit, lay-off, and discharge rate generally runs about four per 100 employees per month.[5] This means that, out of an employed work force of 50,000,000 wage and salary employees, about 25,000,000 will quit, be laid off, or discharged each year. If the average duration of unemployment before a new job is found, or the worker is recalled is one-eighth of a year, average volume of unemployment will be 3⅛ million.

Let us suppose that an acceleration of the rate of technological change causes an additional 2,000,000 workers to lose their jobs each year. (As was pointed out above, this is far larger than the actual number of workers likely to be displaced.) At the same

4 The effect of the innovations introduced during the late eighteenth and early nineteenth century seems to have been of this character: Average productivity rose rapidly during the industrial revolution, but marginal productivity (and wage rates) lagged. This was partly because of the capital using character of the innovations of the period and partly because of the rapid population increase. Fortunately, a very high rate of capital accumulation prevented marginal productivity from dropping.

5 *Economic Report of the President* (Washington: U. S. Government Printing Office, 1955), p. 159.

time, the acceleration of change will create a large number of new job openings producing new products, increasing production of products whose cost has decreased and whose demand is elastic, and increasing production of products whose demand expands because of income freed from the purchase of items whose cost has decreased and whose demand is inelastic. As a consequence of the greater frequency of job openings, the average duration of unemployment falls to, let us say, one-ninth of a year. Despite a rise in number of quits, layoffs, and discharges to 27,000,000 a year because of accelerated change, average unemployment will fall to 3 million from 3⅛ million. Displacement rates may increase, then, and unemployment simultaneously decrease because of technological change.

(B) **Capital and marginal productivity of labor.** In examining wage rates around the world, one is struck by the correlation of the quantity of capital used per worker and wage rates. In Brazil, for example, manufacturing wage rates are approximately $600 a year (for a 40-hour week) and capital used per manufacturing employee is around $1,700. In the United States, wage rates are around $4,000 a year and capital employed per manufacturing employee is about $13,000. Other countries show approximately the same sort of correlation. It seems that every extra $1,000 of capital adds about $300 a year to the wage income of workers under the circumstances of the technology practiced in today's world.

An extra $1,000 of capital adds about $430 to the net national income in the United States. Twenty dollars of this goes to local government (in real estate taxes), $50 to the Federal Government (corporate income tax), and $300 to wage earners. Those who save and invest the $1,000 get about $60 return in the form of interest, dividends, or rights to retained earnings. It seems that labor gets the lion's share of the extra income produced by extra capital.

(C) **Automation.** The effects of automation differ depending on the forces which bring it into being. Much of the automation we are getting is the simple consequence of a rising stock of capital. It is adaptation to changing circumstances rather than invention which brings this type about.

As capital increases, wage rates rise. As they rise, it pays the individual firm to shift to capital intensive techniques which were not previously economic. From the point of view of the firm, the wage rise makes the shift economic and forces it. From the point of view of the economy, it is the rise in the quantity of capital which makes it possible.[6]

Automation brought about in this way will not tilt the marginal productivity curve of labor in the manner discussed. . . . Under these conditions, either wage rates will increase or a larger number of jobs will become available, or a combination of these two effects will occur.

The second force which may operate to bring automation to an industry is technological change in other industries of a type which raises the marginal productivity of labor. As labor becomes more expensive, technological adaptation will be forced on other industries similar to that described above. . . . Instead, the effects of automation, or of the forces leading to automation, will be such that the whole curve will move upward.

An illustration of the influence of the combined forces of an increasing supply of capital and rising marginal productivity of labor in other industries is provided by the Fairless steel works. The tremendous quantity of capital invested per man would not be possible or economic in a society possessing less of this resource than our own. Nor could this investment be justified except on the basis of the high cost of labor (high marginal productivity in competing uses). As a matter of fact, the investment probably would not be economic at the wage rates prevailing at the time the plant was built. Only because labor rates were expected to rise 25% or more in the coming decade was it economic to use such large amounts of capital per worker at the time the plant was built.

The third force causing automation in an industry may be capital saving inventions applied in other industries which cause them to release capital. Its price will drop and cause firms to shift to automated methods of production for the same reasons as in the first case described in the appendix.

In this instance, the marginal productivity curve of labor will tilt . . . [and] wage rates or employment will rise. The proportionate share of national income going to labor will increase and that going to property owners will decrease.

The fourth force leading to automation may be new inventions directly applicable to this industry. New inventions may have any one of several effects. They may save only labor (in the technical coefficient sense).

New Inventions and Product Elasticity

How this affects the economy depends on several conditions. If the demand facing the industry is sufficiently elastic, its total labor requirements will increase. It will use a larger amount of capital in the aggregate. This means that under static assumptions it will absorb capital from other industries. The marginal productivity of labor in other industries will drop, which will be reflected back into this industry. Consequently, wage rates will drop or unemployment will occur, despite increased employment in this industry.

If it uses less labor than formerly, it may still use more capital. The consequences for wage rates or employment, under static assumptions, will be the same.

If it uses less of both labor and capital, because the invention is both labor and capital saving in the technical coefficient sense and demand is inelastic, the consequences will depend on the ratio of released capital to released labor (assuming the capital invested in old equipment can be salvaged[7]). If the released capital has a higher ratio to released labor than the average prevailing in other industries, marginal productivity of labor and wage rates will rise. If it has a lower ratio, these quantities will fall (under static assumptions).

Examples of Technological Unemployment

An example of the type of automation which is labor saving only is provided by the development of an automatic method for machining cylinder heads. The old method required 6 machines costing $240,000 and 6 operators. The new method requires one operator and an automatic machine costing $230,000 for the same output.

A new automatic method for crankpin grinding saves labor but requires a larger investment for the same output. Five hand operated grinders costing $201,000 can be replaced with an automatic grinder costing $280,000. Here, the consequence is clearly one of absorbing capital relative to labor in proportions which reduce marginal productivity of labor in the economy (under static assumptions), regardless of whether the industry uses more or less labor.

Another type of automation is illustrated by the addition of newly invented automatic controls to existing machines. A $250 automatic control added to a $5,000 riveting machine, for example, increases net output by 10% by reducing the number of rejects.

The effects here will depend on the same sort of considerations as those mentioned in the first instance of a new automation invention. If labor is absorbed in quantities relative to capital absorbed larger than the average prevailing in other industries, marginal productivity and wage rates will rise.

Other types of automation can be cited, but these are sufficient to illustrate the analysis.[8] On balance, it seems likely that automation will be capital using, particularly in view of the difficulties of salvaging capital from old equipment, except when the change takes place largely by adding automatic controls to old equipment. This would imply that rates of saving and investment should be increased to avoid depressing wage rates or employment. In terms of tax policy, this objective may be accomplished by reducing corporate income taxes and upper bracket income taxes.

6 See Y. Brozen, "Determinants of the Direction of Technological Change," *American Economic Review*, May 1953, for an analysis of this point.

7 See Y. Brozen, "Adapting to Technological Change," *University of Chicago Journal of Business*, April 1951 and "Welfare Theory, Technological Change, and Public Utility Investment," *Land Economics*, February and May 1951.

8 See Y. Brozen, "The Economics of Automation," *American Economic Review*, May 1957, for an analytical discussion of various types of automation.

Form American Investofunds

American Investofunds, Inc. has been formed with offices at 545 Fifth Avenue, New York City, to engage in a securities business. Officers are Arthur Halberstam, President; Goldie R. London, Secretary and Treasurer; and Leon Spanier, Vice-President.

Gates & Co. Formed

Gates & Company, Inc. has been formed with offices at 150 Broadway, New York City, to engage in a securities business. Officers are Harry K. Nadell, President; and J. Ernest Bass, Secretary and Treasurer.

E. G. Helfrick Opens

WESTVILLE, N. J.—Eugene G. Helfrick is engaging in a securities business from offices at 308 Hazel Avenue under the name of Helfrick & Co. Mr. Helfrick was formerly with Waddell & Reed, Inc. and Murray & Company.

Forms James & Co.

PASSAIC, N. J. — James A. Mingo is conducting a securities business from offices at 166 Marietta Avenue under the firm name of James & Co. Mr. Mingo was previously with A. J. Grayson & Co. and Coburn & Middlebrook, Inc.

Fund Planning Formed

Fund Planning, Inc. has been formed with offices at 15 East 40th Street, New York City, to engage in a securities business. Officers are Henry Levine, President and Treasurer and Israel Rubinstein, Vice-President and Secretary.

W. E. Leonard Co. Formed

KEW GARDENS, N. Y.—W. E. Leonard & Co., Inc. has been formed with offices at 82-30 138th Street to engage in a securities business. Leonard Quashen is President.

H. A. Miskend Opens

Harold J. Miskend is engaging in a securities business from offices in the Concourse Plaza Hotel under the firm name of Harold J. Miskend & Co. He was formerly with Oppenheimer & Co.

Railroad Securities

Baltimore & Ohio Railroad

Baltimore & Ohio had an exceptionally good report for July, reporting the highest net income for any month this year. The report however, was swelled by a $3,800,000 retroactive mail payment. Without this payment the road would have reported a net loss of $870,000. Freight traffic in the month was hurt by shutdowns of plants in the heavy industries for vacation periods. In July, 1957, the carrier reported net income of $1,818,000, as compared with $2,931,000 reported for the 1958 month.

For the first seven months of this year, B. & O. had net income of $9,303,000 as compared with $14,171,000 in the like months of 1957. Operating revenues in the month of July were $30,006,000 off $6,374,000 or 17% from July of last year. Expenses were cut sharply by $5,949,000 or 19% from the previous year to $24,822,000. July, helped by the mail payment, was the first month this year to show an increase in net income over a comparable 1957 month.

The B. & O. is highly dependent on heavy industry, particularly the steel and soft coal industries. A quickened pace in the general economic picture could bring about a sizable increase in the road's common share earnings because of the high leverage of the common and good control over expenses. Almost 75% of revenues are derived from heavy industry and, with a pickup in this category, its net income could expand rapidly.

During the first half of this year, traffic dropped 23.2% under the like 1957 period, reflecting the drop in the output of heavy industry. Revenues were off only 20.5% because of higher freight rates this year as compared with last. Despite the poor start the road has made this year, it is expected that with improvement in general business, it might be able to show net income of better than $5 a common share as compared with a net of $8.53 a share reported in 1957. Earnings will be aided by some $1 a share from tax deferments as against $1.80 a share in 1957.

This railroad also has embarked on a rehabilitation program, particularly of yards. Economies should be forthcoming from the Cumberland yard, although at present its completion is not looked for until 1960. In addition, new installations of Centralized Traffic Control, plus mechanization of maintenance of way and the use of modern computors for much of its bookkeeping, should bring about further control of expenses. Moreover, the road has not been completely dieselized, but when 100% dieselization is accomplished next year, substantial savings in operating expenses should result.

The elimination of unprofitable passenger business also should bring about large savings. The direct passenger loss in 1957 amounted to $18,000,000, one of the largest of any carrier and it consumed about 31% of pre-tax freight operating income. The road in the future may be able to cut this deficit substantially in view of its relatively small commutation business. Recent legislation giving the Interstate Commerce Commission jurisdiction over discontinuance of interstate passenger runs should help in the elimination of profitless trains. It is a possibility this loss might be reduced as much as $10,000,000 annually, particularly in view of the discontinuance of the New York-Baltimore run which was operated at an estimated deficit of $5,000,000 a year.

At the present time, the financial condition could be improved. On May 31, cash items amounted to $16,205,000 while current liabilities were $66,595,000. Net working capital was $19,538,000 as compared with $26,088,000 a year earlier. The cash flow from depreciation after equipment trust maturities this year should run at about $8,400,000 and, with lower capital expenditures and better earnings in coming months, resources should be increased by the end of this year.

It might be noted bituminous coal production in the first half of this year fell 20% under that of the previous year and this had a particularly adverse affect on the traffic of the B. & O. Some improvement in production was seen in May and June over the previous months of the year and recently, there has been week-to-week gains following the end of the vacation period for the miners. Export of soft coal has been down 32.6% from a year ago. This business is not expected to pickup to the extent of domestic consumption. It is believed stockpiles of coal have been reduced considerably and improvement in shipments is expected along with the improvement in business activity.

Form Viking Inv. Co.

WASHINGTON, D. C.—Viking Investment Company has been formed with offices at 927 15th Street, N. W. to engage in a securities business. Reider D. Claffy is proprietor.

A. O. Schmidt Opens

CHICAGO, Ill. — Andrea O. Schmidt is conducting a securities business from offices at 111 East Washington Street.

Douglas & Borth Opens

AUBURN, Calif. — Douglas & Borth has been formed to engage in a securities business. Edmund F. Borth and John C. Douglas are partners.

Continued from page 7

Our Farm Situation—Today and Tomorrow

applied through a Soil Conservation District. But 2½ million farms and ranches have not even developed a basic plan. We must make further progress.

There is a wide assortment of tools in the conservation kit to help do the job. It is **your** conservation kit. The tools exist for one purpose: To help our people —our farmers and ranchers—do the conservation job that lies ahead. We welcome your suggestions. We want to make our joint efforts more effective.

The Soil Conservation Service, the Agricultural Conservation Program Service, the Extension Service, and the Forest Service exist to serve America. They must work together efficiently and wholeheartedly in the interests of all our people.

Conservation took a long step forward in 1954 when Congress enacted the Watershed Protection and Flood Prevention Act. This is a valuable and much-needed tool. Applications for watershed assistance have been received from nearly 900 local sponsoring organizations.

The Conservation Reserve of the Soil Bank can help us gain conservation objectives more quickly — especially in view of the rental boosts and other incentives recently announced.

The new Great Plains Conservation Program will help farmers and ranchers in the 10 Plains States to achieve agricultural stability. The whole approach is built around a basic conservation plan.

Where conservation requires credit that is not available from private sources, loans may be made through the Farmers Home Administration.

Some of our worst problems of erosion and deterioration occur on farms in low income areas. To help provide better economic opportunity for people on such farms the Rural Development Program is now operating in about 100 rural counties. This is a program whose aim is the conservation and development of human resources.

I repeat: These are **your** tools. They exist to serve our people.

Decentralization Essential

Successful conservation programs can **never** be run from Washington — can **never** be dictated to our families on the land. Only through millions of sound, practical decisions on individual farms and in thousands of local communities — decisions by individuals and local groups — can progress be made. Farmers are the real—the ultimate—conservationists.

The Soil Conservation Districts are doing effective work. Why? Because they are **local** units, organized and controlled by **local** people, adapted to **local** conditions —they serve and assist farmers without dominating them. That is the American way of getting the job done — of meeting the conservation challenge.

If we approach it with determination and with God's blessing, the job **will** be done. It is an adventurous task—a task that is clearly in the American tradition.

Some people bewail the passing of the frontier — the demise of adventure. True, there are no more great areas of U. S. land to tame, or wilds to conquer, unless it be in Alaska.

But is it true that there are no more frontiers? I say it is **not true**. The frontier is still very much in evidence. Instead of stretching beyond the distant horizon, it lies close at hand—beneath our feet. The new frontier is the land we stand on.

Yes, the frontier is still at hand. And so are the frontiersmen — our agricultural scientists, our progressive farmers. Instead of rugged buckskin they may wear laboratory coats or overalls. Instead of new lands and new forests, they find and apply new ways to conserve and improve soils and trees; instead of new trails, they develop and plant new crops; instead of combatting the dangers of the wilderness, they fight against thousands of diseases and insects; instead of new streams, they learn and employ new ways to use water wisely. And their role is no less adventuresome, and certainly no less vital to the future peace, prosperity, and freedom of our nation, than that of the frontiersmen of old.

Long live our scientists, our researchers, our dreamers, our men and women of ideas! Long live our conservationists, our technicians! Long live the new frontiersmen — the men and women of the soil!

And God speed you all in your work for the big job ahead!

Continued from page 4

The State of Trade and Industry

Buick's Flint, Mich. engine plant saw the start of another walkout at Pontiac, Mich.

Chrysler Corp. settled disputes at the Twinsburgh, O. stamping plant and at the E. Jefferson Ave. Chrysler-De Soto assembly facility in Detroit, but faced new outbreaks at Newark, Del., Dodge Truck and the Lynch Road forge in Detroit.

Ford, in addition, suffered from labor disputes at a foundry and two engine plants at Cleveland, "Ward's" reported.

It compared the past week's 24,469-unit production effort with 34,813 the week before, which included 25,918 cars and 8,895 trucks. In the same week last year 118,553 cars and 20,915 trucks were built.

It added, the strike problem throws a questionmark over the industry's entire September production schedule plus plans for one of the industry's best monthly volumes of the year in October.

Scheduled to launch 1959 car building this week are Pontiac, Oldsmobile, Buick and Cadillac. In addition, several Chrysler Corp. divisions and American Motors began new model assembly last week.

Manufacturers' new orders rose to $26,300,000,000 in July on a seasonally-adjusted basis, a gain of $500,000,000 from June and $1,300,000,000 over May, the United States Department of Commerce reported. The gain, it noted, came mostly in non-durable goods industries. As another favorable business indicator, the agency cited a slowing down in the rate of inventory cutbacks. July showed a $400,000,000 decline in manufacturers' inventories to $49,800,000,000, far less than the $700,000,000 drop during June.

Consumer installment debt continued to decrease in July, but the cutback was the smallest of the last six months, the Federal Reserve Board reported.

Seasonally-adjusted instalment credit fell $32,000,000 during July to $33,100,000,000 as buyers paid back old debts at a faster pace than they took on new obligations. This trim in instalment debt was smaller than the adjusted $127,000,000 in June, however. Since January, which marked the latest increase in instalment debt, the monthly adjusted reductions have ranged from $100,000,000 up to $180,000,000.

Extensions of new credit during July amounted to an adjusted $3,342,000,000. Repayment of old debts came to an adjusted $3,374,000,000, for the adjusted difference of $32,000,000.

The decline in total auto loans outstanding accounted for all of the drop in instalment credit during July, the Board noted, as consumers paid back old auto loans at a more rapid clip than they took on new debt for cars.

Other consumer goods, paper and personal loans increased during July on an adjusted basis, but not enough to offset the drop in total auto loans.

Total instalment debt outstanding at the end of the month was $33,100,000,000 or $165,000,000 more than it was on July 31, 1957.

Non-insatlment credit rose an adjusted $54,000,000 during July, the Federal Reserve Board reported, with increases in charge accounts and service credit offsetting a small drop in outstanding single payment loans. At the end of the month, non-instalment credit amounted to about $9,900,000,000 for an increase of $193,000,000 from the July 31, 1957 total.

Total consumer credit outstanding showed an adjusted increase of $22,000,000 during the month. On July 31, all consumer debt stood at $43,000,000,000. This was $358,000,000 more than the total outstanding at the end of July, 1957.

Steel Output Last Week Scored Its Eighth Consecutive Gain

Steel production will hit a 1958 high this month unless steel ordering is slowed down by an auto strike, "Steel" magazine predicted on Monday of this week.

The metalworking weekly added that output will gain at least 20% (topping 70% of capacity) in September.

Order backlogs are larger than they have been at any previous time this year, but the magazine noted that automaker buying of steel continues to reflect labor uncertainties and conservative production plans.

Wildcat strikes at Big Three auto plants last week indicated that the temper of the workers is to accept a walkout despite weeks or months of layoffs in 1958 and that UAW leaders, by more frequently looking the other way as wildcats break out, are stepping up pressure on management. Odds are rising for a big strike. The probable timing will be late September or early October.

Steel operations now are at their highest level since June 22. The eighth consecutive gain was scored last week when furnaces were operated at 63.5% of capacity, up 2.5 points. Production was about 1,715,000 net tons of steel for ingots and castings. District rates follow: St. Louis at 82% of capacity, was up 5 points; Wheeling at 80, no change; Cincinnati at 77.5, up 2 points; Chicago at 74, no change; Detroit at 71.5, up 2.5 points; Western district at 69.5 down 1.5 points; Eastern district at 61, no change; Pittsburgh at 56, up 3 points; Cleveland at 53.5, no change; Birmingham at 53.5, up 1.5 points; Buffalo at 51.5, up 4.5 points and Youngstown at 48, down 1 point.

Aided by a strong finish, August's output was the best of the year to date at about 7,300,000 tons. In the second best month this year, June, 7,130,000 tons were produced, but many consumers were buying for price protection.

If the industry's market research men are right, consumers have completed their inventory adjustments. Liquidation began in April or May of 1957, when users had about 24,000,000 tons of steel. By January, 1958, stocks had been trimmed to about 19,000,000 tons.

Researchers have been saying all year that inventories would reach the "minimum" level of 12,000,000 tons by Labor Day. There is little likelihood of an immediate switch from reduction to accumulation, but one expert thinks users will have to add 300,000 tons to their stocks this month if they are to maintain a 60-day inventory.

With growing backlogs of steel orders at the mills, deliveries are being extended. An eastern producer is promising delivery of hot-rolled sheets in three to five weeks, cold rolled in five or six weeks.

Scrap prices last week inched upward. A stronger situation is developing in the East on light buying by mills. "Steel's" composite was up 34 cents to $41.67 a gross ton.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *106.3% of steel capacity for the week beginning Sept. 1, 1958, equivalent to 1,707,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *106.8% of capacity, and 1,715,000 tons a week ago.

Output for the week beginning Sept. 1, 1958 is equal to about 63.5% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 63.5% the week before.

For the like week a month ago the rate was *98.7% and production 1,586,000 tons. A year ago, the actual weekly production was placed at 2,073,000 tons, or 129.0%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Continued Its Downward Trend Of the Week Before

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 30, 1958, was estimated at 12,272,000,000 kwh., according to the Edison Electric Institute. Output last week continued its decline of the previous week.

For the week ended Aug. 30, 1958 output decreased by 214,000,000 kwh. below that of the previous week, but increased 125,000,000 kwh. above that of the comparable 1957 week and registered an increase of 707,000,000 kwh. above that of the week ended Sept. 1, 1956.

Car Loadings in Week Ended Aug. 23 Rose 1.2% Above Previous Period but Were 16.5% Below Like 1957 Week

Loadings of revenue freight in the week ended Aug. 23, 1958 were 7,696 cars or 1.2% above the preceding week.

Loadings for the week ended Aug. 23, 1958 totaled 633,687 cars, a decrease of 125,553 cars, or 16.5% below the corresponding 1957 week, and a decrease of 136,726 cars, or 17.7% below the corresponding week in 1956.

Automotive Output of 1959 Models Retarded Last Week by Strikes at Big Three Auto Plants

Automotive production for the week ended Aug. 29, 1958, according to "Ward's Automotive Reports," was hindered by harassing strikes at various Big Three auto plants in industry's opening drive for 1959 model production volume.

Last week's car output totaled 16,432 units and compared with 25,918 (revised) in the previous week. The past week's production total of cars and trucks amounted to 24,469 units, or a decrease of 10,344 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 9,486 units, while truck output dropped by 858 vehicles during the week. In the corresponding week last year 118,553 cars and 20,915 trucks were assembled.

Last week the agency reported there were 8,037 trucks made in the United States. This compared with 8,895 in the previous week and 20,915 a year ago.

Lumber Shipments Rose 4.6% Above Production in the Week Ended Aug. 23, 1958

Lumber shipments of 477 reporting mills in the week ended Aug. 23, 1958, were 4.6% above production, according to the "National Lumber Trade Barometer." In the same period new orders were 7.3% above production. Unfilled orders amounted to 45% of stocks. Production was 1.4% below; shipments 1.8% above and new orders were 8.2% below the previous week and 12.7% above the like week in 1957.

Business Failures Touch Lowest Level Since First Week of January 1958

Commercial and industrial failures fell to 246 in the week ended Aug. 28 from 272 in the preceding week, states Dun & Bradstreet, Inc. At the lowest level since the first week of this year, casualties were below a year ago when 262 occurred. However, they remained slightly above the 239 in the 1956 week and exceeded by 7% the prewar total of 229 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more declined to 213 from 247 in the preceding week and 221 last year. On the other hand small casualties under $5,000, turned up to 33 from 25 but did not reach the 41 of this size in 1957. Twenty-five of the failing businesses had liabilities in excess of $100,000 as against 28 in the preceding week.

All industry and trade groups had lower tolls during the week except retail trade where casualties climbed to 138 from 121. Among manufacturers, failures dropped to 34 from 49: wholesalers to 21 from 33; construction contractors to 35 from 41 and commercial services to 18 from 28. Fewer businesses failed than last year in manufacturing, wholesaling and services. The most noticeable downturn occurred in the industrial group. In contrast, retailing and construction casualties exceeded their 1957 levels.

Six of the nine major georgaphic regions reported a week-to-week decline. The total in the Middle Atlantic States dipped to 80 from 91 in the previous week and the South Atlantic total dropped to 17 from 30. Contrasting increases appeared in three regions, including the Pacific States, up to 69 from 63 and the East North Central States, up to 49 from 39. Most regions suffered fewer casualties than last year; the only increases from 1957 occurred in the Middle and South Atlantic States and in the East North Central States.

Wholesale Food Price Index Marked by Further Declines in Latest Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell again last week. It stood at $6.44 on Aug. 26, down 0.8% from the $6.49 of the prior week, but was 1.9% higher than the $6.32 of the similar date a year ago.

Commodities quoted higher in the week were flour, wheat, rye, lard, butter, sugar and eggs. Lower in wholesale price were corn, barley, hams, bellies, cottonseed oil, cocoa, rice 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 Was Moderately Lower the Past Week

Prices in the grain market were down at the end of the past week with many contracts at new low prices for the season. Oats showed the strongest resistance to the general trend but closed fractionally lower. Continued selling of soybeans in mid-western markets and prospects of bumper crops were factors in this decline.

Buyers of flour for the domestic market were inactive and there was limited export activity. Prices fell slightly below those of the previous week. Mills have been active buyers of the limited rice crop and have been paying higher than support prices.

Reports that African producing nations already had or would agree to market stabilization plans of the Latin American countries brought active trading in coffee early in the week. Futures closed irregular with Santos No. 4 slightly ahead of the week before. Spot prices of cocoa declined for the third straight week, although futures closed ahead of the previous week. Trading was moderately active in sugar last week with the spot raw sugar priced up over that of the previous week.

Hog prices continued to decline in dull trading. Butcher hogs sold lower in each session during the week, extending the price decline in the Chicago livestock market to two full weeks. The price of steers remained unchanged last week with receipts in Chicago little changed from either the preceding week or a year ago. Trading was active in spring lambs and slaughter ewes and prices held firm.

Spot cotton prices declined slightly during the week. Futures trading continued downward with losses a little below those of the preceding week. United States exports of cotton for the week ended on Tuesday a week ago were estimated at 67,000 bales by the New York Cotton Exchange Service Bureau. This compares with 95,000 bales two weeks ago and 89,000 in the comparable week a year ago. Total exports for the season to Aug. 19 were estimated at 209,000 bales in comparison to 202,000 bales during the same period last year.

Trade Volume in Past Week Showed Modest Improvement Over Like Period of 1957

Stimulated by cooler weather and back-to-school promotions, consumer buying picked up last week in apparel and household furnishings. Total retail sales ran slightly ahead of last year, although activity was slow in men's wear, linens and air conditioners.

The total dollar volume of retail trade in the period ended on Wednesday last week was from 1% below to 3% above a year ago, according to spots estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: South Atlantic States +3 to +7%; West North Central and East South Central +1 to +5; New England, Middle Atlantic and Pacific 0 to +4; West South Central and Mountain —2 to +2 and East North Central States 0 to —4%.

Buying of children's and junior wear surged higher, boosted by back-to-school promotions. In women's apparel, cool weather encouraged purchases of fall coats, suits and sportswear. However, most retailers reported that fur sales were slack. Purchases of men's wear were spotty and generally lower than a year ago. The one noticeable exception was young men's and boys' apparel where sales were brisk.

Shoppers stepped up their buying of furniture in the week and appliance purchases began to show improvement also. Marked sectional differences prevailed in household goods, with strong increases from last year in the East balanced against some declines in the mid-west and far west. Furniture was selling well, particularly living room pieces and bedroom sets, while interest in curtains and draperies strengthened. Consumers increased appliance buying with high fidelity, television and laundry equipment moving well. Sales of air conditioners continued to slip. Meanwhile, trade in linens slowed although remaining about even with last year. In some areas, including Boston, Philadelphia and Detroit, gains were registered from the similar month a year ago.

Food retailers reported volume up slightly from the previous week and moderately above last year.

A substantial upsurge in furniture orders was reported at shows held during the week in Miami and Omaha. Houseware transactions also picked up, with buyers showing strong interest in dinnerware, glassware and gifts. Purchase of these items was brisk at the New York exhibit, augmenting the results of the successful Chicago show held earlier. Also, ordering of curtains and draperies improved noticeably.

Reordering of women's fall apparel and children's back-to-school clothing continued at an active pace. Increased interest was reported by wholesalers in women's suits, coats, sweaters and gloves.

Sales of cotton gray goods was slow during the week, except for a noticeable improvement in orders of heavy industrial cotton. Transactions in carpet wool were sluggish in New England but picked up in the Middle Atlantic States. Although orders for dyeing and finishing held even with the previous week in Massachusetts and Rhode Island plants, they remained ahead of last year.

Wholesale food purchases were sustained at a high level. Volume expanded in poultry products and flour, held even in dairy products, while the upsurge in purchases of canned goods slackened somewhat during the week.

A moderate downturn in July orders for machine tools marked the second setback this year in the month-to-month rise prevailing since January. Net new domestic orders for metal-cutting and metal-forming tools totaled $22,200,000, as compiled by the National Machine Tool Builders Association.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Aug. 23, 1958, rose 3% above the like period last year. In the preceding week, Aug. 16, 1958, an increase of 2% was reported. For the four weeks ended Aug. 23, 1958, a gain of 2% was also recorded. For the period Jan. 1, 1958 to Aug. 23, 1958, a decrease of 1% was reported below that of 1957.

Retail trade sales volume in New York City last week advanced 5% above the level of the similar period a year ago, trade observers estimate.

Back-to-school apparel promotions stimulated buying and sale of women's fall suits and coats and children's wear were stimulated by cooler weather.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 23, 1958 showed an increase of 3% from that of the like period last year. In the preceding week Aug. 16, 1958, an increase of 4% was reported. For the four weeks ended Aug. 23, 1958, an increase of 2% was reported. For the period Jan. 1, 1958 to Aug. 23, 1958 an increase of 1% was registered above that of the corresponding period in 1957.

More Governments, Less Business Loans

"Commercial bank credit increased more than $8 billion in the first half of this year, as banks added large amounts of securities to their portfolios. At the same time member banks reduced their indebtedness to Federal Reserve Banks to approximately $100 million by the end of June, and their excess reserves rose to around $700 million. These are the most striking aspects of credit and monetary developments since the onset of recession in the closing months of last year.

"The willingness and ability of banks to expand credit during a recession period resulted largely from active steps taken by the Federal Reserve System to foster conditions of credit ease. During the first six months of 1958 substantial additions to the reserve base of member banks resulted from acquisition of about $1.1 billion of United States Government securities by the Federal Reserve System. In addition, three reductions in reserve requirements freed approximately $1.5 billion of member bank reserves. Discount rates, which had been reduced in November of last year after the business downturn started, were further reduced on three occasions in the first half of this year.

* * *

"Most of the large growth in bank assets during the first half of 1958 was reflected in large increases in United States Government deposits and time deposits at banks.

* * *

"The reduction in business loans at banks during the first half of this year was in contrast to increases during the first six months of every other year since 1954. The decline was a product of both reduced demand for new loans and an increased repayment rate as compared with a year ago."—Federal Reserve Bulletin.

Net results so far seem to be more money for the government and more idle funds in other hands. History seems to be repeating itself—the 'Thirties and now.

Continued from page 2

The Security I Like Best

lery even when there is no visibility. Infra-red measures the composition of fluids in the complex processes of the chemical, petroleum refining and distilling industries. Industrial infra-red cameras analyze material processing operations, adding accuracy and quality control.

How is all this possible? How do infra-red rays, which are invisible to our eyes, work? All objects with a temperature above absolute zero (—469° Fahrenheit) give off radiation in amounts that increase with the rise in their temperatures. We feel this radiation as heat; but it is composed of infra-red waves. These waves, which are very similar to ordinary light waves, make up that part of the spectrum which is just beyond the range of human visibility. Instruments detect and measure infra-red radiation. They locate the source of these waves, identify it, as well as its components, if any, and can indicate the object's distance, direction and speed, while tracking its course.

Among those companies manufacturing infra-red instruments are such corporate colossii as General Electric, Eastman Kodak, Minneapolis-Honeywell, Westinghouse and Lockheed. But it was Barnes Engineering, an infra-red specialist, that received front page attention for their successful role in "Operation Gaslight."

Geared entirely to infra-red activities, Barnes Engineering is engaged in Research and Development projects or manufacturing operations in the following areas —Atlas, Thor, and Polaris Missile Guidance and Tracking; ICBM Target Study; Instruments for Earth Satellites; Optical and Infra-red Measurements of Missile Re-entry; Operation Gaslight; Sidewinder Missile; as well as numerous instrument projects for industry.

Dr. R. Bowling Barnes, recognized as one of the world's foremost authorities on infra-red, is President of the company bearing his name. Before founding his company, Dr. Barnes was Vice-President and Director of Research for American Optical Company. A group of investors who formerly were dominant in American Optical, have given their backing to Dr. Barnes and his company. They own 58% of the shares of Barnes Engineering. Capitalization of the company is simple with only 299,570 shares of common stock outstanding.

I believe Barnes is a company of the future, a company, therefore, that shouldn't be judged by its past earnings record, but rather by its sales growth. For the fiscal year ended June 30, 1957 sales were $1,350,000. For the 1958 fiscal year, just completed, sales are said to have increased to $1,800,000, as profitable last quarter operations really picked up steam.

Accordingly, during the current fiscal year, I look for sales of $3,000,000, with, if you'll pardon the pun, infra-red really in the pink—and black.

C. F. Cangelosi Opens

NEW ORLEANS, La.—Carl F. Cangelosi is conducting a securities business from offices at 5734 Vicksburg Street. Mr. Cangelosi was formerly with Larz E. Jones.

With Brukenfeld Co.

Barnard Sachs Straus has become associated with Brukenfeld & Co., 40 Wall Street, New York City, members of the New York Stock Exchange.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

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.

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 Oil Producers, Inc.**
Aug. 20 (letter of notification) 300,000 shares of non-assessable common stock. **Price**—At par ($1 per share). **Proceeds** — For expenses incidental to exploring and developing land under lease for oil and/gas. **Office**—511 S. Fifth St., Room 5, Las Vegas, Nev. **Underwriter**—None.

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.

Arden Farms Co., Los Angeles, Calif.
June 4 filed 172,162 shares of common stock (par $1) being offered for subscription by holders of outstanding common stock at the rate of one new share for each five shares held on July 7, 1958; rights to expire about Sept. 22, 1958. **Price**—$14 per share. **Proceeds**—To pay off an equivalent portion of the company's current bank loans which, at May 15, 1958, amounted to $8,450,000. **Underwriter**—None. Statement effective July 7.

★ **Arizona Public Finance Co., Phoenix, Ariz.**
Sept. 2 filed 902,808 shares of common stock, which are issuable as underwriting commissions on the sale of an issue of $981,700 5% debentures and 9,805,603 shares of common stock now being offered publicly under an earlier registration statement. Under an underwriting agreement between the company and Public Development Corp., the underwriter, the latter will be entitled to receive common stock equal in par value to 10% of the par value of all stock sold pursuant to this offering and subsequent to June 30, 1958. Common shares will also be issued in an amount equal to 5% of the debentures sold subsequent to that date.

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.

• **Budget Finance Plan (9/10)**
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 150,569 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.

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. (9/10)**
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.

★ **Clary Corp.**
Aug. 27 (letter of notification) an undetermined number of shares of common stock (par $1) to be offered to stockholders on a pro rata basis (with an oversubscription privilege). **Price**—At the market (estimated at about $3.87½ per share). **Proceeds**—For working capital. **Office** 408 Junipero St., San Gabriel, Calif. **Underwriter**—None.

• **Clute Corp. (9/8)**
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.

★ **Coastal Chemical Corp., Yazoo City, Miss.**
Sept. 2 filed 30,000 shares of class C common stock (par $25). Statement also includes 111,763 shares of class A common stock, being the balance of a 289,986 share offering of class A stock under a prospectus dated May 7, 1956, as well as an additional 15,690 shares of class C stock, the amount remaining unsold of an original offering of 150,000 class C shares under a prospectus dated Aug. 1, 1957. **Price**—Class A shares are to be offered at $30 per share, and class C shares at $25 per share. **Proceeds**—To be used for construction of high analysis fertilizer facilities and equipment. **Underwriter**—Mississippi Chemical Corp.

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 of new telephone plant. **Office**—19 Railroad Avenue, Chatham, N. Y. **Underwriter**—None.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Consolidated Cuban Petroleum Corp.
July 1 filed 419,000 outstanding shares of common stock (par 20 cents). **Price**—Related to the current market price on the American Stock Exchange. **Proceeds**—To selling stockholders. **Underwriter**—None.

★ **Consumers Credit Corp.**
Aug. 22 (letter of notification) $300,000 of 10-year 6% subordinated debentures, series of 1958, to be offered in multiple of $50 each to class A and class B common stockholders. **Price** — $35.50 per unit. **Proceeds** — For working capital. **Office**—503 E. Fourth St., Bogalusa, La. **Underwriter**—None.

★ **Consumers Power Co. (9/23)**
Aug. 29 filed $35,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay short-term bank loans and 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 at office of Commonwealth Services, Inc., 300 Park Ave., New York 22, N. Y.

★ **Consumers Power Co. (9/24)**
Aug. 29 filed 150,000 shares of preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for expansion and improvement of service facilities. **Underwriter** — Morgan Stanley & Co., New York.

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.

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.

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. Statement withdrawn.

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.

★ **Frontier Refining Co., Denver, Colo.**
Aug. 29 filed $2,000,000 of serial debentures, series of 1958. **Price** — $1,000 per unit. **Proceeds** — For working capital. **Underwriters** — Peters, Writer & Christensen, Inc., and Garrett-Broomfield & Co., both of Denver, Colo.

★ **Garrett Corp., Los Angeles, Calif. (9/17)**
Aug. 28 filed $10,000,000 of subordinated debentures due Sept. 15, 1978. **Price** — To be supplied by amendment. **Proceeds**—To repay short-term borrowings incurred to carry inventories and accounts receivable relating to defense production contracts. **Underwriter** — Merrill Lynch, Pierce, Fenner & Smith, New York and Los Angeles.

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. (9/17)**
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. (9/23)**
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 Life Insurance Co., Birmingham, Ala.**
Aug. 20 (letter of notification) 38,909 shares of common stock (par $1). **Price**—$3.30 per share. **Proceeds**—To go to selling stockholder. **Office**—110 N. 18th St., Birmingham, Ala. **Underwirter**—Gulf States Underwriters, Inc., Birmingham, Ala.

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 has been 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.

● **Idaho Manufacturing Co., Inc. (9/9)**
Aug. 22 (letter of notification) 2,000 shares of class A and 2,000 units consisting of 6% subordinated debentures, series B, and class B stock to be offered first to stockholders. **Price**—$15 per share for class A and $100 per unit to stockholders. **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. (9/15-30)**
Aug. 21 (letter of notification) 290,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For ex-

Continued on page 32

NEW ISSUE CALENDAR

September 5 (Friday)
Standard Oil Co. of California ____ Debentures
(Blyth & Co., Inc. and Dean Witter & Co.) $150,000,000

September 8 (Monday)
Clute Corp. ____ Common
(Lowell, Murphy & Co., Inc.) $300,000

September 9 (Tuesday)
North Carolina Natural Gas Corp. ____ Debs. & Com.
(Kidder, Peabody & Co.) $8,580,000
Texas Eastern Transmission Corp. ____ Bonds
(Dillon, Read & Co. Inc.) $35,000,000
Utah Power & Light Co. ____ Bonds
(Bids noon EDT) $20,000,000

September 10 (Wednesday)
Budget Finance Plan ____ Preferred
(Shearson, Hammill & Co.) $1,320,000
Champion Spark Plug Co. ____ Common
(Hornblower & Weeks; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Smith) 627,400 shares
Pacific Automation Products Inc. ____ Common
(William R. Staats & Co.) 125,000 shares
Sears Roebuck & Co. ____ Debentures
(Goldman, Sachs & Co.; Halsey, Stuart & Co., Inc. and Lehman Brothers) $350,000,000
Simplicity Pattern Co., Inc. ____ Common
(Lee Higginson Corp.) 42,500 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
Washington Natural Gas Co. ____ Common
(Dean Witter & Co.) 100,000 shares
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
Imperial Packing Corp. ____ Common
(Simmons & Co.) $290,000

September 16 (Tuesday)
Suburban Gas Service Inc. ____ Common
(Kidder, Peabody & Co.) 100,000 shares

September 17 (Wednesday)
Garrett Corp. ____ Debentures
(Merrill Lynch, Pierce, Fenner & Smith) $10,000,000
Genung's, Inc. ____ Common
(G. H. Walker & Co.) 164,000 shares
Public Service Co. of Indiana, Inc. ____ Preferred
(Blyth & Co., Inc.) $24,282,600
Standard Oil Co. (Indiana) ____ Debentures
(Morgan Stanley & Co.) $200,000,000

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
Great American Realty Corp. ____ Class A
(Joseph Mandell Co. and Louis L. Rogers Co.) 484,000 shares

September 24 (Wednesday)
Citizens Life Insurance Co. ____ Common
(Lee Higginson Corp) 150,000 shares
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

October 1 (Wednesday)
National Fuel Gas Co. ____ Debentures
(Bids 11:30 a.m. EDT) $25,000,000
Wellington Equity Fund, Inc. ____ Common
(Kidder, Peabody & Co; Bache & Co.; Reynolds & Co. Inc. and Dean Witter & Co.) $24,000,000

October 7 (Tuesday)
Madison Gas & Electric Co. ____ Bonds
(Bids to be invited) $11,000,000

October 14 (Tuesday)
Idaho Power Co. ____ Bonds
(Bids to be received) $15,000,000

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

Postponed Financing

Gulf States Utilities Co. ____ Bonds
(Bids to be invited) $17,000,000
Laclede Gas Co. ____ Bonds
(Bids to be invited) $10,000,000
Michigan Bell Telephone Co. ____ Debentures
(Bids to be invited) $40,000,000
Montana Power Co. ____ Bonds
(Bids to be invited) $20,000,000
Moore-McCormack Lines, Inc. ____ Bonds
(Kuhn, Loeb & Co and Lehman Brothers) $24,000,000
New England Telephone & Telegraph Co. ____ Debens.
(Bids to be invited) $40,000,000
Pennsylvania Power Co. ____ Bonds
(Bids to be invited) $8,000,000
Southwestern Bell Telephone Co. ____ Debentures
(Bids to be invited) $110,000,000
Universal Cyclops Steel Corp. ____ Debentures
(A. G. Becker & Co., Inc.) $22,500,000

Continued from page 31

penses in the production of citrus juices and by-products and working capital. **Office**—Anaheim, Calif. **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.

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.

★ **Israel-Negev Petroleum Corp., Dover, Del.**
Aug. 29 filed 750,000 shares of capital stock (par 20 cents). **Price**—$1 per share; but the company may grant to purchasers of 100,000 or more shares a discount of 37½% from the offering price. **Business**—To engage primarily in the business of exploring for, acquiring interests in, developing and operating oil and gas properties in Israel. **Proceeds**—For drilling and exploration purposes. **Underwriter**—H. Kook & Co., Inc., New York.

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 acquiring and operating the Capri Motel in Jacksonville, Fla. **Underwriter**—None.

● **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. Statement withdrawn.

★ **Kinsman Manufacturing Co., Inc.**
Aug. 25 (letter of notification) 1,482 shares of common stock (no par). **Price** — $100 per share. **Proceeds** — To pay off short-term obligations and to improve working capital. **Office**—90 Mill St., Laconia, N. H. **Underwriter**—None.

Laclede Gas Co.
June 18 filed $10,000,000 of first mortgage bonds due 1983. **Proceeds**—To refund 4⅞% first mortgage bonds due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith and Reinholdt & Gardner (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on July 8, but offering has been postponed indefinitely

★ **Laughlin Alloy Steel Co., Inc.**
Aug. 28 filed $500,000 of 6% subordinated callable debentures due June 30, 1968, and 150,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 30 common shares. **Price**—$100 per unit. **Proceeds**—Together with a $175,000 mortgage loan from the American Brake Shoe Co., will be used to meet expenditures in acquiring latter company's South San Francisco foundry and for working capital. **Offices**—Las Vegas, Nev., and South San Francisco, Calif. **Underwriter**—Sam Watson Co., Inc., Little Rock, Ark., on a best efforts basis.

★ **Le Tourneau Asbestos, Inc.**
Aug. 25 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.30 per share. **Proceeds**—For mining expenses. **Office** — 229 South St., Dover, Del. **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.

★ **Little Harbor Club, Harbor Springs, Mich.**
Aug. 25 (letter of notification) $30,000 of 4% unsecured promissory notes, membership series, to be offered in denominations of $100 or multiples thereof and to be repaid in five equal annual instalments. **Price**—At par. **Proceeds**—For working capital. **Underwriter**—None.

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.

★ **Lowell Gas Co., Lowell, Mass.**
Aug. 28 filed 15,400 shares of common stock (par $25). Of this stock, 12,000 shares are to be offered in behalf of the issuing company and 3,400 shares by American Business Associates, present owner of 68,178 (98.86%) of the 68,962 outstanding shares. The 12,000 shares are to be offered for subscription by existing stockholders at the rate of two new shares for each 11 shares now owned; but the parent will not exercise its rights to its pro rata share. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, will be applied to pay short-term construction notes payable to banks, and any balance will be applied to reimburse the company for expenditures made for property additions. **Underwriter**—To be supplied by amendment.

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.**
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. **Office**—2633 15th Street, N. W., Washington, D. C. **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**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

★ **Meter Advertising Co.**
Aug. 26 (letter of notification) 10,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For expenses incidental to development of an advertising business. **Office**—305 Larson Bldg., Yakima, Wash. **Underwriter**—None.

★ **Mid-Columbia Development Corp.**
Aug. 26 (letter of notification) 30,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — For purchase and development of industrial and commercial sites. **Office**—106 E. 4th St., Dallas, Ore. **Underwriter**—None.

Middle States Telephone Co. of Illinois
Aug. 20 (letter of notification) 12,906 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.

★ **Minerals Consolidated, Inc., Salt Lake City, Utah**
Aug. 29 filed 1,000,000 units, each consisting of one share of common stock (par 10 cents) and two warrants to purchase one common share. **Price**—$1 per unit. **Proceeds**—For drilling, exploration and development of oil and gas properties. **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.

★ **Mountain States Telephone & Telegraph Co. (9/30)**
Sept. 3 filed 700,961 shares of capital stock to be offered for subscription by stockholders of record Sept 26, 1958 at rate of one new share for each five shares held; rights to expire on Oct. 24, 1958. **Price** — At par ($100 per share). **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent; and for general corporate purposes. **Underwriter**—None. **Control**—The parent owns over 80% of the 3,504,809 outstanding shares.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

National Beryl & Mining Corp., Estes Park, Colo.
May 16 (letter of notification) 2,916,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Birkenmayer & Co., Denver, Colo.

National Educators Finance Corp.
June 4 (letter of notification) 50,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—To train and procure persons to implement and carry out the projected plan of development and operation. **Office**—1406 Pearl St., Boulder, Colo. **Underwriter**—Western Securities Co., Boulder, Colo.

National 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.

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 American Aviation, Inc.**
Aug. 27 filed 500,000 shares of capital stock (par $1) to be offered to officers and other employees who have been or may in the future be granted options to pur-

chase share of such stock pursuant to the company's Employees Stock Purchase Plan.

● North Carolina Natural Gas Corp. (9/9)
July 31 filed $5,200,000 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 5⅝% 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.

★ Northwest Gas & Oil Exploration Co.
Aug. 22 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For acquisition of additional gas and oil interests and corporate administrative expenses. **Office**—150 Broadway, New York 38, N. Y. **Underwriter** — Greenfield & Co., Inc., New York 5, N. Y.

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.

★ Oneida Mining Corp.
Aug. 19 (letter of notification) 150,000 shares of non-assessable common stock (par $1). **Price**—$2 per share. **Proceeds**—For mining expenses. **Office**—1604 Farmers Ave., Tempe, 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.

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.

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.

★ Ramapo Uranium Corp.
Aug. 27 (letter of notification) 120,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For underground development work and working capital. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

Rassco Financial Corp.
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.

★ Reynolds Engineering & Supply, Inc., Baltimore, Md.
Aug. 22 (letter of notification) 60,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—2118 N. Charles St., Baltimore 18, Md. **Underwriter**—L. L. Bost Co., Baltimore, Md.

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 Sept. 29. **Underwriter**—None. Statement effective Aug. 28.

● 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**—Expected in near future.

● Sears Roebuck & Co. (9/10)
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. (9/10)
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.

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.

● Standard Oil Co. of California (9/5)
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.

★ Standard Oil Co. (Indiana) (9/17-24)
Aug. 28 filed 200,000,000 of debentures due Oct. 1, 1983. **Price**—To be supplied by amendment. **Proceeds** — To retire $60,000,000 of short-term bank loans, and the remainder will be added to the company's general funds and will be available for capital expenditures and other corporate purposes. **Underwriter** — Morgan Stanley & Co., New York.

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.

★ Supervised Shares, Inc., Des Moines, Iowa
Aug. 29 filed (by amendment) an additional 300,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Continued on page 34

Continued from page 33

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. (9/9-10)**
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 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 South-eastern 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., 307 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.

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) being 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.
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. **Office** — For Lauderdale, Fla. **Underwriter**—Palm Beach Investment Co., Inc., 308 South County Road, Palm Beach, Fla.

United States Sulphur Corp.
Oct. 8, 1957 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, 1958.

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.

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.

★ **Wellington Equity Fund, Inc. (10/1)**
Aug. 29 filed 2,000,000 shares of capital stock (par $1). **Price**—$12 per share. **Proceeds**—For investment. **Underwriters**—Kidder, Peabody & Co., Bache & Co., Reynolds & Co. Inc. and Dean Witter & Co., all of New York.

Western Carolina Telephone Co., Weaverville, N. Car.
June 6 filed 89,391 shares of common stock to be offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held. The record date is to be supplied by amendment. **Price**—At par ($5 per share). **Proceeds**—To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. **Underwriter**—None.

● **Western Development Co. of Delaware (9/10)**
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 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 Minerals, Inc.**
Aug. 25 (letter of notification) 2,000 shares of common stock (no par). **Price**—$10 per share. **Proceeds**—For mining expenses. **Address**—P. O. Box 697, Lakeview, Ore. **Underwriter**—None.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price** — $60 per share. **Proceeds**—For working capital. **Underwriter**—None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

★ **Wisconsin Electric Power Co.**
Sept. 3 filed 510,005 shares of common stock (par $10) to be offered for subscription by holders of outstanding common at the rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—None.

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.

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.

★ **Citizens Life Insurance Co. (9/24-25)**
Sept. 3 it was reported that the company plans registration today (Sept. 4) of 150,000 shares of common stock (par $4). **Control**—Over 98% by Citizens Casualty Co. **Underwriter**—Lee Higginson Corp., New York.

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.

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.

★ **Denmark (Kingdom of)**
Sept. 2 it was reported that an issue of between $20,000,000 to $30,000,000 may possibly be placed on the American market this year. **Underwriter**—Kuhn, Loeb & Co., New York.

★ **Duffy-Mott Co.**
Sept. 2 it was reported that a common stock offering is planned, partly for selling stockholders. **Business**—A leading processor of "Sunsweet" prune juice, and "Clapp" baby foods. **Underwriter**—Kidder, Peabody & Co., 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 late 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 the fall of 1958. **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., Chas. W. Scranton & Co. and Estabrook & Co. for any preferred stock. Under previous rights offering to common stockholders unsubscribed common stock was sold to Chas. W. Scranton & Co. Previous bond issues were placed privately.

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. **Offering** — Expected sometime in October or November.

★ **Idaho Power Co. (10/14)**
Sept. 2 it was reported that the company plans to issue and sell $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Lazard Freres & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Bids**—Expected to be received on Oct. 14.

Indiana & Michigan Electric Co. (11/6)
Aug. 26 it was announced 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 bidders: Halser, 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**—For any common stock: Blyth & Co., Inc. and J. J. B. Hilliard & Son. For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith, (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

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 Dean Witter & 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); Eastman Dillon, Union Securities & Co. **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.**
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering** — Postponed because of uncertain market conditions.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

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.

★ **Norway (Kingdom of)**
Sept. 2 it was reported that the Kingdom plans some financing on the American market, the exact nature of which has not yet been determined. **Underwriters**—Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; Smith, Barney & Co.; and Lazard Freres & Co. (jointly).

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 bidlers: 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.

★ **Pauley Petroleums, Inc.**
Sept. 2 it was reported that the company plans early registration of 500,000 shares of common stock. **Underwriter** — William R. Staats & Co., Los Angeles, Calif. **Registration**—Scheduled for around Sept. 17. **Offering**—Expected in mid-October.

Continued on page 36

Continued from page 35

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.

★ Southeastern Fidelity Fire Insurance Co.
Aug. 26 it was announced that the company in all probability will offer additional common stock to its shareholders in the near future. **Proceeds**—To expand operations. **Office** — 197 Auburn Ave., N. E., Atlanta, Ga. **Underwriter**—None.

Southern Colorado Power Co.
May 9 stockholders authorized an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis.

● Southwestern Bell Telephone Co.
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 $100,000,000 4¾% debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Offering**—Has been postponed. Bids had been expected about Sept. 30, 1958.

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.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co

The Grave Implications of Our Spending Spree

New rise in government outlays scored by First National City Bank. "Monthly Letter" assails 85th Congress for putting increased spending ahead of tax reform. Cites grave difficulties in way of government's financing of the deficit, maintaining that something salable with long-term maturities "must be found." Concludes we set bad example to foreign nations whom we are trying to teach fiscal prudence.

A grave error was committed by the Congress in embarking on the path of radically increased spending instead of instituting tax reforms as a stimulant, the First National City Bank of New York charges in its monthly letter. Tax reforms could have stimulated savings, individual initiative, and tax compliance; would have eliminated deficit financing difficulties; and stabilized prices.

How Raise the Money?

The feasibility of accomplishing the necessary financing is cited as a crucial question.

"The plan to stimulate the economy with more Federal spending omitted consideration of where the money was coming from" says the bank. "This is a practical problem. If the money cannot be raised it cannot be spent.

"The Congress, lifting the debt limit to $288 billion through June 30, 1959, has passed the buck to the Treasury, within a statutory interest rate limit of 4¼% on bond issues. But raising the debt limit does not sell the bonds.

"The party most seriously concerned with this problem is the Federal Reserve which found itself forced to underwrite the Treasury's August 1 refunding and may be forced into a succession of similar misadventures unless market conditions can be achieved for the orderly sale of U. S. bonds. As a creature of Congress it must be sensitive not only to the inflationary consequences of the deficit but also to the needs of resolving in some way the aspirations of the Congress to spend in this fiscal year something like $10 or $12 billion beyond the revenues. This is not, it is true, a new dilemma for the Federal Reserve, but this time it has been thrust upon it under especially difficult circumstances."

Doubts About Financing Ability

The possibility of Government bond financing at any price is also discussed.

"There are some who doubt that the Treasury can sell bonds at any price. 'People just do not want fixed interest investments,' it is said. But this conflicts with the experience of savings institutions that have been enjoying record growth in resources by offers of rates of 3 to 4%," the letter avers. "It overlooks the fact that more and more tax exempt bonds are being placed every year by States and municipalities. It ignores the fact that many conservative investors consider stock prices unattractively high and could be induced to buy U. S. bonds at rates that provide some protection against inflation.

"Nevertheless, the Treasury will have all its talents tested to invent securities that people will buy," the bank continues. "It does not want to pay too much for money; it does not want to give income tax exemptions on government bond interest; and it certainly does not wish to offer either lottery bonds or bonds with dollar escalator clauses such as those adopted in wage contracts. But something salable must be found.

"The Treasury and Federal Reserve must recognize that exclusive emphasis on short-term financing, adding to the volume of cash equivalents in the economy, will tend to feed inflation and to make long-term bond sales even more difficult. On the other hand, the successful placement of long-term securities could put at rest the disquieting thought that 'no one wants government bonds.'

Difficulties Entailed in Spending Spree

"The spending spree of the 85th Congress is going to prove expensive. It will involve higher interest charges as well as increased difficulties in selling government securities. It threatens still higher taxes and imperils the ability of the Federal Reserve System to protect the dollar from further erosion. It certainly sets a bad example for nations abroad whom we have been trying to teach the virtues of fiscal prudence.

"It will take great wisdom in the 86th Congress, and a strong lead from the President, to find the means to retrenchment and the road back to stable prosperity," the review concludes.

FHLB Notes on Market

Public offering of $130,000,000 Federal Home Loan Banks 3¼% Series C-1959 non-callable consolidated notes dated Sept. 15, 1958 and due March 16, 1959 is being made today (Sept. 4) by the Federal Home Loan Board through Everett Smith, fiscal agent of the Banks, and a nationwide group of securities dealers. The notes are priced at 100%.

The offering will provide additional funds for advances to member institutions of the Banks system to meet the rising demand for mortgage money.

Upon completion of the financing outstanding indebtedness of the Banks will amount to $616,-000,000, comprising $326,000,000 short-term notes and $290,000,000 five-year bonds due 1963.

With Columbine Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James C. Hawthorne is now with Columbine Securities Corp., 621 Seventeenth Street.

Joins Amos Sudler

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Stanley Richards has joined the staff of Amos C. Sudler & Co., First National Bank Building.

Copley Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo. — Neil Ross has been added to the staff of Copley and Company, Independence Building.

Inflation Promoted and Fought

Rising stock market both reflects and accelerates inflation, declares the Guaranty Trust Company. Commends the Federal Reserve for rendering "an invaluable service" in standing as the first line of defense against inflationary forces.

The recent extraordinary behavior of security values may be partly due to a general expectation of inflation which, in itself, can be a powerful accelerator of inflation, according to Guaranty Trust Company of New York.

"At a time of relatively low business activity and relatively slack demand for money," the bank pointed out in the September issue of its business and economic review, "The Guaranty Survey," "stock prices might have been expected to decline and bond prices to rise, reflecting lower interest rates.

"Instead of this, stock prices have risen, while the bond market has undergone one of the sharpest declines on record."

The possible implications of this unusual situation are far from reassuring, Guaranty said, because, both logically and historically, a time of anticipated inflation is a time of high interest rates and bond yields.

The Survey pointed out that the fear of inflation has led the Federal Reserve System to increase stock-margin requirements, increase the discount rate at certain Reserve banks, and sell Treasury bills in order to reduce excess bank reserves.

"No one recognizes more clearly than the Federal Reserve that monetary policy has its limitations and cannot by itself permanently prevent inflation if the balance of other influences is strongly on the inflationary side," Guaranty said. It included among "other influences" the wage-price spiral and rising Federal expenditures.

The establishment of a firm basis for monetary stability in the face of the forces that now endanger it is a grave and many-sided problem, and an adequate solution will require time and careful thought as well as steadfast determination, the bank cautioned.

"Meanwhile, the Federal Reserve stands as the first and, at the moment, almost the only line of defense against inflationary forces," Guaranty continued. "The attacks against it by the 'creeping' inflationists, the easy-money advocates, the perpetual-boom enthusiasts, are sure to continue."

Widespread Misgivings

"It makes little difference what the economic situation may be at the time the step is taken. If business is booming, the authorities are accused of trying to precipitate recession and unemployment. If recovery is still in its early stages, as at present, they are charged with endeavoring to hamper it.

"Such criticism comes mainly from two groups. The first consists of those who do not understand the necessary conditions of currency stability. The second consists of those who have renounced the aim of currency stability and espoused the ideal of perpetual boom, even at the cost of 'creeping' inflation.

"These two groups of critics are sometimes reinforced by a third, consisting of those who know what sound money means and appreciate the need for it, but who do not believe that the situation at the moment calls for restrictive action.

"By withstanding these attacks," the Review concluded, "the Federal Reserve is rendering an invaluable service and is earning the gratitude and support of all true devotees of sound money."

Now Provident Inv.

The firm name of Financial Planning Association, 520 Fifth Avenue, New York City, has been changed to Provident Investors Service.

With Blunt Ellis

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James S. Peterson is now with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Mutual Funds

By ROBERT R. RICH

Wellington Fund Sponsors to Launch New Wellington Equity Fund

Wellington Equity Fund, a new mutual fund, has filed with the Securities and Exchange Commission a registration statement which covers a proposed initial public offering of two million shares of common stock at $12.00 a share.

Wellington Equity Fund is designed to provide individuals and institutions with a complete and broadly diversified equity investment program, consisting primarily of common stocks. The objectives of this new Fund are long-term growth of capital and increased income over the years. It will endeavor to produce current income at a reasonable rate consistent with these objectives.

Wellington Equity Fund will operate under the same sponsorship and substantially the same management as Wellington Fund, a balanced fund, which was organized in 1928 by Walter L. Morgan and presently has assets in excess of $725,000,000. Mr. Morgan, President of Wellington Fund, will also be President of Wellington Equity Fund.

A balanced fund (such as Wellington Fund), unlike an equity or common stock fund, holds investment quality bonds and preferred stocks, in addition to common stocks.

A large national underwriting group will handle the initial offering of shares for the Wellington Equity Fund. Kidder, Peabody & Co., Bache & Co., Reynolds & Co., Inc., and Dean Witter & Co., will be co-managers of this underwriting syndicate.

During the initial underwriting, Wellington Equity Fund will be a closed-end investment company. Immediately thereafter, it will become an open-end company (mutual fund) continuously offering its shares to the public, and standing ready to redeem outstanding shares on demand.

While the initial filing amounts to a total offering of $24,000,000, underwriters and Wellington officials at a press conference this week expressed confidence that later amendments would boost the total into the $65,000,000 to $100,000,000 class.

Wellington Fund shares are now sold through 3,200 dealers, and a great many of them are expected to take part in the underwriting of the new fund. The managing underwriters believe the syndicate will include over 1,000 members, making it one of the largest ever formed in Wall Street's financial history.

Unlike Wellington Fund, which is famous to investors in Europe and the United States for its conservatism, with its assets invested in a balanced program of bonds, preferred stocks and equities, the new sister fund will be invested most of the time in common stocks. Its investment objective will be "achieving growth of capital and increased income over the years, endeavoring to produce current income at a reasonable rate consistent with these objectives."

The new fund, it was emphasized, will not be a growth stock fund—although it will have a growth bias.

Of course, it will not be an income stock fund, Wellington officials stressed.

They pointed out it will be a fully managed stock fund, and its investments, while favoring long-term prospects for appreciation in value based on increased earnings and dividends, may on the other hand, be put into investment quality bonds and preferred stocks, "without restriction when in management's judgment they may aid the fund to provide income or consolidate capital growth."

During the offering period, when the sales charge will range in brackets from 8% for purchases of less than $25,000 to 2.75% for purchases of $100,000 or more, the fund will be closed-end, as is customary.

When the offering period expires in October, the fund will become open-end.

Keystone (S-4) Fd. Records 25% Rise In Per Share Value

Keystone Low-Priced Common Stock Fund, S-4, recorded another series of new highs for the fiscal year ending July 31, according to President S. L. Sholley's report to shareholders on Aug. 30.

Total net asset value for this member of Keystone's $365 million 11-fund family reached $20,038,068, an increase of approximately 42% in the last six months. Almost 2,000 new shareholders helped boost the total number of shares to 2,264,125.

Buoyed by the rising market and the mild upturn in business conditions since May, net asset value per share jumped 25% during the six-months' period. It reached $8.85 per share at the end of the fiscal year and in the month since that reporting period, value has advanced another 35 cents to $9.20.

In the six-months' period the Fund increased its position in electronics and electrical products to almost 22% of the portfolio, adding 21,900 shares of Statham Instruments, Inc.; 15,000 Varian Associates and 7,500 Perkin-Elmer Corporation to its already substantial holdings. Four of the Fund's largest portfolio holdings are in the electrical products group: Ampex Corp., American Bosch Arma Corp.; Raytheon Manufacturing Co., and Litton Industries, Inc.

Keystone S-4 has 54 issues in 14 different industries. Among the higher individual holdings are American Air Filter Co., Brunswick-Balke-Collender Co., J. I. Case Co., Standard Packaging Corp., Hilton Hotels Corp., and Polaroid Corp.

Additions to the portfolio included ACF-Wrigley Stores; Bestwall Gypsum; Fibreboard Paper Products; Lucky Stores; Massey-Ferguson; Michigan Chemical; Perkin-Elmer; Standard Register; Statham Instruments; Texas Gas Transmission; Thatcher Glass Mfg.; Thermo King; United Artists, and Varian Associates. Eliminations encompassed Houdaille Industries; International Petroleum; Magma Copper; Pittsburgh Coke & Chemical, and Warner & Swasey.

Puritan Fund Reports New Highs

For fiscal year ended July 31 Puritan Fund, Inc., reports further substantial increase in net assets, shares outstanding, and number of shareholders, all obtaining new highs. Net assets totaled $46,217,891 compared with $33,463,105 as of July 31, 1957—an increase of 38%. Number of shares outstanding increased to 7,307,142 from 5,268,746. Number of shareholders increased to 17,600 from 14,000.

Net asset value per share as of July 31, 1958, was $6.33 after a capital gains distribution of $0.06 paid Sept. 3, 1957, compared with $6.35 a year ago. Dividends from investment income during fiscal year ended July 31, 1958, totaled $0.36 per share compared with $0.39 per share in previous fiscal year.

As of July 31, 1958, distribution of assets between the security groups was as follows: 8.5% in bonds; 9.5% in preferred stocks; 80.7% in common stocks; and net cash and receivables, 1.3%. Percentage in common stocks represents new high for the Fund and compares with 70.4% in common stocks as of July 31, 1957.

Group's Assets Now Exceed $125,000,000

Total assets of Group Securities, Inc., have crossed the $125,000,000 mark for the first time since its founding in 1933, and shareholder accounts have reached a new high above 40,000, writes Herbert R. Anderson, President, in his message to shareholders marking the company's 99th quarter of consecutive dividends.

In commenting on the current dividend payment of $1,387,000, he noted that it was higher than any previous quarterly dividend and represented an increase of 23% over last year's payment.

Mr. Anderson told shareholders that while "evidence continues to accumulate that the declining phase of the correction in general business has come to a halt, a regathering of strength is likely to precede another broad forward movement of the many industries that make up our national economy.

"As this develops," the Group Securities President concluded, "it will signal a similar upward movement in the major securities markets—one based firmly on rising earnings and well-covered dividends."

Energy Fund Inc. Reports 21.9% Gain In Share Value

	7/31/58	12/31/57	% Incr.
Total net assets	$4,738,122	$3,601,765	31.6
Shrs. outstand'g	30,322	28,100	7.9
Net asset value per share	$156.26	$128.18	21.9
Stockholders	1,120	926	21.0

Atomic Fund 17% in Lithium Nuclear Research

The Atomic Letter just released by the management of Atomic Development Mutual Fund, Inc., reports that the fund had $8,938,262 or 17% of its June 30, portfolio invested in companies active in thermonuclear research or in the manufacture of lithium. The possible role of lithium in a thermonuclear (fusion) device was recently described in the AEC's Semi-Annual Report and this is seen by the Fund's management as having favorable long-term implications for the lithium industry.

The letter predicts that the recent North Pole crossing of the "Nautilus" will result in further acceleration of construction of the U. S. nuclear submarine fleet as well advancing plans for construction of nuclear powered oil tankers.

Bullock Fund Ltd. Net Asset Value Per Share Rises 8%

Net asset value per share of Bullock Fund, Ltd. rose slightly over 8% from $11.54 on April 30, 1958 to $12.47 on July 31, according to the report accompanying payment of the fund's 103rd consecutive quarterly dividend. For the first seven months of the calendar year, the increase was 17.4%

Total net assets also rose in this same period from $34,854,419 to $39,075,688, due in part to an increase in the value of investments, the report said, and in part to the increase in the number of shares outstanding during the period. Outstanding shares increased from 3,018,887 on April 30, to 3,132,577 on July 31.

Sholley Optimistic On Business Trend

For the second half of the fiscal year ending July 31, Keystone Low-Priced Bond Fund B-3 paid its largest per share distribution from net investment income since the first half of 1954, according to President S. L. Sholley's annual report to shareholders dated Aug. 30.

The semi-annual payment of 46 cents per share brought the total for the year to 90 cents, highest since 1955. Adjusted to reflect the $1.82 per share paid in capital gains distributions since 1953, payments from income in 1958 were equivalent to 99.2 cents.

In the six-months' period, Keystone made modest increases in its railroad and industrial holdings and correspondingly trimmed utilities and foreign issues. Midwestern rails were added to the railroad group, which now constitutes about 48% of the 62-issue portfolio.

Commenting on the business situation, Mr. Sholley writes to shareholders, "There are many welcome signs that the 1957-58 decline reached its low point in April. Employment went up and unemployment went down in May—both more than seasonally. This caused the first drop in the seasonally adjusted rate of unemployment since last July when the figure began to climb.

"Industrial production was up slightly in May, and many other important indicators of the state of the nation's economy continued to display remarkable

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)	Sept. 7	§63.2	*63.5	58.8	81.0
Equivalent to— Steel ingots and castings (net tons)	Sept. 7	§1,707,000	*1,715,000	1,586,000	2,073,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 22	6,874,735	6,838,935	6,535,835	6,768,565
Crude runs to stills—daily average (bbls.)	Aug. 22	7,905,000	7,713,000	7,517,000	7,970,000
Gasoline output (bbls.)	Aug. 22	28,095,000	27,577,000	28,464,000	27,999,000
Kerosene output (bbls.)	Aug. 22	1,791,000	1,950,000	1,614,000	1,725,000
Distillate fuel oil output (bbls.)	Aug. 22	12,004,000	11,628,000	11,760,000	12,407,000
Residual fuel oil output (bbls.)	Aug. 22	6,710,000	6,897,000	6,919,000	7,713,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 22	173,756,000	176,487,000	178,808,000	171,897,000
Kerosene (bbls.) at	Aug. 22	27,548,000	27,018,000	25,338,000	33,219,000
Distillate fuel oil (bbls.) at	Aug. 22	132,600,000	*127,767,000	115,557,000	149,671,000
Residual fuel oil (bbls.) at	Aug. 22	66,792,000	67,165,000	65,487,000	52,237,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 23	633,687	625,991	607,701	759,240
Revenue freight received from connections (no. of cars)	Aug. 23	525,245	518,061	494,143	616,589
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 28	$397,301,000	$373,038,000	$388,032,000	$436,495,000
Private construction	Aug. 28	195,490,000	161,376,000	165,460,000	162,766,000
Public construction	Aug. 28	202,311,000	211,662,000	222,572,000	273,729,000
State and municipal	Aug. 28	175,705,000	166,401,000	169,785,000	224,456,000
Federal	Aug. 28	26,606,000	45,261,000	52,787,000	49,273,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 23	8,105,000	*8,075,000	7,350,000	9,916,000
Pennsylvania anthracite (tons)	Aug. 23	433,000	404,000	458,000	524,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 23	134	124	111	130
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 30	12,272,000	12,486,000	12,619,000	12,147,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 28	245	272	271	262
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 26	6.188c	6.188c	5.967c	5.967c
Pig iron (per gross ton)	Aug. 26	$66.49	$66.49	$66.49	$65.42
Scrap steel (per gross ton)	Aug. 26	$42.50	$41.63	$40.83	$51.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 27	26.100c	26.100c	26.100c	27.850c
Export refinery at	Aug. 27	24.925c	25.300c	24.950c	24.875c
Lead (New York) at	Aug. 27	10.750c	10.750c	11.000c	14.000c
Lead (St. Louis) at	Aug. 27	10.550c	10.550c	10.800c	13.800c
‡Zinc (delivered) at	Aug. 27	10.500c	10.500c	10.500c	10.500c
Zinc (East St. Louis) at	Aug. 27	10.000c	10.000c	10.000c	10.000c
Aluminum (primary pig. 99%) at	Aug. 27	24.700c	24.700c	24.000c	26.000c
Straits tin (New York) at	Aug. 27	94.625c	94.500c	96.250c	93.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 2	88.39	89.74	93.02	87.35
Average corporate	Sept. 2	91.62	92.50	95.01	89.92
Aaa	Sept. 2	96.23	97.16	100.49	94.12
Aa	Sept. 2	94.56	95.32	98.25	92.35
A	Sept. 2	91.62	92.50	94.41	90.20
Baa	Sept. 2	84.94	85.85	87.86	83.53
Railroad Group	Sept. 2	89.09	89.51	90.91	88.27
Public Utilities Group	Sept. 2	91.48	92.35	95.77	90.34
Industrials Group	Sept. 2	94.71	95.92	98.57	91.48
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 2	3.55	3.42	3.11	3.59
Average corporate	Sept. 2	4.30	4.24	4.07	4.42
Aaa	Sept. 2	3.99	3.93	3.72	4.13
Aa	Sept. 2	4.10	4.05	3.86	4.25
A	Sept. 2	4.30	4.24	4.11	4.40
Baa	Sept. 2	4.79	4.52	4.57	4.90
Railroad Group	Sept. 2	4.48	4.45	4.35	4.54
Public Utilities Group	Sept. 2	4.31	4.25	4.02	4.39
Industrials Group	Sept. 2	4.09	4.01	3.84	4.31
MOODY'S COMMODITY INDEX	Sept. 2	393.4	391.5	405.0	418.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 23	275,008	261,628	266,943	263,400
Production (tons)	Aug. 23	293,915	294,259	289,506	289,054
Percentage of activity	Aug. 23	92	93	93	95
Unfilled orders (tons) at end of period	Aug. 23	419,411	439,249	427,875	447,297
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Aug. 29	108.68	108.73	104.95	110.27
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 9	2,592,340	2,442,080	1,591,290	1,275,240
Short sales	Aug. 9	494,010	590,890	392,720	254,660
Other sales	Aug. 9	2,118,840	1,938,740	1,248,510	1,073,470
Total sales	Aug. 9	2,612,850	2,529,630	1,641,230	1,328,130
Other transactions initiated on the floor—					
Total purchases	Aug. 9	644,630	568,620	326,380	215,170
Short sales	Aug. 9	33,900	34,300	44,800	22,300
Other sales	Aug. 9	599,640	503,330	334,610	229,600
Total sales	Aug. 9	633,540	537,630	379,410	251,900
Other transactions initiated off the floor—					
Total purchases	Aug. 9	845,290	822,620	470,228	396,140
Short sales	Aug. 9	135,890	208,230	157,760	80,540
Other sales	Aug. 9	892,010	789,792	609,199	468,745
Total sales	Aug. 9	1,027,900	997,972	766,959	549,285
Total round-lot transactions for account of members—					
Total purchases	Aug. 9	4,082,260	3,833,320	2,387,998	1,886,550
Short sales	Aug. 9	663,800	833,420	595,280	357,500
Other sales	Aug. 9	3,610,490	3,231,812	2,192,319	1,771,815
Total sales	Aug. 9	4,274,290	4,065,232	2,787,599	2,129,315
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. 9	1,485,737	1,520,845	1,208,686	1,297,282
Dollar value	Aug. 9	$67,022,937	$68,972,997	$57,387,366	$65,612,799
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 9	1,578,423	1,596,284	1,132,737	902,197
Customers' short sales	Aug. 9	11,772	12,556	13,154	9,427
Customers' other sales	Aug. 9	1,566,651	1,583,728	1,119,583	892,770
Dollar value	Aug. 9	$69,512,553	$70,358,060	$49,493,774	$45,043,056
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 9	538,510	555,590	362,100	195,760
Short sales	Aug. 9				
Other sales	Aug. 9	538,510	555,590	362,100	195,760
Round-lot purchases by dealers—					
Number of shares	Aug. 9	452,750	450,250	437,260	585,600
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. 9	875,000	1,094,050	813,910	459,590
Other sales	Aug. 9	18,437,590	18,458,120	12,344,570	9,308,560
Total sales	Aug. 9	19,312,590	19,552,170	13,158,480	9,768,150
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 26	118.7	118.8	119.4	118.0
Farm products	Aug. 26	92.5	93.0	94.8	92.6
Processed foods	Aug. 26	110.2	110.7	112.7	106.7
Meats	Aug. 26	106.4	108.2	114.5	98.0
All commodities other than farm and foods	Aug. 26	125.9	125.9	126.0	125.6

*Revised figure. †Includes 998,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of June:			
Total gas sales (M therms)	5,075,700	5,822,800	5,139,200
Natural gas sales (M therms)	4,944,700	5,653,200	5,009,300
Manufactured gas sales (M therms)	14,900	16,800	13,600
Mixed gas sales (M therms)	116,100	152,800	116,300
AMERICAN HOME LAUNDRY MANUFACTURERS ASSOCIATION—Month of July:			
Total home laundry appliance factory unit sales (domestic)	360,629	350,073	421,500
Combination washer-dryers	7,829	7,069	10,145
Washers	277,287	288,831	340,915
Dryers	75,513	54,173	70,440
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of July	6,370,000	*7,127,480	3,908,732
Shipments of steel products (net tons)— Month of June	5,746,217	4,649,499	7,284,616
AMERICAN PETROLEUM INSTITUTE—Month of May:			
Total domestic production (barrels of 42 gallons each)	216,366,000	211,714,000	255,697,000
Domestic crude oil output (barrels)	193,215,000	188,631,000	230,458,000
Natural gasoline output (barrels)	23,125,000	23,053,000	25,214,000
Benzol output (barrels)	26,000	30,000	25,000
Crude oil imports (barrels)	28,972,000	25,835,000	33,159,000
Refined product imports (barrels)	20,896,000	*22,811,000	16,010,000
Indicated consumption domestic and export (barrels)	260,555,000	*265,701,000	265,464,000
Increase all stocks (barrels)	5,679,000	‡5,341,000	39,402,000
AMERICAN RAILWAY CAR INSTITUTE— Month of July:			
Orders for new freight cars	376	317	1,251
New freight cars delivered	2,113	2,407	7,725
Backlog of cars on order and undelivered (end of month)	25,994	27,757	85,229
AMERICAN TRUCKING ASSOCIATIONS, INC. —Month of June:			
Intercity general freight transported by 386 carriers (in tons)	5,359,763	5,088,080	5,191,129
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of July 31:			
Imports	$269,096,000	$282,076,000	$230,647,000
Exports	379,737,000	374,988,000	507,145,000
Domestic shipments	22,488,000	20,043,000	13,701,000
Domestic warehouse credits	290,371,000	305,266,000	44,874,000
Dollar exchange	140,950,000	121,327,000	35,209,000
Based on goods stored and shipped between foreign countries	250,722,000	247,806,000	168,532,000
Total	$1,353,364,000	$1,351,506,000	$1,000,108,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of July	12,454	11,991	11,686
COAL OUTPUT (BUREAU OF MINES)—Month of July:			
Bituminous coal and lignite (net tons)	23,880,000	34,320,000	34,270,000
Pennsylvania anthracite (net tons)	1,398,000	*1,995,000	1,478,000
COKE (BUREAU OF MINES)—Month of June:			
Production (net tons)	3,933,066	*3,899,004	6,372,300
Oven coke (net tons)	3,889,400	3,862,390	6,215,100
Beehive coke (net tons)	43,666	*36,614	157,200
Oven coke stock at end of month (net tons)	3,894,637	3,886,162	2,295,931
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of July 31 (000's omitted)	$966,000	$965,000	$459,000
COPPER INSTITUTE—For Month of July:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	73,120	*82,072	92,527
Refined (tons of 2,000 pounds)	110,130	*107,918	127,434
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	77,523	*100,796	84,702
Refined copper stocks at end of period (tons of 2,000 pounds)	242,781	*245,450	191,515
COTTON GINNING (DEPT. OF COMMERCE):			
To Aug. 16 (running bales)	535,840	———	414,020
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of July (1947-49=100)	63.6	63.4	76.5
METAL OUTPUT (BUREAU OF MINES)— Month of April:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	125,803	*124,078	132,614
Silver (in fine ounces)	2,863,829	*2,878,285	3,469,251
Copper (in short tons)	84,029	*87,234	94,561
Lead (in short tons)	25,712	*18,307	31,658
Zinc (in short tons)	38,728	*35,624	50,755
NEW YORK STOCK EXCHANGE— As of July 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$3,168,999	$3,168,445	$2,917,369
Credit extended to customers	148,868	239,760	32,145
Cash on hand and in banks in U. S.	331,447	323,700	326,982
Total of customers' free credit balances	1,079,936	1,047,470	829,251
Market value of listed shares	234,506,830	224,903,633	229,923,607
Market value of listed bonds	116,425,440	118,287,158	98,351,019
Member borrowings on U. S. Gov't issues	689,004	*958,611	93,974
Member borrowings on other collateral	2,051,563	*2,120,363	2,209,693
PORTLAND CEMENT (BUREAU OF MINES)— Month of June:			
Production (barrels)	30,078,000	29,274,000	26,462,000
Shipments from mills (barrels)	30,262,000	30,525,000	29,545,000
Stocks (at end of month—barrels)	33,238,000	*33,673,000	29,885,000
Capacity used (per cent)	98	92	91
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of June (000's omitted):			
Savings and loan associations	$910,163	$844,756	$795,096
Insurance companies	110,006	112,854	118,516
Banks and trust companies	429,193	418,081	362,805
Mutual savings banks	139,712	119,834	125,546
Individuals	279,372	282,685	289,587
Miscellaneous lending institutions	406,889	372,607	336,919
Total	$2,275,335	$2,150,817	$2,028,469
ZINC OXIDE (BUREAU OF MINES)—Month of June:			
Production (short tons)	11,715	10,185	14,593
Shipments (short tons)	14,944	13,381	14,879
Stocks at end of month (short tons)	24,004	27,233	29,019

*Revised figure. ‡Decrease all stocks.

Continued from page 37

Mutual Funds

strength in resisting the recline. National income, gross national product, retail sales, activity in the construction industry and in numerous consumers' service and soft goods fields remained close to or above their 1957 peaks.

"These bright parts of the picture have reassured many economists that the current recession will be confined largely to manufacturers of heavy equipment, machinery, consumers' durable goods, and to the rail and mining industries—just as earlier postwar recessions were confined to other specific fields. More and more economists are now predicting an over-all recovery within the next six to twelve months."

Portfolio changes in the six months ended July 31, comprised the following:

Additions—Chicago, Milwaukee, St. Paul & Pacific RR. Gen. Conv. Inc. "B" 4½s, 2044; Chicago, Terre Haute & S. E. Ry. Co. 1st & Ref. 2¾-4¼, 1994; Fairbanks, Morse & Co. Conv. S. F. Deb. (Subord.) 5¾s, 1972; and St. Louis-San Francisco Ry. Co. 2nd Mortgage Convertible Inc. "A" 4½s, 2022.

Eliminations — Boston & Maine RR. 1st Series "RR" 4s, 1960; $55,000 Boston & Maine RR. 1st Series "AC" 5s, 1967; and Tokyo Electric Lt. Co., Ltd. 1st Ext'd 6s, 1961.

FIC Contractual Plan for Shares of Fundamental Inv.

Rowland A. Robbins, Chairman of First Investors Corporation, has announced the effective registration with the Securities and Exchange Commission of a new FIC contractual plan for the accumulation of shares of Fundamental Investors, Inc., a common stock mutual fund.

This registration covers the issuance of FIC Plan Certificates involving agreed payments of 50 million dollars. They will be offered to the public through the retail sales force of First Investors Corporation and other dealer distributors.

First Investors Plans are offered with optional group term insurance. Thus if an insured planholder should die before completion of his plan, the unpaid balance is completed by the insurance company and the plan assets made available to a designated beneficiary. Such insurance is written by the Connecticut General Life Insurance Company of Hartford, Conn., the United States Life Insurance Company of New York and the Continental Assurance Company of Chicago.

The custodian under these plans is the First Pennsylvania Banking and Trust Company, of Philadelphia, Pa., a banking institution, in business since 1782.

Fundamental Investors, Inc., organized in 1932, now has more than 94,000 shareholders and assets of over 400 million dollars. It is one of the largest and oldest common stock funds in the country.

First Investors Corporation, organized in 1930, specializes in mutual funds and investment plans. It is probably the largest company of its type in the country and has 20 sales offices in greater New York, Brooklyn, New Jersey, Long Island, Syracuse, Newark, Buffalo and Washington. It also has representatives in other principal cities throughout the United States.

Approximately 125,000 FIC planholders invest in mutual funds, through such programs. FIC plans currently in force exceed 500 million dollars of agreed payments out of which about 175 million has been paid to date. Other mutual funds used as the investment medium for First Investors Plans are:

(1) The Wellington Fund, a balanced mutual fund with present assets of over 700 million dollars. It has about 250,000 shareholders.

(2) Mutual Investment Fund, Inc., a fully managed fund which has broad discretionary powers with respect to percentage of investments in high grade common stocks, preferred shares and bonds. The fund has assets of 20 million dollars.

Mr. Robbins stated that for the first time investors adopting an FIC contractual plan, providing for monthly payments for ten years, will have a choice of having their investments made in either a balanced fund (Wellington); a fully managed fund (Mutual Investment); or a common stock fund (Fundamental Investors).

89th Consecutive Dividend Payment By Coast Fund

Directors of The Investment Company of America on Aug. 28 declared a dividend of six cents a common share payable from net investment income, representing the 89th consecutive quarterly dividend, payable Oct. 1, 1958, to shareholders of record at the close of business Sept. 10, 1958.

With Reynolds & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — C. Frederic Edgarton is now with Reynolds & Co., 19 Congress Street. He was formerly with Hornblower & Weeks.

With Gallagher-Roach

(Special to The Financial Chronicle)

COLUMBUS Ohio — Albert R. Rosemeier is now with Gallagher-Roach and Company, 16 East Broad Street.

Pennroad Corp. to Change Name to Madison Fund, Inc.

Directors of the Pennroad Corporation voted to change the name of the closed-end investment company to "Madison Fund, Inc." at a meeting held in the company's New York office. The proposal was made subject to approval by stockholders at a special meeting to be held in October.

After many months of investigation and deliberation, the directors had selected "Madison Fund" for the company's new name, Edward A. Merkle, President of Pennroad, said.

In thanking the many stockholders all over the country who had suggested names, Mr. Merkle stated that it is felt the new name has a greater appeal to the investing public than the present one and is more in keeping with the diversified nature of the company's investment activities.

Although the Pennroad Corporation was originally organized as a holding company by stockholders of the Pennsylvania Railroad, there has been no connection between Pennroad and Pennsylvania Railroad since 1939.

"Since that time," said Mr. Merkle, "Pennroad has become a regulated investment company and has extended its interests to a wide range of investments. Today our assets total about $100 million, and include shares of public utilities, oil and gas companies, and a wide selection of industrial securities. Our railroad holdings now represent less than 10% of our total portfolio."

Pennroad has enjoyed steady growth since its divorce from the Pennsylvania Railroad. Dividends have been paid regularly since 1939 and the company's stock listed on the New York Stock Exchange in 1955.

Joins Foster & Marshall

(Special to The Financial Chronicle)

EUGENE, Oreg. — Melvin D. Lindley is now affiliated with Foster & Marshall, 55 West Tenth Avenue.

DIVIDEND NOTICE

146TH DIVIDEND

CIT FINANCIAL CORPORATION

A quarterly dividend of $0.60 per share in cash has been declared on the Common Stock of C. I. T. Financial Corporation, payable October 1, 1958, to stockholders of record at the close of business September 10, 1958. The transfer books will not close. Checks will be mailed.

C. John Kuhn, *Treasurer*

August 28, 1958.

DIVIDEND NOTICES

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of Allegheny Ludlum Steel Corporation held today, August 28, 1958, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable September 30, 1958, to Common stockholders of record at the close of business on September 12, 1958.

S. A. McCaskey, Jr. Secretary.

ALCO

ALCO PRODUCTS

INCORPORATED

30 Church Street, New York 8, N. Y.

Common Dividend No. 137

A dividend of twenty five cents (25¢) per share on the Common Stock of this Company has been declared, payable October 1, 1958 to holders of record at the close of business on September 11, 1958. Transfer books will not be closed.

CARL A. SUNDBERG, *Secretary*

August 26, 1958

ANACONDA

DIVIDEND NO. 201

August 28, 1958

The Board of Directors of THE ANACONDA COMPANY has today declared a dividend of Fifty Cents ($.50) per share on its capital stock of the par value of $50 per share, payable September 26, 1958, to stockholders of record at the close of business on September 8, 1958.

R. E. SCHNEIDER
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

AMERICAN MACHINE AND METALS, INC.

59th Dividend

A QUARTERLY DIVIDEND of SEVENTY CENTS per share has been declared on the capital stock for the third quarter of 1958, payable on September 30, 1958, to shareholders of record on September 16, 1958.

Robert G. Burns, *Treasurer*

DIVIDEND NOTICES

CITY INVESTING COMPANY

25 Broad Street, New York 4, N. Y.

The Board of Directors of this company on August 27, 1958, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company payable October 1, 1958, to stockholders of record at the close of business on September 16, 1958.

JOHN A. KENNEDY, *Vice President and Secretary*

ELECTRIC BOND AND SHARE COMPANY

New York, N. Y.

Notice of Dividend

The Board of Directors has declared a quarterly dividend of thirty-five cents (35¢) per share on the Common Stock, payable September 29, 1958, to shareholders of record at the close of business on September 8, 1958.

B. M. Betsch, *Secretary and Treasurer*

August 28, 1958.

SERVING HOME AND INDUSTRY WITH ESSENTIAL BASIC PRODUCTS

EASTERN GAS AND FUEL ASSOCIATES

DIVIDENDS

COMMON STOCK — A regular quarterly dividend of 40 cents a share, payable September 27, 1958 to shareholders of record September 8, 1958.

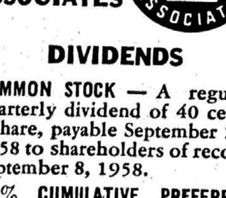
4½% CUMULATIVE PREFERRED STOCK — A regular quarterly dividend of $1.12½ a share, payable October 1, 1958 to shareholders of record September 8, 1958.

E. H. BIRD, *President*

250 Stuart St., Boston 16, Mass.

August 28, 1958

Our stock is listed on the New York Stock Exchange. Symbol is EFU.



New York, September 3, 1958

The board of directors of Guaranty Trust Company of New York today declared a dividend of 80 cents per share on the capital stock for the quarter ending September 30, 1958, payable on October 15, 1958, to stockholders of record at the close of business September 15, 1958.

STUART K. BARNES
Vice-President and Secretary

DIVIDEND NOTICES

ROME CABLE CORPORATION

78th Consecutive Dividend

The Board of Directors of Rome Cable Corporation has declared consecutive Dividend No. 78 for 25 cents per share on the Common Stock of the Corporation, payable October 1, 1958, to holders of record at the close of business on September 16, 1958.

Gerard A. Weiss, *Secretary*

Rome, N. Y., September 3, 1958

LONG ISLAND LIGHTING COMPANY

QUARTERLY DIVIDEND

PREFERRED STOCK

The Board of Directors has declared the following quarterly dividends payable October 1, 1958 to holders of Preferred Stock of record at the close of business on September 12, 1958.

Series	Per Share
Series B, 5%	$1.25
Series D, 4.25%	$1.0625
Series E, 4.35%	$1.0875
Series F, 4.35%	$1.0875
Series G, 4.40%	$1.10

VINCENT T. MILES, *Treasurer*

August 27, 1958

TENNESSEE CORPORATION

TENNESSEE CORPORATION

July 22, 1958

A dividend of fifty-five (55c) cents per share was declared payable September 24, 1958, to stockholders of record at the close of business September 11, 1958.

John G. Greenburgh, Treasurer.

61 Broadway
New York 6, N. Y.

THE **West Penn** *Electric Company*

(Incorporated)

Quarterly Dividend

on the

COMMON STOCK

37½¢ PER SHARE

Payable September 30, 1958
Record September 12, 1958
Declared September 3, 1958

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — A new government - supported small business investment program set up by Congress this year is drawing potential investors like bees draw honey.

Small Business Administration officials who will administer the $250 million program report hundreds of inquiries have come in from investors, bankers and speculators asking how and when they can begin operating.

In practice, it will be after the first of the year before the small business investment companies which the new program will help create can begin making loans and investments in small firms. The government won't have set details such as loan rates, repayment terms, and operating regulations until sometime in October or November.

The prospect of what government officials frankly term "windfall" profits for the investment companies is helping to lure investors into the program. While the term windfall in this case doesn't carry any connotation of illegal or shady dealings, it does indicate a strong possibility of healthy profits for investment firms which are carefully managed. These profits can come partly on government money.

SBA Buys Debentures

Under the new law (Public Law 699 of the 85th Congress), the Small Business Administration will provide up to half of the original paid-in capital of a small business investment company. Private sources must have at least $150,000, after which the government will match the private capital by buying debentures. In addition, SBA can lend directly up to 50% of the paid-in capital for 20 years. Thus, if private sources raise the minimum $150,000, SBA can provide up to $300,000 in investment and loans.

There is no repayment or set interest on the stocks SBA buys. Repayment periods and loan rates on loans to the investment firms will be set, as will the maximum interest rates which the investment firms can charge for the funds they provide small firms.

The investment companies must be chartered by the states in which they operate. For firms in the few states which don't charter such operations, the law permits SBA to charter them. SBA can also make loans and investments in state or locally - chartered development associations—groups formed usually to help bring industry to an area or otherwise revitalize a city or county.

10-Person Minimum

A minimum of 10 persons are required to charter a small business investment company. The SBA will keep close track of the operation of these companies, and theoretically at least pass or reject each loan or investment the company makes in a small firm. The companies may make loans to small firms running up to 20 years, with extensions for another 10 years permitted under the act. An investment firm cannot lend more than 20% of its capital to any one firm. As an investment company's capital grows, SBA can increase its participation by further loans or by buying additional stock.

Once set up and operating, a small business investment corporation can make direct loans to or buy convertible debentures in small firms. It is the opportunity to invest by buying convertible stock that has brought the term "windfall" into the small business investment program.

Government officials, and Congress as well, figure the pot has been sweetened for investors by this provision. They hope that many of the small firms which receive long-term financing from these investment companies will prosper, and the appreciation of their stock will permit the investment fund to convert when the prices climb.

Tax "Break"

Another feature of the new act that is drawing the interest of investors is the tax break these investment companies and their owners will get. Principal benefit is a provision approved by Congress only this year in another measure. This permits investors in small firms to take a standard deduction rather than a capital deduction on losses they suffer. The limit on this deduction is $25,000 a year, or double that in the case of investors who file joint returns.

Top officials of the SBA expect some new small business investment companies to form and ask to be "licensed" or approved by the SBA in order to gain this tax advantage, but not require any government funds.

SBA is expected to continue to use current definitions of small business in drafting the regulations the new investment companies will use in making their loans. This limit generally is gross sales of more than $1 million for retail and service firms; $2 million in gross for wholesale firms, and 500 employees for manufacturing firms.

Borrower Must Also Invest

A small firm which secures equity financing from one of the new investment corporations is required by the law to resubscribe anywhere from 2 to 5% of the amount in the investment firm. This percentage will be set by SBA regulations. Thus a firm which borrowed $100,000 by selling convertible stock to an investment company would be required to buy anywhere from $2,000 to $5,000 in stock in the investment corporation which made the loan.

As now on the books, the act permits SBA to charter new investment companies only through June 30, 1961. By that time private capital should provide all the funds necessary. Eventually, these companies will repay the government and become strictly privately operated with only normal banking supervision from the government.

Appeal "Memphis" Decision

The U. S. Supreme Court this winter will decide another keystone case with serious implications to the natural gas industry and investors in the industry, the so-called "Memphis" case.

The government, as well as the gas pipelines involved, recently filed briefs with the High Court asking that an appeals court ruling which played havoc in the industry be upset. In brief, the appeals court outlawed use of the normal procedures under which the pipelines have traditionally secured rate increases from the Federal Power Commission unless all customers agree to the higher rates in advance.

The Commission and the principal pipeline affected, United Gas Pipe Line Co., are among those appealing the decision. Gas prices at the city of Memphis, Tenn., are at issue.

The effect of the ruling on the ability of gas transmission companies to secure financing and interest investors is one of the principal arguments being used in the attempt to have the Supreme Court overturn the lower court.

"Pipeline securities aggregating well over $4.4 billion have been favorably received by investors and lending institutions" because the now-outlawed rate procedures have given the pipelines a flexibility of rates and "afford a proper balance to the investor interest," the FPC, through the U. S. Solicitor General, told the court.

"Grave Inequities" Cited

The Commission admits that there are three alternative methods for a pipeline to secure rate increases to offset rising costs if the lower court order stands. But they are slow and involve "virtually insurmountable obstacles." Thus the ability of pipelines to attract capital would be seriously damaged and "grave inequities" would be created which will ultimately hurt the consumer, the FPC said.

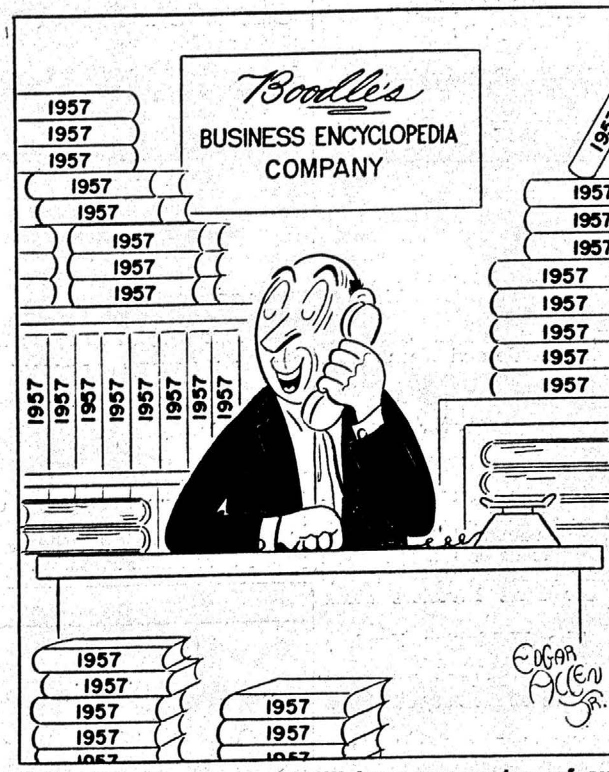
"It is unreasonable to expect that lending institutions will generally be willing to provide funds of the magnitude required if the borrower's ability to obtain increases in revenues is dependent upon the weak reed of cooperation by purchasers and local regulatory commissions throughout the life of the loan," the Commission argued.

Despite the government's protests to the lower court ruling, however, many legal experts in Washington doubt that the Supreme Court will overturn the lower court. The best they hope for, they say privately, is a measure of relief. In addition to the block to financing the Memphis ruling creates, it would, if allowed to stand as is, call for pipelines to refund an estimated $400 million in higher rates collected over the years under the disputed FPC procedures.

If a "measure of relief" is granted by the Court, the gas industry is praying that any retroactive feature of the lower court ruling will be eliminated. If not, many pipelines are going to be in serious trouble, they say.

[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



"Yes—I believe we may still have one or two of our 1957 encyclopedias on hand."

Business Man's Bookshelf

And Mark an Era: The Story of the Harvard Business School—Melvin T. Copeland — Little, Brown & Company, 34 Beacon Street, Boston 6, Mass.—$6.

Comparison of Indexes of Labor and Nonlabor Payments, Prices, Real Earnings, and Productivity for the Private Nonfarm Sector of the Economy, 1947-1957 — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—On request.

European Common Market: New Frontier for American Business —American Management Association, 1515 Broadway, New York 36, N. Y.—$6.

Gas Data Book for 1958—American Gas Association, 420 Lexington Avenue, New York 17, N. Y.—50c.

Gas Facts—American Gas Association, 420 Lexington Avenue, New York 17, N. Y.—$3.

Review of Economic Conditions in Israel—Bank Leumi, Le-Israel B. M., Tel-Aviv, Israel.—paper.

Security Dealers of North America — Mid-Year 1958 Edition — Completely revised directory of stock and bond houses in United States and Canada (with section for Hawaii) — Geographically and alphabetically arranged, includes description of character of business, exchange and other memberships, names of executives, telephone and wire services, etc.—Herbert D. Seibert & Co., Inc., 25 Park Place, New York 7, N. Y.—fabrikoid—$14.

Steel in the Soviet Union—American Iron and Steel Institute, 150 East 42nd Street, New York 17, N. Y.—paper.

Strokes (A Guide for the Family) — American Heart Association, 44 East 23rd Street, New York 10, N. Y.—paper.

Vermont—Brochure on the current general and industrial picture of the State and its communities — Canadian Pacific Railway Company, Department of Industrial Development, Montreal, Que., Canada.

What Every Businessman Should Know About Profit Sharing—Profit Sharing Research Foundation, 1718 Sherman Avenue, Evanston, Ill. — paper — single copies on request.