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EDITORIAL

As We See It

The President in a Labor Day statement offered what the New York "Times" termed a "guide to reform" for the benefit of business and labor. In the course of these remarks he said that "the working men and women of America have successfully met every challenge set before them. Now they are faced with the task of maintaining both the intricate equipment of national defense, which is the right arm of peace, and manning the constantly improving systems of national production, to which our standard of living is secured." He is sure that "they will meet these tasks with ability and stamina and pride."

Notwithstanding this bit of conventional political labor relations, it is evident that the President is not altogether easy in his mind. For he adds that "experience demonstrates" the necessity of certain "guarantees," namely that "funds contributed by workers to the treasuries of their organizations be used solely to advance the welfare of all the members, that organizations of working men and women be administered according to the free will of their members, that working people be fully protected against any dealings between labor and management representatives that prevent the exercise of workers' rights to organize and bargain collectively (and) that the public be protected against unfair labor and management practices that make a mockery of the collective bargaining relationship, endanger innocent third parties and give rise to lawlessness and harmful abuses of power."

This was a Labor Day statement. We suppose, therefore, that it was fitting for the Chief Executive to confine his remarks largely to matters

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Expanding Our Heritage

By HON. RICHARD M. NIXON*
Vice-President of the United States

To meet domestic and foreign challenges, Mr. Nixon's program includes a reduction in corporate and upper personal income taxes; extension of unemployment insurance program; and adoption of policies to halt inflation. Denies his tax cut proposals favors business and not the people by pointing out "'business is the people," and contends we should not fear a temporary budget deficit so long as it ensures economic growth. Terms it ironical that we should have come closer to Socialist goals of prosperity for all in a classless society through the medium of private capitalism.

In the critical years that face us, years in which the destiny of the world will be shaped for decades to come, I believe our success or failure will be determined in the realm of ideas. If this is to be the area of decision, it is essential that we constantly reexamine our ideas to see if they actually can prevail.

Richard Nixon

If we are to judge the worth of our American idea solely in terms of results, we can point to a record of economic progress unsurpassed in world history. In the 50-year life span of the Harvard Business School, our Gross National Product has quadrupled. Translating this dramatic figure into individual terms, we find that during this same period per capita income has increased from $188 to $2,032 a year, the number of home owners has gone from 7 to 30 million, the annual production of automobiles has increased from 4,000 to as many as 7,000,000, the number of refrigerators in use from 23,000 to 47,000,000. During the same period, primary and secondary school attendance has increased from seven to 40 million, child labor

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*From an address by Mr. Nixon before the 50th Anniversary Conference of Harvard Business School Association, Boston, Mass., Sept. 6, 1958.

Outlook for Business And Stock Prices

By ANTHONY GAUBIS
Anthony Gaubis & Co., Investment Counselors

Market economist details both favorable and unfavorable factors of the economic and stock market picture, and concludes stock purchases at present time carry undue risk and should be deferred until they return to "ex-inflation" levels. Points to possibility of tax rises enhancing relative attractiveness of bonds. Maintains rising interest in highly speculative market areas presages final bull market stage. Advocates stock purchase funds be confined to "special situations" or reserved for setbacks of at least 20%.

In view of the widespread emphasis placed on September's "ending of summer" as the beginning of a new business "season," this is a good time to review both sides of the economic and stock market picture. Hence I first submit the following half-dozen most important elements on both "sides of the medal."

Anthony Gaubis

Favorable Factors

(1) The trend of business activity has been upward since April of this year. In spite of the fact that intermediate stock market trends are often contrary to those witnessed in business activity, improving sales and earnings' reports do exert a powerful—even if temporary—favorable effect on speculative psychology. It is difficult, if not impossible, to judge as to just how long this situation might last, although it is certain to be of limited duration, in view of the underlying risks as judged by such fundamental factors as productive capacity in relation to potential demand; the relationship of stock prices to earnings, etc.

(2) There is little question but that the very long-term trend is toward progressively more inflation, in light of the emphasis placed on expediency, rather than

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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 32.

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

Lehn & Fink Products Corp. — Irving Hofstein, Investment Adviser, Beverly Hills, Calif. (page 2).

Cohu Electronics, Inc. — Kenneth E. Mangum, of Harbison & Henderson, Los Angeles, Calif. (page 2).

IRVING HOFSTEIN
Investment Adviser
Beverly Hills, Calif.

Lehn & Fink Products Corporation

A comparatively desultory and stagnant sales history in recent years had for the most part kept the market price of the common stock of Lehn & Fink in a rather narrow range during the years 1952 through 1956. The low point during this period was in 1952 when the stock sold at $13⅜ while the high of $23 was reached in 1954, though the latter price was short-lived since the stock receded within a few months to the $16 level.

Irving Hofstein

During this period sales increased from $21.7 million in 1952 to $25.7 million in 1956 while earnings fluctuated from a low of 51 cents per share in 1955 to a high of $3.03 in 1953. (In 1955 results were adversely affected by the simultaneous sponsorship of two major television programs from April 1955 to June 1955.)

However, in early 1956 the company developed and adopted a continuing five-year plan designed to promote the growth of the company's sales and earnings through the development of new products, increased efficiency in management and operations, and the acquisition of new lines of business. This plan is already beginning to show favorable results and is particularly responsible for my selection of this company's stock as the "Security I Like Best."

The company's five-year plan, put into effect in early 1956, saw immediate results in 1956 sales, which increased 11.8% over previous year's sales to $25.7 million, and further increased by 6.2% in 1957 to $27.3 million.

Sales for the fiscal year ended June 30, 1958 are as yet unreported but are estimated at about $30 million.

At the same time, 1956 earnings increased to $2.93 per share on the 326,600 shares currently outstanding; $3.72 was earned in 1957, and for the first nine months of the current fiscal year $2.63 was earned.

The advent of recurrent high earnings has resulted in a more liberal dividend policy. The current $1.40 annual cash payment was supplemented by an extra 30¢ payment in June, making a total of $1.70 for the year, and a 5.3% yield on the recent $32 market price (NYSE).

During the past 18 months two major acquisitions were effected; the business of the Ogilvie Sisters was acquired, a long-established and well-known distributor of hair preparations, and in September, 1957, National Laboratories, Inc. was acquired for a cash consideration of approximately $2 million. This latter company is one of the country's leading manufacturers of chemical products for maintenance and sanitation, and its products are related to Lehn & Fink's present line of disinfectant products.

While the five-year plan was specifically directed at the domestic business, the company's foreign business and investments have been given considerable attention and definite progress has been made in establishing greater continuity of earning power. In this connection it is interesting to note that since July 1, 1949 only the amounts actually remitted to the company from foreign subsidiaries and South American branches have been included in income. Not included in consolidated income for the year ended June 30, 1957 was net income from foreign operations totalling 35 cents per share. If these earnings are consolidated with domestic earnings, the net result would be $4.07 per share for the year ended June 30, 1957.

The added attention to foreign sales growth is based on the well-supported premise that sociological changes as well as socio-economic changes abroad, especially in Europe and South America, are leading to an increased use of cosmetics and that continual growth in that market will be at a more rapid pace than in the United States.

As for the United States, optimism for the future is predicated on the continuously improving performance by the industry since 1950 as well as on forecasts that by 1965 the over-14 population figure should reach 137 million while disposable income should hit $395 billion. In addition, the refusal of women to age prematurely has created tremendous demand for preparations to soften and preserve the skin. According to the United States Bureau of Census, the 45-and-over female population in the United States should increase from 21.5 million in 1955 to 30.1 million by 1965.

Lehn & Fink is engaged in the manufacture of more than 500 proprietary drug and cosmetic products. It is best known for its Lysol Disinfectant, Etiquet Deodorants, Hinds Honey & Almond Fragrance Cream, Henna San Hair Rinse, Dorothy Gray products (skin creams, hair and scalp treatments, special skin treatments and make-up, perfumes, colognes, toilet waters, bath preparations, and sunburn lotions) and Tussy Cosmetiques (deodorants, toilet specialties, make-up specialties, perfumes, hair specialties and skin treatment items).

Its products are mainly distributed through wholesale drug channels, department stores, pharmacies, drug chains, grocery chains and (in bulk) to hospitals and institutions. Its principal plant is at Lincoln, Ill. Other manufacturing, general office and research laboratories are at Bloomfield, N. J. Foreign manufacturing facilities are maintained in company-owned plants in England, France and Germany while other facilities are leased in Canada, Brazil and Argentina. Other foreign manufacturing is conducted on the premises of agents in 11 other countries. Additional emphasis on research, primarily on germicidal and disinfectant products, is being concentrated in the German subsidiary.

Because a large percentage of the company's cosmetic business is in skin care items, the company is turning its attention to more and deeper research into the fundamental properties of the skin and into basic medical research. Grants have been made to the research departments of some of America's leading medical schools, and other grants are in prospect to further dermatological knowledge. This is expected to result in new and improved products for systematic use in the company's growth plan.

It is apparent that the investment merits of this company's stock have not been realized by the investing public. As the cosmetic industry continues to grow and prosper through the application of sound business methods, coupled with the alertness necessary to capitalize on future trends, bringing continued stability and long-term success, the stocks of the various companies in the industry must continue to out-perform the general market. Lehn & Fink should turn in the star performance. It is recommended to all types of investors for its high capital gains potential as well as its very attractive current yield.

Statistical Background Data
(Excluding Unremitted Foreign)
(In Millions)

	Net Sales	Net Income	Net Inc. As % Sales	Earnings per Share	Dividends	Price Range
1958 (est.)	$30.0	$1.20	4.0	$3.67	$1.70	34-25
1957	27.3	1.24	4.5	3.72	1.50	26-19
1956	25.7	0.96	3.7	2.93	1.00	21-16
1955	23.0	0.20	0.9	0.61	1.00	22-16
1954	22.0	1.06	4.8	3.21	1.25	23-16
1953	22.9	1.20	5.3	3.58	1.25	19-14

KENNETH E. MANGUM
Harbison & Henderson,
Los Angeles, Calif.

Cohu Electronics, Inc.

Cohu Electronics, Inc. representing "The Security I Like Best" has distinguished itself as a leader in the dynamic growth of the electronics industry. This leadership has been established, in part, through its superb management headed by Mr. LaMotte T. Cohu. Mr. Cohu is widely known for his part in the progress made while president of Convair from 1948 to 1952, now a division of General Dynamics Corp. Prior to that he was president of Trans-World Air-lines Inc.

Kenneth E. Mangum

Cohu Electronics, Inc. has grown into a network of five compatible electronic divisions since Mr. Cohu stepped in as president in 1954. The company started in San Diego (California) as a tiny laboratory called Kalbfell Laboratories, Inc. in 1947, the outgrowth of a partnership started in 1945. The name was changed to Kay Lab in September 1954. Kay Lab was then liquidated in 1957, and all assets and liabilities were acquired on a share-for-share basis by Cohu

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Keynes's "Greatest Achievement"

By HENRY HAZLITT

Mr. Hazlitt explains famed Say's Law of markets which basically holds that a general overproduction of all commodities is not possible and that purchasing power grows out of production. Depicts as fundamental Keynesian fallacy his attempted refutation on the ground that consumer purchasing power must be maintained above production for full employment. Charges British economist opposed the valid classical principle only in a sense in which no important economist ever held it, and involved himself in self-contradictory contentions.

This is a third and final excerpt from Mr. Hazlitt's forthcoming volume, "The Breakdown of Keynesian Economics" which will be published by the D. Van Nostrand Company.—EDITOR

We come to Keynes's famous "refutation" of Say's Law of Markets. Some of his admirers regard this as alone securing his title to fame: "Historians fifty years from now may record that Keynes' greatest achievement was the liberation of Anglo-American economics from a tyrannical dogma, and they may even conclude that this was essentially a work of negation unmatched by comparable positive achievements. Even, however, if Keynes were to receive credit for nothing else . . . his title to fame would be secure . . . (Yet) the Keynesian attacks, though they appear to be directed against a variety of specific theories, all fall to the ground if the validity of Say's Law is assumed.[1]

Henry Hazlitt

It is important to realize, to begin with as Mises[2] has pointed out, that what is called Say's Law was not originally designed as an integral part of the classical economic but as a preliminary — as a refutation of a fallacy that long preceded the development of economics as a recognized special branch of knowledge. Whenever business was bad, the average merchant had two explanations at hand: the evil was caused by a scarcity of money and by general overproduction. Adam Smith, in a famous passage in *The Wealth of Nations*[3] exploded the first of these myths. Say devoted himself to a refutation of the second.

A Modern Definition

For a modern statement of Say's Laws, I turn to B. M. Anderson:

"The central theoretical issue involved in the problem of postwar economic adjustment, and in the problem of full employment in the postwar period, is the issue between the equilibrium doctrine and the purchasing power doctrine.

"Those who advocate vast governmental expenditures and deficit financing after the war as the only means of getting full employment, separate production and purchasing power sharply. Purchasing power must be kept above production if production is to expand, in their view. If purchasing power falls off, production will fall off.

"The prevailing view among economists, on the other hand, has long been that purchasing power grows out of production. The great producing countries are the great consuming countries. The twentieth century world consumes vastly more than the eighteenth century world because it produces vastly more. Supply of wheat gives rise to demand for automobiles, silks, shoes, cotton goods, and other things that the wheat producer wants. Supply of shoes gives rise to demand for wheat, for silks, for automobiles and for other things that the shoe producer wants. Supply and demand in the aggregate are thus not merely equal, but they are identical, since every commodity may be looked upon either as supply of its own kind or as demand for other things. But this doctrine is subject to the great qualification that the proportions must be right; that there must be equilibrium.[4]

Keynes's "refutation" of Say's Law consists in simply ignoring this qualification.

No General Overproduction

There is still need and place to assert Say's Law whenever anybody is foolish enough to deny it. It is itself, to repeat, essentially a negative rather than a positive proposition. It is essentially a rejection of a fallacy. It states that a *general* overproduction of *all* commodities is not possible. And that is all, basically, that it does assert.

Haberler is right in so far as he denies the belief of Keynes (and such disciples as Sweezy) that Say's Law "still underlies the whole classical theory, which would collapse without it" (*General Theory*, p. 19). It is true that Say's Law is not *explicitly* needed in the solution of specific economic problems *if its truth is tacitly taken for granted.* Mathematicians seldom stop to assert that two and two do not make five. They do not explicitly build elaborate solutions of complicated problems upon this negative truth.

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1 Paul M. Sweezy in *The New Economics*, ed. by Seymour E. Harris, (New York, Alfred Knopf, 1947). p. 105.

2 Op. cit. pp. 64-65.

3 Vol. 1, Book IV, Ch. 1, (Edwin Cannon edition, 1904). p. 404 ff.

4 *Economics and the Public Welfare*, p. 390.

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Articles and News Page

NSTA Convention Number and Year-Book

Full coverage, editorially and pictorially, of the forthcoming Annual Convention of the National Security Traders Association will be given in the special Convention and Year-Book issue of the "Chronicle" on October 23rd.

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Observations . . .

By A. WILFRED MAY

Another Speculative Straw

To be added now to "the straws" we have cited as manifesting the present speculative wind—if a recurring one—is the proclivity to choose stock issues of industries on the basis of their *seasonal* activity. Thus there comes to hand the current brochure from the research department of a leading Stock Exchange firm which habitually publishes only the product of its most painstaking analyses. Captioned "Seasonally Favored Stocks," it lists "issues of companies whose activities should be buoyed by the approaching fall and winter months — this is the time of year when many entities record their most active sales periods." Included among such "timely" industries are retail stores, school equipment companies, toy and general gift specialists, radio-TV, and airlines. Surely such method of security selection, trying to outguess the crowd on the supposition that the rest of the community are fools who will be misled into betting on factors that are so obviously ephemeral, constitutes the opposite pole from true investment considerations.

A. Wilfred May

* * *

Current Stock Dividend Developments

Since our columns on the stock dividend during the past fortnight, it happens that two significant developments directly bearing on the question have occurred. A proposed Treasury regulation, supported by an advisory group to the House Ways and Means Committee, which would require recipients of stock dividends to pay taxes thereon at ordinary income tax rates, in cases where the issuing corporation also pays corresponding cash dividends on other classes of common stock, elicited the formal opposition of the American Bar Association convention. The Treasury argues that to exempt the dividend recipients where they have a choice between stock and cash, would penalize the cash-receivers in addition to diluting their equity.

At present, as we have pointed out previously, no stock dividends are subject to tax exemption on any profit from their subsequent sale; the Revenue Department recognizing that they do not constitute income. Presumably this principle is not now being attacked, since the proposed change would be limited to those cases (as Citizens' Utilities Co.) where the stockholder is offered a cash-stock choice. But the support for the change in this special category suggests the possibility of its extension to the taxation of all stock dividends, particularly if the public is confused over their true nature, which justifies their classification outside the area of income.

New Dividend Program

The need for exposing misconceptions about the stock dividend is also underscored by last week's announcement by the Commonwealth Edison Company that it will adopt a policy of annually declaring a stock dividend equivalent to all retained earnings, after continuing its $2.00 annual cash dividend on the existing and added shares. Characteristically, the news of this "bonanza" was greeted with enthusiastic stock market reaction. Next day the stock, which had previously "pre-news" closed at 48⅞, opened up 3⅜ at the new all-time high of 52½, quickly running up further to 54 and closing the week at 52. As pointed out in a previous column, such market response is a common experience.

It should be realized that since there will be an additional cash dividend paid on each new share, the company will not be conserving any more cash than if it adopted a policy of increasing the $2 cash dividend by 4 cents or 5 cents on the old shares, which is about average for utilities.

Present (1957) cash dividends at $2 total $35.9 million, paid on 17,997,418 shares. A 2% *stock* dividend of 359,948 new shares would require $719,896 more cash to maintain the $2 rate in the year following the stock dividend. A 2% increase in the *cash* dividend (4 cents a share) would cost about the same amount, $718,608.

Commonwealth's President stated that if the plan does not cut down the need for additional sales of new common it will be modified or discontinued, which does indicate some doubt in his mind. Since, as we have just shown, the new policy won't conserve any more cash than the old policy, it is not clear how the need for periodic offerings of additional common is thus being reduced. This could only result from a future lowering of construction expenditures; but this would in any case ensue directly therefrom without use of the stock dividend device.

The possibility of difficulty arising from a substantial stock market recession should also be realized. As an extreme example, if the price of its stock should fall to $25, with the earnings staying up and no other changes, Commonwealth would have to pay out a full 4% stock dividend to use up the retained earnings at the stock's market price.

The North American Company's experience with the stock dividend in the early 1930's is in line with the current problem of market impact. That utility holding company of yesteryear paid 2½% quarterly in stock, which 10% annual disbursement the market valued at double the reported earnings. This, together with the ensuing dilution, led to the abandonment of the stock dividend policy.

The Dilution Factor

On the interesting question of the dilution impact of the stock dividend, we have received the following communication from C. Austin Barker, senior economist of the Cleveland Electric Illuminating Company. Mr. Barker's analysis, "Evaluation of Stock Dividends" in the *Harvard Business Review* of July-August was cited in our column, "A Breakdown of Stock Dividend Myths," published Aug. 28.

DEAR MR. MAY:

It was a pleasure to read your excellent article on the evaluation of stock dividends. I was particularly interested in a point which you raised which has never been raised with respect to the New York Stock Exchange's of reducing the indicated yield at the ex-dividend date by the dilution factor of the stock dividend—despite the continuance of the old cash dividend on the new shares in the overwhelming number of cases.

There is a related misconception, too, in the belief that small stock dividends "wash through" without diluting the market price of the existing shares. Actual examination shows that the amount of dilution is fully reflected in the first sale after the ex-dividend date—to the disillusionment of the small investor.

C. AUSTIN BARKER
Cleveland, Ohio,
Sept. 5, 1958.

H. P. Carroll Joins L. A. Huey & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Howard P. Carroll has become associated with L. A. Huey Co., U. S. National Bank Building. Mr. Carroll was formerly President of H. Carroll & Co.

Howard P. Carroll

With Stone & Youngberg

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Milton A. Phillips has joined the staff of Stone & Youngberg, 704 South Spring Street. Mr. Phillips was previously with Daniel D. Weston & Co.

Joins Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—James W. Pitts is now affiliated with Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

The State of Trade and Industry

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

Sentiment this week continues to reflect the improvement shown in current reports coming to hand on business and industry.

Scheduled steel production for the latest week is scheduled to reach the highest pace of the year at 65.4% of rated capacity. In a review of the steel market, "The Iron Age" this week declared "that an automotive strike would slow the trend toward a tighter steel market" but added "it would not halt the upturn completely." It observed that the improvement has come from a broad cross-section of industry, while automotive companies have tended to drag their feet. It further noted that there was improvement in the outlook for capital spending, along with a better tone in appliances and more buying of equipment by the farmer.

In retail trade, the total dollar volume last week was from 1% below to 3% higher than at the same time a year ago. Shoppers continued in the latest week to step up apparel purchases and home furnishings buying held at an even pace, with over-all retail volume equal or slightly ahead of the similar week last year.

An upswing of employment in seasonal industries cut the number of workers drawing unemployment compensation for the sixth straight week, the United States Department of Labor reported.

It pointed out that 2,178,000 workers were drawing unemployment compensation in the week ended Aug. 23, a drop of 53,300 from the previous week but 1,038,200 more than in the like week a year ago. Part of this reduction also came from the exhaustion of unemployment compensation by some workers.

Department figures also indicated that new layoffs declined during the week ended Aug. 30. Initial claims for unemployment compensation fell by 20,800 from the previous week to 275,100, the lowest since late October, 1957. Ohio, Michigan and Wisconsin reported fewer temporary layoffs as a result of model changeovers in the auto industry. California reported an increase in hiring in food processing plants.

The number of workers who have exhausted their unemployment compensation benefits in August, the department said, totaled 270,000 or a small reduction from the July total of 284,600.

States paying additional benefits provided by the Federal Government to workers who have exhausted their regular unemployment compensation reported a rise of 4,300 to 635,900 in the week ended Aug. 23. Most of the total was in Michigan, New York, Pennsylvania and California.

Workers getting unemployment compensation for the week ended Aug. 23 made up 5.2% of the labor force. This was the lowest since December and compared with 5.3% the week before and 2.8% in the like 1957 period.

In the steel industry, delivery promises are stretching out and steel users are becoming edgy, "The Iron Age," national metalworking weekly, stated in its release yesterday.

Steel users, it noted, are beginning to realize they can no longer get by on hand-to-mouth inventories. In many cases they have started to rebuild their stocks as a hedge against a further stretch-out in mill delivery promises. This is a switch from the policy of inventory cutbacks that prevailed earlier this year.

"Some of our customers are again ordering in terms of quarters, instead of months or weeks," says one sales official. "We're booking good tonnages for October, November, and December delivery," the report added.

This trade weekly declared that in the Midwest cold-rolled sheet orders are on the books for late October and November delivery. Delivery promises there are expected to move out from the current 2-to-4 weeks to 5-to-6 weeks within a few weeks.

In another producing area, a sheet mill already has booked enough October orders to account for one-third of an expected 20% improvement over August shipments.

It further pointed out that an automotive strike would slow the trend toward a tighter steel market, "but it would not halt the upturn completely." The reason, it declared, is that the improvement has come from a broad cross-section of industry while automotive companies have tended to drag their feet.

The magazine pointed to the improved outlook for capital spending, a better tone in appliances, and more buying of equipment by the farmer.

The improvement in the steel market, stated "The Iron Age," was born several months ago in the Midwest and has since moved eastward to include Pittsburgh and mills farther east.

Sheet producers, it further reported, are tentatively predicting a steady increase in shipments through October, but there is a certain amount of finger-crossing. The auto companies have said they will be back into the market for heavy tonnages in October and some of this tonnage has been booked. Detroit still seems hesitant about placing big orders far in advance.

But even if the automotive market takes hold and there is no strike, steel shortages if any, will be temporary and regional. The steel industry is still pretty far away from a really tight market. There is plenty of capacity available and only the steel users who let their inventories fall below reasonable levels will be pinched, concludes "The Iron Age."

Total manufacturing and trade inventories fell further in July, but the decline was less than the monthly average in the second quarter of this year, the United States Department of Commerce stated.

The book value of total manufacturing and trade inventories at the end of July was $85,900,000,000 a drop of $500,000,000 from

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Money and Banking and Our Economic Well Being

By ALLAN SPROUL*
Former President, Federal Reserve Bank of New York
Now Director, American Trust Co., San Francisco, Calif.

Former New York Central banker doubts present recession has endangered the long-term growth of our economy. The well-known banker warns "power groups," however, that if they ignore the rules of self discipline and internalized restraint it would be dangerous and might be fatal. In commenting about the contributions money and banking make to our economic well being, Mr. Sproul: (1) likens our banking system to an archimedean structure which relies on leverage to do its work; (2) refers to cruciality of commercial banks in translating Federal Reserve policy into action; and (3) counsels against periodic attempts to bathe the country in a sea of "Easy Money" and to subordinate the Federal Reserve to narrow political authority.

When nails were a principal store of value and medium of exchange, money had utility as well as usefulness. It could be used to make fish hooks, for example. But this sort of utility is not its purpose in one more advanced economic state (I almost said culture or civilization, but as we rocket toward possible destruction I am no longer sure of my labels). Money and its close relative credit are not now used, in the sense of making fish hooks from nails, but they are mighty useful. They help to make possible a multiple division of labor and a broad exchange of present and future values. The shoemaker can exchange his shoes for sugar and the painter his art for pineapples, through the swift medium of money. And the saver can help in the building of a mill or the clearing and cultivation of a field, by putting off until tomorrow, through the use of money, the consumption he might have indulged in today.

Allan Sproul

These are fairly simple processes. They should not need many trappings nor much explanation, except that money does not manage itself. When nails served some of the purposes of money here, it only needed a shrewd trader to bring in a few hundred kegs of nails, more or less, to depreciate the trading value of all the nails hereabouts. The supply of money and, in our day, the supply of credit must be kept in balance with the supply of goods and services if our economic growth is to be steady and if our money is to maintain some stability of purchasing power over time.

Gold, as the basic money, was the balance wheel in much of the world for a long period. The yearly accretion of gold from the mines, which moved into the monetary reserves of the principal trading nations, maintained a rough sort of balance with the world's expanding trade and its growing exchange of services. This somewhat haphazard contrivance became less satisfactory as agricultural and manufacturing processes accelerated, and trading relations between people and nations multiplied and became more complex. There was no ordained reason why the new supply of gold should always equal the monetary needs of the world, and it didn't.

That is where the money managers came in, and they have been playing their unhappy role ever since. They are the monitors of money and credit and, as one writer has phrased it, "The regulation of (any) economic activity is without doubt the most inelegant and unrewarding of public endeavors." The money managers have to try to exert a restraining influence on economic enthusiasm when nearly everyone else is eager for another whiff of credit. If the excesses of a boom are followed by the miseries of a recession, the money managers are blamed for bringing on bad times and, when "easy money" does not quickly banish lowered production and rising unemployment, the money managers are attacked as impotent at best and meddlesome muddlers at worst.

In our country this unhappy part is played by the Federal Reserve System, which came into being only 45 years ago. The system does its job, mainly, through the widely dispersed commercial banks of the country. The commercial banks are the channel through which central bank action reaches agriculture, commerce and industry, and the ubiquitous man in the street. I am not going to try to describe the Federal Reserve and all of its works. I am going to try to trim down the whole banking system — reserve banks and commercial banks—to a fundamental, and then to relate the use of banking power, derived from this fundamental source, to the present economic situation.

*From a talk by Mr. Sproul at the 100th Anniversary Celebration of Bishop National Bank of Hawaii, Honolulu, Hawaii, Aug. 16, 1958.

An Archimedean Structure

In a sense, the whole banking system is an archimedean structure. It relies on leverage to do its work. The leverage is provided by the fractional reserve requirements which determine the permitted or prudent volume of a bank's deposits and, therefore, of its loans and investments. It is chiefly by working this lever that the Federal Reserve administers national credit policy. It is chiefly in the response of the commercial banks to changes in their reserve position that national credit policy becomes effective.

Many things can alter the reserves of individual commercial banks, and of the whole banking system, from day to day and season to season, but the positive control of these reserves is in the hands of the reserve system. It can raise or lower the amount of reserves available to the commercial banks of the country in a variety of ways, and in accordance with its own determination of the seasonal, cyclical and long term growth needs of the economy for money and credit. When reserve funds are increased by the Federal Reserve by one-million or billion or whatever number of ciphers you want to use, the commercial banks as a whole are able to increase their loans and investments by say five or six. When reserve funds are reduced by one, the effect on the commercial banks, as a whole, is also multiplied by five or six, and they have to liquidate investments and exercise greater restraint in making loans.

These are great powers, these leverage magnified powers of banks and bankers. They should be exercised by men who recognize a public responsibility and discharge it, without submitting to political pressure or catering to private bias.

The Federal Reserve derives its powers directly from the Congress of the United States. It derives its ability to pursue an independent course, directed only by the broad economic desires and needs of the people, from its position within but not subordinate to the executive government of the day, and from the professional character of the men who administer its affairs. There have been times in the past, and particularly in the immediate postwar years, when the Executive Branch of the Government, through the Secretary of the Treasury and, finally, through the President, tried to dictate the actions of the Federal Reserve System. But the Congress, and the public with a lively sense of its own interest in this matter of money and credit, supported the Federal Reserve System in resisting this invasion by narrow political authority. Since that test was met, there has been no overt attempt and not much disposition to interfere with the professional use of its powers by the Federal Reserve System. I have no doubt, however, that such attempts will again be made. This is a battle which is never finally won. The urge to bathe the country in a sea of "Easy Money" is one which periodically attacks politicians and governments. Eternal vigilance is the price of a currency unit which does not deteriorate in purchasing power from decade to decade, destroying the value of savings and pension rights as it goes, bearing down on those of weak economic bargaining power, and changing business into a speculative race with rising costs.

Commercial Banks

Turning to those who manage our commercial banks, they derive their powers, under archimedes, from the national, state and territorial banking laws, from their own provision of capital funds, and from the confidence and support of the communities which they serve. They are less conspicuous than is the Federal Reserve in its glass house and, therefore, even more dependent on their qualities and character to discharge the public responsibilities which are theirs. Because there can be no question about it, the granting of a charter to open and operate a bank is not the granting of a license solely to pursue private profit. For the recipients it is also the acceptance of a public responsibility. The Federal Reserve sets national credit policy. The commercial banks translate that policy into the language of the day-to-day dealings of the people of their communities. Whether national credit policy works well or ill, fairly or unfairly, depends in great measure in how each individual commercial bank does its job. If credit is granted loosely in times of economic optimism, or restricted unduly in times of economic pessimism, and if at any time it is granted by favor and faction instead of by reason of credit worthiness and likely profitability of use, national credit policy will be distorted and discredited. Ultimately that would mean the destruction of the private banking system on which we now depend to allocate credit fairly and effectively among those who seek it.

And now we might take a quick look at the national economic weather. Since sometime in 1957 we have been reaping the consequences of some abuse of credit, some over-optimism in capital goods expenditures, some discrepancies between labor productivity and labor compensation, some disturbing international political and economic developments, some fiscal mistakes, and the reaction of consumers to all of these influences and forces. That is a long way of saying that since sometime in 1957 we have been having an economic recession.

I say sometime in 1957, because one of the interesting aspects of such phenomena is that, even after the event, when all of the facts and figures are in and have been processed by human and mechanical brains, no one can be absolutely sure of just when a boom ends and a recession begins. There is no one to blow a whistle or strike a gong.

Current Recessionary Period

The Federal Reserve people apparently decided that, so far as they were concerned, the boom ended in the closing months of 1957. At least we can bracket a period between August 1957, when the discount rate of the reserve banks was increased from 3% to 3½%, and November, 1957, when this action was reversed, as the period in which the reserve system changed from a policy of pressure on bank reserves to a policy of "cushioning the downturn" in business by easing the reserve position of the commercial banks.

Since November, 1957, as it gradually became clear that not only had the economy entered a period of reduced activity, but that the decline would probably be greater than in the mild postwar recessions of 1948-49 and 1953-54, the reserve system has given the commercial banks of the country a massive injection of reserve funds and, as a visible sign and symbol of its change in policy, the discount rate of the reserve banks has been reduced from 3% to 1¾%. Open market operations and reductions in reserve requirements provided the commercial banks with billions of dollars of additional reserves and these banks, in turn, were able largely to eliminate their borrowing from the reserve banks, to restore their liquidity, and again to seek loans and investments instead of screening borrowers and closely rationing credit.

The monetary basis for economic recovery was laid. The money supply was increased substantially. Liquidation of inventories, of stocks of goods which had become excessive in relation to reduced sales, has gone forward at a rapid rate, but without the panicky haste wihch might have been induced by undue pressure to repay bank loans. Interest rates in the money market have declined dramatically. The cost of capital funds, including mortgage money, responded more slowly and irregularly than money market rates, but existing costs became slightly more attractive to borrowers, both public and private, than during the boom period.

The money factor is only one of the forces which influence the course of the economy, however. The timing and vigor and persistence of an upturn will be determined, mainly, by a revival of consumer appetite for such high cost items as automobiles and appliances, the effectiveness of special government programs to stimulate the Housing Industry, and all that goes with it, the trend of world trade as it affects our exports and imports and those of other countries, the actions of management and labor with respect to wages and prices, the eventual resumption of expansion in private capital expenditures and, of course, by the fateful issue of peace or war.

Following the Summer Lull

So far in this recession of 1957-58, we have seen the largest declines in production and employment since the end of World War II. We have also seen how effective are the "built-in-stabilizers" of the economy, such as unemployment compensation and social security benefits, in maintaining consumer purchasing power in the face of relatively large scale unemployment and substantial declines in ordinary income. We have seen the advantage of a Federal budget which automatically goes in to deficit during a recession, when government income, based largely on aggregate profits, salaries and wages, declines and government expenses increase. We have seen some of the supporting effect of increased capital expenditures by Federal, State and Local Governments, when private capital expenditures falter temporarily. Finally, in May and June, we saw the downward trend of the economy checked, and a number of signs of an upturn. But we do not yet know with certainty, whether this was a false start or the real thing; whether the summer lull will be followed by a more vigorous recovery or whether we shall "bump along" at considerably less than maximum levels of production and employment for some time ahead.

Nor do we know what will be the collateral effects of the recent flare up in the Middle East and of our reaction to it. It has not been an important direct factor in the business situation, but it does seem to have put the spotlight on the debt management problems of the Federal Government and, by a sort of chain reaction, it has revived in many quarters a belief in the inevitability of further inflation. This has been reflected in the stock market and in the bond market, and it looks as if it has had an effect on government thinking and, perhaps, on the thinking of the monetary authorities.

The recent increase in stock margin requirements by the Federal Reserve may suggest not only a desire to check the use of credit in stock market speculation, but also some veering of official thinking toward restrictive action. And this guess acquires support from the recent statement of the President urging restraint by business in setting prices and by labor in seeking wage increases. It is unlikely that talk will accomplish much in the way of chastening excessive power, where it exists in these areas, and the scope of monetary action may be limited, or its exercise complicated, by the debt management problems of the Treasury, but these straws in the wind could be significant.

No Danger to Longer Term Growth

It has been and continues to be encouraging, however, that during the 1957-58 recession the old spiral of declining production, declining income, declining confidence, did not widen its circumference and increase its speed beyond tolerable limits. The cumulative pressures which cause recessions to degenerate into depressions have not appeared. That should mean that, although this recession may need some months in which to run its full course, the long-term growth of the economy is not endangered by what has happened.

In other words, the crystal ball is little cloudy, as usual, with respect to what is going to happen in the next six months, but reasonably clear as to what is going to happen in, say, the next six years, always barring destructive international developments. Just as in the case of the ending of a boom, there is no specific signal which tells you when a recession ends and recovery begins. Despite the identification of some early moving economic series, we cannot regularly and accurately forecast the precise timing of an upturn and the vigor of its movement. In such circumstances the monetary authorities, and the economic advisers, and all who would try to see what is over the hill, need whatever information they can get, analyzed as thoroughly as our economic and statistical knowledge will permit. And then they need a lot of horse sense, defined as the sense horses have not to bet on human beings. Because what is going to happen now will depend mostly on the actions of millions of human beings as producers and consumers, as owners, managers and labor leaders, as spenders and savers, borrowers and lenders, politicians and private citizens. And we human beings are not yet fully responsive to the demands of our complex economy.

As a recent Rockefeller report phrased it: "The functioning of a modern city or factory (or plantation) is a miracle of voluntary cooperation that can only be accomplished by people who have developed deeply ingrained habits of playing the rules, of self discipline and of internalized restraint." If there are power groups in the economy which ignore the rules, which lack self discipline, and which fail to practice restraint in order to gain narrow and fleeting advantage, we shall fall short of that excellence of performance which must be our goal. In the contest of two worlds which marks our time, this would be dangerous and might be fatal.

Two With Mason Bros.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Stephen L. Harbert and Furman C. Hargis are now connected with Mason Brothers, Central Building, members of the Pacific Coast Stock Exchange.

Now With Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Gilbert S. Currie is now affiliated with Eastman Dillon, Union Securities & Co., 415 Laurel Street. He was formerly with Dean Witter & Co.

Barth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

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

Norby to Address Chicago Inv. Clubs

CHICAGO, Ill. — William C. Norby, Vice-President, Securities Department, Harris Trust & Savings Bank, Chicago, will address a clinic meeting of the Chicago Council of the National Association of Investment Clubs on Wednesday, Oct. 8 at 7 p.m.

The Council's meeting, to be held on the trading floor of the Midwest Stock Exchange, will examine the problem of portfolio management—whether to hold or sell.

Emmett V. Collister, registered representative of Thomson & McKinnon and advisor to the Chicago Council, will present the investment clubber's approach to this question. Mr. Norby will follow with the professional approach.

Representatives of more than 500 Chicago area investment clubs are members of the Chicago Council, making it the second largest regional group in the National Association of Investment Clubs.

With Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Howard L. Louden is now connected with Hannaford & Talbot, 519 California Street.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Henry C. Mullowney has been added to the staff of Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Stock Exchanges.

Joins Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Philip F. Mackey, Jr. is now with Schirmer, Atherton & Co., 50 Congress St., members of the New York and Boston Stock Exchanges. He was formerly with Laidlaw & Co.

With Kalman & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Donald E. McFarland, Jr. has joined the staff of Kalman & Co., Inc., Endicott Building.

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.

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

Business Conditions in Southern California—Bulletin—Security First National Bank, Research Department, Box 2097, Terminal Annex, Los Angeles 54, Calif.

Canada Conversion Loan of 1958—Analysis—Gairdner & Company Limited, 320 Bay Street, Toronto, Ont., Canada.

Canadian Asbestos Industry—E. J. Bonkoff—General Research Associates, 4 Richmond Street, East, Toronto, Canada—Paper —$15.50.

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

Federal Income Tax Laws, including Technical Amendments Act and small business Tax Revision Act—Booklet—First National City Bank of New York, 55 Wall Street, New York 15, N. Y.

Fire and Casualty Stocks—Analysis of outlook—John C. Legg & Company, 22 Light Street, Baltimore 3, Md. Also available is an analysis of **Travelers Insurance Company.**

For Income and Profit—Bulletin on a sheltered growth stock—John C. Kahn Co., 1108 Sixteenth Street, N. W., Washington 6, D. C.

Indian Stock Market—Review of first sixth months—Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India.

International Investment—Analysis—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

Investing in Chile—Booklet on advantages offered by Chile—Area Development Section, American & Foreign Power Co., 100 Church Street, New York 7, N. Y.

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

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

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

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

Railroad Recovery—Review—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a memorandum on **Clinton Engines Corp.**

Rules of the Securities and Exchange Commission and of the **New York Stock Exchange** on Solicitation of Proxies Statements, Participants in Contests, Consents and Authorizations, and Reorganizations — 1958 Edition — Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Seven Food Stocks for Growth — Bulletin — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a review of **Oil Stocks, Electronics** and **Municipal Bonds.**

Stop Order—Discussion in current issue of "The Exchange Magazine"—Exchange Magazine, 11 Wall Street, New York 5, N. Y.—20c per copy; $1.50 per year. Also in the same issue is an article on **Supermarkets Abroad, Equity Capital Via Rights, Trend Resisters,** etc.

Taxable vs. Tax Exempt Returns—Table—Scharff & Jones, Inc., 219 Carondelet Street, New Orleans 12, La.

This Is Blaw Knox—Booklet describing products and services for industry—Blaw-Knox Company, 1211 Blaw-Knox Building, Pittsburgh 22, Pa.

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Admiral Corporation—Analysis—In current investment letter du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same letter are analyses of **Kaiser Aluminum, Southern Railway,** and **Western Pacific.**

Allied Laboratories—Review—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. In the same bulletin are reviews of **Baltimore & Ohio Railroad, Philco Corporation, Pittston Company** and **Square D.** Also available is a memorandum on **Eastern Stainless Steel.**

American Monorail Co. — Memorandum — Fulton Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

American Natural Gas Company—Analysis—Schweickhardt & Co., 29 Broadway, New York 6, N. Y.

Anglo Canadian Telephone Company — Analysis — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Black, Sivalls & Bryson, Inc.—Analysis—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Borax Holdings Ltd.—Memorandum—Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

Chesebrough Pond's Inc.—Data—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are data on **Panhandle Eastern Pipeline Co.** and **Safeway Stores, Inc.**

Continental Baking Co.—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 4, N. Y.

Diamond Gardner Corp. — Memorandum — Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

Eastern Air Lines, Inc. — Bulletin — John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Foremost Dairies, Inc.—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Newport News Shipbuilding & Drydock Company.**

General Gas Corporation — Analysis — Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

Kerr-McGee Oil Industries—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Koehring Company—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Minneapolis Moline Company—Study—Cady, Roberts & Company, 488 Madison Avenue, New York 22, N. Y.

Montrose Chemical Company — Analysis — Straus, Blosser & McDowell, 39 South La Salle Street, Chicago 3, Ill.

Pacific Uranium—Report—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y. Also available is a report on **Seismograph.**

Penn Dixie Cement Corporation — Analysis — Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Raytheon Manufacturing Company — Analysis — In current "ABC" Investment Letter—Amott, Baker & Co. Incorporated, 150 Broadway, New York 38, N. Y. Also in the same letter are brief analyses of **Two Guys from Harrison, Inc., Sunray Mid Continent Oil Company, Pan American Sulphur Co.,** and **Food Mart, Inc.**

Permanente Cement — Report — Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available are a bulletin on **Cement Stocks,** and reports on **Varian Associates** and **Statham Instruments, Inc.**

Sabre Pinon Corporation—Report—Frederick H. Hatch & Co., Inc., 72 Wall Street, New York 5, N. Y.

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

Sports Arenas (Delaware) Inc.—Study—Manly-Markell Associates, 11 West 42nd Street, New York 36, N. Y.

Standard Steel—Analysis—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are reports on **Fisher Governor Company,** and **American Hospital Supply** and a review of **Appliance Makers** with particular reference to **Whirlpool Corporation** and **Hobart Manufacturing Co.**

Stanley Works—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Texas Natural Gasoline Corp. — Memorandum — Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a memorandum on **White Eagle Oil.**

Union Tank Car — Analysis — J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

Western Union Telegraph Company—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Westinghouse Electric — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Phila. Retail Sales Mgr.

PHILADELPHIA, Pa.—Eastman Dillon, Union Securities & Co., members of the New York Stock Exchange and other leading exchanges, announce the appointment of Joseph G. Flanigan as Retail Sales Manager in their Philadelphia office, Philadelphia National Bank Building.

Joins Wayne Hummer

(Special to THE FINANCIAL CHRONICLE)

APPLETON, Wis. — Clifford E. Vincent has become connected with Wayne Hummer & Co., 123 South Appleton Street.

With Pitser Staff

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — George S. Coble has become affiliated with Pitser & Co., 517 Hillsboro Street.

With First Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

MANITOWOC, Wis. — William E. Scholten has joined the staff of First Securities Company, 803 York Street.

Continental Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Henry E. Witte has become associated with Continental Securities Corporation, 611 North Broadway. He was formerly with Paine, Webber, Jackson & Curtis.

With Marshall Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Sigurd Sigurdson is now connected with The Marshall Company, 765 North Water Street.

COMING EVENTS

In Investment Field

Sept. 11, 1958 (Chicago, Ill.)
Investment Analysts Society of Chicago 3rd annual outing at Itasca Country Club, Itasca, Ill.

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. 19, 1958 (Philadelphia, Pa.)
Bond Club of Philadelphia annual field day at Huntington Valley Country Club.

Sept. 26, 1958 (Cleveland, Ohio)
Bond Club of Cleveland fall outing at the Cleveland Country Club.

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

Sept. 26, 1958 (Rockford, Ill.)
Rockford Securities Dealers Association annual "Fling - Ding" at the Mauh-Nah-Tee-See Country Club.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

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

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

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

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

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

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

General American Oil Company of Texas

By DR. IRA U. COBLEIGH

Enterprise Economist

An aggressive acquirer of crude in the ground, and a highly leveraged stock with a splendid performance record.

The year 1958 has been sort of a lull year in oil. Overproduction, induced by the Suez seizure, heavy proration in Texas, import restrictions on oil, political uncertainties surrounding the ultimate ownership and profitability of lush Arabian arenose acreage, the beaching of an armada of T2 tankers, and soggy refinery runs — all these have slowed down enthusiasm for oil. Against this somewhat gloomy backdrop, eager and ubiquitous exploration has unearthed exciting possibilities in the Sahara; Alaska; a new strike in Syria; and improving climate for exploration and development in Argentina and Chile. And above all there is the opinion, backed by considerable logic, and widely held among more sophisticated and informed investors, that (1) we are in for unremitting inflation and (2) that oil in the ground is one of the very best hedges against same.

Ira U. Cobleigh

If we assume this brace of premises to be valid, then one of the securities we should take more than a passing look at is the common stock of General American Oil Company of Texas. This company has spent 22 dynamic years shopping for underground oil and buying it cheap. And it has done a wonderful job for its early stockholders with the shares, over a 10-year period, rising from a low of $3\frac{1}{8}$ in 1948 to a 1957 high of $47\frac{3}{4}$; and today's price of around 40, a gain of well over 1,000%. In your catalog of growth stocks, kindly include GAO.

In 1936 General American Oil Company of Texas was incorporated to acquire producing properties, and ambitious to become a significant factor in the production of petroleum. In the first objective it pioneered in a unique vehicle of finance, which has since gained great popularity. It's called a "reserved oil production payment." The beauty of this device is that it pleases everybody. A party owning oil in the ground agrees to sell the property for, say, $1,000,000. The known oil reserves are estimated to be worth a lot more than that—perhaps $2 million—but it may be years before that subterranean asset can be surfaced and cashed. So $1 million looks pretty good, particularly when it can be treated tax-wise as a capital gain.

But the buyer, even though he's getting a long-term bargain, hates to shell out "all cash," particularly when there's a better way. So he puts up only $200,000 in cash and delivers to the seller a "reserve oil production payment" contract for $800,000 bearing interest at 5½%. This payment has no maturity date; principal is reduced only as the oil is actually derricked and sold. Proration will delay the payout, but ultimately the entire principal will be paid off out of actual production, with the 5½% interest running on the unpaid balances in the interim.

Now why would the seller take a deal like this? Only 20% cash and a note that might take years to pay off? The answer is that this "reserved production payment" can be sold usually at or about its face amount so that the seller in reality gets all cash. And, reverting to the buyer, he (1) buys all the oil for only 20% cash, and (2) he's entitled to **all the oil** that can be produced after the $800,000 (and interest) has been paid off. Often new drilling on the property will vastly increase reserves and ultimate production; the existing wells may bring in above estimate, and secondary recover techniques may add further production bounties.

Through shrewd and continuous application of this highly leveraged device, which is neither a direct liability nor a fixed obligation, GAO has, up to now, acquired over $140 million in producing properties with a cash outlay of only some $25 million. And the returns on this capital have been truly amazing. GAO has operated in every year at a profit and, in 20 years, has increased its producing properties over 700% and net income over 1,700%.

Today GAO is a large scale petroleum producer with a net production of 8½ million barrels in fiscal 1957 (year ends 6/30). Thus one year's production alone would be enough to liquidate (at present prices) all the outstanding principal amount of production payments. Proven oil reserves are now estimated at 111 million net barrels; natural gas at about 300 billion cubic feet. GAO operates in 15 states and in Canada, owning 2,960 net wells.

In addition to actual production, GAO has been active in exploration and development. In these operations, it aims to minimize its own cash contributions through farmouts, and its preferred arrangement is one whereby it has a 50% net profits interest, with the partner assuming all drilling costs.

In Canadian operations, GAO works through two corporate vehicles, General American Oils, Ltd., a 100% owned subsidiary, and Fargo Oils, Ltd., where interest is represented by ownership of about 26% of the 8.4 million shares of outstanding common. Major Canadian acreage includes a 46⅛% working interest in 400,000 acres in British Columbia with bright prospects and substantial present gas production geared to a 27 year delivery contract with Westcoast Transmission. GAO Ltd. acquired this. Fargo has 167 producing wells in Saskatchewan, Alberta and British Columbia, and three million acres in British Columbia now on an exploratory farmout with approximately a 25% net interest; and about 50,000 acres in the Innisfoil Field in Alberta under an exploration agreement with Cities Service Co. whereby they will spend $2 million drilling and searching, and Fargo will collect 50% of the net. Both GAO Ltd. and Fargo are operating profitably, and GAO already has a market profit (over book cost) of some $12 million in its Fargo holdings.

Other holdings of GAO include a 55.8% interest in a syndicate for oil exploration in Spain; and entire ownership of General American Pipeline Company operating 156 miles of gathering lines, and a 39½ mile trunkline in East Texas, with a 10 year record of sustained profitability.

The outstanding success and burgeoning growth of GAO stem not only from intelligent application of financial leverage (in the order of about 6.7 to 1) but from a highly competent and oil-wise management led by Algur H. Meadows, founder of the company, and now Board Chairman, and Gordon Simpson for many years counsel, and now President. GAO has also benefited by its long-term relationship with Republic National Bank of Dallas (a major commercial bank with a long record and special talents in the field of oil financing).

Republic National Bank has arranged most of the reserved oil production payments for GAO. (In Canada similar financial arrangements have been most effectively worked out with the Royal Bank of Canada.)

Another point of interest about GAO is the low labor factor. In this age of steadily rising labor costs and escalator clauses, it is nice to see a company whose total payroll is only 13% of gross operating income. That's the ratio at GAO. With cost factors so well controlled and an extremely low tax payout, GAO common has a very considerable attraction. There are presently outstanding 3,045,600 common shares listed on N. Y. S. E. Current dividend policy is to pay 40 cents in cash and 5% in stock, a program designed to conserve cash resources and to recognize growth in net worth through retained earnings, by additional share distribution. GAO has no debt, preferred shares, no warrants and is very strong against dilution of the shareholder's equity.

Under economic conditions now prevailing, and foreseeable, it would appear that the long-term trend in the price of crude is up. In that case, oil in the ground looks like a worthy asset, and a sensible inflation hedge. One of the most effective ways of owning oil in the ground, and sharing in the continued growth of a soundly managed enterprise might be to join the 5,000 stockholders of GAO. Earnings may dip a little this year (below the $2.97 of 1957) due to proration, but that shouldn't disturb the long-term uptrend.

Baker, Simonds & Co. To Be NYSE Member

DETROIT, Mich.—Baker, Simonds & Co., Inc., Buhl Building, members of the Detroit Stock Exchange, on Sept. 18 will become members of the New York Stock Exchange. Officers of the firm are Ralph W. Simonds, President; Lewis C. Keenan, Vice-President and Treasurer; Jefferson W. Baker, Claude G. Porter, Maurice D. Druker, Vice-Presidents; Paul P. Chester, Secretary; William E. Baubie, William P. Brown, William L. Hurley, and Frank J. Keogh, Jr., Assistant Vice-Presidents; and William B. Hibbard and George E. Potter, Assistant Secretaries.

Now Alkow & Co.

The firm name of Henry Montor Associates, Inc., 40 Exchange Place, New York City, members of the New York Stock Exchange, has been changed to Alkow & Co., Inc. Jacob M. Alkow is President.

F. I. du Pont Branch

PHOENIX, Ariz.—Francis I. du Pont & Co. has opened a branch office at 411 North Central Avenue, under the management of George F. Stoeberl.

Highlights of Small Business Laws

By ROGER W. BABSON

Mr. Babson reviews the highlights of the three Federal laws recently passed to help small business, and singles out the Investment Act as the most significant of the three laws.

At last Congress has gotten around to doing something for small business. Three major bills designed to give small business a break have been enacted. Here are the highlights of these new laws.

Roger W. Babson

Included in this year's tax law revision are several provisions which give small business firms a better break. One of the most far-reaching of these permits an individual—or a corporation—to treat as an **ordinary** loss, rather than a **capital** loss, any investment loss up to $25,000 on an individual income tax return and up to $50,000 in a joint return. Of course, this **ordinary** loss treatment is restricted to **original** purchasers of common stock in small businesses. Transferees of the original purchaser may not claim this privilege.

In addition to present depreciation rates, a separate first-year allowance of 20% of the value of the depreciable property up to $10,000 is now provided. This allowance is boosted to 20% of the first $20,000 when a joint income tax return is made. Of course, if this **extra** depreciation is used, it will reduce the amount of **regular** depreciation available on the same property in future years. You should also note that this depreciation concession is limited to equipment and machinery. **Buildings are not included.** A further break for small business permits accumulated earnings of $100,000 rather than $60,000, without being liable for payment of the special surtax penalty.

Spreading Estate Tax Payments

Until now, the death of one whose estate consisted largely of his interest in a closely held business often resulted in forced sale of the business to obtain cash for death taxes. Now, in cases where the value of interest of the deceased in a given business exceeds 35% of his gross estate, Federal estate taxes may be spread over a 10-year period. Payment may be made in 10 annual installments plus interest at 4% per year on the unpaid balance.

Congress has also raised the loan limit of the Small Business Administration from $250,000 to $350,000 and elevated this bureau to a permanent government agency. Those borrowing directly from this agency get a break too, for the SBA's maximum interest rate on its short- and intermediate-term loans is reduced from 5% to 4½%.

Small Business Investment Act

To my mind the most significant legislation affecting small business is the Small Business Investment Act. This is an **unprecedented** step toward overcoming one of the greatest handicaps facing small business today, namely its inability to obtain readily the equity capital and the long-term debt capital it requires.

Investment companies whose primary purpose is to provide venture capital for small and expanding businesses can be established by 10 or more persons. Each company must be chartered and its charter must be approved by SBA. It must also have a paid-in capital and surplus of not less than $300,000. However, as much as half of this might be obtained from SBA. The small investment companies thus organized could make long-term loans of up to 20 years or even more. They could also advance equity capital to small firms through purchase of the small firm's debentures. By law these debentures must be convertible into the small company's common stock.

Tax Benefits for Small Investment Companies

Of course, the chief advantage to a small business investment company and its shareholders lies in the chance of long-term capital gains **which would be tax-favored.** Investment companies holding the stock of small businesses would be entitled to a 100% dividend-received deduction instead of the normal 85%.

Space does not permit listing additional tax advantages to investment companies chartered under this new law. If you have interest in venture capital companies, finance companies, or like enterprises, I suggest you may gain taxwise and otherwise by converting these firms into small business investment companies under this new law. Look into it!

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Granville M. Campbell is now with Bache & Co., 445 North Roxbury Drive.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — James A. Deak has been added to the staff of Francis I. du Pont & Co., City National Bank Bldg.

With First Angeles

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Nellie O. Sheppard has become associated with the First Angeles Corp., 210 North Carolwood Drive. Miss Sheppard was formerly with Cradock Securities Ltd. and F. W. MacDonald & Co., Inc.

Phila. Secs. Ass'n to Hear

PHILADELPHIA, Pa.—Thomas Mellon Evans, President of H. K. Porter Company, will be guest speaker at a luncheon meeting of the Philadelphia Securities Association to be held Tuesday, Sept. 23, at the Warwick Hotel.

Warren V. Musser of the Philadelphia Securities Co., Inc., 1526 Chestnut Street, is in charge of arrangements.

From Washington Ahead of the News

By CARLISLE BARGERON

Mrs. Roosevelt, now in Russia, has gotten herself involved with California Republicans over the question of whether her husband was against the closed shop. In a campaign pamphlet circulated out there, Mr. Roosevelt is represented as once having championed the "freedom" to work which is being interpreted as opposition to the "closed" or "union" shop.

Carlisle Bargeron

Mrs. Roosevelt hotly denies that he ever said any such thing. She insists he was always in favor of the closed and union shops.

The files of the White House transcript of Roosevelt's press conferences do not bear her out. In 1941 the United Mine Workers struck on the principal issue of the closed shop. The dispute was carried to the National Mediation Board composed of representatives of labor, employers and the public. When the board ruled against the miners the CIO members withdrew from the board, thereby wrecking that agency.

At this point Roosevelt took a stand. At a press conference he said "the Government of the United States will not order nor will the Congress pass legislation ordering the so-called closed shop. That would be too much like the Hitler methods toward labor."

It might be worthy of note that at this time Lewis and the President were bitter enemies. Lewis had split with the President in the 1940 campaign and had gone on the air with a nationwide broadcast calling for Roosevelt's defeat.

When the Republicans passed the Taft-Hartley Act of 1948 they brought the little used union shop into wide practice. Students of labor relations had pondered over the subject and concluded that while the closed shop was un-American in that it required a worker to belong to a union before getting a job the union shop was different. Under the union shop the worker is given a probationary period in which to join. He does not have to join even then if he will pay dues to the union. One difference is that under the closed shop the union can kick a man out of the union. Under the union shop he cannot be thrown out of work by the union if he continues to pay his dues.

In practice there is little difference and the union shop has become the universal practice.

The Taft-Hartley Act was described as a slave labor act when it was passed. As a matter of fact organized labor has enjoyed a heyday under it, organizing additional millions of workers until it now claims a membership of about 14,000,000.

The Taft-Hartley Act was an improvement over the old Wagner Act mainly because it curbed the National Labor Relations Board but there is a question of whether it didn't stimulate organization.

The situation now is that 18 states have laws prohibiting the closed or union shop. A man can join a union if he wants to. He cannot be forced to join one. In California the issue in the present campaign is of passing a law to prohibit the closed or union shop. Senator Knowland is running for governor on the anti-closed shop issue.

It is ironical to see the Senate McClellan committee now throwing up its hands in horror over corruption in labor, particularly the teamsters' union. It was the politicians who brought about the conditions which made this all possible.

With men forced into the union either through the closed shop or the union shop the leaders naturally do not feel responsible to the membership or anybody else.

The unions have grown powerful and know no restraints. There is no wonder that it has spawned your Walter Reuthers and Jimmy Hoffas. The situation is made to order for them.

Fully Accredited Course On Investment Cos. Set For CCNY Fall Semester

A fully accredited college course devoted exclusively to investment companies is scheduled to be given during the Fall semester at the Bernard M. Baruch School of Business and Public Administration of the College of the City of New York, it is announced.

Key representatives of the investment company business will be guest lecturers during the course, which will meet Thursday evenings from Sept. 18 to Jan. 15. Dr. Harold S. Oberg, Research Director of the National Association of Investment Companies and a member of the College faculty, will supervise the course.

In-person registration for the two-point credit course, Economics 168, will take place on Thursday and Friday, Sept. 11 and 12.

When offered previously, the course attracted one of the largest enrollments in the history of the Baruch School, and marked the first time a course devoted entirely to investment companies had been given for full credit at any college or university.

Subjects covered in the course include characteristics of open-end and closed-end investment companies, management procedures, investment company policies, management appraisal, methods of distribution, taxation, regulation of the industry by Federal and state laws, types of investment company shareholders and estate planning.

Fred Tuerk With Dempsey-Tegeler & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Fred R. Tuerk, Donald A. Rose and Carl L. Jeschke are now connected with Dempsey-Tegeler & Co., 210 West Seventh Street.

David Pearson Joins Eastman Dillon Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — David C. Pearson has become associated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Blvd. Mr. Pearson was formerly with Bingham, Walter & Hurry, and in the past was an officer of George R. Miller & Co. of Pasadena.

Now With Fairman Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Lewis Akmakjian is now with Fairman & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. He was previously with J. Logan & Co.

How Banks are Doing in 1958

By MORRIS A. SCHAPIRO*
President, M. A. Schapiro & Co., Inc., New York City

Increased bank earning power is envisioned by head of investment banking firm who predicts demand for bank credit from private and public sources alike are potentially great and foretell a rising level of loans and investments. Mr. Schapiro points out that monetary authorities want higher interest rates despite cost to borrowers and that market depreciation in bond investments will be outweighed by favorable profit margins based on expected higher yields on loans and investments. In depicting favorable profit margin trend ahead, the eminent banking analyst is mindful this will be gradual because time is required for yields to catch up.

Bank shareholders are keenly interested in how their banks are affected by the changes which have made 1957 and 1958 years of monetary headlines. England, Belgium, France, and other central banks, our own, too, have raised or lowered the discount rate, frequently moving in opposite directions. The actions of our Federal Reserve are closely watched and widely interpreted. Since last November, with the advent of easy money, there has been a marked addition to our money supply. Deposits at commercial banks have increased. Cash reserves required are lower, permitting even greater expansion of their total loans and investments.

Morris A. Schapiro

Higher Interest Rates Ahead

Clearly important to commercial banks are the policies of our monetary and fiscal authorities. They in turn are influenced, not only by the domestic scene, production, and employment, for example, but also by foreign developments, such as the balance of trade and flow of gold. In the foreground is our national debt and the question of whether its inflationary effect can be contained by these policies. This is problematical. What may work in theory is sometimes upset by human behavior. Meanwhile, fear of continued public deficits and the threat of further money market measures bring our financial dilemma into constantly wider view, here and aboard. Despite the cost to borrowers, including the Treasury itself, it is apparent that the monetary authorities now want higher interest rates.

The banking system is sensitive, and quickly responsive to administrative action. Today's changes are unprecedented in their suddenness and scope. Only a year ago, the Federal Reserve raised the discount rate from 3 to 3½%. The hurried shift last November to easy money and low rates has now been reversed to tight money and higher rates. Nowhere is the impact of these changes so dramatic as in the market for Treasury securities. Here, concretely and psychologically, through the rise and fall in quotations, the authorities exert their greatest leverage on lenders and borrowers alike.

Lenders' Market for Money

Commercial banks are once again operating in a sellers' or lenders' market for money. True, they now have market depreciation in their bond investments, even in the short-term, but this will be outweighed by the favorable profit margins which higher yields on loans and investments will bring.

*An address by Mr. Schapiro before Association of Marine Savings Banks, Dixville Notch, N. H., Sept. 5, 1958.

Let us identify the profit margin of a bank as the differential, or spread, between the interest rate earned on its total loans and investments and the interest rate required to just break even.[1] To illustrate, we will refer to the major New York City banks. Thus, in 1957, the New York Clearing House banks as a group realized a rate of 3.79% on their total loans and investments. This exceeded the required break-even rate of 1.48%, leaving a differential of 2.31%, or a profit margin of $23.10 for every thousand dollars of loans and investments.

The profit margin of $23.10 is only one of the three factors basic to our formula for bank earning power. The other two factors are—the volume of total loans and investments expressed in thousands of dollars, and the percentage of the profit which is left after provision for applicable income taxes. Again, to illustrate, the New York City banks had total loans and investments which averaged $23,462,000,000 in 1957: and they accrued applicable State and Federal income taxes at the rate of 49.6%, keeping 50.4%. Thus, by multiplying these three factors according to the formula, we obtain their combined net operating earnings in 1957 of $272.8 million, shown as follows:

($272,800,000) = ($23.10) x (23,462,000) x (100.0% — 49.6%)

The components of this equation are correlated to money market factors, interest rates, operating costs, and taxes. The formula is useful in showing how bank shareholders are affected by the policies of the Government authorities.

[1] To compute the interest rate or yield required to break even, operating income, other than interest, is deducted from operating expenses. This leaves a dollar deficit which must be met by interest income from loans and investments. The ratio of this deficit to total loans and investments is the yield required to break even. The difference between the yield realized and the yield required gives the profit margin, which can be expressed in dollars and cents per thousand dollars of loans and investments.

Potentially Great Credit Demand

Banks will have to finance business, big and little, and the Treasury, too. Demands for bank credit, from private and public sources alike, are potentially great, and foretell a rising level of total loans and investments.

Thus, greater volume and firm rates mean increased earning power. The effect of more volume is shown by the operating results for the 12 months ended June 30, 1958. Reflecting the fall in rates and the gain in liquidity, the profit margin for the New York City bank group slipped from $23.10 to $22.50; but this was offset by the 3.5% increase in average earning assets. Thus, net operating earnings for the year ending June 30, 1958 were $278.6 million, shown as follows:

($278,600,000) = ($22.50) x (24,280,000) x (100.0% — 49.0%)

This is no proof that lower profit margins can be offset by volume. In time, low interest rates and rising costs will cut down the earning power of most banks. But increased deposits and the consequent higher level of loans and investments wil help future earnings, especially when the low-rate period is brief, such as the seven months span from November to June.

New York City as an Example

Deposit gains, however, have not been uniform. Disparities occur, geographically, by size and type, and individually from bank to bank. To illustrate, in the period from Oct. 30, 1957 to June 25, 1958, the Federal Reserve member banks in New York City increased their deposits 15.0% against 5.7% for the rest of the country. In total loans and investments, New York City gained 16.2%, compared to 6.1% for all other member banks. New York City was not, of course, the only beneficiary; other centers, too, had important gains.

At midyear, the New York Clearing House banks had loans of $16.7 billion and investments of $10.3 billion. The total of $27.0 billion was $3.5 billion, or 15% greater than the $23.5 billion average for 1957. The effect on earnings power of this new high level of earnings assets, as well as any profit margin improvement, can be readily calculated by the formula.

In estimating New York City bank earnings for 1958, we must consider (1) the money market reversal to higher rates, and (2) the sharply higher level of loans and investments. Although the profit margin trend is again favorable, improvement from the first six months figure of $21.40 will be gradual because of the [illegible] required for yields to catch up.

We can safely estimate net operating earnings of the New York [illegible] million in 1958, up 3.4% over 1957. Such earnings [illegible] represent 8.80% of the capital accounts of $3.2 billion, or $8.80 on each $100 of stockholders' money. This, of course, is exclusive of gains or losses realized on sale of investments, chargeoffs, recoveries, and transfers to or from reserves. Most of the banks are in a net gain position because of the profits taken earlier this year on sales of Treasury securities.

At various times during 1957, dividend rates were increased, and additional shares were issued. Thus, the total dividend requirement for the whole year 1958 is greater than the $151.5 million declared in 1957. For example, one bank, New York's third largest in deposits, Chemical Corn Exchange Bank, last week increased its regular quarterly dividend. Other banks will probably follow. It is worthy of mention, in a year when corporate profits in general are down, that banks are earning and paying more.

Edward M. Bradley Co. Celebrates 90 Years

NEW HAVEN, Conn. — Edward M. Bradley & Co., Incorporated, members of the Boston Stock Exchange, is celebrating the 90th Anniversary of its founding in 1868. Edward M. Bradley & Co. is the oldest investment house in Connecticut.

Small & Company Is Formed in Wichita

WICHITA, Kansas — Small & Company Incorporated has been formed with offices in the Union Center Building, to engage in a securities business.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Irving U. Knight has been added to the staff of Paine, Webber, Jackson & Curtis, 111 Pearl Street.

Diamond, Turk Admits

Adele Diamond and Nathan Bernsohn became partners in Diamond, Turk & Company, 30 Pine Street, New York City, members of the American Stock Exchange, on Sept. 3.

With J. H. Goddard & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard P. Innerasky, Jr. is now connected with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

Savings—The Secret Of American Growth

By NORMAN STRUNK*

Executive Vice-President of the United States Savings & Loan League, Chicago, Ill.

Mr. Strunk discusses the savings habit of Americans; describes its importance to economic growth; assures businessmen worried about the current high rate of personal savings that it is their job to figure out ways to induce reluctant consumers to part with their funds; and advises savings institutions they too will have to continue to compete for the consumer's dollar. The League official contrasts today's "democratization of savings" with past channels of savings flow to American industry and users of capital; traces the growth of institutionalization of savings and investment which he shows has replaced direct investments in securities as the important source of external finance capital; and refutes the over-savings thesis.

I would like to refute the claim "Necessity is the mother of invention," at least so far as America is concerned, and attempt to demonstrate that abundance, rather than necessity, has been the mother of invention.

Norman Strunk

I do not pretend to be a historian, but one does not need to have graduated as a history major to know that throughout world history those people who have had to struggle because of their physical or economic environment merely to get enough food to eat and keep a roof over their heads have advanced slowly, if at all, in material and cultural things. It is only those people who have what economists term an "economic surplus" that have developed a culture, art, education and a constantly rising standard of living.

As you know, most of the original advances of early civilizations took place in the lush river valleys of the Ancient world. Egypt, for example, had a fruitful influence on the progress of the early civilizations and for thousands of years its agriculture and stock breeding enjoyed unmatched prosperity. The government of the Pharoahs maintained the fertility of the country by intelligent control of the Nile at its period of floods. Because of the abundance of their economy, they were able to save or conserve part of their energy and build dams, dikes and canals to control the river, to make use of its advantages and to justify the classification of Egypt as "The gift of the Nile."

Incidentally, ancient Egypt used the residential mortgage in a form not too different from that we know in our country today.

Other nations whose people had to scratch constantly for a living and who never knew where their next meal was coming from, never progressed beyond most primitive stages of culture. The Eskimos and nomadic tribes of the East (until the discovery of oil in the Middle East) are illustrations.

Bringing our story to more modern times, to the period after the Industrial Revolution, we find that the most highly developed nations had an economic surplus early in their history: Examples are Sweden, England and Germany. Here again, abundance and saving were the prime causes of their stature in the world history and the relatively high standard of living enjoyed by their people.

*An address by Mr. Strunk before annual Business Conference sponsored by Stanford University, Stanford, Calif.

Savings and America

The cause and effect relationship between savings and a high standard of living is especially vivid in America. There are three things that made this country great: (1) Natural resources, (2) an abundant and efficient labor supply, and (3) savings. These have enabled our nation to increase production and, through successive business cycles, to raise its standard of living. Had it not been for savings, our resources and our labor might never have really been put to work.

In modern times there are countries where labor is abundantly available (such as India and China), but where the standard of living cannot even be compared to ours. Likewise, there are countries with ample natural resources but with a very low standard of living. An example of this is Russia until very recently and Brazil to this day.

In comparing our nation with others which have ample labor and resources but whose people have not saved, we find that savings are the moving force. If savings are not the "mother of invention," they are certainly the key to economic progress and the development of our culture.

Improvement in productive facilities, a fine transportation network, efficiently functioning government and social capital such as schools, parks, hospitals and the like is not possible unless the people can and actually do produce more than they consume—that is, unless they save, as Americans always have saved.

Ours has always been a thrifty nation. Its pioneers may not have had cash savings such as we see on the balance sheets of our financial institutions today, but they worked longer hours than necessary to get the next meal and used their surplus labor to improve their land, build fences, produce a surplus crop to buy farm equipment, etc. The fact that Americans have worked hard and have had funds left over after providing for their basic, essential needs and that these savings could be invested in such things as education, housing, research and improved industrial technology is the fact that has made America great and produced further abundance. Truly, savings are the secret of American growth.

Over-Savings Thesis

No doubt about now those employed in a business which sells things to the American people and who have found their recession actually to be a depression so far as you are concerned are probably thinking: "That's all right in theory, but what we need today is a little less savings and more spending."

They maintain, and with considerable justification, that one of the reasons for this recession was the fact that the American consumer stopped buying new automobiles, appliances and other durables and has been saving his money. The fact is that the increase in savings in our savings and loan associations in the first half of this year is 20% greater than in the first six months of 1957. They might well say, no wonder we have a recession.

Their case has strength although I cannot give them credit for originating the idea because the same sentiments were advanced under the heading "the over-saving thesis" during the 1930's by economists who wouldn't then or now want to identify yourself with.

Let us look a little more closely at this concept. One point we can agree on is this: American consumers, by exercising their free choice, can and do change the pattern of their spending, disturb what appears to be the established business structure, and cause a downturn in our economy. In the same breath I hasten to add that the American consumer ought to have this right. It is much like the right to vote.

If the consumer likes the highly stylized, multi-colored, roomy, chromey, "souped-up" and expensive automobile turned out by a certain Detroit manufacturer, then he can cast his dollar ballots for that car and make its manufacturer successful. By the same token, he has an equal right to vote against this "hot" model if he doesn't like it and to spend his dollars for some other product such as a Volkswagen or to save his dollars. This competition for the dollar-votes of consumers is part and parcel of the American way of doing business.

Savings in some ways are another commodity for which the consumer can cast his ballot. And, as the representative of a group of aggressive savings institutions, I wish to warn you that savings can be sold and merchandised and that the savings and loan associations will continue to compete with you for those dollar-votes being cast continuously by Americans in our economic election.

The fact that Americans have been favorably disposed toward savings at financial institutions recently speaks well for the competitive abilities of savings institutions in the market place. If Americans decide that future needs, such as the education of their children or a new home (fully paid for) are desirable goals, then they have the right to save to purchase such things.

If businessmen have temporarily oversold their market and cannot induce the consumers to part with their funds, perhaps they ought to look back to two fundamentals: The nature of the products they are trying to sell, and the price at which they are trying to sell them. In a money and credit economy such as ours, producing durable goods in large volume, we must accept the risks of cumulative tendencies toward inflation and deflation. The more style we put into our products (and there is no end in sight), the more likely it is that we shall have peaks and valleys. Such fluctuations could not be removed without seriously impairing some things I don't think we want impaired. Individual initiative, freedom of action, and economic growth in the American way.

History of Savings in America

If I have now convinced you of the importance of savings to our life and times, then you might agree that it should be worth your while to know a little more about the history and current nature of savings—why people save, where they save, how the savings of the American people are made available to American industry and government to finance new factories, new roads, schools and houses. You might also want to know how to encourage people to withdraw their savings from their savings accounts and buy more of your products.

There have been some very significant developments in the last few decades in the savings habits of the American people and the way in which these savings are made available to American industry and other users of capital.

We have had what we might call a democratization of savings. That term expresses the fact that millions of individuals are now able to save money and actually are saving and thus providing capital for our continued economic progress. Much of the savings of the American family today is made available to the users of capital through financial institutions, or financial intermediaries, as the economists refer to organizations like savings and loan associations, life insurance companies, pension funds and mutual investment trusts.

In its early years, the United States met its capital requirements or obtained savings funds from two principal sources: (1) the wealthy individuals, and (2) foreign investors. Factual data is hard to come by, but we do know that European capital, principally English, built the first American railroads. In 1914 private foreign investments in the United States totaled $7 billion—quite a bit of money in those days and a big part of the total investment in American business and commerce. Of that $7 billion, over half was invested in railroads.

We don't need any data to convince us that the foreign investor has ceased to be a factor in American economic life. Can you imagine any new important American industry, such as the electronics industry, being dependent upon foreign money for its capital needs as were the American railroads during the years of Leland Stanford, Mark Hopkins, Collins Huntington and Charles Crocker, and even later in the days of Harriman and Hill.

America today does not rely so heavily on a relatively few wealthy individuals for its capital requirements as it did a generation ago. In the first place, with the impact of income taxes, there are relatively few people with millions to invest. Second, with American industry today having over $15,000 per worker invested in plant and equipment, compared to $3,900 in 1920, we required a lot more capital than could ever be furnished just by rich people, even if we had never had Federal income taxes. Finally, and most important, the average American family now has income well above the subsistence level. It can afford both a standard of living that permits some luxuries and also afford to save a part of what the breadwinner earns. Last year, for example, individuals—that is, people like you and me—saved about $38 billion out of their current income[1] This is a tremendous addition to America's savings capital.

Growth of Middle Class America

The great change that has occurred in America in the last generation has been the rise of the middle class family. The middle class family now dominates America politically, culturally and economically. If we define the middle class family as one with an annual income of from $4,000 to $8,000 we find that today 43% of the families are in this bracket as compared with only 15% in 1935, speaking in terms of constant 1957 dollars. Today 63% of our families earn more than $4,000 a year.

We have plenty of evidence that families making a lot less than $8,000 a year save money—quite a bit of it—but if you have a hard time living within your income (which would be normal for an up and coming business executive), you might be hard to convince that anyone making less than $8,000 a year would be much of a factor in providing capital for America's economic progress. Even so, the demacratization of savings which I referred to eariler is well illustrated by the fact that while in 1935 only 3% of the people made more than $8,000 today 20% of American families earn in excess of $8,000 annually.

[1]Savings by individuals as estimated by Securities and Exchange Commission. New debts incurred excluded.

Thus the rise of the American middle class family has broadened the number of investors in American industry and provided much greater capital for the production of better houses, roads, schools and factories—just as the rise of the American middle class family has doubled and tripled the market for the products of American industry.

Characteristics of Savers

In taking a look at the American saver today, we find that he is very much the same person who buys most of the products of American business.

The United States Savings and Loan League had a survey made in 1955 and these statistics give a picture of savers and their habits in the fall of that year. At that time 35% of all savers in banks and savings and loan associations had incomes of less than $4,000. Only 25% of all the savers in banks and savings and loan associations had incomes of more than $6,000. We checked those people who indicated that they had more than $5,000 in an account in a savings and loan association and 30% of them had incomes of less than $6,000.

There is not much difference between the saver in a bank and in a savings and loan association as to income, occupation or age. Thus, of the people having accounts only in the savings and loan associations and not in banks, 75% had incomes of less than $6,000, and of the savers having accounts only in banks, 71% had incomes of less than $6,000.

Most of our savers are either executive, clerical or sales personnel. The same thing is true of bank savers.

Of all the savers in savings and loan associations in 1955, 56% had savings accounts of less than $2,000. Fifty-one percent of the bank savers had savings accounts of $2,000 or less. Forty percent of the people with accounts in savings and loan associations also had an account in a bank.

Our savers tend to be people with families, and we find a distinct correlation, of course, between a favorable attitude toward thrift and whether or not the family has any children. We find that women are more thrift-minded than men.

This, I believe, is enough to give you a picture of the people who save in America's leading thrift institutions, that is, the savings departments of banks and the savings and loan associations. You know, of course, that people with pension plans cover the entire range of employed Americans and that the same is true of the holders of life insurance policies.

Institutionalization of Savings

The rise of the American middle class family and the fact that most American families now can and do save some money have not only resulted in the provision of a great deal more capital for American industry, it has also resulted to a large degree in the institutionalization of savings and investment. That is to say, more and more of the savings of American people are going to financial institutions—financial intermediaries—which in turn invest in the American economy in various ways.

Let me cite a few figures to help make my point. Take the three years 1926-1929 (during the days of the great stock market boom prior to the great depres-

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Current Economic Trends And Savings Banking

By DR. GROVER W. ENSLEY*
Executive Vice-President,
National Association of Mutual Savings Banks

Savings bankers are forewarned by their economist that continuance of recent turnaround in capital market yields may compel a careful re-examination of portfolio policies in the months ahead. This is said to involve a shift from finding suitable investment outlets to choosing from among competing investment opportunities in line with such a financial trend change. The former Congressional staff economist dismisses as exaggerated, and as almost paradoxical, some of the inflationary outlook views currently manifested, and sees in the current inventory liquidation slowdown an encouraging sign of a business upturn which he hopes will not be discouraged by too rapidly rising interest rate before it gets fully underway. Finds surprising the quickness in business reversal; deplores economic growth loss due to under-utilization of our human and material resources; and trusts we can achieve economic growth without inflation.

A year ago few economists were forecasting a business contraction as soon and as deep as that which subsequently developed. This past spring few were anticipating an economic upturn as quickly and as broadly-based as that which appears now underway. Clearly, the tools of economic analysis have not yet been sharpened to the point where short-run turning points in business can be foreseen. Accurate analysis of current economic conditions and underlying long-term trends, and their implications for business and finance are, perhaps, all that should be expected from economists. Even analysis of current business conditions, unfortunately, is not as sophisticated and refined as one might hope, and differences about the implications of current economic indicators are generally to be found among economists and business leaders.

Grover W. Ensley

Today, such differences seem to be centered less on the question of whether or not we are in fact witnessing a vigorous, sustained, business turnaround, as on the question of whether or not this turnaround has within it the seeds of renewed inflationary pressures. Analysis of these questions is essential for all of us in savings banking. Intelligent, progressive savings bank policy can hardly be formulated today without appraising the current business situation and underlying economic and financial trends.

The Signs of Economic Upturn

The signals that an end was coming to the deepest downturn of the postwar period first began to be flashed last May. Since then the evidence of upturn has been considerably strengthened. Industrial production advanced in July to 133% of the 1947-49 average, 6% above the April low, and probably rose further in August. In the consumer durable goods sector where the decline had been greatest, the upturn has been particularly impressive from an April low of 97 (that is, less than the average output in 1947-49) to a July index of 114, a rise of more than 17%. In nondurable goods industries, gains in output have been uninterrupted since April.

In large part, the increased production from our nation's factories and mines has reflected the slowing down of business inventory liquidation. Such liquidation had been proceeding at an annual rate of $9.5 billion in the first quarter of 1958; it slowed to $8 billion in the second quarter, compared with a net accumulation of $2.2 billion in the third quarter of 1957. The net effect of this shift from accumulation to liquidation of inventories was to withdraw several billion dollars from the nation's total output of goods and services, accounting for the largest part of the entire decline in economic activity during the period of recession.

Current indications are that inventory liquidation has been cut to about half of the second quarter rate and that liquidation will probably stop entirely before the year is out. When business begins to rebuild its inventories in 1959, further increases in production may be expected.

Meanwhile, other major measures of aggregate economic activity have risen from earlier spring lows. Consumer expenditures, which were well maintained throughout the recession, have been rising this summer. While overall retail sales have been generally stable at a high level since spring, sales at department stores have increased markedly in recent weeks. The rise in July to 140% of the 1947-49 average from 130 in June, and the indicated further advance in August brings department store sales close to the previous record high in August 1957. Increased expenditures by consumers have been made possible by their rising incomes, which, by July, had surpassed the pre-recession level and probably rose to new record highs in August.

The renewed strength in construction and particularly in the housing market has been one of the brightest spots in the recent economic revival. Reflecting in part the liberalization of Federal mortgage programs in early spring, and the decline in interest rates on competitive investments, mortgage money has become readily available on attractive terms to borrowers. Demand for housing, restricted by credit stringency in preceding years, has strengthened, and the volume of housing started this summer has increased to an annual rate of close to 1.2 million units, from little over 900 thousand in late winter.

Perhaps the major factor still tending downward is business expenditures for new plant and equipment. Expectations are that such capital spending, which fell more than $5 billion between the third quarter of 1957 and the first quarter of this year, will fall another $2 billion through the third quarter of the year. The rate of decline is slowing, however, and will exert less of a downward pull on the economy.

Economic Complacency Is Not Justified

Notwithstanding the many plus signs on the economic scene, this is hardly a time for complacency among business, financial and government leaders. True, the quickness of the turnaround has been surprising; so far the shape of this cycle begins to look more like a V than the U that many expected, with a fairly prolonged bottom before upturn. Nonetheless, we still have a fair distance to travel before regaining pre-recession levels.

Industrial production is still 10 percentage points or so below the peak of last August; gross national product is probably more than $15 billion under the level of the third quarter of 1957; corporate profits are well below earlier levels, and the rate of steel production is still little more than 60% of capacity. In housing, it is important while viewing recent gains, not to overlook the fact that we are scarcely back to the level of production reached some four to five years ago, and still well below the peak 1955 volume.

It is perhaps most important to call attention to the fact that recent economic gains have still left unemployment at 5 million persons, twice the level in the summer of 1957. Even when we regain pre-recession levels of output — and there is considerable disagreement as to when this will happen — we will still have a troublesome unemployment problem. For the fact is that our productivity has increased, as has our labor force, and just to get output back to where we were a year ago will scarcely return us to a satisfactory level of economic activity.

Economic Growth Without Inflation

As a nation we cannot afford, therefore, to be content with just getting back to where we were in some previous period. Economic progress is achieved only through economic growth. The loss already sustained in the recent recession from under-utilization of our human and material resources runs into the billions of dollars.

The basic question is whether we can achieve economic growth without surrendering to the forces of inflation, principally of the persistent, creeping variety. This is not just a question for the longer-term future; it is being raised now even as we are just emerging from nine months of recession. Inflationary fears seem to have been engendered by a series of recent events, real and anticipated including: (1) the threat of war or at least stepped-up defense spending in connection with the Near East crisis; (2) an expected Federal budget deficit of some $12 billion in the present fiscal year; (3) price increases in the steel and aluminum industries; and (4) the rapid rise in stock prices and decline in bond prices. Recent actions taken by the Federal Reserve to raise margin requirements and the rediscount rate, as well as their sale of Treasury bills in the open market, may have reinforced fears of inflation.

The inflationary implications of these events are not to be minimized. Yet the realities of the present economic situation suggest an over-estimation of their impact. For, in a very real sense, it is almost paradoxical to speak of inflation in the face of excess industrial capacity, widespread unemployment, and markedly increased output of such basic commodities as agricultural crops, nonferous metals, and petroleum. Further, while prices at the consumer level did not soften during the recession, mainly because of increases in food prices, prices at the wholesale level, particularly industrial raw materials, dropped substantially and are now well below earlier peak levels.

It would have been salutary, of course, if there had been price adjustments at all levels during the recession. The large area of manufactured goods on which prices are "administered," however, has apparently hindered a price readjustment to the lower levels of output and demand. The fact that the major correction in prices has occurred in raw materials, which are most subject to free market forces, can hardly be considered coincidental. The rigid wage structure, reinforced in part by the strength of organized labor, has also been a major factor in the maintenance of a high cost-price structure. If we are to maintain our free economic and political society it is essential that both "big business" and "big labor" exert a higher degree of economic statesmanship than has been evident in recent months.

Also increased Federal Government expenditure authorizations— non-defense as well as defense— during the past session of Congress will add to the economic stabilization problem. Because of the delays inherent in executing large Federal programs, the impact of these authorizations, voted in an environment of recession, will not be felt until late 1958 and early 1959 in an environment of economic expansion. The problems of combating inflation will, therefore, be aggravated and the Treasury task of debt management complicated.

Praises Resistance to Tax Cut

In contrast, and retrospectively, the economic statesmanship shown by our Federal Government — both the Executive and the Legislative branches — in resisting pressure for premature tax cuts from both business and labor leaders, not to mention the economic fraternity, was, indeed, of high order. Had the Government given in to these demands, the threat of inflation would be greater than it is now. Similarly, monetary and credit policy over the cycle, in my judgment, has been sound. Credit stringency during the 1956-57 expansion tended to reduce the inflationary rise, and the reversal of policy to active ease during the recession was basic to the economic turnaround.

Our money managers have an unusually difficult and responsible task to perform, generally under criticism from one quarter or another. In my judgment, they are given too much credit or blame, as the case may be, for the state of

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*An address by Dr. Ensley before the 65th Annual Convention of Savings Association of Maine, Dixville Notch, N. H., Sept. 6, 1958.

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The Security I Like Best

Electronics, Inc. a Delaware corporation.

The five divisions are headed by the Kin Tel Division which has developed a broad line of precision instruments for industrial measurement and control, and a completely integrated group of closed circuit and broadcast television camera equipment. Kin Tel has pioneered in the development of extremely stable, accurate and reliable digital voltmeters and DC amplifiers. The closed circuit television is now successfully used by hundreds of companies, government and educational institutions.

The Millivac Division acquired in December 1957, is headquartered in Schenectady, New York. It was formed by the merger of Millivac Instrument Corporation, and Volkers & Schaffers, Inc. having a major product line in vacuum tube voltmeters and amplifiers, specializing in measurement and control of extremely small AC and DC currents. These are all precise indicating instruments of General Dynamics.

In April 1958, Massa Laboratories, Inc. of Boston (Massachusetts) became the third company to be acquired by Cohu Electronics, now operated as the Massa Division. This division gives Cohu a predominant place in sonar devices, underwater sound equipment, and ultra-sonic products used in Naval Submarine detection and warfare. This division is expected to add at least 20% to Cohu's total sales volume.

Creation of a Military Projects Division headed by Dr. P. H. Kafitz formerly with the Naval Ordnance Laboratory, was further announced in April 1958. This division is working hand in hand with the others on major contracts with the Navy Department Bureau of Ships, and the new Convair Astronautics, a division of General Dynamics

In addition, a Research Division of Cohu was formed to assist the outstanding staff of scientists and engineers. Dr. Martin L. Klein, noted research authority formerly a Rocketdyne research specialist in advanced development of guided missiles and rocket engines, was called upon to head this important division. During 1958, several basically new products developed by the Research Division will be placed on the market. Also, consulting services have been provided successfully for both military and industrial customers on a contract basis.

Financially sound, Cohu's total assets are approximately $5.3 million with current assets of $3.9 million, and current liabilities of $1.9 million, leaving a working capital of $2 million. Sales and earnings have increased each year since 1954, at which time sales stood at $664,424. For the year ended Dec. 31, 1957, sales had grown to $5,428,093 with a net income of $190,177.

The outlook for 1958 is very bright, with sales estimated to be over $9 million, an increase of almost 80% over last year, and net income should be close to equaling the percentage gain.

Shares of the company traded in the Over-the-Counter market nationally, consist of 1,100,000 Class A common. The 1957-1958 price range is 6 low, 14 high, and a recent price of 7½. In 1957, a long-term 5½% convertible debenture was placed privately for $300,000 and there are no present plans for new financing.

The company's future plans, however, are to continue the course of acquiring other firms with records of profitable operations, and desirable personnel. Cash dividends are looked for in the future. Presently the company is conserving cash, and should any dividend be declared, it will probably be in stock.

Consideration of the foregoing facts show that Cohu Electronics, Inc. possesses a superior management, combined with engineering and manufacturing facilities, thus presenting an excellent opportunity for investing venture capital in the growing electronics industry.

Record Offering of $350,000,000 Sears, Roebuck & Co. Debentures Oversubscribed

Goldman, Sachs & Co.—Halsey, Stuart & Co. Inc.—Lehman Brothers Head Underwriting Group

The largest underwritten public offering of corporate debt securities on record was made yesterday (Sept. 10) on behalf of the world's largest retailer of general merchandise—Sears, Roebuck and Co. The offering, which consisted of $350,000,000 Sears, Roebuck & Co. 4¾% sinking fund debentures due Aug. 1, 1983, was quickly oversubscribed. Goldman, Sachs & Co., Halsey, Stuart & Co. Inc. and Lehman Brothers headed the 347 member group which underwrote the offering. The debentures were priced at 100% and accrued interest.

The issue is the sole long-term debt of Sears and represents the first public debt financing by the company since 1920. The only other Sears capital security outstanding is common stock, of which 75,070,473 shares were outstanding at June 30.

From the net proceeds from the sale of the debentures Sears will make an additional capital contribution of $50,000,000 to its wholly-owned subsidiary, Allstate Insurance Company, which with its subsidiaries is engaged in the automobile, fire casualty and life insurance business.

The balance of the proceeds will be retained by Sears as working capital and used in the first instance for the repurchase of a portion of installment receivables previously sold by Sears. The company follows the practice of selling to banks and to Sears Roebuck Acceptance Corp. a portion of the conditional sales contracts executed by its installment customers.

The sinking fund of the debentures becomes operative in 1965 and is designed to retire at least 80% of the issue prior to maturity.

Sears, outgrowth of an enterprise established in 1886, has net assets of more than $1,200,000,000. Net sales and other revenues totaled $3,608,200,000 and net income $161,000,000 in the fiscal year ended Jan. 31, 1958. It operated, at June 30 last, 725 retail stores, 818 catalog sales offices and 11 mail order plants throughout the United States. Retail stores are also operated in Cuba, Central America and South America by subsidiaries; and retail store and mail order businesses are conducted in Canada and Australia by, respectively, Simpsons-Sears Limited, of which the company owns 50% of the voting stock, and Walton's Sears Limited, in which Sears holds a 23% voting interest.

The company's expansion program for the next few years includes the construction and enlargement of retail stores. Expenditures during the five years ended Jan. 31, 1958 under the continuing program of adding new stores and of improvement, modernization and replacement of store facilities amounted to $193,674,373.

Among the members of the underwriting group are: The First Boston Corp.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; A. G. Becker & Co. Inc.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; Kidder, Peabody & Co.; Lazard Freres & Co.; Merrill Lynch, Pierce, Fenner & Smith; Smith, Barney & Co.; Stone & Webster Securities Corp.; White, Weld & Co.; Wood, Gundy & Co., Inc.

American Securities Corp.; A. C. Allyn & Co., Inc.; Bear, Stearns & Co.; William Blair & Co.; Clark, Dodge & Co.; Dominick & Dominick; Drexel & Co.; Hallgarten & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; W. E. Hutton & Co.; Ladenburg, Thalmann & Co.; Lee Higginson Corp.; Carl M. Loeb, Rhoades & Co.; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; Reynolds & Co.; Salomon Bros. & Hutzler; Wertheim & Co.; and Dean Witter & Co.

Dean Witter Offers Washington Natural Gas Common Stock

Dean Witter & Co., San Francisco, Calif., is offering publicly an issue of 100,000 shares of common stock (par $10) of Washington Natural Gas Co. at $14.70 per share.

The net proceeds from the sale of the stock will be applied to the partial payment of bank loans incurred for construction purposes.

The company expects to spend approximately $4,400,000 for construction in 1958 of which approximately $1,682,000 was expended in the six months ended June 30, 1958. It does not expect to do any further permanent financing in 1958. Any amounts needed to complete 1958 construction will be obtained by short-term bank loans.

The company presently expects to spend approximately $5,000,000 on construction in 1959, also in anticipation of new business. It now appears that additional permanent financing will be necessary in the first quarter of 1959 for the purpose of repaying the bank loans which mature April 1, 1959 and to provide the necessary funds for construction. The exact nature of such financing will be determined by market conditions at the time. The company does not now expect to sell common stock in 1959.

The company is engaged in the distribution of gas at retail in the Puget Sound area in the State of Washington. Its present properties include those of the former Seattle Gas Co. and Washington Gas & Electric Co. which were merged in November 1955. In late 1956 the operations of the company were converted from manufactured gas to natural gas and since such conversion the company has been engaged in the development and expansion of its natural gas business.

Since the merger with Seattle Gas Co. on Nov. 1, 1955 the company paid a cash dividend of 10c per share on Jan. 2, 1956, and a dividend on May 15, 1956, of one share of common stock of Pacific Northwest Pipeline Corp. (market value $27.625 per share) for each 70 shares of company common stock held on April 9, 1956. Stock dividends of 4% each were paid on May 3, 1957 and June 26, 1958. Holders entitled to fractional interests were paid in cash to the extent of such interests.

Freedom and the Challenge To American Management

By H. ROWAN GAITHER, JR.*

Chairman of the Trustees of the Ford Foundation, N. Y. City

Chairman of Ford Foundation and the "Gaither report" minces no words in calling for national purpose and positive program to advance our objective of freedom, in face of all-pervasive Soviet threat, by all levels of society—particularly at the managerial level. Traces significant areas of management responsibility in the preservation of freedom, finds appalling our inability to recruit best business brains for public service, and warns there "is no economic Fortress America, any more than there is an impregnable military Fortress America." States role of management in our society may well determine the success or failure of the free way of life, as we have known it, which is said to be in jeopardy at this moment.

It would be nice, as well as utterly foolish, to think that economic conditions, technological change, research, development, marketing and sales—could be quickly converted into ready panaceas by the alchemy of words.

H. Rowan Gaither, Jr.

The role of management in our society may well determine the success or failure of the free way of life, as we have known it.

To say this is to put quickly and squarely what I believe to be the true, outermost limit of the growing dimensions of management. There is, in other words, no limit to the responsibility and the opportunity which awaits each of you, if—if our nation is to survive and if we are to preserve, strengthen and make real the dream that American represents.

As a nation, we have no real choice in the position we occupy. To us has come the heavy burden of sustaining the struggle for man's freedom, to lead free peoples everywhere. We did not seek this responsibility. Neither did we choose the circumstances by which this came about. So we must be realistic. To choose any position or policy that would lead us into a deluded effort to retreat from the world would be blind, unthinkable, and totally unrealistic.

Our only choice as a people, then, is how we shall respond to the best that has been put upon us.

Has Management the Answer?

I cannot withhold my feeling that on this canvas, **no other problem looms so large or acquires such importance as the basic question of whether man can save and enhance the freedoms which are at once our heritage from the past and our trust for the future.**

Furthermore, we must have clearly in mind that the beneficiaries of this trust are not alone the American people but all peoples. No longer are Americans in a preferred position of immunity—if this ever in fact was the case. A threat to freedom anywhere is a threat to us. The extinction of freedom elsewhere cannot leave us wholly free. The extinction of freedom everywhere else would inevitably end our own freedom or catapult us into a war which would imperil all mankind—or both!

The broad outline of this problem was recently sketched in words which bear repetition here: "There is no contemporary human society (said Britain's Lord Hailsham) whose needs — economic, social, political, even military — do not transcend its national boundaries.

"But (Lord Hailsham continues) there is no adequate international machinery to match these needs. The East has an answer, but that answer is a conspiracy against human freedom. Has the West? Can the West produce a political idea less offensive than imperialism, less anarchic than the petty nationalism which has brought war and ruin wherever it has been tried—an idea not negative, but positive, an idea dynamic for peace which neither sacrifices justice nor provokes aggression?"

I am willing to take the challenge of this thoughtful Englishman as our own. And it is against it that I would measure the role of management.

We think of man's right to be free as one of the verities of civilization. As men of justice, respectful of the rights of others, we advocate the right of freedom for all and recall what Mr. Justice Holmes once said: "The best test of truth is the power of thought to get itself accepted in the competition of the market." We must steadfastly adhere to our own principles and standards; yet we must not lose sight of the realistic relentlessness of the competition between freedom and totalitarianism. We need only to recall Budapest and Baghdad to know that the power of thought is denied expression wherever intimidation, distortion, subversion or violence can be employed to displace and deny competition.

Let us not mince words. Freedom is under all-out assault from that part of the world dominated by international communism. There is no assurance that, blandly and effortlessly, freedom somehow will survive.

Makes Three Basic Points

I should like in this connection to make three basic points:

(1) The Soviet challenge is not simply inter-governmental difference of opinion. This is a challenge between two total ways of life, involving not alone the military capacity of each country, together with its allies, but the total political and economic capacity of each country.

(2) To grapple realistically with this total defiance of our way of life, we must project the Soviet challenge into the decades ahead, and certainly for a period of not less than 15 to 20 years. Anything short of this is make-shift and make-believe.

(3) The Soviet challenge requires that we seek out and utilize the best intelligence of American management—and in turn puts on management a national responsibility of unparalleled dimension.

These are simple but hard facts that we must reckon with as we consider the basic issue of our lives—the issue of freedom. This

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*An address by Mr. Gaither before the Stanford Business Conference, Stanford University, Stanford, Calif.

The Crisis in Railroading

By WAYNE A. JOHNSTON*
President, Illinois Central Railroad

There is no doubt about the railroad industry's basic soundness in Mr. Johnston's recapitulation of the recent legislative turn for the better and remaining deep-lying problems still to solved. After expressing gratefulness for the recently passed Transportation Act and elimination of the 3% freight tax, the Illinois railroader explains why he believes the industry can handle people and products most economically providing the "combination of Uncle Sam and our competitors" is ended. He calls for: an end to all subsidization of transportation; the right of railroads to diversify and offer complete transportation service; and freedom of railroads to combine.

Railroads and banking since the first quarter of the 19th Century have been closely linked in giant enterprises. A great deal of money has been made and a great deal lost by the banks and by the railroads in the more than 125 years since the Iron Horse appeared on the American scene. If other giant enterprises in more recent years have come to take the place of railroads as major sources of investment, the ties of mutual need and interest nonetheless still remain strong between railroads and banking.

Wayne A. Johnston

Along with Sputnik and now the Near East crisis, railroads very much have been in the news all year long. It has been a year of crisis. Railroads are a volume industry, and when the volume was sharply cut starting last fall, we were in trouble. As a result of the hearings before the Senate Subcommittee headed by Senator George A. Smathers of Florida early this year, and then of the avalanche of stories and articles on the subject ever since, the American public as never before is aware of what has well been called "the deteriorating railroad situation."

"On Verge of Bankruptcy"

In this crisis in which some of the largest railroads in the country were on the verge of bankruptcy, the railroads learned that they had friends—real friends. On occasion all of us in business think of the newspapers as being hard-boiled and sometimes darned inaccurate, especially after we feel we've been misquoted. But I want to pay tribute to the way the newsmen of America covered the story of the railroads month after month. Really superlative articles and editorials were written by top-notch writers. They studied: they got at the source of the problems facing the railroads. Well-documented articles appeared with greater and greater frequency, not only in the newspapers but in national magazines. A flood of editorials called upon Congress to take its foot off the neck of the railroads. We railroaders are proud of the fact that fully 99% of all the articles and editorials were pro-railroad in tone. Radio and television to a lesser but still important degree also told the story effectively.

This information, relayed in easy-to-understand terms, was instrumental in awakening the American public to the fact that its privately-owned railroad system was in danger of being destroyed. As a result, many segments of American life became interested in the problem. We had, for example, enthusiastic support from the banking fraternity. Our employes, and the employes of the many firms with which we do business, wrote thousands of letters to Congress, expressing their views in their own words.

As a result of this outpouring of sentiment, Congress late in July passed the Transportation Act of 1958, and President Eisenhower made it law by affixing his signature on August 12.

Even before that legislation was passed, Congress had repealed the 3% excise tax on freight shipments. That meant that on Aug. 1, for the first time since 1942, common carriers were free of the tax which all these years private carriers have not had to pay. It also meant that the American public will now be relieved of nearly a half-billion dollars in annual freight taxes.

On the Illinois Central, for example, last year we collected nearly six million dollars in freight taxes for the government. The tax repeal will have an immediate good effect, both psychological and actual, although it will take some time for the full benefits to become evident. Many companies, because of the absence of any tax on freight moved in company-owned vehicles, have been encouraged to acquire fleets of trucks and barges in recent years. Now this trend should be reversed, because we common carriers will be free of the 3% handicap.

One of the most wicked aspects of the excise tax was that it was a multiple tax, collected again and again as a product moved from its original state through the various stages of manufacture and distribution. In other words, it increased transportation costs far more than the original 3%.

New Transportation Act

Allow me to briefly fill you in on the significance of the new Transportation Act. No question about it, passage of the Act was one of the outstanding achievements of the 85th Congress. Probably just as important for the carriers and the public is the fact that Congress has also taken steps for still further action.

The Act represents official recognition of the plight of the railroads. It enables us to operate in a far more favorable climate of regulation. Its most significant statement, I think, is this one:

"Rates of a carrier shall not be held up to a particular level to protect the traffic of any other mode of transportation . . ." Let me repeat that sentence. "Rates of a carrier shall not be held up to a particular level to protect the traffic of any other mode of transportation . . .".

That means Congress has directed the Interstate Commerce Commission to place greater emphasis on competition between carriers to regulate rates. In effect it says to the ICC, let managerial discretion decide whether or not a rate is good or bad for the business. All too often, the government has been deciding whether a rate was helpful or not for the carrier requesting it. The language doesn't go that far in establishing rate freedom, but the intent is there. Some of the heavy hand of regulation should now be lifted as we seek to price our services. Congress has taken a firm step in the right direction.

The new Act also gives the Commission more power over intrastate rate making and intrastate service changes, and both these changes are to the good. Hereafter when we get ICC approval for an increase in interstate rates or fares, we won't have to wait so long for approval at the state level. Formerly we were up against the fact there is no law setting a time limit on the states in granting these increases. For example, on a recent rate increase approved by the ICC, it took the railroads eight months to get an equivalent increase on intrastate rates in Mississippi, twelve months in Kentucky and fourteen months in Tennessee. And mind you, these delays were not exceptional.

As you probably know, it takes a month of Sundays to get government approval to remove a branch line train that has been losing money for years. Local pride is always deeply hurt when we try to remove these trains. "Why, I set my watch by that train every day. We just couldn't give it up," is the kind of argument we hear. But when we ask the protestants how they traveled in coming to the hearing, they invariably answer: "Oh, we drove over."

Recently we succeeded in removing a round-trip passenger train between Louisville and Fulton, Ky. It took 28 months of hearings before the state commission, the circuit court, the court of appeals and finally the Federal District Court before we got approval. In the meantime, we suffered a loss of approximately two million dollars on that passenger run.

Greater ICC Authority

Congress has now recognized that state authorities have injured the economic health of the railroads in forcing them to maintain trains no longer used by the public. The new Act gives the Commission authority to discontinue trains where the public clearly has shown it no longer wants to use such trains, and this again is a step in the right direction.

Another valuable change is the blow the new Act strikes against illegal private carriers. Truly private carriage is not "for hire" carriage but instead is the movement of freight in vehicles owned by a company shipping its own products. But many truckers, by buying a commodity at one end and selling it at the other, have evaded regulation. They have escaped paying the transportation tax, and they have escaped tariff restrictions. This type of gypsy operation has severely damaged the true common carriers and has also disrupted the orderly marketing of products, particularly fresh fruits and vegetables. Now Congress has spelled out that a true private carrier is one whose primary business is other than transportation.

Another favorable provision of the Act is the stop sign Congress has raised against the ever-growing list of commodities under the agricultural exemption clause. The original intent of Congress was to allow farmers and fisherman to haul their produce to primary markets free from regulation. But the list of exempt products over the years has grown to include such items as processed foods, frozen fruits and vegetables, imported coffee, tea and bananas, and processed fish. Some of these items were trucked back and forth across the country in various stages of processing and distribution, all under the exempt label. Again, common carriers will benefit from a more strict definition.

A provision of the Act which you bankers will find particularly interesting is the loan measure. The other parts of the Act are designed to correct long-existing inequalities in regulation, but the loan provision is in the nature of an emergency measure. It extends authority to the Commission to guarantee private loans to railroads up to a ceiling of $500 million for capital improvements, equipment purchases and maintenance purposes. The funds must come from private lenders under rather strict loan conditions. Its purpose is to help certain railroads that are hard pressed to raise needed funds at reasonable rates through regular channels.

My feeling is that this privilage will not be used extensively. For the Illinois Central, for example, it has little application. If it can help some roads to get back on equal keel, well and good. Of far greater value, however, is the desire Congress has shown to remove the inequalities that have hampered the railroads in competing with other modes of transportation.

Now, there happens to be a widespread impression that with the 3% tax eliminated and with the Transportation Act now law, the problems of the railroads have been solved. On this point let me say that the railroads are extremely grateful for all that has been done. The most important single step in many years has been taken toward restoring the railroads to the status of private companies competing in a free market for business. We owe a tremendous debt to Senator Smathers and to the hard-working legislators who brought a highly controversial bill through to success in an election year. The newspapermen I have mentioned, chambers of commerce, industrial traffic men, our employes—the list of people to whom we are indebted is a long one. But I want to emphasize that all that has done is more like a successful bunt in a ballgame than a home run hit with the bases loaded.

Subsidized Competition

Some of you may wonder—just what do the railroads expect? The world with a fence around it? Well, the fact is, most of the deep-lying problems of the industry still have to be faced. Take, for example, the tremendous burden the railroads carry in competing with other modes of transportation that receive government aid. As are some other segments of American business, we are the victims of the age of government give-away.

Do you realize that the present federal highway program will place at the use of our truck competitors a new national highway system that will cost as much as the total cost of the railroads since the days the Tom Thumb raced against a horse-drawn carriage back in the first quarter of the nineteenth century? The big difference is that our American railroad system of a quarter-million miles of main line and 400,000 miles of all types of trackage was built by private funds. We are often accused of having received our property as a result of land grants, but only 8% of the total mileage of American railroads came from land grants, and the value of those grants has been returned to the American public over and over again through charter taxes and reduced transportation charges.

Compare the network of railroads built by the savings of six generations of Americans with the enormous facilities built by the tax dollar. Traffic on our inland waterways has been growing by leaps and bounds. Some folks believe this growth has taken place because water transportation is cheap transportation. Water transportation *is* cheap transportation when it takes place on the Great Lakes or on the ocean. Transportation on our inland waterways is another matter. It could not exist without a golden flood of government money. Our competitors pay not one red cent for the use of the extensive system of locks and dams and dredged channels that make barge transportation possible.

Not long ago a Vice-President of Quaker Oats appeared at a Con-

Continued on page 31

*An address by Mr. Johnston before the School of Banking, University of Wisconsin, Madison, Wis., Sept. 2, 1958.

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

John Edward Knob

In giving the photographs of the nominees for officers of the Investment Traders Association of Philadelphia, the name of Rubin Hardy of First Boston Corporation, was inadvertently given under the photograph of John E. Knob, Drexel & Co. We give herewith the pictures correctly identified.

Rubin Hardy

NATIONAL SECURITY TRADERS ASSOCIATION

The Nominating Committee of the National Security Traders Association has presented the following slate of officers for 1959, to be voted upon at the annual Convention to be held Sept. 20-Oct. 2 at the Broadmoor Hotel, Colorado Springs:

Lester J. Thorsen

Edward J. Kelly

Joseph Smith

Earl Hagensieker

Charles Bodie

President: Lester J. Thorsen, Glore, Forgan & Co., Chicago.

First Vice-President: Edward J. Kelly, Carl M. Loeb, Rhoades & Co., New York.

Second Vice-President: Joseph E. Smith, Newburger & Co., Philadelphia.

Secretary: Earl L. Hagensieker, Reinholdt & Gardner, St. Louis.

Treasurer: Charles A. Bodie, Stein Bros. & Boyce, Baltimore.

Members of the Nominating Committee are Edward R. Adams, Clement A. Evans & Co., Inc., Atlanta, Ga.; Edgar A. Christian, Suplee, Yeatman, Mosley Co., Inc., Philadelphia; Ralph C. Deppe, Edward D. Jones & Co., St. Louis; Elmer W. Hammell, First Securities Co. of Chicago; John C. Hecht, Jr., Dempsey-Tegeler & Co., Los Angeles; Alfred F. Tisch, Fitzgerald & Co., New York; and William J. Burke, May & Cannon, Inc., Boston, Chairman.

With K. V. Spivey

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Russell F. Norman is now with K. V. Spivey & Co., 1732 Loma Vista.

With Douglas Bark

(Special to THE FINANCIAL CHRONICLE)

LAKELAND, Fla. — Samuel P. Pace is now with Douglas E. Bark & Co., Vanity Fair Arcade.

Frank Edenfield Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Rudolph T. Bard is now with Frank L. Edenfield & Co., 8340 Northweast Second Avenue.

Joins Boyd Easton

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—Ervin E. Ball has become associated with Boyd J. Easton, Inc., 427 East State St. He was formerly with Robert G. Lewis & Co.

Now With R. L. Ferman

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Edwin R. Graham is now with Robert L. Ferman & Company, Ainsley Building.

Joins Smith, Barney & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — William R. Gaynor is with Smith, Barney & Co., Russ Building.

With Waldron & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Louis A. Quan is with Waldron & Co., Inc., Russ Building.

National Co. Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Rodlin E. Bunney has been added to the staff of the National Company of Omaha, First National Bank Building.

Champion Spark Plug Common Stock Offered

Common stock of Champion Spark Plug Co. is being made available to the public today (Sept. 11) for the first time in the company's 48-year history.

An underwriting group headed jointly by Hornblower & Weeks, Glore, Forgan & Co. and Merrill Lynch, Pierce, Fenner & Smith is making a registered secondary distribution of 827,400 shares of the company's $1⅔ par value common stock at a price of $28.50 per share.

The stock is being sold for the account of certain trusts, the beneficiaries of which are members of the Robert A. Stranahan, Sr. and Frank D. Stranahan families, as well as certain other selling stockholders, and no proceeds will go to the company. R. A. Stranahan, Sr., is Chairman of Champion, F. D. Stranahan, Co-Chairman. The 827,400 shares being offered represented about 13.6% of the 6,064,860 common shares outstanding on Aug. 20. The company has no other equity securities or funded debt.

Champion is one of the world's leading manufacturers of spark plugs — devices which are required in each cylinder of a spark ignition internal combustion engine. The company is the outgrowth of a business founded in 1910 by the present Chairman and Co-Chairman. Headquarters and principal manufacturing facilities are in Toledo, Ohio. Other plants are situated at Detroit, Mich.; Cambridge, Ohio; Burlington, Iowa; Hellertown, Pa. and in Canada and England. Subsidiaries also operate in France, Ireland, Australia and Mexico. In the United States Champion employs about 4,200 people.

The company has specialized in the manufacture of spark plugs for use in a wide variety of internal coumbustion applications. Produced in an extensive range of types, designs, materials and sizes, the company's line is believed by it to be the broadest available from any single manufacturer. The company estimates that about 90% of total gross sales comes from the replacement market. In this country between 300,000 and 400,000 retail dealers handle Champion spark plugs.

Champion has operated profitably in each year since 1911 and has paid dividends on the common stock without interruption in each year since 1919. The board of directors has declared a quarterly dividend of 30 cents per share, payable Oct. 15, 1958 to stockholders of record Oct. 1.

In the calendar year 1957 Champion had net sales of $89,283,000 and net income of $13,783,000, equal to $2.27 per common share. In the six months ended June 30, 1958 the company had net sales of $43,480,000 and net income of $7,381,000, equal to $1.22 per share, compared to $40,489,000 and $5,955,000, or 98 cents a share in the comparable 1957 period. Per-share earnings are based on the 6,064,860 common shares outstanding on Aug. 20, 1958.

Bill Andrews Inv. Opens

GROVES, Texas—Bill Andrews is engaging in a securities business from offices at 1935 Ray Avenue under the firm name of Bill Andrews Investments. He was formerly with FIF Management Corp.

Bailey Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Paul S. Bird, Stanley S. Hildebrand and Arthur W. Rutherford are now connected with Bailey & Company, 2303 Fresno Street.

THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks drove for a new all-time high this week with rotating leadership that, at times, included steels, motors, chemicals, American Telephone and assorted specialties.

* * *

The obvious omissions from the strength roster were aircrafts and oils which haven't shown much life even sporadically throughout the sustained improvement that has been underway since late in the spring.

Auto Giants Favored

The appearance of the shares of the Big Three auto makers among the issues with momentary popularity was a change, since the only interest in the auto section recently has centered on the low-priced, speculative shares. It was attributed in great part to the fact that the auto union seems to be trying to reach a compromise in their contract dispute with the Big Three rather than pull a strike that would completely disrupt production of the 1959 models. Originally, the long stalemate since the contracts expired in the spring was taken to be a strategic maneuver until new model production was in full swing and a strike would be must painful.

* * *

The steel popularity was directly linked with the industry operating rate which hit a high point for the year this week after the holiday-shortened period last week had shown the first interruption in a steady uptrend underway for months.

* * *

The chemical strength, which has been as persistent as that in any other major group, was featured by successive new highs in Eastman Kodak and good strength and an occasional new peak in others. Such heavy blue chip concentration helped offset the lack of quality leadership in recent weeks, although the activity leaders on any given session still featured issues that fall considerably short of being of investment grade.

Mystery in Artloom

The wild gyrations were provided by low-priced Artloom Carpet which had increased in price about fourfold through the summer and in half a dozen recent sessions had backtracked to where it was around two-thirds under its peak. Various investigations into this strange performance have yet to turn up any explanation for it all. This failure to uncover at least a few reasons why an issue selling at around $6-$7 could scoot above $27 and react so violently seemed to be a strange impotence.

* * *

Rails were also neglected to a great extent in the runup elsewhere. A sobering influence was a rash of large block sales both in listed trading and in secondary distributions that ranged from five-figure bundles up to nearly a quarter million in Santa Fe at a clip. So far, however, the offerings have shown nothing approaching any congestion and were cleaned up speedily.

The Disney Story

A rather odd individual situation that had built up good support was Walt Disney Productions which was on this week's list of new highs but defies easy grouping in any of the standard industrial classifications. Its movie film work accounts for only a shade over a third of total income. Other activities include its TV productions, publishing activities that range from books to comic strips, the huge amusement park in California which was a $16 million investment and its activities in merchandise licensing, based on the famous Disney characters, and in the music field.

* * *

The Disney operation has increased reported earnings by some 700% in the last five years, some estimates of this year's results running as high as $4 million. It has shown itself recession-resistant — the June quarter results posted a 50% increase over a year ago. It all adds up, as far as Disney fanciers are concerned, to one of the leading growth situations around. But where others in the growth picture command ratios of 20 to 30 times earnings, Disney until its recent spurt was holding at a ratio of around 10-times. In breaking out of its three-year range the issue is still well below a 15-times ratio and has a long way to go if it is to achieve anything near the same ratio that other spectacular growth items already show.

High Rail Leverage

Apart from the issues where ability to hold up earnings was demonstrated, most of which already has been discounted in the market price, there was considerable hunting among the cyclical items where not only have operating results been pared hard but where the whole of the dreary story has yet to be told such as Baltimore & Ohio where six months results were off by half. Full year earnings are expected to be far below the 1957 and 1956 results but the line's indicated dividend is well sheltered and there is a high leverage factor in the capitalization so that improvement in business generally late this year and early next year could result in sharply higher results.

* * *

The illustration most cited is the way the line was able to snap back after the 1954 business recession. Its high dependence on heavy industry resulted in a climb of more than 14% in gross in 1955 which came close to being double the improvement in other rails generally.

Strength in Chemicals

The sustained strength in chemicals was largely attributable to rather concentrated attention from the various financial services and houses, the studies centering on such as Union Carbide and Dow Chemical — the quality items —although there was a somewhat odd and better feeling about Olin Mathieson despite the fact it is now on half the dividend basis that it was formerly. Industry indices indicate that improved business is expected later this year in the chemical business generally which could help Olin rebound importantly, and in addition it announced this week an expanded participation, through its E. R. Squibb division, in cancer research in a five-year, $7 million program.

Of the top chemicals, du Pont was somewhat laggard marketwise since despite general improvement it is expected that its results will be well under last year and that the coverage of the dividend will be so meager a trim in the yearend extra is in line to bring payout to $6 against $6.50 last year and in 1956 and $7 in 1955. Nevertheless, the broadly diversified operation, leading position and the uncertainties in its huge holding of General Motors stock kept du Pont solidly planted on buying recommendation lists and enabled the issue to nudge to an occasional new high for this year.

The story in Union Carbide was similar, a decline in results anticipated this year, but the high standing and the likelihood of a fast earnings increase when the business recovery takes hold make it an attractive investment despite new highs for 1958 which, however, are well under the peak posted in 1956.

[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 Pitser & Co.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—L. L. Ray is now with Pitser & Company, 322 Forsyth Street.

Blyth-Dean Witter Group Offers Standard Oil Co. (Calif.) Debs.

An offering of $150,000,000 4⅜% sinking fund debentures due July 1, 1983 of Standard Oil Co. of California was made on Sept. 5 by a nation-wide investment banking group headed jointly by Blyth & Co., Inc. and Dean Witter & Co. at 99⅝% and accrued interest, to yield about 4.40% to maturity.

The debentures are redeemable at the option of the company commencing with prices which scale downward from the 12 months period commencing July 1, 1958 of 104.625% to par in 1981. The debentures, however, cannot be refunded prior to July 1, 1963 with money borrowed for that purpose at a rate of interest of less than 4.40%. There is a sinking fund of $3,000,000 a year beginning in 1968 and extending to 1982.

Of the net proceeds from the sale of the debentures, $50,000,000 will be used by the company to repay outstanding bank loans. The remaining proceeds will be available for capital and exploratory expenditures and other corporate purposes. The company estimates capital and exploratory expenditures at $375,000,000 in 1958.

The company intends to apply for listing of the debentures on the New York Stock Exchange.

Standard Oil Company of California, a leader in the petroleum industry, is engaged in the production, transportation, refining and marketing of crude oil and crude oil products; the production, processing and sale at wholesale of natural gas and the acquisition and development of prospective and proved oil lands. The company is also engaged in the manufacture and distribution of petrochemicals and agricultural chemicals. The operations of the company and those in which it has stock interests are world-wide in scope.

With Smith, LaHue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Robert J. Milavetz has been added to the staff of Smith, La Hue & Co., Pioneer Building.

Phila. Bond Club to Hold 33rd Field Day

PHILADELPHIA, Pa.—The 33rd annual field day of the Bond Club of Philadelphia will be held on Friday, Sept. 19 at Huntingdon Valley Country Club. The various committees under the direction of W. Marshall Schmidt as Outing Chairman have developed a well-rounded program of sports and entertainment. There will be a "truckload" of prizes in addition to an American and a foreign car.

Joins Bache Staff

MINNEAPOLIS, Minn. — William G. Lawrence is with Bache & Co., Grain Exchange Building.

Are British Dollar Reserves A Third Line of Defense?

By PAUL EINZIG

Economist Einzig evaluates recently published reports about approximate extent of British dollar holdings. Concludes sterling is probably stronger than published data indicate "but not nearly as strong as is believed in many quarters as a result of the optimism generated by the publication of figures relating to the secondary dollar reserve.

LONDON, Eng. — In recent months the existence of a substantial British secondary dollar reserve in the form of privately held securities in the United States and in Canada received much attention. For most people the official announcement made some months ago in the form of a Parliamentary answer that the amount of such securities was about $3,000 million came as a complete surprise. Subsequent calculation of the present value of these investments published in *The London Times* puts the figure to nearly $4,000 million. It seems reasonable to assume that the realization of the existence of such a substantial second line of defense has gone a long way towards strengthening confidence in sterling. It is indeed remarkable that the British authorities never took the initiative for drawing attention to the existence of this secondary reserve during periods of flights from the pound. Eventually the announcement was dragged out of them through the initiative of a Member of Parliament.

Dr. Paul Einzig

The above figures refer to British private holdings of dollar equities, bonds and other realizable securities. They do not include direct investments in American or Canadian business which could not be mobilized without cumbersome negotiations. Needless to say, the extent to which the securities could be realized in an emergency without substantial losses necessarily varies widely. Even so, the fact that these holdings exist and that the British authorities are in a position to commandeer them from their private holder is worth remembering when forming an opinion about the dollar backing of sterling. Hitherto too much attention has been paid to the existence of large foreign-owned sterling balances which are liable to be withdrawn at short notice and not nearly enough attention has been paid to the existence of large British-owned dollar investments. Once we allow for the latter the overall picture is bound to become much more favorable to sterling.

Wars Against Over-Optimism

Having said this it is necessary to warn against allowing the pendulum to swing in the direction of over-optimism. It would be entirely wrong to regard this matter as one of simple arithmetic and to add the estimated value of the secondary reserve to the $3,000 million of the official gold and dollar reserve. A large proportion of the British dollar investments constitutes essential participations, the realization of which would inflict on British firms losses and disadvantages entirely out of proportion to the dollar amounts that would be realized. Some of these investments were retained, even during the early part of the war when the British Treasury was practically down to its last dollar. It is true, such essential securities could be used for the purpose of borrowing in the United States. But it is possible to envisage situations in which such transactions on a large scale would not be very easy.

When Colonies Become Independent

On the other hand, it is equally true that a large part of sterling held overseas is not held in a realizable form. Moreover, by far the larger part of it is held by countries of the sterling area. This does not in itself safeguard Britain from heavy withdrawals. The sterling crisis of 1957 was largely the result of the sudden reduction of India's sterling balances. But the substantial amounts held by the Crown colonies are not likely to be withdrawn in circumstances that would cause acute embarrassment. From this point of view it is important to bear in mind, however, that as and when colonies achieve independence they are in a position to draw freely on their sterling holdings.

In addition to the British dollar holdings declared to the Bank of England, there are bound to be substantial British dollar investments which are not so declared. Although British people are probably more law-abiding than the citizens of most countries with exchange restrictions there are many exceptions to this rule. During the war patriotic considerations facilitated the effective operation of exchange control. Since 1945, however, a number of people in Britain felt they were morally justified in circumventing the control provided that they could do so without running undue risks.

The anti-capitalist attitude of the last Labor Government and the fears of a return of the Labor Government have been mainly responsible for evasions of the restrictions on transferring capital abroad. Many people went so far as to take the line that, taking the long view, it is actually an act of patriotism to remove some of their assets from within the grasp of Socialist spendthrifts They profess to believe that by transferring their assets abroad they safeguard a corresponding part of the national wealth from being wasted.

Not a "Third-Line of Defense"

Such "hidden reserves" may be very substantial. But they cannot be regarded as a third line of defense for sterling. The authorities are not in a position to commandeer them and their owners are not likely to surrender them or repatriate them during periods of flights from the pound. The only time when a proportion of these concealed dollar holdings is likely to become mobilized is during periods of absolute confidence in sterling. Should there be a flight to the pound through the anticipation of an upward revaluation many illicit holdings of dollar securities may be switched back into sterling, to benefit by such revaluation. Many more holders, however, would prefer to retain their dollars for fear that they may not have an opportunity to re-transfer their money into dollars should a sudden need arise.

Taking everything into consideration, it seems reasonable to conclude that sterling is stronger than would appear from the published figures of dollar reserves but not nearly as strong as is believed in many quarters as a result of the optimism generated by the publication of figures relating to the secondary dollar reserve.

Valentine Partner in Yarnall, Biddle & Co.

PHILADELPHIA, Pa.—Yarnall, Biddle & Co., 1528 Walnut Street, members of the New York Stock Exchange and other leading exchanges, announced that H. Stuart Valentine, Jr., has been admitted as a general partner in the firm. At the same time announcement was made that Wm. F. Cosgrove withdrew as a general partner.

H. S. Valentine, Jr.

Mr. Valentine has been associated with the investment securities business since 1930 when he joined the sales department of Blair & Co. In 1932 he joined Scudder, Stevens & Clark. From 1934 to 1949 he was associated with the Land Title Bank & Trust Company in various capacities. From 1950 to 1954 he was manager of the Investment Securities Department of Butcher & Sherrerd and from 1954 until he joined Yarnall Biddle & Co. he was a Trust Investment Officer of the Philadelphia National Bank in charge of investment analysis and of common trust funds.

Hewitt Appointed by Delaware Fund

PHILADELPHIA, Pa.—The appointment of William W. Hewitt as sales vice president of Delaware Fund and Delaware Income Fund, and director of sales of Delaware Distributors, Inc. has been announced by W. Linton Nelson, President.

Mr. Hewitt first joined the Delaware organization in January, 1955, as an area sales manager. The following year he was named a vice-president of the Funds' distributing company. In his new position he will coordinate, direct and supervise sales of the Funds' shares throughout this country and abroad.

Mr. Hewitt has been associated with the investment business for a number of years and has headed or held partnerships in several securities firms. He was a member of the New York Stock Exchange for 17 years.

In 1953 Mr. Hewitt entered the mutual fund industry as a sales executive, concentrating on both the retailing and wholesaling phases of the business.

Mr. Hewitt succeeds Frank T. Betz, Jr. who resigned his Delaware post to re-enter the retail securities field.

Four With Marache

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—Kenneth B. Bolton, Victor J. Chiavetta, Walter Sedach and Charles Villa are now associated with Marache, Dofflemyre & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. Mr. Bolton and Mr. Villa were formerly with J. Logan & Co. Mr. Sedach was with Samuel B. Franklin & Co.

Joseph W. McDonough

Joseph W. McDonough, associated with Winslow, Cohu & Stetson, New York City, as a trader, passed away Sept. 6 at the age of 64. He had been with Winslow, Cohu & Stetson for 34 years.

Securities Salesman's Corner

By JOHN DUTTON

Is It Listed?

One of the most publicly misunderstood phases of the securities business is the Over-the-Counter Market. Despite the facts, for example, that have been emphasized by the "Chronicle," and the advertising and literature distributed by thousands of reputable investment houses that have brought attractive, unlisted, investment opportunities to the attention of their clients, the general public is still only vaguely aware of the magnificent investment opportunities that exist in the Over-the-Counter Market. Not only are the most conservative investments available there such as Government bonds, bank and insurance stocks, and the highest quality industrial and public utility securities, but the "growth stocks" that have emerged from this market during the past two decades have made fortunes for those investors who had the foresight to buy them when they were "UNLISTED."

A Few Examples of "Counter" Opportunities

Due to the limitations of space we will only offer a few examples of investment opportunities that have been available via the Over-the-Counter market, and to this list can be added hundreds more, some even more spectacular in performance than the few we list here.

If you have been buying securities for even the past ten years you may remember when Florida Power and Light common was traded "over-the-counter." The farsighted investors who could see the great growth that was coming to the State of Florida bought this stock when it was unlisted. A 100 shares bought in the late "forties" could have been acquired for less than $1,000. Today, that same investment (adjusted for stock splits) would be worth about $7,300. It is the company, its product, management, and opportunity for growth, that creates great investment rewards—not WHERE the stock is traded!

Today P. R. Mallory common is one of the respected electronic stocks traded on the N. Y. Stock Exchange. It is currently available at about 32. If you will look back into the records you will discover that it was not so many years ago that you could have bought this stock for less than 5. The investors who had the insight to perceive that this then young and vigorous manufacturers of specialized electrical components was destined to become a major beneficiary of the great growth in the entire electrical industry did not let the fact that this stock was not listed deter them. Again it was management, engineering, research, good accounting, and sales, that told the story—not where the stock was traded.

There have been spectacular profits made in such situations as Polaroid and others like it. The Polaroid stock that is today selling at about 67 on the New York Stock Exchange, started out only a few short years ago in the Over-the-Counter Market and could have been bought for less than $1 a share (adjusted price). As one salesman friend of mine said to me when one of his prospective clients complained that a certain investment was unlisted, "I asked my client, would you rather buy this stock now at a level that looks like a real value or wait a few more years and pay several times today's price for it. The same shares may be listed then on some exchange, the company could be larger and possibly a stronger factor in its industry but if this comes to pass as we think it may, look at the profit you will have missed."

There have been so many wonderful opportunities in the Over-the-Counter Market during the past 20 years one hardly knows where to begin. One fine company I remember so well was Marathon Corp. It was recently merged into American Can after many years of trading on the "Big-board." I remember when it was traded Over-the-Counter back in 1936 and I was privileged to read a very detailed report that was prepared by one of the leading investment firms about that company. (It was then known as Marathon Paper Co.) I persuaded a few of my clients to buy a small amount of that stock but that investment firm bought thousand of shares and to the best of my knowledge locked it up. Excluding dividends paid, which were substantial over the years, the capital appreciation was over 800%. The large rewards went to those who bought before this stock was listed, although it showed excellent profits in the years that followed.

Then there are stocks like Hooker Electric Chemical; here is a record worth checking if you would like to see what an non-listed stock can do when it becomes of age. Today it is listed on the New York Stock Exchange but it was not so many years ago that if you wanted to buy it you would have had to go to the Over-the-Counter Market. Take a look at the record and see for yourself, and there are hundreds more like it that have emerged from the "Counter" market in the past 20 years.

These Opportunities Are Still Available

Today young companies are blazing new trails in the fields of advanced science. Engineering skill, "management know-how" and ability to take advantage of the miracles of modern science are opening the doors to young and vigorous companies in the fields of rare metals, metal fabrication, atomics, super-fuels, electronics, drugs, chemicals as well as the usual business opportunities that are available to aggressive management and business ability. To uncover the investment profits that are coming to certain of these companies requires an open mind. You can't discard any of these companies because their shares are not listed. The Over-the-Counter Market is the most prolific hunting ground you can find if you are looking for greater than average opportunities for capital gains.

In conclusion, and to be specific, if you are interested in pursuing this subject further, have your investment dealer or broker offer some suggestions to you. Look into the various companies that are making outstanding progress in any field where you think you would like to put your bet on the future. It will take some time and study, but large rewards do not come easily. As in every market the successful investor investigates carefully and knows full well that not every stock can be a winner—but it is also not where a stock is traded that counts but the *company* and its *growth* potential that tells the story of the future.

Continued from page 3

Keynes's "Greatest Achievement"

But when some one asserts that two and two make five, or that an existing depression is the result of a general overproduction of everything, it is necessary to remind him of the error.

There is still another line of attack on Say's Law, which Haberler among others seems to adopt, and this is to assert that in the sense in which Say's Law is true it is "mere tautology." If it is tautological, it is so in the same sense in which basic logical and mathematical propositions are tautological: "Things that are equal to the same thing are equal to each other." One does not need to say this as long as one does not forget it.

To sum up, Keynes's "refutation" of Say's Law, even if it had been successful, would not have been original: it does not go an inch beyond Malthus's attempted refutation more than a century before him. Keynes "refuted" Say's Law only in a sense in which no important economist ever held it.

To Save Is to Spend

Risking the accusation of beating a dead horse, I should like to address myself to one more effort by Keynes to disprove Say's Law, or what he calls "a corollary of the same doctrine" (p. 19). "It has been supposed," he writes, "that any individual act of abstaining from consumption necessarily leads to, and amounts to the same thing as, causing the labor and commodities thus released from supplying consumption to be invested in the production of capital wealth" (p. 19). And he quotes the following passage from Alfred Marshall's *Pure Theory of Domestic Values* (p. 34) in illustration:

"The whole of a man's income is expended in the purchase of services and of commodities. It is indeed commonly said that a man spends some portion of his income and saves another. But it is a familiar economic axiom that a man purchases labor and commodities with that portion of his income which he saves just as much as he does with that he is said to spend. He is said to spend when he seeks to obtain present enjoyment from the services and commodities which he purchases. He is said to save when he causes the labor and the commodities which he purchases to be devoted to the production of wealth from which he expects to derive the means of enjoyment in the future."

This doctrine, of course, goes much further back than Marshall. Keynes could have quoted his *bete noir*, Ricardo, to the same effect. "Mr. Malthus," wrote, Ricardo, "never appears to remember that to save is to spend, as surely as what he exclusively calls spending."[5] Ricardo went much further than this, and in answering Malthus answered one of Keynes's chief contentions in advance: "I deny that the wants of consumers generally are diminished by parsimony — they are transferred with the power to consume to another set of consumers."[6]

And on still another occasion Ricardo wrote directly to Malthus: "We agree too that effectual demand consists of two elements, the *power* and the *will* to purchase; but I think the will is very seldom wanting where the power exists, for the desire of accumulation (i. e., saving) will occasion demand just as effectually as a desire to consume; it will only change the objects on which the demand will exercise itself."[7]

Two Crucial Contradictions

Keynes alternates constantly between two mutually contradictory contentions: (1) that saving and investment are "necessarily equal," and "merely different aspects of the same thing" (p. 74), and (2) that saving and investment are "two essentially different activities" without even a "nexus" (p. 21), so that saving not only *can* exceed investment but *chronically* tends to do so.

5 David Ricardo, *Notes on Malthus* (Scraffa edition), p. 449.

6 *Ibid.* p. 309.

7 *Letters of Ricardo to Malthus*, ed. by Bonar (1887). Letter of Sept. 16, 1814, p. 43.

$15 Million Norwegian Bonds to Be Offered

The Kingdom of Norway on Sept. 5 filed with the Securities and Exchange Commission a registration statement covering the proposed public offering of $15,000,000 15-year external loan bonds of 1958, to be dated Oct. 1, 1958, and to mature Oct. 1, 1973.

An underwriting syndicate headed by Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; Lazard Freres & Co., and Smith, Barney & Co. will market the bonds to the public. This same syndicate handled the last previous Norwegian issue here, also a $15,000,000 flotation.

Net proceeds from the financing will be applied to the acquisition and importation of capital equipment required for the development of the Norwegian economy. Interest on, and principal and redemption price, if any, in respect of the bonds will be payable in currency of the United States, at the corporate trust office of The First National City Bank of New York, the fiscal agent.

The bonds will be redeemable at the option of the Kingdom of Norway, on and after Oct. 1, 1968, and the sinking fund, beginning April 1, 1962, is designed to retire the entire issue by maturity.

The sale of the bonds in the United States marks the third time since the end of World War II that the Kingdom of Norway has raised new capital in the public money markets.

Bacon, Whipple & Co. Municipal Department

CHICAGO, Ill. — Through the inadvertent dropping of some lines of type in the Mid-Year 1958 Edition of "Security Dealers of North America," the personnel of the Municipal Bond Department of Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges, did not appear in their listing.

Francis R. Schanck, Jr., is partner in charge; Andrew D. Buchan, is manager; William C. B. Magoun is also associated with the Department.

Public Utility Securities

By OWEN ELY

Kansas-Nebraska Natural Gas Co.

Kansas-Nebraska Natural Gas supplies gas to adjacent areas in western Kansas and Nebraska and northeastern Colorado, with a population of over 312,000. Gas is served at retail to 154 communities, and at wholesale to 66. The area is largely devoted to farming, with a substantial demand for gas for irrigation. The company's revenues are derived about as follows: domestic and commercial 35%; other gas utilities 30%; industrial and institutional 21%; field sales 8%; miscellaneous operating revenues 6%.

The company produced 54% of its gas needs and purchased 46% in 1957. At the end of 1957, it directly owned about 1,020,000,000 Mcf of gas reserves and controlled an additional 784,000,000 Mcf under purchase contract, most of these reserves being in the Hugoton Field and Camrick Fields in Kansas and Oklahoma.

The company has a wholly-owned oil subsidiary, Excelsior Oil, with oil production and reserves in Logan County, Colorado and interests in exploration and development in various areas. Oil production is probably around 400 barrels a day. Excelsior last year participated in the drilling of 23 wells, the results obtained being 6.25 net oil wells, 3.50 gas wells and 6.25 dry holes. An extraction plant at Big Springs, Nebraska, was completed late in 1957 with a daily capacity of 25,000 gallons of propane, 8,000 gallons of butane, and 6,000 gallons of natural gasoline. If the results of the current drilling program are reasonably satisfactory, Excelsior is expected to begin to show a good return on its investment in 1958.

Sale of gas for irrigation dropped considerably last year because of heavy rainfall. However, 1,271 additional irrigation customers were added and further development is expected because of the normally semi-arid conditions of the region. With favorable crop conditions alfalfa dehydrators purchased much larger quantities of gas, offsetting to a great extent the irrigation loss. Nearly half of the nation's dehydrated alfalfa — called a "wonder ingredient" because it brings the value of fresh green pasture to poultry, cattle and pigs every month of the year — is produced in the company's area, using natural gas from the Kansas-Nebraska system. The dried alfalfa is put in pellet form and can be stored without spoilage for very long periods of time. This development has been very beneficial to the local economy.

Volume of gas sales last year increased by nearly 20%, much of the increase being caused by well-head sales, which were over three times as large as in 1956. Revenues gained 16% but due to a decrease in the drilling program total taxes were up 29%. Net earnings were $2.56 a share vs. $2.44 in 1956.

Last year's construction program approximated $8 million but estimated expenditures for 1958 and 1959 are expected to be at about half that level. Internal cash should be ample to take care of these expenditures so that no equity financing appears likely for some time. About half of the $3¼ million to be spent on construction this year will be for drilling and gathering. A 23-mile transmission line will be built in Colorado for better utilization of gas reserves. Excelsior may spend about $1¼ million for drilling and other production facilities.

As of March 31, 1958, capitalization was as follows:

Long-Term Debt	Millions	Percentage
First mortgage sinking fund bonds	$8.7	
Sinking fund debentures	15.4	
Total debt	*$24.1	48.4%
Preferred stock	9.1	18.3
Common stock equity (937,000 shares)	16.6	33.3
Total	$49.8	100.0%

*Does not include $4.1 million bank loans.

Earnings for the 12 months ended June 30 were $2.40 compared with $2.58 in the previous year; for the first half earnings were $1.59 vs. $1.74. The decline in irrigation load due to weather conditions (partly offset by increased heating sales), together with higher income taxes due to reduced credits from drilling, seem largely accountable for the dip in earnings. Reduced field sales to Northern Natural Gas may also have been a factor.

The company's record in the past decade has been as follows:

	Revenues (Mills)	Share Earnings	*Dividends	Book Value Common Stock	Approximate Price Range
1957	$19.8	$2.56	$1.75	$16.87	38 - 33
1956	17.0	2.44	1.65	16.02	38 - 33
1955	15.4	2.38	1.60	15.18	40 - 28
1954	12.1	1.30	1.12	14.27	28 - 24
1953	10.3	1.87	1.20	13.20	26 - 21
1952	9.8	1.64	1.12	12.53	24 - 19
1951	8.7	2.11	1.21	11.13	23 - 17
1950	7.7	1.95	1.20	9.89	19 - 15
1949	6.5	1.79	1.00	8.92	17 - 12
1958	5.5	1.78	1.00	9.13	18 - 14

*Stock dividends were also paid, 5% in 1951 and 10% in 1948.

The company is involved in the "Memphis case" and has notified the FPC that it will "freeze" present operations, as they pertain to wholesale customers of interstate gas, until the Supreme Court hands down a decision.

On March 15, 1957 the company filed an application with the FPC for an increase in wholesale rates of $650,000 a year, equal to about 33 cents a share. The increase is being excluded from reported earnings, although they were allowed to go into effect Oct. 1, 1957, subject to refund.

The United States Supreme Court earlier this year handed down a ruling which nullified minimum well-head price orders by the Kansas Corporation Commission. The company has been paying under protest the purchased gas cost and royalty increases resulting from the minimum well-head price order. The impact of the decision on past and future payments has not yet been indicated.

The company's dividend policy has been somewhat irregular in recent years, with changes in the quarterly rate and extras in October and December. This year three quarterly dividends of 40 cents have been declared, without the usual October extra, which leaves the total amount of 1958 payments somewhat in doubt. Assuming that the same year-end extra is paid as last year (20c) the rate would be $1.80, and on this basis, the yield would approximate 4.6% based on the recent over-the-counter price of 39½. A portion of the dividend has been tax-free in recent years, but this is not expected to be the case in 1958 presumably due to reduced drilling expenditures. The stock is selling at about 16.5 times recent earnings.

Continued from page 12

Savings—The Secret Of American Growth

sion). Of the total savings, 47% went into securities. Only 10% went into currency, bank deposits and savings accounts.

In the year 1953-56 these two figures were virtually reversed. Thirty percent went into currency, deposits and savings accounts and only 11% into securities.

In the 1926-29 period 18% of the savings went into private and government insurance and pension reserves. In the 1953-56 period 28% went into insurance and pension reserves. The big gainer here was, of course, government insurance and pension reserves.

Institutional savings, that is, money placed by Americans into financial institutions rather than directly invested in securities, increased an average of $21 billion annually during the last five years. This compares to a direct investment in securities — bonds and stocks—of $5 billion over the same five-year period. In other words, the people in this country are putting $4 net into savings institutions for every $1 of net investment in securities. Even in 1957 when the yields on bonds were so very attractive and when there was a bullish sentiment in the stock market through most of the year, only $6 billion was invested net in securities compared to a net increase in institutional savings of $22½ billion.

Decline in Securities Purchases

The fact is that today Americans are not bond or stock buyers and that relatively only a small portion of the savings of the American people, as individuals, is going directly into securities. Rather they are putting their money into financial institutions, pension funds and life insurance companies and these institutions, then, are making the security and mortgage investments for the American people.

You have seen one result of this shift in savings and investment patterns: The great increase in so-called direct placement of new corporate securities with insurance companies and to a lesser extent with pension funds and savings banks. You also see it in the decline in importance of the individual as an investor in real estate mortgages. The institutional investor, such as the savings and loan association, has put him out of the home mortgage business in all but the small rural communities. You see it in the tremendous influence currently of the pension funds and mutual investment funds in the stock market, giving constant support to the market, and in the relatively strong market for the blue-chip stocks which the institutional buyers, for various reasons prefer.

The principal savings institutions — these private intermediaries in the savings and investing process today have resources totalling about $290 billion. Some pertinent statistics about them are given on the data sheet left at your seats.

We find that these financial intermediaries of three big segments or types and one small segment. The largest group consists of deposit-type institutions—the savings department of commercial banks, savings and loan associations mutual savings banks, the credit unions and Postal Savings. At the end of 1957 they held $132 billion or 54% of all institutional savings funds.

Another type of financial intermediary is the insurance company. These held a total in savings of approximately $82 billion.

Next are the pensions funds. We refer to them as the "non-insured pension funds," that is, funds not handled by life insurance companies. Most of them are administered by the trust departments of banks, but some are union managed and some are managed by individual trustees. This is the newest form of financial intermediary and at the end of last year had resources of approximately $19 billion.

Finally, we have a fourth type, the mutual investment funds. These are open-end funds and have about $10 billion in assets.

I have included United States savings bonds in this table for completeness and comparison because they were such a popular form of savings until recent years. The United States Treasury is not what we would call a "financial institution."

You will note that almost $48 billion of public savings are currently in savings bonds. Savings bonds reached a total of $50 billion during the middle 1950's. In the last few years redemptions have exceeded sales by a nominal margin each year and the total outstanding is declining.

It is appropriate to note that total institutional savings have grown ten-fold since 1920 while our Gross National Product has increased only four times. Total savings in financial institutions in 1920 were equal to little more than one-fourth of the Gross National Product that year; now they are equal to two-thirds of our much expanded GNP.

The pension funds are the fastest growing savings medium, having grown from $2½ billion in 1947 to almost $20 billion today. I hope that I will be forgiven if I point out that savings and loan associations now hold twice the proportion of the savings they held in 1920. This great relative increase in the importance of savings and loan savings all has come in the last 10 years.

These financial institutions are getting $4 of every $5 that American families save out of their incomes. These are the institutions that are doing most of the investing today—investing in obligations of Federal, state and local governments, obligations of public utility companies and railroads, obligations of manufacturing concerns, mortgage obligations on homes, farms and commercial real estate —all of which we consider "investment" versus short-term commercial, self-liquidating credit of the type made by banks.

Savings Institutions Vital

I think it may safely be said that these financial institutions have grown up in answer to a definite economic need. To put this concept "democratization of savings" into the frame of reference commonly used by businessmen, we tapped the mass market for savings in much the same way that you developed a mass market for consumer durable goods such as automobiles, refrigerators and television sets. You streamlined your plants, took advantage of the economies of scale and are able to offer the consumer more goods of better quality at lower prices. In the world of finance we have done somewhat the same thing. Your process has required tremendous amount of capital and I doubt if you would have gone very far without parallel developments in the field of finance.

The financial institution as an investment intermediary came along, I think, for a number of reasons. In the first place, the typical individual investor in American securities got pretty badly burned in 1929 and later. The government savings bond and the account in a financial institution insured up to $10,000 by a Federal agency looked pretty good to him, even though there was no promise of capital gains and the return was only 3% or 3½%. In fact, it was in many cases the only investment he would even consider. Professor Jules Bogen of New York University points to the failure of the mutual investment funds to grow more than $1 billion in each of the past few years as evidence of the fact that people still have a yearning for safety of principal where their dollars are concerned.

With the typical American investor today being a man of considerably smaller average means than a typical investor a generation ago, a different type of investment medium is needed. Today's investor does not have capital sufficient to permit him to take excessive risks. He does not have the time or talent to analyze corporate financial statements and the vagaries of the financial and investment market. Basically he needs an investment that is risk free or virtually risk free or one which provides broad diversification. He needs above all convenience and the ability to set aside varying sums of money at varying times. Liquidity or the ability to cash in his investment without undue loss or paying large brokerage or commission fees is also important. He needs, as you can see, institutions such as our modern-day savings and loan associations. Our institutions provide all of these features to savers and fixed dollar investors. For equity investments something like the investment trust comes closest to meeting the needs of today's average investor.

Along with this development has come the tremendous growth in popularity of life insurance, medical insurance and retirement plans. Whereas in 1928 there were 28 million ordinary life insurance policies in force, or one for every four persons, today there are 83 million such policies outstanding, or one for every two persons. Virtually no one had a pension or annuity in 1928. Social security was unknown. Today, considering all types of life insurance policies and annuity contracts, there are 1.6 policies for every American or, on the average, five for every family. The tremendous resources of the life insurance companies and the non-insured pension funds that have resulted from this growth of life insurance and retirement plans have made these institutions tremendous forces in the investment market.

Institutional Investment Preferences

Most life insurance company and pension fund investment decisions are made by people who know and prefer to invest in securities, either bonds or stocks, and who do not really understand or like to invest in mortgages, even FHA insured mortgages.

I know that insurance companies are a big factor in the home mortgage market, but the mortgage is actually a second choice investment for most life insurance companies, to be made after the attractive investments in securities have been made and only if the yield on mortgages is attractive compared with the yield on other investments.

In the same way, commercial banks are essentially commercial lenders and prefer short-term loans and only invest in mortgages as a second choice. This is not true, I realize, with the Bank of America, but that great bank is quite unusual in this respect. Most commercial bankers do not like long-term home mortgages as an investment of the banks' funds, even its savings funds, and if given a choice will almost always prefer short-term loans, even non-secured consumer loans that savings and loan people wouldn't think of acquiring.

Savings and loan associations, as you may know, invest almost wholly in first mortgage loans on single family homes. We do this in part because the law points us in that direction, in part by tradition, and in part because our people know and understand and like home mortgages as an investment just as the managers of most pension funds prefer marketable securities.

Multiplicity of Institutions

It is in part because of this fact that various types of investors by tradition and preference invest in different types of securities and obligations that I think it is fortunate that we have a multiplicity of financial institutions and that public policy has permitted, even encouraged, the development of a number of types of savings and investment institutions and competition between them.

Just as in the retail field there are department stores which serve virtually all of a buyer's various needs and specialty shops which handle only one type of merchandise, so is there a variety of financial institutions. The commercial bank is in a way the department store of finance, offering most types of financial services, and then we have the specialty shops such as savings and loan associations which offer only savings accounts and home loans; credit unions which provide a savings facility and make only consumer loans; small loan companies which get their money largely from banks and make consumer loans; mutual investment funds which provide a means for investment of relatively small sums in a broad list of securities, etc.

Savers are offered a broad range of institutions which appeal to them on a different basis. For example, if an individual desires absolute safety above everything else, there are available to him United States Governments bonds and Postal savings. There is no safer investment in the world, of course, than the fixed-dollar, direct obligations of the United States Government. If a saver desires almost equivalent safety but a somewhat higher return and considerably greater convenience, he is offered a savings account in a savings and loan association or a commercial bank. If he wants to take some risk with his capital and invest in the stock market, the mutual investment funds are available to him.

For one who has to be forced to save and wants to combine savings with life insurance or an annuity, there is the life insurance company. As you know, many life insurance contracts are more a savings contract than insurance.

This broad group of financial institutions were developed essentially in the years after World War I, reached adolescence following the great depression and maturity after World War II. Prior to the 1920's, for example, savings and loan associations, known then as "building and loan associations," were small neighborhood cooperatives, not far advanced from the basic tenets set down in Philadelphia in 1831 when the first savings and loan association was started to provide a means for working people in that area to acquire a home. Even in the 1920's most savers in savings and loan associations were members of a small community group who bought serial shares in the building and loan association as a first step toward home ownership.

Although the term "building and loan" still persists to some degree, the character of our institutions has changed tremendously, physically from one-room, second-floor or club room locations to large and attractive financial offices; managerially from the part time services of one or a few people to skilled business executives and an experienced staff; financially, from assets of $2½ billion in 1920, $10 billion in 1946, to $50 billion today.

The growth of several of the other types of financial intermediaries is almost as startling and spectacular.

Government's Role Favorable

Public policy has permitted and even encouraged the development of several types of financial institutions. It certainly has refused to give any one type of institution a monopoly in this field.

It is no secret, of course, that the commercial banks have resented and resisted the development of the savings and loan business. This is somewhat natural because one business group never likes to see another come along and provide a competing service. We think it is inevitable that the growth of the credit unions in the next 10 years will also be resisted and decried by the commercial banks and, no doubt, by some of our people as well.

The mutual funds have sometimes employed sales practices that have been at least frustrating to our people, as we compete frequently for the same money. Credit unions have some advantage over us because of the existence of payroll savings arrangements for the credit union right in the factories or places of employment. It, therefore, gets the so-called "first chance" at the saver.

If the Federal Government had not encouraged the development of different institutions, we would today have a rather stifling monopoly in the handling of the savings and investments of the American people, and certainly not the great volume of savings available to meet the great and wide variety of the capital needs of the country through the mechanism of a free market.

We have now reviewed a bit of the history of savings in this country, taken a look at where people save their money, noticed the tremendous increase in institutional type savings versus direct investment in industry by the American people and seen a little of what the American saver looks like.

We also want to explore, of course, the significance of all this in American corporate business financing, but before we do that and in order to have the entire picture, we ought to look just for a few minutes at the reasons why people save money.

Why People Save

What is it that motivates a person not to spend all that he earns? What makes a saver?

The United States Savings and Loan League twice has had conducted motivational surveys on this basic question and the results give real clues as to the reasons why people save and some of the differences between the saver and the non-saver.

We find that people have many different reasons for saving. The most common and powerful seem to be saving for old age, for emergencies, and for children's education. People also save, but not so frequently or so much, for such things as a downpayment on a house, the purchase of durable goods, and vacations. This is true both as to savers in banks and savers in savings and loan associations.

These same reasons may not apply when savers come to get their money.

As to the use made of money withdrawn from banks and savings and loan associations, these are the most frequently cited reasons: To meet general living expenses, to pay medical bills, to make a downpayment on a home, to buy a car, for vacation and travel expenses.

Of these, the most important are to meet general living expenses and medical bills.

This is the case, of course, with so-called "passbook-type savings." The other great forms of savings are insurance company and pension fund savings. These clearly are for old age and family emergencies.

We find that a good saver knows how to save and tends to be a rather consistent saver. He knows that he must save regularly and that he must resist, or at least postpone, the purchase of non-essential items. He believes that even an urgent need for things is a poor reason for not saving, and he believes that everybody can save if he tries. He believes that the non-saver has only himself to blame for not saving.

Once the saver has mastered the simple secret of savings—which is merely not to spend everything he has—he cannot blame others if he does not save; and when he does not save he has considerable guilt feelings. The knowledge that there is no real urgency about non-essential items, the realization that the purchase of such items can and often should be postponed is the driving force behind individual and family savings. Most good savers start to save as children or when they first start to work.

I don't know what good that information will be for you whose business it is to urge people to buy rather than to save. Maybe there is some reverse psychology that you could use!

It is fortunate for all of us that the savings habit is pretty well engrained into the typical American. It would be a great tragedy to our country if Americans lost their will to save as they might as the result of a great inflation.

Significance to Businessmen

The growth of these financial intermediaries means that more and more American business will look to financial institutions as a source of capital. When you need investment funds you will find the greatest supply at attractive prices in the financial institutions—the banks, insurance companies, pension funds and savings and loan associations. The financial executives of our corporations will have to know more about the functioning and the investment preferences of the various financial institutions. They will have to know, for example, that savings and loan associations deal almost exclusively in first mortgage loans on homes; that life insurance companies are the chief source of mortgage loans on commercial and industrial property; and that pension funds have a considerably greater proportion of their resources invested in equities than do the life insurance companies. It will be as important that you become acquainted with the investment officers of quite a number of financial institutions as it was 50 years ago for corporate executives to know the personnel of J. P. Morgan and Company, Kuhn, Loeb and Company, N. W. Harris and Company, or the Walker Brothers of Salt Lake City.

It also means that your financial planning will have to be slanted toward the more conservative investor. Financial institutions dealing with other people's money in a trustee capacity are more conservative investors than the rich individual. Most financial institutions have as their prime objective returning to savers an equal number of dollars as were placed with them, plus earnings on them. Thus the prime objective of a savings and loan association is always to have the saver's dollar ready for him.

Of all the institutional investors, only one does not have a dollar for dollar obligation, and that is the mutual investment fund. The life insurance companies, pension funds, banks and savings and loan associations, all have fixed dollar obligations to their savers and policy holders. As a result, their investments will be largely in bonds and fixed dollar obligations.

You cannot expect that there will be any great move to authorize banks, insurance companies and savings and loan associations to invest in common stocks, or, if they were so authorized, that a significant portion of their funds would be so invested.

Time does not permit any further elaboration here. The point simply is that more and more the users of capital—that is, businesses and governments—will have to reckon with financial institution executives in their search for money.

Bioren Celebrating 93 Years in Phila.

PHILADELPHIA, Pa.—Bioren & Co., one of Philadelphia's oldest New York Stock Exchange member firms are celebrating their 93rd Anniversary and the opening of new offices Sept. 8, 1424 Walnut Street.

Established in 1865, the firm was one of the first to leave the old financial district at 4th and Chestnut Streets over 30 years ago to continue a general investment business at 1528 Walnut Street until the present.

Bioren & Co., maintain memberships on the New York Stock Exchange, Philadelphia-Baltimore Stock Exchange and on the American Stock Exchange. In addition to a general brokerage and investment business, the firm is actively engaged in underwriting of corporate and municipal securities.

Form Variable Inv. Plan

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Norman D. Finkel is engaging in a securities business from offices at 19 South La Salle Street under the firm name of Variable Investment Plan Co.

Forms Gilbert Inv.

SOUTH PLAINFIELD, N. J.—Paul N. Gilbert is engaging in a securities business from offices at 2425 Plainfield Avenue under the firm name of Gilbert Investment Co. Mr. Gilbert was previously with Berry & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

While not all insurance companies report on their half-yearly operations at the mid-year date, enough of them have issued income accounts to give us a clear idea of how things went for the fire-casualty industry. And, a sufficient number of large units reported to give us a good cross-section. As is customary with the group, there were a number of specialist companies whose contribution to industry results weights the scale somewhat on the favorable side.

There was some improvement in underwriting results, but by no means such as to cause us to change our stance so far as buying recommendations are concerned. A majority of companies important in size showed some improvement in their combined loss and expense ratios; some showed up even worse than in the 1957 first half. Fire losses continue, on a 12-month basis, to run ahead of the previous year; and while numerous rate increases in the lines have been granted around among the States on automobile categories, most of these categories continue to plague the carriers.

If only our motor car operators were as careful with their driving as they are careful to prevent, let us say, the burning of their homes, the insurance companies would be profitable with their underwriting! Fewer accidents would mean fewer repair bills for the insurance companies, and there would be fewer outrageous jury verdicts in which the carriers would be the victims.

However small the improvement in the 1958 first half underwriting showing was, it was headed in the right direction.

In the investment part of the business there were better results to act as balm for the harassed underwriters. In a group of nearly 100 units listed by Alfred M. Best Company, Inc., a leading statistical organization in the insurance field, investment income was, for the half, about 8% greater than in the like period of 1957. Further, whereas the sharply lower stock market in 1957 had piled up serious portfolio depreciations among the companies, the 1958 first half has gone a long way toward balancing out that shrinkage; and in many cases the paper losses were more than wiped out. More of that later.

There is given here for a group of the more actively traded stocks their loss and expense ratios, 1958 first half versus 1957 first half; and the underwriting profit or loss margin. In a majority of cases, loss margins are the rule, albeit of less severity than a year earlier. The data is for parent companies only, except for Home and Phoenix, which are for group.

	Losses Incurred to Prem. Earned		Expenses Incurred to Prem. Written		Profit (or Loss) Margin	
	1957	1958	1957	1958	1957	1958
Agricultural Ins.	63.9%	61.5%	45.3%	43.9%	— 9.2%	— 5.4%
Glens Falls	64.0	63.1	40.5	40.9	— 4.5	— 4.0
Home Insurance	66.7	66.3	41.7	41.4	— 8.4	— 7.7
Ins. Co. No. Amer.	60.7	61.2	39.7	36.0	— 0.4	+ 2.8
Maryland Cas.	69.1	63.9	36.3	36.6	— 5.4	— 0.5
National Union	64.8	65.3	42.3	43.5	— 7.1	— 8.8
New Amsterd. Cas.	70.1	74.6	35.5	35.5	— 5.6	—10.1
Prov. Wash.	64.7	63.0	43.0	42.5	— 7.7	— 5.5
St. Paul F. & M.	64.3	61.0	38.0	37.8	— 2.3	+ 1.2
Seaboard Surety	20.8	38.2	41.1	43.6	+38.1	+18.2
U. S. Fid. & Gty.	61.0	57.4	43.1	44.2	— 4.1	— 1.6
Pacific Insurance	61.9	62.1	39.4	38.9	— 1.3	— 1.0
Aetna Insurance	65.2	63.0	41.2	41.3	— 6.4	— 4.3
Bankers & Ship.	61.9	62.1	39.4	38.8	— 1.3	— 0.9
Federal Insurance	60.5	58.7	34.4	34.8	+ 5.1	+ 6.5
Fidelity & Deposit	22.8	27.3	54.6	57.6	+22.6	+15.1
Merchants Fire	67.3	68.8	39.7	39.3	— 7.0	— 8.1
Camden Fire	62.5	59.2	44.7	44.0	— 7.2	— 3.2
American Insur.	67.4	66.0	40.4	40.9	— 7.8	— 6.9
American Auto.	72.4	66.0	40.5	40.9	—12.9	— 6.9
Continental Cas.	67.4	68.2	31.8	30.9	+ 0.8	+ 0.9
Fireman's Fund	62.4	63.7	41.1	41.0	— 3.5	— 4.7
Gen. Reinsurance	58.3	55.9	41.4	38.1	+ 0.3	+ 6.0
New Hampshire	57.6	64.0	43.1	39.5	— 6.7	— 3.5
Northern Insur.	56.8	55.8	46.3	46.2	— 3.1	— 2.0
Standard Accept.	67.7	68.7	39.8	38.7	— 7.5	— 7.4
Continental Insur.	66.1	59.1	43.8	43.4	— 9.9	— 2.5
Fidelity Phenix	67.2	59.9	42.0	42.7	— 9.2	— 2.6
Phoenix	63.7	65.5	43.3	41.7	— 7.0	— 7.2

The best performances for the 1958 half are, as a rule by the companies that, we might say, almost make a habit of doing well in underwriting. As to the less satisfactory showings, there are enough companies going more in the red in underwriting largely to offset those that rang up improvement in the 1958 half. It therefore seems hard to justify any great expectation of better results for 1958, unless, of course, there is a marked improvement in the second half. Thus far, this department sees no pronounced indication of this.

Nelson Chman of Navy League Convention

PHILADELPHIA, Pa.—W. Linton Nelson, President of Delaware Fund and Delaware Income Fund, was recently appointed General Chairman of the Navy League's 1959 National Convention which will be held in Philadelphia in early May.


W. Linton Nelson

During the first World War, Mr. Nelson served with the Naval Air force on convoy escort duty over the North Sea. In 1940, on a leave of absence from his business, he returned to active duty with the Supply Corps in Philadelphia, North Africa, Italy, France and other parts of the Mediterranean, and finally in Washington, D. C. where, with the rank of Commodore, was Director of Operations of the Foreign Liquidation Commission.

In August, 1946 he rejoined his investment firm but maintained an interest in the Naval Reserve and in 1955 was appointed a Rear Admiral. He holds the Legion of Merit, Bronze Star and Commendation Ribbon.

Dillon, Read Group Offers Texas Eastern Transmission Bonds

An issue of $35,000,000 Texas Eastern Transmission Corp. first mortgage pipe line bonds, 5⅝% series due 1978, were offered yesterday (Sept. 10) by a group of underwriters headed by Dillon, Read & Co. Inc. at a price of 99% and accrued interest, to yield approximately 5.71% to maturity.

A semi-annual sinking fund beginning March 1, 1961, will retire approximately 95% of the bonds prior to maturity. For a period of five years the bonds are not refundable at an interest cost of less than 5.71% but are otherwise redeemable at the option of the company at any time at prices scaling from 105½% to par.

Sale of these securities will complete the financing required for the company's construction program for 1958. This program involves estimated expenditures by the company and its subsidiaries of approximately $82,000,000 and consists of an expansion of its gas transmission system by 100 million cubic feet of gas per day, other gas transmission facilities and additions to the products transportation system.

Upon completion of this expansion program, the company's natural gas system capacity will be increased to 1,860 million cubic feet per day, including deliveries from its gas storage facilities.

Among those associated with Dillon, Read & Co. Inc. in the offering are: Morgan Stanley & Co.; The First Boston Corp.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Halsey, Stuart & Co., Inc.; Harriman Ripley & Co. Inc.; Kidder, Peabody & Co.; Lazard Freres & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith; Smith, Barney & Co.; Stone & Webster Securities Corp.; White, Weld & Co., and Dean Witter & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market, although still on the defensive because of the gradual tightening of money and credit, appears to be taking a breather, with volume very much on the restricted side. It is evident that the coming new money raising operation of the Treasury is having an influence on the current action of the market for Government obligations. Also, the large volume of new corporate and tax-exempt bonds that are being introduced for sale is providing Government bonds with plenty of competition because the yields on these securities are much more attractive to investors than are those that are available in Treasury bonds.

The Treasury is raising part of its needed new money through the sale of Treasury bills, with $100,000,000 a week being obtained from the sale of the shortest Government issue. The uptrend in yield of near-term issues is keeping the pressure on the money market.

Monetary Restraint Continues

The monetary authorities continue to keep the restraint on the money market, even though this operation is being carried out in a very deliberate fashion. The free reserves of the Federal Reserve System went down again last week with the result that they were the lowest they have been since the middle of January. Further evidence of the slow but sure tightening of the money market is indicated in the raising of the discount rate by the Federal Reserve Banks of Chicago and Minneapolis, last week, from 1¾% to 2%. This means that six of the Central Banks have now increased the discount rate to 2%. The Federal Reserve Bank of New York, however, did not increase its rate, which still remained at 1¾%. There has been considerable talk that the Central Bank of New York would increase its discount rate, with rumors going around that it would be jumped to 2¼%.

The Usual Pattern on Discount Rate

Normally, when Treasury bills go to levels that are in excess of the discount rate this fact generally results in an increase in the Central Bank rate, so that this rate is above the rate of return available in the shortest and most liquid Government obligation. On the other hand, discounts and advances of the System have declined slightly, indicating no rush by the member banks of the system to borrow from the Central Banks at the discount rate.

In addition, the discounts and advances of the Federal Reserve Bank of New York, last week, were down sharply, while at the same time loans of the member banks in New York City were off, contrasted with an increase in loans at this time last year. The trend of discounts and advances at the Federal Reserve Bank of New York, and decline in loans among the member banks in this area, probably explains in some measure the holding of the discount rate at 1¾% by the Central Bank of New York.

Treasury's Coming Offering

The impending new money financing by the Treasury is the subject of considerable discussion among money market specialists and, in spite of all the talk that is being heard, it is the consensus that it will be in the short- or intermediate-term range. Some money market followers are of the opinion that the new money operation of the Government will be confined entirely to a short-term issue or issues. The upward trend in yield of Treasury bills seems to indicate that the gradual squeeze on money rates will continue, and this most likely means that the Treasury will have to pay more for the funds which will be borrowed in order to meet the deficit.

In spite of the purchases of Treasury bills by institutions that must have them for liquidity purposes, and the commitments by others in them for protection against higher interest rates and tighter credit conditions, the return on the most liquid Government issue is expected to continue to advance. This will in time bring about a higher discount rate for the Central Banks of the System.

Long Governments at Yield Disadvantage

Even though yields of long-term Government bonds have gone up sharply, and this has resulted in some minor purchases by institutional investors, these securities are not yet in a competitive position with corporates and tax-exempt bonds. The uptrend in yields of non-United States Government obligations have reached levels that are now attractive to institutions and they are buying these securities in sizable amounts, in spite of the fairly ample supply that is coming into the new issue market for sale.

Carr-Rigdon Co. Formed

WASHINGTON, D. C. — Carr-Rigdon & Co. has been formed with offices at 1129 Vermont Avenue, N. W. to engage in a securities business. Joseph O. Wall is a principal.

Form Porter, Noyes, Inc.

CORPUS CHRISTI, Texas—Porter, Noyes, Inc. has been formed with offices in the Driscoll Building to engage in a securities business. Jonathan H. Noyes is a principal of the firm.

Form N. C. Roberts Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Norman C. Roberts Company has been formed with offices at 625 Broadway to engage in a securities business. Partners are Norman C. Roberts and Helen M. Thompson.

R. H. Dorr V.-P. of Chase International

The appointment of Russell H. Dorr as vice-president of Chase International Investment Corporation, wholly-owned foreign financing subsidiary of the Chase Manhattan Bank, was announced by Robert H. Craft, C. I. I. C. president.

Following World War II Mr. Dorr served with the rank of Minister as United States delegate to the Inter - Allied Reparation Agency, Chairman of the International Commission for Restitution of Monetary Gold in Brussels, chief of the Marshall Plan Mission to Turkey, and general counsel to the United States NATO Ambassador in Paris.

During the past five years Mr. Dorr has been a senior member of the staff on the International Bank for Reconstruction and Development supervising operations in Japan and Indonesia, and the resident representative in Teheran.

Chicago Inv. Analysts Annual Outing

CHICAGO, Ill.—The Investment Analysts Society of Chicago will hold their annual outing at the Itasca Country Club on Thursday Sept. 11. Golf, tennis and other sports will be featured. Tariff for golf and dinner is $11.00; golf only $5.50; dinner $5.50.

Members of the Committee are George K. Hendrick, Jr., Blunt, Ellis & Simmons, Chairman; Roger K. Ballard, Jr., Glore, Forgan & Co.; Robert B. Bruce; J. Gayle Slomer, Blunt Ellis & Simmons; and John C. Weiner.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The merger of **Commercial State Bank and Trust Company of New York** and **Bank of North America**, approved by the New

Jacob Leichtman

Louis Goldstein

D. Mallory Stephens

R. Harold Bach

York State Banking Department and Federal Deposit Insurance Corporation becomes effective as of the start of business Sept. 8 with the combined institutions operating as the **Commercial Bank of North America, New York,** it was announced by Jacob Leichtman, President.

The merger brings into being an institution with assets of over $150,000,000 and twelve offices throughout the city. Prior to the consolidation, Commercial State Bank resources totaled over $120,000,000. Bank of North America showed assets exceeding $30,000,000.

Under stockholder approved merger terms, Commercial Bank of North America is issuing 470,563 shares of stock, par value $5 per share, to effect an exchange of 3,617 shares of new stock for each share of Commercial State Bank stock and one share for each share of Bank of North America outstanding.

Capital funds of the consolidated institution are in excess of $11 million, not including reserves, it was reported by Mr. Leichtman.

D. Mallory Stephens, Chairman of the Board of Commercial State Bank, continues as Board Chairman of the merged banks. Louis E. Goldstein, Board Chairman of Bank of North America, is Vice-Chairman of Commercial Bank of North America.

Charles D. Runyan, President of Bank of North America, is a Director and Senior Vice-President of the consolidated institution. Sidney Friedman, Chairman of the executive committee of Bank of North America, occupies the same position in Commercial Bank of North America. R. Harold Bach remains the Executive Vice-President of Commercial Bank of North America.

All officers and staff have been retained in the merged institution.

The main office of the bank continues at 116 Fifth Avenue, Manhattan, formerly the main office of Commercial State Bank. Branch offices are located in Manhattan, Bronx, Brooklyn and Queens.

Previous articles appeared in this column on Aug. 21, Page 718, July 31, Page 419, July 3, Page 18.

* * *

Edmund F. Wagner has been elected President of the **Seamen's Bank for Savings, New York.** He succeeds John D. Butt, who will continue as Chairman and Chief Executive Officer.

* * *

Richard C. Bain will join the **Excelsior Savings Bank, New York,** on Oct. 1 as Vice-President and Counsel, it was announced Sept. 9 by Willard F. Place, President.

* * *

James S. Rockefeller, President, **The First National City Bank of New York,** and Dr. Joseph E. Hughes, Chairman, **The County Trust Company of White Plains,** issued the following statement:

"Despite our continuing belief that our proposal to form **First New York Corporation** is constructive both in the provision of better banking services to the public and in the interests of our shareholders, and our equally strong conviction that the order of the Board of Governors of the Federal Reserve System denying our application is based on a misconstruction of the Bank Holding Company Act of 1956 and the application of erroneous standards of law to the evidence in the proceedings, we have decided not to appeal the Board's order to the courts. The time under the statute within which we could appeal expired Sept. 8.

"This decision in no way implies abandonment of our common objective of becoming affiliated, which we shall continue to pursue. However, we believe our objective can now be attained more promptly through legislative than through court procedures. We believe the prospects are good for the enactment at the next session of the New York State Legislature of progressive legislation which will permit the orderly development of banking within the State, and that these prospects might be delayed, if not prejudiced, by the existence of protracted litigation."

* * *

The Board of Trustees of **The Bank of New York** recommended to stockholders an increase in capital stock by 110,000 shares to a total of 270,000 shares.

Albert C. Simmonds, Jr., Chairman, stated that the proposed increase will be submitted to stockholders at a special meeting on Sept. 30.

If the recommendation is approved by stockholders and the New York State Superintendent of Banks, 80,000 shares will be distributed as a 50% stock dividend to stockholders of record on Sept. 22 and 30,000 shares will be offered for subscription by the stockholders in the ratio of one for eight after giving effect to the stock dividend distribution. The subscription price and timing of the offering will be determined by the Board of Trustees at a later date.

The Board of Trustees plans to declare a dividend of $2.50 per share for the last quarter of 1958 on the 270,000 shares which will be outstanding on completion of the proposed offering to stockholders. This is the equivalent of $10 per share on an annual basis which represents an increase of 7% over the current annual dividend rate as adjusted.

The Board of Trustees also declared the regular quarterly dividend of $3.50 per share on the 160,000 shares presently outstanding, payable on Oct. 1, to holders of record on Sept. 19.

* * *

The Franklin National Bank of Long Island, Franklin Square, New York, with common stock of $14,077,000; and **The Central Islip National Bank, Central Islip, New York,** with common stock of $200,000 shares merged; effective as of the close of business Aug. 22. The consolidation was effected under the charter and title of The Franklin National Bank of Long Island.

* * *

Harry Hoyle, Chairman of the Board of Directors and President of the **Tappan Zee National Bank of Nyack, N. Y.,** died Sept. 2 at the age of 61.

* * *

Herman H. Maass, former President of the **Fort Neck National Bank of Seaford, L. I.,** has been elected President of the **Security National Bank of Long Island.**

Mr. Maass succeeds George A. Heaney, who was granted a leave of absence due to illness.

The new Security President becomes chief executive of Long Island's third largest bank with resources in excess of $190,000,000. Mr. Maass served as President of the Fort Neck bank during the period of its greatest growth and became a Vice-President and Director of Security National when Fort Neck merged with Security in May of this year.

During Mr. Maass' tenure as President of Fort Neck, the bank grew in resources from $7,000,000 to $47,000,000 and from one office to seven.

Mr. Heaney had served as President of Security National since 1950 and will remain a member of the Bank's Board of Directors.

* * *

Walter A. Drescher has been elected a Vice-President of the **Security National Bank of Long Island,** George A. Heaney, President, announced.

Mr. Drescher, who joined Security in 1955 as an Assistant Vice-President, was formerly Comptroller of the **First Westchester National Bank of New Rochelle, New York.**

* * *

John W. McCabe, formerly Executive Vice-President of the **Queens National Bank, Springfield Gardens, L. I.** has joined the **Security National Bank of Long Island** as a Vice-President, George A. Heaney, President, announced.

Mr. McCabe, who served with the Queens bank for more than 23 years, will be in charge of Security's Huntington office. He entered the banking profession with the **Jamaica National Bank.**

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Irving W. Cook, Board Chairman of the **First Safe Deposit National Bank, New Bedford, Mass.,** died Sept. 4 at the age of 82. Mr. Cook was President of the old **First National Bank of New Bedford, Mass.,** for 22 years.

* * *

Francis S. McMichael has been appointed Vice-President in the Banking Department of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** Frank R. Denton, Vice-Chairman of the bank, announced.

Mr. McMichael started his banking career with Mellon Bank in 1952. At that time he was assigned to the Estate Planning Division of the Trust Department. In May, 1955, he was appointed an Assistant Vice-President in the Banking Department.

* * *

Tazewell M. Carrington, III has been elected a member of the Board of Directors of **The Bank of Virginia, Richmond.** His election took place at the September meeting of the board held Sept. 4 in Richmond.

In other action, the Bank's board declared a third quarter dividend of 25 cents a share on the bank's 360,000 shares of stock outstanding. The dividend of $90,000 will be paid Oct. 1 to stockholders of record of Sept. 13.

* * *

By a stock dividend, the **First National Bank of Newport News, Va.,** increased its common capital stock from $600,000 to $1,200,000, effective Aug. 29. (Number of shares outstanding — 120,000 shares, par value $10).

* * *

By a stock dividend, **The First National Bank of Des Plaines, Ill.,** increased its common capital stock from $500,000 to $600,000, and from $600,000 to $800,000 by the sale of new stock, effective Aug. 25. (Number of shares outstanding—40,000 shares, par value $20).

* * *

By a stock dividend, the common capital stock of **First National Bank and Trust Company of Rockford, Ill.** was increased from $500,000 to $1,000,000, effective Sept. 2. (Number of shares outstanding—25,000 shares, par value $40).

* * *

The Third National Bank of Rockford, Rockford, Ill. changed its title to **First National Bank and Trust Company of Rockford,** effective Sept. 2.

* * *

John N. McLucas, Senior Vice-President and Director, **National Bank of Detroit, Mich.,** who has been in charge of the Bank's Out-of-Town Division since 1949, has been appointed Director of a new Marketing Division effective Sept. 1, it was announced by Donald F. Valley, NBD Chairman, and Henry T. Bodman, President. The Marketing Division will coordinate the Bank's marketing and sales efforts on the retail level.

The activities and responsibilities of the Out-of-Town Division have been assigned to two new divisions. Edward Adams, Jr., Senior Vice-President, will supervise all correspondent bank and commercial business originating in Michigan, Northwestern Ohio and Northeastern Indiana, except commercial business in Metropolitan Detroit which will continue to be handled by the bank's City Division, under the direction of Ellis B. Merry, Senior Vice-President. Mr. Adams also will continue to supervise the international Department of the bank.

The other new division, which is headed by Robert M. Surdam, Vice-President, is responsible for all correspondent bank and commercial business throughout all other areas of the United States.

* * *

The First National Bank of Selby, S. Dak. increased its common capital stock from $50,000 to $75,000 by a stock dividend, effective Aug. 27. (Number of shares outstanding — 750 shares, par value $100).

* * *

By a stock dividend, the common capital stock of **The Union National Bank of Wichita, Kans.,** was increased from $720,000 to $1,008,000; Effective Aug. 29. (Number of shares outstanding—100,800 shares, par value $10).

* * *

The common capital stock of the **First American National Bank of Nashville, Tenn.** was increased from $7,000,000 to $8,000,000 by a stock dividend, effective Aug. 26. (Number of shares outstanding—800,000 shares, par value $10).

* * *

By the sale of new stock, **First American National Bank of Nashville, Tenn.** increased its common capital stock from $6,000,000 to $7,000,000, effective August 20, (Number of shares outstanding, 700,000 shares; par value, $10.)

* * *

The Bank of Asheville, Asheville, N. C., will add $150,000 in capital funds by issuance of 5,000 new shares Sept. 30, according to Philip Woollcott, President.

The dividend rate on the Bank's stock has been increased from the annual rate of $1.20 to $1.32 per share. A dividend for the third quarter at the new rate amounting to 33 cents per share was declared payable Sept. 15 to stockholders of record Aug. 22. Woollcott announced the new stock will be offered at $30 per share to stockholders of record Aug. 22.

The capital structure of the bank after the new stock is issued will show capital stock of $275,000, surplus of $475,000 and undivided profits of $130,000.

* * *

The Morgan County National Bank of Decatur, Ala. changed its title to **First National Bank of Decatur,** effective Aug. 21.

* * *

First National Bank of Decatur, Ala. increased its common capital stock from $100,000 to $200,000 by a stock dividend and from $200,000 to $300,000 by sale of new stock, effective Aug. 21. (Number of shares outstanding, 30,000 shares; par value, $10.)

* * *

The First National Bank of Floydada, Texas, increased its common capital stock from $100,000 to $200,000 by a stock dividend, effective Aug. 28. (Number of shares outstanding—2,000 shares, par value $100).

* * *

Northeast National Bank of Houston, was granted permission by the office of the Comptroller of the Currency to open a new bank.

James L. Cowan is President and William E. Carlisle, Jr., is Cashier. The bank has a capital of $100,000 and a surplus of $150,000.

* * *

By a stock dividend, the common capital stock of **The Lubbock National Bank, Lubbock, Texas** was increased from $1,000,000 to $1,250,000, effective August 22. (Number of shares outstanding, 125,000; par value, $10.)

* * *

E. A. Anderson, Assistant Manager of **The Bank of California's** Seattle Office, retired on Aug. 31 after 47 years of continuous service with the bank.

Mr. Anderson joined the Seattle Office in 1911 as a messenger and has served in every department of the bank. In 1929 he was elected Assistant Manager.

He has been active in Alaska for many years as the bank's representative in that territory.

* * *

The Hon. John Valentine Clyne has been elected a Director of **The Canadian Bank of Commerce, Toronto, Can.,** it was announced Sept. 9.

* * *

The Canadian Bank of Commerce, Toronto, Can., announced that George S. Unwin, Manager of the main Toronto branch since 1956, has been appointed regional superintendent of the bank's Atlantic Region, with headquarters at Halifax, Nova Scotia. He succeeds Charles J. Loughlin, who will retire in October after nine years as Regional Superintendent and 42 years' service. Mr. Unwin joined the bank in 1923, and was successively Manager of the Ottawa and Montreal main branches before his Toronto branch appointment. He is succeeded at the Toronto office by Lawrence G. Greenwood, formerly a superintendent in Ontario Region and previously Manager of the bank's branch at Seattle. Mr. Greenwood entered the bank in 1938. Following service in Saskatchewan and Manitoba branches, he became an Assistant Manager, Toronto branch in 1953, with appointment as Manager at Seattle following three years later.

Continued from first page

As We See It

that have to do with the wage earners of the country. This is an election year and the days of voting are now not very far distant. It was natural perhaps, therefore, that the President should say as many complimentary things about labor and labor unions as he felt that he could—the more so since he evidently felt obliged to say, even if somewhat obliquely, that there was a good deal rotten in the State of Denmark. There are, however, some serious shortcomings in what the President had to say, and they are the more disheartening by reason of the fact that these same infirmities run through the labor policies of the Administration from one end to the other, and, as a matter of fact, through the attitudes of the New Deal and the Fair Deal in even greater measure.

Lack of Understanding

The trouble is that the President, as his predecessors always also did, reveals a lack of understanding of what makes the wheels of business go round, and of the nature of governmental policies required to give the greatest assurance that they will continue to turn—and in the right direction. It is true that he includes a vague statement "that the common economic interest of employer and employe is prosperity," but he seems to say that the driving force which keeps the wage earner at his work is his "own sense of personal worth and accomplishment," and "his own dignity as a free man working in company with other free men." He offers no suggestion as to what keeps management at work much longer hours than those of wage earners, and what keeps them at it when nerve trying problems are encountered not infrequently by reason of the behavior of organized wage earners, but this after all was a Labor Day outgiving.

Now the fact of the matter is—notwithstanding the pronouncements of New Dealers and neo-New Dealers—that by and large what keeps men and women at their work benches or desks and what holds employers' nose to the grindstone is simply hope or expectation of economic reward—for themselves not for "society" or "mankind." It was Adam Smith who many, many years ago said that "it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow citizens." The basic fact that self-interest is the motivating fact of our economic lives holds today just as it did when one of the greatest thinkers of all time so clearly and simply enunciated it.

This fundamental truth is not in the least affected by the circumstance that there are a good many in the world today who are not ready to accept it—a good many of them not in Communistic countries but, as a matter of fact, within our own borders. It is because this is the way that human beings are made that the general principle holds everywhere regardless of the political or social systems in force, and, so we believe, will always hold. It is because it has been given full play with a minimum of restrictions of any sort that the United States has long ago reached an economic stage that is the envy of the world. By and large until quite recent years at all events, we have asked only that self-interest be enlightened, and that it not be pursued to the point where the liberty of one infringes upon the liberty of another.

Proper Conditions Essential

But this system of natural liberty does not function well, it may even ultimately fail, if the conditions necessary to its proper functioning are not maintained, and it is here that we find not only the New Deal and Fair Deal philosophies and programs but those of the present Administration in Washington seriously defective. As a matter of fact, retreat from the rigors of natural liberty began long before the New Deal came into power. It would not be altogether easy to say just when the labor unions and agriculture were first regarded as *sui generis,* but it was a good many years ago. At any rate, at least two serious failures to maintain a climate in which natural liberty can function well still exist, and the President in his recent utterances as well as very nearly all other political leaders of great influence seem not to be aware of the situation.

One of these basic requirements which we have all too generally abandoned has never been better expressed than in the words of Adam Smith: "All systems either of preference or of restraint . . . being . . . completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men." The other requisite lies implicit in this classic exposition by the first champion of *laissez faire.* It is that no man or group of men shall be permitted to interfere with the right of any other man or group of men to "bring his industry and capital into competition with those of any other man."

If we mean to remain really free—and we certainly hope we do—we must not fail to re-establish the pre-conditions of natural liberty. It is this requirement that neither the President or any of the others seem to understand.

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Current Economic Trends And Savings Banking

economic affairs. While their power is great, it is not great enough in and of itself to stave off inflation or to prevent recession. To achieve and maintain high-level production and employment, other public policies must be soundly conceived and executed, wage and price policies of labor and business must be realistic, and consumers must have confidence in the determination of public and private policy-makers to fight inflation.

A general lack of confidence in our ability, as a nation, vigorously to attack and lick all forms of inflation, from the creeping to the galloping variety, seems to be behind present inflationary fears. While the present economic realities do not justify such fears — considering present excesses of capital and human resources — there nevertheless exists a threat to real busines recovery. "Psychological" inflation, as it has been termed, which may be characterized as the widespread expectation of, and resignation to, steadily rising prices may precipitate actions on the part of businessmen and consumers which will result in the realization of their expectations.

A flight from the dollar, whether it reflects real or psychological inflation, will have the same disastrous effects on our economic, social, and political life. It is not necessary to enumerate these effects before such a group as this. Inflation can dull the thrift incentive and wipe out existing savings as surely as can unemployment. The cumulative effects of economic maladjustments, resulting from the erosion of the value of the dollar, must lead inevitably to boom and bust.

Less sophisticated observers of the economic scene can hardly be blamed for an inflationary bias, however, when a supposedly sophisticated school of academic economists accepts and preaches a doctrine that inflation, of the creeping variety, is not only inevitable but necessary to economic expansion. If such a view should come to prevail among our business and government leadership then, I fear, we are lost. Fortunately, demonstrable evidence in the actions of our monetary and fiscal authorities, of the Congress, and of the Executive Branch of our Government, clearly indicates a strong awareness of the evils of inflation and a determination to fight it.

Implications For Savings Banks

The recent manifestation of inflationary tendencies has been evident in financial markets. Market yields on government and business securities, in both the short and long end of the maturity range, have risen substantially in recent weeks. Long-term yields are again approaching the peaks reached in the autumn of 1957, at the end of the 1955-57 boom period. Yields on short-term securities have risen even more dramatically. U. S. Treasury bill yields recently exceeded 2% from an earlier 1958 low of less than .6 of one per cent. These recent developments have important implications for the business recovery underway and, of course, for mutual savings banking.

The unexpected rapidity of the turnaround in corporate bond yields has caught many investors and would-be borrowers by surprise. Though they have ample funds for investment, some financial institutions have shown little interest in recent offerings in the expectation of further increases in yields. At the same time, some corporations, discouraged by recent increases in interest rates, have postponed anticipated bond offerings to raise funds for capital expansion.

There is a real danger that, if these trends continue, the resurgence in business will be halted before it has a chance to get fully underway. Not only will plans for business spending be modified, but home-building activity may also be influenced. Here, recent signs of strength are attributable in large part to the availability of mortgage funds on liberal terms. Rising interest rates in other sectors of the capital market, however, may have the effect of reducing funds available for mortgages, and hence the volume of home building and purchase. Restricted availability of credit to prospective purchasers of automobiles would also seriously hamper the expected recovery in that industry in 1959. Such developments would, indeed, be a serious blow to a sustained business recovery.

Reexamination of Portfolio Policy

If recent financial trends continue, the main concern of savings bankers may shift from finding suitable investment outlets for sharply increased savings flows, to choosing from among competing investment opportunities. The turnaround in capital market yields suggests a careful reexamination of portfolio polices in the months ahead. Moreover, deposit gains, while continuing large, are not as much greater than a year ago as they were in earlier months.

This spring and summer, there was an unusual upsurge of savings bank investments in mortgages to new record highs, accompanied by a fall-off in corporate security investments. Government security holdings, on balance, continued to be reduced. Rising yields in corporate and government security markets, however, may soon attract an increasing amount of funds from savings banks, with concomitant changes in mortgage flows. Attractive yields on short-term government securities, together with aspects of liquidity, may result, also, in greater savings bank interest in this area of the market as well as in the long area. These unfolding developments suggest the need for close supervision over long range mortgage commitments.

In broader terms, the rapidity of recent shifts in the business and financial climate, and implications of these shifts for savings banking policy, underline the importance of constantly appraising the changing economic scene. In an economy as dynamic as ours, the savings banker must be ever alert to change. He must be aware of economic events in order constantly to strengthen his bank and the savings banking industry.

Eleven New Members Named to NAIC Board

The Board of Governors of the National Association of Investment Companies has been enlarged from 15 to 21 members, reflecting the increased activity of the Association and providing for wider membership representation on the Board, it was announced by Joseph E. Welch, President.

The election of 11 new members and the retirement of five present Board members becomes effective Oct. 1, he said.

New members elected to the Association's Board of Governors are Fred E. Brown, Tri-Continental Corp.; Edward B. Burr, The One William Street Fund, Inc.; Emlen S. Hart, Institutional Shares, Ltd.; Leland M. Kaiser, Insurance Securities Trust Fund; Edward A. Merkle, The Pennroad Corp.; W. Linton Nelson, Delaware Fund, Inc.; Harry I. Prankard, 2d, Affiliated Fund, Inc.; Edward P. Rubin, Selected American Shares, Inc.; William F. Shelley, Boston Fund, Inc.; Henry J. Simonson, Jr., National Securities & Research Corp. and Charles F. Smith, Financial Industrial Fund, Inc.

Other members of the Board are George D. Aldrich, Incorporated Investors; Herbert R. Anderson, Group Securities, Inc.; Robert E. Clark, Dividend Shares, Inc.; Robert L. Cody, Commonwealth Investment Co.; Charles F. Eaton, Jr., Eaton & Howard Balanced Fund; Edward C. Johnson, 2d, Fidelity Fund, Inc.; John W. McCartin, Investors Mutual, Inc.; John M. Schaeffer, United States & Foreign Securities Corp.; J. Fred Schoellkopf, IV, Niagara Shares Corporation and Joseph E. Welch, Wellington Fund, Inc.

Retiring members who have completed three years' service on the Board include George E. Clark, Hugh W. Long, James H. Orr, S. L. Sholley and Francis S. Williams.

The National Association of Investment Companies represents 146 open-end investment companies (mutual funds) and 24 closed-end investment companies with combined net assets in excess of $12 billion at July 31, 1958. It has been in existence since 1940.

Form Washington Investment Plans

WASHINGTON, D. C.—Washington Investment Plans, Inc. has been formed with offices in the Southern Building. Officers are James M. Johnston, President and Chairman of the Board; James H. Lemon, Vice-President; Bernard J. Nees, Secretary; Harvey B. Gram, Jr., Treasurer; and Ralph S. Richard, Assistant Secretary-Treasurer. All are associated with Johnston, Lemon & Co.

Henry H. Egly

Henry Harry Egly, partner in Dillon, Read & Co., New York City, passed away Sept. 3 at the age of 65.

Continued from first page

Outlook for Business And Stock Prices

on sound economics, by our politicians. This consideration is having a great deal of influence on some buyers of goods and securities—just as was the case in the spring of 1946 and in the early months of 1937, when the theoretical effects of inflation on corporate earnings were also being given extensive publicity.

(3) There is currently a large (even if exaggerated) institutional demand for equities by pension funds, newly-formed investment trusts, and life insurance companies. The existence of this buying power is leading some individual investors to purchase stocks in the hope and expectation that they can be resold at higher levels to these institutions.

(4) The intermediate earnings' outlook for some companies is now quite good. This is particularly true where the managements heeded the warnings of a probable business readjustment by sometime in 1957 (which we stressed throughout 1956), and where costs have been brought down to the levels dictated by changed competitive conditions.

(5) The politically-inspired action of Congress early this year in encouraging the speculative building of homes and a speeding up of highway construction, assure the maintenance of a higher level of over-all activity over the balance of 1958 than that which was witnessed in the first half.

(6) The recent excess of odd-lot selling over odd-lot buying, and the very large "short interest," suggest that we may not have reached the level of overconfidence which usually develops before a major decline in stock prices is to be experienced. (Unfortunately, there is no way of telling whether a major portion of the short interest is against "long" positions; and the very low rate of odd-lot short selling in relation to total odd-lot sales contradicts the conclusion that the odd-lot trader is unusually bearish. Furthermore, the odd-lot figures may be temporarily distorted by pressures on the part of security dealers to get small investors to switch from odd-lot holdings into the newly-formed mutual funds.)

Unfavorable Factors

(1) There is definite evidence that the recent world-wide postwar boom (which has been quite similar to those which reached their crests within 10 or 12 years after the end of each major war since 1800), is now over. To the extent that history is any guide to the future, we should now expect progressively greater world-wide competition as manufacturers try to seek markets to take the place of those which had been based on pent-up demands and post-war reconstruction.

(2) With no pent-up demands in this country, there is little basis for the type of "follow up" of a business recovery such as that enjoyed subsequent to the 10% declines in business activity in 1949 and in 1953-1954, or in other periods after a thorough deflation of our economy. In the case of housing, the current level of construction (which exceeds the annual rate of new family formations by at least 300,000 units), suggest that activity in this field is likely to decline sharply in 1959.

(3) Stocks are currently selling at historically high relationships to earnings and dividends, just as they did in the spring and summer of 1929; in early 1937; in the first half of 1946 and at the market peaks of the past two years. In each of these instances, stocks were also purchased at prices which proved unduly high largely on the basis of propaganda as to the **theoretical**, potential shortages of equities; earnings' possibilities under dubious assumptions as to future competitive conditions, rather than on **demonstrated** earning power; et cetera.

(4) On the basis of **cash** dividends (rather than on yields which include the "value" of stock dividends), equity prices have recently reached a yield basis barely equal to that obtainable on government bonds — **for the first time since 1929** (except for a brief period in 1933). (Government bonds subsequently rose sharply from the summer of 1929 until late 1930, while stock prices declined in the interim to a level where the spread in favor of stock yields exceeded 2.5%.)

(5) The political climate seems quite certain to become progressively less favorable during the three to six months immediately ahead. It is extremely unlikely that the business stimulants voted by Congress early this year, in order to help bring about a reduction in unemployment by the November election, will be repeated in 1959—unless, of course, business activity and stock prices decline very sharply by that time. The inflationary propaganda being used to encourage the purchase of equities could boomerang, as it will lead the majority of those running for Congress to promise to take steps to balance the budget next year — just as did their predecessors in the fall of 1936. Inasmuch as prosperity built on an inflationary base always proves very vulnerable to any attempts to balance the budget, the current hopes and expectations of an extension of the present business and stock market recovery into or through 1959 should be questioned seriously by all prudent businessmen and investors.

(6) The Federal Reserve Board, under the dedicated leadership of Chairman Martin, has indicated quite clearly during the past few weeks that it is more concerned with reversing the recent Wall Street sponsored spiral of inflationary psychology than it is in keeping money "easy" for the sake of insuring a further rise in business activity. **Apart from the fact that I sincerely believe those who would like to see the Capitalistic System preserved owe it to themselves and their families to cooperate with the Federal Reserve Board's efforts to try to check inflationary psychology in order to prevent another 1929-1932 boom-and-bust:** It has usually paid to take Federal Reserve action into consideration in projecting probable price trends for common stocks — **particularly when such action coincided with adverse appraisals of the market outlook based on stock prices in relation to near-term earnings' prospects.**

Conclusions

I believe that on the basis of the foregoing consideration, it is logical to conclude that the case for buying stocks for intermediate or long-term holding is definitely more precarious than is that for maintaining substantial buying reserves. To be sure, the short-term psychological or momentum factors could permit a temporary extension of the advance, as did the Mideast "crisis." However, this does not seem to us to warrant purchases of stocks that are likely to move with the market as a whole, any more than did similar considerations in the summer of 1929, in the spring of 1937, or in the early months of 1946. The very long-term inflationary conditions should be kept in mind, of course—especially when stocks again decline to attractive buying levels ex-inflation assumptions—just as they did in late 1937, and in the fall of 1946 **in face of rising business activity.**

The probabilities are that the economic and political issues likely to develop in the forthcoming Congressional election compaigns, and the outcome of the November voting, will have an important bearing on the relative outlook for various industries and companies over the next few years. If candidates who favor raising taxes on corporations and on high bracket incomes and the type of stabilization of government bond prices as was maintained under the Roosevelt and Truman Administrations should win a substantial endorsement, long-term bonds, and particularly tax exempt issues, might prove to be much better investments from a one- or two year point of view than common stocks. On the other hand if, instead, there should be a definite swing toward conservatism (which, at the moment, seems unlikely), we would still be faced with the prospect of an attempt to try to balance the Federal budget in spite of the serious, even if temporary, adverse effects such action would have on business activity and corporate profits during 1959. A hint to that effect has already been issued by President Eisenhower at a recent press conference, when he stated that he was going to emphasize the need for a balanced budget in the coming Congressional campaigns —but refused to answer questions by reporters as to whether he favored raising taxes to obtain that objective.

End of Bull Market

From a short-term point of view, the recent expanding interest in the highly speculative, low-priced stocks and in the steel issues, is very reminiscent of the market's action during the final stages of stock market advances, immediately preceding substantial declines. The growing possibility of an important strike in the automobile industry, similar to that witnessed starting in late 1936 (coincident with a high for the New York "Times" Industrial Stock Average that was not equaled again for more than 10 years), certainly should not be lightly dismissed with the cliche to the effect that you should "Never sell on strike news." Developments in the Middle and Far East, which appear to be gradually weakening our international prestige, may also have a bearing on the trend of stock prices over the next three to six months.

Under the circumstances, I believe that the investor, as opposed to the speculator, would be more inclined to sell than to purchase stocks during the period immediately ahead, always excepting issues which are entitled to the designation of "Special Situations," and/or where funds are being reserved for additional purchases on setbacks of 20% or more.

Phila. Inv. Women Meet

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold the First Dinner meeting of the 1958-9 season on Sept. 15, 1958 at "The Barclay" at 6:15 p.m.

Guest speaker at this meeting will be Miss Elsie L. Felker, Millinery Designer. Miss Felker's subject will be: "I Love Hats." "I Love Hats," traces the history of men's and women's headgear from 3,000 B.C. to present with 36 miniature hats as illustrations. Miss Felker has designed many prize winning hats, several having won first and second prizes and outstanding awards in Philadelphia, Walnut Street Easter Parade in 1950 and 1951, also Orchids at Atlantic City and has designed for Miss New Jersey to wear to Miss America pageant in 1957.

Railroad Securities

Southern Railway

Southern Railway has made an outstanding showing so far this year as compared with the industry as a whole. Carloadings of the Southern System for the first seven months of this year were off 17.9% from the like 1957 period. However, gross revenues declined only 8.3%. This was the result in part of higher freight rates and also the fact that the bulk of traffic decline was of low rated commodities.

The Southern has modernized its property and has installed automatic yards which has reduced operating expenses, particularly switching, and also has provided better and faster service for shippers. With the drop in gross, net operating income declined 11.1%, while net income dropped 16.5%.

With costs under good control and indications that carloadings are narrowing the margin of decline from last year, it would seem to indicate that earnings in the final months of the year will show improvement over the earlier ones.

In addition, Southern is not likely to run into the equipment difficulties of the majority of carriers. With an expanded car fleet, bad order cars on July 1 amounted to 4.1% compared with 7.6% for all Class I roads. Also, it means the road does not have a great deal of deferred maintenance to make up if traffic continues to improve. Consequently, if gross revenues should expand, net income probably will rise more rapidly than for most of the major lines.

While bituminous coal shipments have shown a decline, the demand by the steam utilities is expected to continue to rise as these companies continue to expand their facilities. This includes the TVA. Some sources are of the opinion that soft coal will play an even larger role in Southern's traffic in future years because of this situation. It did not suffer to the same extent as the coal roads because of the decline in export business.

The road is serving a territory which continues to grow. The management has been and is expected to continue to be aggressive in attracting new industries and plants to its lines. This increased manufacturing activity has brought higher rate producing commodities to the road further increasing its profit margin which is higher than for most roads and the national average.

Currently, with traffic picking up, it is estimated that net income per common share this year should amount to at least $4 a share as compared with $4.79 a share for the year 1957.

Finances will be further strengthened by the proceeds of the recent $22,000,000 offering of the 4½s of 1988. This will be added to $35,897,000 cash items reported on June 30, 1958. Net working capital on that date was $17,531,000 compared with $13,179,000 on June 30, 1957. Net depreciation of equipment obligations this year above maturities will add about $4,500,000 to the road's cash flow this year.

In view of strong finances and the prospects of improvement in carloadings, the current dividend rate of $2.80 seems secure. This is the same amount as was paid in 1957.

Population Spurt Seen During 1960's Despite Drop in Births and Marriages

In citting the evidence of substantial population growth ahead, Chicago Federal Reserve Bank emphasizes this will not automatically spell prosperity and expansion.

Despite the recent decline in births and marriages, the Federal Reserve Bank of Chicago states, a sharp population upsurge is in store for the U. S. during the 1960's. Writing in its monthly review, "Business Conditions," the bank says that in each of the first five months of 1958, the number of births fell short of the same month a year earlier.

Moreover, a scant half-millon marriages were recorded in this period—the smallest number registered in any five-month period during the postwar years.

Nevertheless, the bank points out, the population spurt just a few years ahead is all but a foregone conclusion. Before long, the enormous crop of today's teenagers, dominated by the numerous young people born in 1942 and 1943, will be old enough to marry and have families of their own. And after a brief respite, the postwar crop of babies will enter their twenties.

According to the bank, scarcely anything short of a strong reversal in the economic trend or a drastic change in the marriage-birth pattern could forestall the coming population spurt.

The 1958 slide-off in marriages and births probably came in part from the decline in business activity. Marriages were also limited by the number of people reaching marriageable age. By today's standards there were few babies born in the depression trough 20 to 25 years ago.

Does Not Insure Prosperity

Although there is strong evidence that population growth will be substantial in the years ahead, the bank emphasizes that this will not automatically spell prosperity and expansion. Countries such as India and China, with a remarkably high growth in sheer numbers, have not been able to increase their capital equipment and output fast enough to reap the benefits of such gains.

If the U. S. per capita standard of living is to advance, production must grow more rapidly than population. Even more crucial, is the enlargement of the country's stock of productive equipment and the improvement of scientific and management skills if the population increase is to prove a boon.

In recent decades, U. S. population growth has been concentrated at the extremes of the age distribution. The young and aged alike have increased far more rapidly than the people in the working age range. This is slated to change when the huge outpouring of high school and college graduates begins, the bank says. Employment opportunities for these young people may require—and provide—a rate of economic growth considerably beyond anything seen up until now.

With Harold E. Wood

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Arnold J. Rising is now connected with Harold E. Wood & Co., First National Bank Building.

Continued from first page

Expanding Our Heritage

has been abolished and 86% of our labor force has been covered by social security.

We have not reached the goal Theodore Roosevelt proclaimed in his Square Deal speech at Osawatomie, Kansas, 50 years ago, of giving every American an equal place at the starting line, but we have made more progress toward that objective than anyone dreamed was possible.

And, ironic though it is, of all the great industrial nations, the United States, the strongest defender of private capitalism, is the one which has come closest to achieving the Socialist goal of prosperity for all in a classless society. We have achieved the wide distribution benefits claimed by socialism while avoiding the controls and restrictions on freedom inherent in a socialist system. And this happened not because we took from the rich and gave to the poor, but because we gave everyone an opportunity to share in a constantly increasing pool of wealth.

Our Maligned "Affluent Society"

I recognize that among some of the critics of our much maligned "affluent society" it has become something of a fashion to deplore and condemn the mere conveniences of living as though these necessarily precluded the successful achievement of our real and proper aim, which is—the full realization of the physical, mental and spiritual capacity of every individual.

Self-examination of this character is healthy and constructive in a free society, but I respectfully submit that few Americans are interested in materialistic things as ends in themselves. We know that material well-being and spiritual and cultural achievement are related. But it is as true today as when the Roman poet said it two thousand years ago that man must first eat before he can become a philosopher.

However, we could make no more stupid blunder than to rest our case on materialism alone. This is all that our opponents have to offer. We have much more to offer.

The Soviet tourists now visiting our country may be impressed by our skyscrapers, our beautiful automobiles and our comfortable and even luxurious homes. But they will see more than this if they wish. They can see the throngs that go to our churches to worship God in freedom. They can observe the even-handed justice of our courts of law. They can read our free press, attend free trade union meetings, and watch our preparations for free elections this November. They can visit our schools and universities where the only restraint is the restraint of conscientious searching for the truth.

Struggle for Right and Justice at Home

Unfortunately, they can also see and read things that will confirm some of the charges that have been leveled against us. They will read of gangsters in some labor unions, of the bitter struggle for racial justice, of our concern over rising rates of crime and delinquency. But if they read wisely they will see that these events are news precisely because the moral conscience of America is rebelling against injustice and discrimination. We believe it is morally wrong for hoodlums to rob the American worker. We fight for racial justice because our religions faith, our traditions of freedom and a decent regard for our fellow man cannot tolerate discrimination against any minority group.

No one can objectively view these struggles for right and justice without concluding that ours is a nation in which idealism rather than materialism is the dominant national characteristic.

Why Are We on the Defensive?

If our case is basically so good, why are we on the defensive in so many areas of the world?

It is superficial and inaccurate to contend that if it were not for the Communists this would not be the case. Communism is one of the major forces opposing us in the world today. But it does not help us in fighting Communism to confuse it with other and different forces. One of those forces is the spirit of nationalism which is so powerful in the developing nations of the world.

It is ironic in the extreme that the United States should ever be cast in the role of opposing legitimate nationalist movements. Many of the ideas which motivate today's nationalists stem from American history and have been taught in American universities at home and abroad.

These ideas of freedom, democracy and independence are now at work in other parts of the world. But unfortunately, we find they are sometimes used against the United States. There is no reason why this should be so. On the contrary we rather than the Soviet Union should be the natural champion of legitimate nationalist movements.

The ideas of our Bill of Rights and our Declaration of Independence are the most exciting in history. It is time we recognized that these ideas are still on the march. Let us make sure we are marching with them and not against them.

Through all history, America's leaders have recognized that the principles on which the United States was founded — freedom, equality and constitutionalism—have universal validity and applicability. The rights we have defended are natural rights which come from God. All men are created equal. In this sense, America indeed has a mission. A destiny to defend, preserve and extend the rights of man. If America makes this clear we cannot but receive the support of most of the people of the world.

What then is the major reason for the Communist appeal in the world today? Its appeal is not in the Marxist philosophy as such. Communism with all its evils has appeal primarily because it appears to be on the march advocating and promising change.

Our answer therefore must be to talk less of the threat of the Communist revolution and more of the promise of the American revolution. This is what the world wants to hear We have nothing to fear provided we remain true to the best elements in our tradition.

The Communist world has made gains but at the cost of inhuman sacriifces and of moral and spiritual values. And it is significant to note that they are sending their experts here to learn our methods. The most recent changes in Russia, Poland and Yugoslavia have been in the direction of increased incentive and decreased state controls. They have gained partly because they are moving our way. If we lose it will be because we move their way.

The course we should follow if we are to win this idealogical battle is therefore clear. We must revive to the fullest our pioneer spirit of adventure and growth—the vision that developed a continent. We must give the lie to the Communist charges that we are a decadent people, that we are going down while they are going up.

Continuing the American Revolution

We must make known throughout the world the exciting fact that the American Revolution which captured the imagination of the world 180 years ago did not end at Yorktown but that it is a living, vital idea today; that it is the idea which we believe can most surely satisfy the aspirations of people for economic progress, individual freedom and national independence.

The solution to the problem we face is not to be found simply in better information and propaganda. In the words of Hegel, "Nations are what their deeds are." And a nation is strong only when it is engaged in realizing great objectives. Once it loses its sense of mission, a nation's days are numbered.

I suggest that we examine the American idea in the light of these considerations to see if it has the vitality and drive to prevail. What are the dangers we must guard against and the goals we should seek to attain?

Let us recognize at the outset that we shall not win this battle simply by standing still. We are ahead now but the only way to stay ahead is to move ahead. Let it not be said of our generation that we set as our goal—simply holding our own. Let us resist the temptation to be satisfied by merely putting another guard on the cash box. Let us, on the contrary, boldly expand the heritage we have been so fortunate to receive to new heights both materially and spiritually.

Standpat, defensive thinking is not adequate for the challenge we face either at home or abroad.

Turns to Three Economic Problems

May I turn to three specific economic problems in which government must play a part if we are to push forward with the vigor and boldness the times require.

A dynamic and growing economy is bound to cause hardships to some of the people involved in the process of change. As new businesses come into being and others grow, some will be replaced. And in a free economy we must expect readjustments from time to time — such as the one through which we are passing at present. These occurrences will mean temporary unemployment for some American workers.

With these facts in mind, consideration should be given to instituting permanent reforms in our system of unemployment insurance.

Specifically, to the extent feasible, the 12 million workers not now covered should be brought under our unemployment compensation system.

The prolongation of benefit periods now in effect as a temporary measure should be made permanent.

The Federal and state governments should work together toward the objective of establishing higher minimum standards for the level of benefits, their duration and their coverage.

These proposals are sound not only for reasons of plain humanity, but also because the flow of income provided by more adequate unemployment compensation serves to cushion the impact of the business cycle. The faster we carry out this basic reform, the greater can be our assurance that occasional setbacks in economic activity, such as are bound to occur, will remain brief and mild.

A second major economic problem is inflation. When we look into the causes of inflation we find three main areas that must be watched closely — the monetary and fiscal policies of government, the cost and price policies of business, the impact of wage demands upon costs and prices.

The 12 billion dollar deficit in the current Federal budget is a major inflationary factor. We must learn that we cannot add new programs to the Federal budget unless we are prepared to levy the taxes to pay for them.

Inflationary pressures are also created by the excessive use of private credit. We must follow credit policies which will prevent these inflationary excesses to the extent possible.

But it is completely unrealistic to assume that inflation can be controlled entirely by the monetary policies of the Federal Reserve system or the spending policies of the Federal Government.

Business also has a job to do in preventing inflation. It must resist upward pressures upon cost. It must redouble its efforts to cut down on waste and to find the real economies in production and distribution. Above all it must have the daring and imagination to price for volume sales with low unit profits.

Organized labor also has responsibility in this area. During the postwar years labor sought and got large wage increases in order to keep up with inflation. The momentum of this process continued during the years that the consumer price level was stable. The result was an upward push of costs on prices that was an important factor in the inflationary trend starting in late 1955.

The remedy for this evil most consistent with our free institutions is self-discipline at the bargaining table. Unless this remedy is used the pressure from consumers for government action to control inflation will become irresistible. Likewise there will be strong demands to control by law those union activities that are monopolistic in character. This can be avoided if our union leaders in their contract negotiations are guided by this basic principle—that wage increases which force price increases are not in the best interests of union members.

Our third major economic problem is that of tax reform. In the light of our expected $12 billion budget deficit, this would appear to be a completely academic question. But we are faced here with a dilemma. If we wait for needed tax reform until we believe we can afford a tax cut, our economy will have been denied vitally needed stimuli for growth.

The importance of economic growth to our fiscal position is indicated by the fact that if our economy were to grow at the rate of 5% a year we would have $10 billion more in tax receipts in 1962 than if we were to continue to grow at the recent rate of 1½%.

Blueprints Further Economic Reforms

Consequently, I suggest the following proposals not as Administration policy but as areas that should have top priority for consideration by the Administration and by the Congress in its next session.

In this day of rapid technological change we need more liberal treatment of depreciation for business taxation purposes. Only in this way can we stimulate the taking of risks by investing in new plants and equipment.

We should consider the economic effeccts of downward adjustments in business taxes. There are strong reasons to believe that the stimulating effects of even a small cut in the corporate tax rate of 52% would lead to more rather than less revenue.

Consideration should also be given to a complete overhauling of the present hodgepodge of excise taxes. If the taxes on liquor and cigarettes are left as they are, a general manufacturers' excise tax of approximately 1½% would bring in as much revenue as is presently obtained from all other excise taxes.

In the area of personal income the almost confiscatory rates in the highest brackets stifle and prevent risk-taking and encourage tax avoidance devices. The small lost of revenue caused by some reduction of these rates would inevitably be offset by the new investment and business expansion which would result.

I realize that for someone in political life even to suggest consideration of such proposals as these must seem somewhat foolhardy. The charge will inevitably be made that such reforms will benefit business and not the people. I suppose this would be a good place for a politician to plead the Fifth Amendment, but I am going to take the more risky course of pleading guilty—but not as charged.

"Business Is the People"

I realize that the institution which President Lowell has so aptly called "the oldest art and the newest profession" needs no defense. But let us understand once and for all that "business is the people." The people own it. And their ownership is becoming ever more widely diffused. They make their living out of business. They depend on business for progress, for opportunity, for their mutual well-being and for the development and production of the military equipment which shields the nation against aggression.

Prosperity for the American people is inseparable from prosperity for American business. We cannot raise the floor of security unless we raise the ceiling of opportunity. The best way for the American people to improve their living standards is through policies that promote maximum business growth.

In summary, we must not allow the fear of a temporary budget deficit to put us in a strait jacket which will keep us from doing what we ought to do to insure economic growth. Our goal should be to fashion a tax structure which will create more jobs, more income and more genuine security.

New Frontiers for America

This conference should not be completed without outlining briefly some of the new frontiers for America in the years ahead. The exciting potentials of a dynamic, growing American economy are almost unbelievable.

A $750 billion gross national product is within our reach by 1975 if we grow at the rate of 3%, and by 1968, if we can increase our growth rate to 5%.

Completion of our 41,00-mile interstate highway system, doubling the facilities of our colleges and universities, elimination of the pockets of poverty that trouble the conscience of a rich nation, restoring the vitality and beauty of our cities through urban renewal—all these goals are attainable well within this generation.

And when we consider the explosive progress which will be produced by expanded research in industry, medicine and other areas, the prospects are breathtaking in their magnitude.

But exciting as these prospects are, the greatest goal of all lies in the international area. Arnold Toynbee wrote in 1951 that 300 years from now this bloody Twentieth Century will be remembered not for its splitting of the atom, nor for its diminutions of distance and disease, nor even for its shattering wars, but for "having been the first age since the dawn of civilization in which people dared to think it practicable to make the benefits of civilization available to the whole human race." This is the ultimate challenge for us in this last half of the Twentieth Century.

Modern-day Malthusians to the

contrary notwithstanding, if our statesmen and businessmen can keep pace with the breakthroughs of our scientists, the last half of the Twentieth Century will see us approach realization of this objective. The critical question is—will this progress be achieved in a climate of freedom or in a climate of slavery?

More International Aid

No people could have a greater mission than to play a part in seeing that the decision is made on the side of freedom. It is not enough to say that this responsibility rests with our statesmen and diplomats alone. It is not enough to increase, as we should, our pitifully inadequate appropriations for developmental loans, technical assistance, and information. To win this struggle, our nation effort must be total just as the Communist effort is total.

And no effort in a free nation can be total without a maximum contribution from the business community.

The Harvard Business School can be proud of the magnificent contribution its graduates have made to the nation in its first 50 years. If America's businessmen take to heart Dean David's admonition "to weld to their economic prowess a similar drive, skill and creativity in their dangerously neglected social and political function in society," the centennial celebration which will be held on its campus 50 years from now could mark the realization of the ultimate dream of America and mankind.

Commodity Exchange Dinner Committee

The appointment of Joseph A. Klein, Joseph A. Klein & Co., and Albert Purkiss, Walston & Co., Inc., to be Co-Chairmen of the Silver Anniversary Dinner Committee for Commodity Exchange, Inc., was announced by President Harold A. Rousselot, partner, Francis I. du Pont & Co.

Messrs. Klein and Purkiss and their committee will be in charge of all arrangements for the reception and dinner to be held Oct. 9, 1958 in the Grand Ballroom of the Hotel Astor in celebration of the founding of Commodity Exchange, Inc., 25 years ago.

Other members of the Dinner Committee as announced by Mr. Rousselot are: Christian Baur, Harmon, Lichtenstein & Co., representing the Metals Group; Louis Cohen, floor broker, representing the Hides Group; Benjamin B. Millenthal, Millenthal & Tyson, representing Commission Houses; Felix J. Forlenza, floor broker, representing Rubber Group; Edwin E. Nugent, Harris, Upham & Co., representing Silk Group; and Joseph Fischer, Joseph Fischer & Co., representing Non-Trade Group.

C. M. Gillespie Co. Opens

OKLAHOMA CITY, Okla.—C. M. Gillespie & Co. has been formed with offices at 4305 Northwest 43rd Street to engage in a securities business. Partners are Charles M. Gillespie and Eugene Whittington, Jr., general partners, and Graham Loving, Jr., limited partner. Mr. Gillespie was formerly with Honnold & Co. Mr. Whittington was with Eppler, Guerin & Turner.

Frederick E. Wood Opens

CORAL GABLES, Fla.—Frederick E. Wood has opened offices at 204 Aragon Avenue to engage in a securities business. He was formerly with Slayton & Co., Inc.

William E. Zander Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—William E. Zander is conducting a securities business from offices at 1819 West Sixth Street.

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The State of Trade and Industry

the end of June. This equalled the drop from the end of May to the end of June, but was less than the $700,000,000 average monthly decline in the second three-month period of 1958.

Total manufacturing and trade sales, however, rose for the fourth straight month, going up $800,000,000 in the month to an adjusted $54,000,000,000.

The drop in total inventories in July came from a fall of $400,000,000 in manufacturers stocks, with the decline split equally between durable and non-durable goods makers. Wholesalers stocks stayed steady, and retailers inventories were off by $100,000,000.

Manufacturers stocks at the end of the month stood at $49,800,000,000. Wholesalers' inventories amounted to $12,100,000,000, and retailers' goods on hand came to $24,000,000,000.

Sales of manufacturers in July rose $600,000,000 to a total of $26,300,000,000 with the gain split about evenly between durable and non-durable goods makers. Wholesale sales rose $100,000,000 to an adjusted $11,000,000,000, while retail sales gained a like amount to a $16,700,000,000 total.

In the automotive industry United States passenger car production remained in low gear the past week, "Ward's Automotive Reports" disclosed, although several more manufacturers moved into 1959 model assembly.

Turning out their first new models last week were Pontiac and Oldsmobile at both their Michigan plants and outlying B-O-P facilities.

However, with Chevrolet, Cadillac, Edsel, Mercury, Plymouth and Studebaker-Packard idle, "Ward's" estimated the week's output at 13,793 cars contracted to 11,572 the week before. Production of trucks totaled an estimated 5,026 units compared to 8,910 in the previous week.

The only 1958 models sti'' 'ng turned out, "Ward's" noted are Lincolns and Thunderbir. . the Wixom, Mich. plant. This facility will end activity in mid-September.

Although the threat of strikes clouds the outlook, the statistical agency declared, passenger car output in September is scheduled at 19.,500 units, an 8% improvement over August's 180,313 unit total.

More than 95% of this month's production will be 1959 models, it added, compared to an 8% share for the new versions last month.

It observed that Buick will be the first of the 1959 models to bow publicly, again barring strikes which could delay the announcement, while Buick is slated to go on display in dealer showrooms Sept. 19.

Boosted by a sharp rise in New York City, the valuation of building permits issued in 217 cities rose to another all-time high in July, Dun & Bradstreet, Inc., reported. The aggregate was $724,255,660, up 3.4% over the previous record level of $700,633,403 in June and 30.5% above the $555,150,809 of July 1957.

New York City permits in July climbed 86.4% to $104,770,856 from the $56,213,291 of the prior month and exceeded the $33,359,346 of July a year ago, by 214.1%. The July, 1958, level was 11.7% less than the record high of $118,626,434 set in May.

Steel Output Set to Attain Highest Pace of 1958 At 65.4% of Rated Ingot Capacity

The construction industry will spur the nation's recovery from the economic doldrums, "Steel" magazine predicted on Monday last.

It observed that building requirements are at a seasonal peak, helping to offset the unexpected slowness in automotive buying. Construction bookings for May, June and July surpassed those of any three-month period on record.

July sales of fabricated structural steel used in construction reached the highest level in 14 months. Fabricators booked orders for 330,890 tons compared with a monthly average of 214,000 tons since the recession hit the industry in June, 1957.

July, it noted, was significant in another respect in that bookings for fabricated steel exceeded shipments for the first time this year. As their backlogs grow, fabricators will abandon hand-to-month buying policies and build inventories of structural shapes, "Steel" stated.

Demand for reinforcing bars has improved steadily, aided by Federal highway programs with June shipments the largest in two years.

The railroad equipment market, which has been depressed all year, is showing signs of life and household appliances are moving briskly at the retail level, breaking the log jam of finished goods that has blocked sheet orders, this trade weekly further reported.

Steel operations last week declined a half point after eight straight weeks of improvement. Furnaces were operated at 63% of capacity with output about 1,700,000 tons of steel. Considering that steelmakers had to pay double time and a quarter for holiday work, the cutback was remarkably small. During the week of July 4, operations fell 10 points with district rates as follows:

St. Louis at 79% of capacity, down 3 points; Cincinnati at 77, down 0.5 point; Chicago at 76, up 2 points; Detroit at 74, up 0.5 point; Western district at 70, up 0.5 point; Wheeling at 68.5, down 11.5 points; Eastern district at 63, up 2 points; Pittsburgh at 54, down 2 points; Cleveland at 52.5, down 2.5 points; Birmingham at 52, down 1.5 points; Buffalo at 51.5, no change and Youngstown at 50, up 2 points.

"Steel's" composite of steelmaking scrap prices rose another $1 a ton to $42.67. The tone of the market is easier with mills generally holding back orders pending clarification of business outlook.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *109.8% of steel capacity for the week beginning Sept. 8, 1958, equivalent to 1,764,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *103.7% of capacity, and 1,666,000 tons a week ago.

Output for the week beginning Sept. 8, 1958 is equal to about 65.4% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 61.7% the week before.

For the like week a month ago the rate was *101.6% and production 1,632,000 tons. A year ago, the actual weekly production was placed at 2,097,000 tons, or 130.5%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Continued to Decline in the Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 6, 1958, was estimated at 12,025,000,000 kwh., according to the Edison Electric Institute. Output last week was somewhat smaller than the preceding week.

For the week ended Sept. 6, 1958 output decreased by 247,000,000 kwh. below that of the previous week, but increased 347,000,000 kwh. above that of the comparable 1957 week and registered an increase of 1,070,000,000 kwh. above that of the week ended Sept. 8, 1956.

Car Loadings in Week Ended Aug. 30 Rose 1.9% Above Prior Week but Were 13.4% Under Like 1957 Period

Loadings of revenue freight in the week ended Aug. 30, 1958 were 11,745 cars or 1.9% above the preceding week.

Loadings for the week ended Aug. 30, 1958 totaled 645,432 cars, a decrease of 100,188 cars, or 13.4% below the corresponding 1957 week, and a decrease of 138,934 cars, or 17.7% below the corresponding week in 1956.

Automotive Output Held at Low Levels Last Week As More Manufacturers Moved Into 1959 Model Assemblies

Automotive production for the week ended Sept. 5, 1958, according to "Ward's Automotive Reports," remained in low gear although several more manufacturers turned to the assembly of 1959 models.

Last week's car output totaled 13,793 units and compared with 11,572 (revised) in the previous week. The past week's production total of cars and trucks amounted to 18,819 units, or a decrease of 1,663 units under that of the previous week's output, states "Ward's."

Last week's car output rose above that of the previous week by 2,221 units, while truck output dropped by 3,884 vehicles during the week. In the corresponding week last year 90,704 cars and 17,416 trucks were assembled.

Last week the agency reported there were 5,026 trucks made in the United States. This compared with 8,910 in the previous week and 17,416 a year ago.

Lumber Shipments Advanced 10.8% Above Output in the Week Ended Aug. 30, 1958

Lumber shipments of 462 reporting mills in the week ended Aug. 30, 1958, were 10.8% above production, according to the "National Lumber Trade Barometer." In the same period new orders were 5.6% above production. Unfilled orders amounted to 45% of stocks. Production was 3.3% below; shipments 1.6% above and new orders were 6.9% below the previous week and 5.1% above the like week in 1957.

Business Failures Turned Sharply Lower in Holiday Week

Commercial and industrial failures dropped to 191 in the holiday week ended Sept. 4 from 246 in the preceding week, Dun & Bradstreet, Inc., reported. Not only were casualties lower than in any other week this year, but they also dipped below the 208 in the comparable week last year and the 196 in 1956. Failures were 9% fewer than in the similar week of pre-war 1939 when 209 occurred.

Liabilities of $5,000 were involved in 169 of the week's casualties. The toll in this size group declined considerably from 213 in the previous week and 185 a year ago. A milder dip brought small failures with liabilities under $5,000, down to 22 from 33 last week and 23 in 1957. Twenty concerns succumbed involving liabilities in excess of $100,000 as against 25 in the preceding week.

This week's decrease centered principally in retailing, where failures dropped to 91 from 138, while the construction toll declined mildly to 28 from 35 and commercial service to 15 from 18. In contrast, manufacturing casualties edged up to 35 from 34 and wholesaling to 22 from 21. More manufacturers failed than last year and service concerns equalled their 1957 level. In other lines, mortality fell below a year ago.

Geographically, casualties turned down from the preceding week in six of the nine major regions. The total in the Middle Atlantic States declined to 55 from 80; in the East North Central to 28 from 49 and in the Pacific to 46 from 69. On the other hand, week-to-week increases prevailed in the South Atlantic, West North Central and Mountain States. Trends from last year were mixed, with five regions reporting fewer failures and four reporting mild increases.

Wholesale Food Price Index Set a New Low for the Year For Week Ended Sept. 2

The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell again last week to $6.39, setting a new low for the year 1958. The previous low of $6.41 was on Jan. 7 of this year. While the index of Sept. 2 was down 0.8% from the $6.44 of the prior week, it was up 1.1% from the $6.32 of the similar date a year ago.

Commodities quoted higher the past week were flour, wheat, rye, butter, eggs, steers and hogs. Lower in wholesale price were oats, barley, hams, lard, coffee, cocoa and potatoes.

The index represents the sum total of the price per pound of

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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 Rose the Past Week Spurred by Far East Situation

The grain futures market showed greater strength in the past week than it has in over a month. All contracts on the Board of Trade at Chicago closed at prices higher than those of the previous week. The major influence in this rising market was the fighting between the Chinese Nationalist and Communist forces and the statement by the President that the United States would defend Formosa.

Although trading in rice slowed at the week-end, prices held even with those of the previous week. Principal interest centered on the progress of the harvests in Texas and Louisiana. Flour was unsettled after advances during the week, but closed higher than at the end of the previous week.

Coffee prices were down last week in active trading. The opinion prevails that the supply will be more than sufficient for world use even though the producing nations agree to market stabilization plans. Profit taking and liquidations had cocoa prices fluctuating early last week. Then, news of the larger than estimated Ghana crop dropped prices well below those prevailing at the close of the prior week. In the world sugar futures market, prices reflected the increased tension in the Far East and closed higher by several points. Prices in the domestic sugar market remained unchanged from the preceding week.

Butcher hogs ended 25 to 50 cents lower than at the previous week's close despite a recovery in late sessions. The late gain ended a decline in effect since Aug. 3, the most severe August decline in more than 30 years. Salable receipts of cattle in the Chicago livestock market were the largest in six weeks, although only a few thousand head over the prior week. Prices on live steers remained unchanged at the close of the week. Trade in slaughter lambs and ewes was moderately active in Chicago and prices held firm.

Steel order volume continued to improve in the latest week despite only moderate demand from the auto industry. An even faster pace is anticipated for this week.

In the domestic market, cotton prices continued to lose ground. The sharpest decline was recorded by cotton for delivery next July. Provisions of the new farm bill are expected to have more influence on the July contract than the high support level for cotton this season.

Trade Volume in Latest Week Slightly Ahead of Like Period a Year Ago

As shoppers continued to step up apparel purchases last week and home furnishings buying held at an even pace, over-all retail volume equalled or edged slightly ahead of the similar week a year ago. Gains in children's wear, linens and furniture were offset by dips in major appliances and new passenger cars.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 1% below to 3% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: South Atlantic States +2 to +6%; New England and West North Central +1 to +5; East South Central and West South Central 0 to +4; Middle Atlantic —1 to +3; Mountain and Pacific —2 to +2 and East North Central States —1 to —5%.

The back-to-school upsurge in the buying of children's wear and college wear continued. Favorable weather also helped to bolster selling of sportswear, handbags, gloves and other accessories. Interest in women's dresses remained mild. Purchases of men's slacks and work clothes increased, but shopping in men's wear generally lagged.

Consumers stepped up purchases of furniture during the week. Bed room sets were moving well and retailers reported lamp sales ahead of last year. Interest heightened in linens and bedding. Although promotions perked up appliance buying in some cities, over-all volume in major appliances slipped. Best sellers were smaller items such as irons, mixers, clocks and frying pans. Purchases of air conditioners dwindled to a standstill.

The holiday stimulated sales of picnic food specialties, ice cream, fresh fruit and vegetables. Purchases of dairy products and bakery goods matched the level of a week ago, while the call for canned goods dipped mildly. Grocers reported volume up noticeably from the preceding week and from last year.

As buyers converged on the New York market, an upsurge began in women's coat and suit orders. Calls for better dresses expanded, with emphasis on the relaxed silhouette, textured fabrics and strong colors. Wholesalers reported a rush on reorders for juvenile wear, particularly in young men's styles on which retailers were caught short. While attendance was off in the Dallas and Portland holiday markets, purchases of sports and cruise wear equalled or bettered a year ago.

Orders for upholstered furniture remained strong the past week. Housewares sold briskly throughout the gift show in New York with ceramics proving exceedingly popular. In the Atlanta market, purchases were reported heavy in dinnerware, plastic ware and electric goods. Both attendance and sales expanded at floor covering markets. There continued to be heightened interest in curtains and draperies. Re-orders were coming in on novelty cafe and tier styles.

Steady volume was transacted in wholesale food markets during the week. The Dun & Bradstreet wholesale food price index dropped to $6.39, a new low for the year.

Transactions in cotton gray goods continued to be sluggish, although some improvement was noted in print cloths, broadcloth, sateen and bark cloth. Trading in carpet wool remained quiet. Middle Atlantic dyeing and finishing plants reported a pre-holiday lull. Spotty orders were received with a shift from processing of men's wear to activity on women's apparel.

Advancing mildly again in July, manufacturers' new orders totaled $26,300,000,000 after seasonal adjustment, according to the United States Department of Commerce. Most of the increase from June centered in the non-durable goods industries. A decline continued, although at a slackened rate, in the adjusted book value of manufacturers' inventories, which at the end of July had dipped to $49,500,000,000. This compared with $53,800,000,000 in the similar month of 1957.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Aug. 30, 1958, rose 3% above the like period last year. In the preceding week, Aug. 23, 1958, a like increase was reported. For the four weeks ended Aug. 30, 1958, a gain of 3% was also registered. For the period Jan. 1, 1958 to Aug. 30, 1958, a decrease of 1% was reported below that of 1957.

Retail trade sales volume in New York City the past week advanced 5 to 10% above the like period a year ago, according to trade observers.

Cool weather stimulated purchases and sales of women's and children's apparel were brisk.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 30, 1958 showed an increase of 4% from that of the like period last year. In the preceding week, Aug. 23, 1958, an increase of 4% (revised) was reported. For the four weeks ended Aug. 30, 1958, an increase of 2% was reported. For the period Jan. 1, 1958 to Aug. 30, 1958, an increase of 1% was registered above that of the corresponding period in 1957.

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Freedom and the Challenge To American Management

issue can be decided on three fronts:

The most obvious perhaps—certainly the one most in the news these days—is the military front. We live in an age when both this country and its principal antagonist possess the capacity to destroy each other. Nothing but the sheerest insanity could anticipate a solution of the differences between us by military means. This kind of "solution" would be not only annihilation of organized society but an abandonment of our fundamental and moral concern for mankind. While we must be prepared militarily to defend our freedom, we must never cease searching for the peaceful way of avoiding a thermonuclear holocaust.

A second front on which the issue of freedom will be tested—is being tested—is the political front. The Soviet Union continues ruthlessly to pursue its objective of world domination, utilizing every stratagem and tactic at its command.

Looking at today's world I am forced to conclude that we—the United States and the other free nations—are losing on the political front, and that we shall continue to lose unless we prepare quickly and effectively to engage in this battle for freedom with all the resources at our command.

Inseparable from the political front is the third battle ground—the economic front. This may be the most important front of all, for it is in this area that man often feels first the effect of his political and social status.

Economic Issue and Management

We know that empty stomachs cause political revolutions, that economic collapse can be the prelude to political collapse. The only exceptions have been where freedom is so deeply imbedded in the consciousness of a people that the alternatives to freedom are wholly unacceptable.

Economic uncertainty leaves little incentive to work out political certainties. Without economic vitality, activity and strength, there cannot be real political and social vitality, activity and strength.

Thus, economic factors can prove to be the greatest determinant of man's freedom in the years ahead. If this is the case, it is certain that a very great determinant within this area will be management. And the greatest test of management will be in the quality of its decisions, in management's grasp of the political realities of life, in management's capacity to exercise unfettered wisdom.

Not for one moment can we overlook the fact that the most important economic issues ahead of us are those which have political connotations that cannot be dissolved from the struggle between totalitarianism and freedom. **Any other issue, however large, is of lesser importance.**

The resolution of these major politico-economic issues will set the tone for the balance of our own century and will shape the lives of the next century. The issues cannot be evaded: among them are the fate of the underdeveloped areas of the world; the explosive implications of the population trend; and the industrial strength and political viability of the free nations.

All Persuasive Soviet Challenge

To establish our own perspective, we must ask: How does the Soviet challenge touch upon these issues? The Soviet challenge, we know, is all-pervasive. It will be felt increasingly by American industry, business and labor; we have only to look at the troubled state of our economic relations with South America, the Middle East, Asia and other areas.

Unquestionably, the Soviet challenge on the economic front will mount. I think Russia's rulers believe what they say—that they do not want a military war. Khrushchev, however, has declared war in the field of "peaceful production." I am sure he believes what he says on this subject, that economically the Russians will bury us. The issue could not be stated more sharply. And a recent study of the Committee for Economic Development says flatly that Khrushchev's threat cannot be dismissed as merely as "idle boast."

The evidence of the last 40 years, particularly since World War II, gives the Russians a substantial basis for their confidence. When communism took over Russia, it was industrially an underdeveloped country. During World War II 30,000 factories were destroyed, 70,000 towns devastated, and there were 37.5 million casualties and 12 million deaths. Today the USSR is the second largest industrial and economic power in the world — its gross national product, in absolute terms, exceeds that of the United Kingdom, France and Western Germany combined. And the ebulient Khrushchev has predicted that "in a short historical period of time" the Soviets will overtake and surpass the United States in per capita output.

The relatively fast rate of Russia's total economic growth — roughly twice that of the U. S. — even if slower than in the past, makes it probable that over the next 15 years the Soviet total GNP will rise from its present 170-180 billion to $450-475 billion. Only eight years ago the Soviet GNP was 33% that of the United States; in 1958 it will probably be 45%; and within 15 years it may equal our highest GNP to date.

But of far greater significance than the total GNP is its allocation and the fact that Russia's rate of **industrial** growth is approximately three times greater than ours. According to the recent Rockefeller Report on "Foreign Economic Policy" the Soviets allocate their GNP 26% for military purposes, 27% to industrial and economic development, and 47% to consumer requirements. In contrast, only 17% of our GNP is invested in capital expansion for the future, and 8 to 9% in our military programs. It is true that at this moment we still have a substantial lead in total output. What alarms me is that Russia is making giant strides, especially in those areas which sustain its military establishment and its international economic offensive. Relatively, our economic superiority is diminishing and we seem unable or unwilling to make the economic investments which will assure our future superiority and security. This is in spite of the fact that:

—We have witnessed in Russia an astonishing recovery and rehabilitation from the devastation and casualties of World War II;

—We know the Soviets have built a most formidable military establishment and in the future will have weapons and weapons systems capable of delivering catastrophic destruction in a matter of minutes to any nation of the world;

—The Soviet Bloc has mounted an economic and political offensive against the freedom of the independent, less-developed countries and exploits tension and turmoil everywhere; and

—We have incontrovertible proof of Russian scientific and technological strengths and capabilities which challenge our own, nurture the Soviet economy and ominously enhance its military technology.

But this is not the whole story. To engage us on any front the Russians can exert their total economic power—the totalitarian nature of their political system makes it possible for the Soviets to marshal firmly their resources and plants, their manpower and management, to be totally committed to Russia's political goals. The communist technique not only permits but makes mandatory the concentration of their total economy, to be directed almost instantly wherever their leaders want, in response to development plans, military requirements, economic offensives and changes in the world's shifting political picture. It is imperative that the free nations, which traditionally have been willing to mobilize their economies only in time of war, develop in accordance with democratic principles superior methods for marshalling and managing their economic resources.

Sheer Total of World Population

Among the very certain changes in the world political picture is the sheer total of the world's people. A recent United Nations study predicts that the world's population—which today is on the order of 2.7 billion people — will double in 40 years. What are the politico-economic implications of this? Is it economically possible for the presently over-populated areas to sustain themselves in the face of still greater demand on their resources? Can political aggression and revolt, which may erupt where needs are not met, be held in check—or will it explode and possibly involve all the rest of the world? This population pressure will present strategic targets for communism's offensives, just as accelerating nationalism does in Asia, the Middle East and Africa.

We can hope that the Soviet will mis-manage itself into a collapse. But it is hazardous to rely on such a hope. Far too long have we deluded ourselves with the notion that the Soviet system somehow would stagger and collapse. We must recognize that within Russia, however we despise her political techniques and ends, there is an increasing and influential segment of the Soviet population which by now—with an elaborate system of incentives—enjoys a built-in vested interest in order and stability. The occasional changes of face that we see within the Kremlin do not alter the direction or drive of the large, over-all purpose of the communist rulers.

The Soviet Union has an urgent sense of national purpose with the international objective of world domination, and it has demonstrated its ability, by force when necessary, to induce the Russian people and its satellites to work for its objectives. When measured against the threat of communist world domination, our sense of national purpose is inadequate, dangerously inadequate.

I am not discounting our political freedoms, our social and cultural heritage, our dedication to the spirit of liberty. But I do believe that we do not have a similar sense of national purpose—to advance what we stand for. We must take the offensive. There is great hazard in simply reacting to the Soviet challenge. Too often our response to a Soviet action has been negative and defensive. We must have a positive program of our own, shared and supported by the bulk of the people, which ensures the realization of our ideals and principles, preserves and extends freedom and independence everywhere, and eliminates eventually the risk of war and the barriers to human progress. Such a program will be both a composite of the aspirations of free men and a clear recognition of communism's determination and growing capacity to thwart this realization.

To advance our objectives and to meet the Soviet threat, we need, then, a sense of national purpose and a positive program. We need this at all levels of our society. We need it urgently and extensively at the managerial level.

Areas of Managerial Responsibility

The challenge to management has an especial significance for our future because management has a particular influence on our national conduct and well-being. What then are some important areas of management responsibility in meeting the challenge?

First and foremost, management must accept its responsibility, along with others, to maintain dynamic economic strength and growth; for without a viable economy the U. S. cannot fulfill the aspirations of its people, maintain a viable democratic society and discharge its historic responsibilities to freedom and the free world. The full acceptance of this responsibility demands an attitude based on realism, an attitude fully responsive to the period of protracted peril ahead. The complacency, over-optimism and under-estimation which has characterized our recent past must be replaced by vigorous and dedicated efforts to enhance all our inherent strengths—spiritual, moral, economic, social and political. Above all it must be an attitude of selfless dedication to our national purposes.

Second, the fulfillment of the responsibility requires not only that each manager run his business well and profitably, and thereby contribute to our total national prosperity but that, in addition, his management policies reflect the requirements of the imperative objective of long-run economic growth and strength. It is the manager's duty to participate in the formulation of policies which assure the achievement of this objective and to establish within his business, industry and the community the environment which supports those policies and nurtures this concept.

Third, the challenge to management includes more than a successful response to the profit motive—it includes the recognition that business and industry must respond increasingly to a "non-profit motive." The past several decades have witnessed an ever-growing acceptance of social responsibility by industry and business to employees, to the community, to charitable purposes and to educational needs. This social responsibility must now include broadened corporate activities which support national objectives and their requirements.

Fourth, American management has long been noted for its ingenuity and skill, for its organizational ability, for the efficiency with which it meets competition and adjusts to change. The accelerating pace of technological progress, the rapidity of social change here and throughout the world, and the impact of the increasing power of international communism demand that we modernize many of our social and political institutions if we are to survive as a free society. Here, then, is the pervasive test: will the traditional skills of American management prove adequate to the unprecedented tasks ahead?

These four areas of management responsibility suggest many personal questions for each manager:

"What are we doing to increase productivity?

"Are we making the maximum use of our skills, talents and manpower in our own and in our nation's best interests?

"Have we accepted the responsibility to understand and to help formulate and advance the policies which ensure progress and security?

"Do we promote or penalize our officers and employees who serve the public interest?

"In what ways are we contributing to our future strengths?"

If you will ponder the peril, this list of suggestive questions would extend to great length.

The four areas of management responsibility which I have enumerated also embrace many factors. I should like to mention a few of paramount importance and pressing urgency.

Can Government Get the Best Brains?

Government is by far the largest business we have and the most demanding. To make the machinery of government function smoothly and efficiently requires far more than tax dollars; it requires the finest managerial skills and techniques we can muster. An urgent part of this task is to improve the processes by which our scientific and technological resources are employed and by which decisions are made and carried out. The Russians have demonstrated, particularly in weapons technology, great speed and efficiency in telescoping the time interval between discovery and operational use. In some instances they have proved they can move twice as fast as we. In the modern world the fastest transition time may carry with it the decisive margin of power.

We speak of our concern for business and we speak of our concern for the successful operation of our democratic governmental processes. But sometimes we fail to make the obvious connection.

Roscoe Drummond, the distinguished Washington correspondent, has recently reported on a study which does make this connection. The findings are shocking. Let me quote to you from Mr. Drummond:

"When General Eisenhower was campaigning for the Presidency in 1952, one of the most appealing and persistent promises he made to the American people was this: 'I am going to get the best brains in the contry, the best executive talent, the widest experience and put them to work for the nation.'

"He has been unable to do it . . .

"More often than not the most qualified, most promising people refused to take a government job—and when they did they left it so soon that they hardly gave value received."

What is more, Mr. Drummond reports, the situation is getting worse, not better, and it has been getting worse steadily since the end of World War II.

Public Service Is Crucial

This is an indictment of the most serious nature—an indictment especially of American management. It is equally an indictment of the political environment which deters too many from government service.

But how does management, in a free society, respond to the government's call for the best executive talent at an hour when the nation's future is in unprecedented peril? And how does management help reshape the environment so that service to government is a positive attraction as well as a patriotic duty?

It is time to remind business that public service on the part of its key people is not merely a good idea or good public relations—it is imperative. It is imperative not merely in supplying our best talent to government, on a short-term basis, but it is imperative if business management is to get a clearer insight into the mechanics of government. Management can well take a lesson in this from the academic world which long ago recognized the need for refreshment of the well-springs through the sabbatical leave of absence. Chesterfield said it all, I think, when he declared that "no man does business well who does nothing else."

In no country on earth has business prospered more handsomely than in our own. Success carries with it responsibility; and I refer of course to the responsibility of public service. I have heard this described as a "penalty" that must be paid. I reject the penalty notion; this is a part of the basic cost of our liberty.

Let there be no mistake. Business cannot and indeed should not supply all the top people for government. No more than any other segment of our society does the business community hold a monopoly on intelligence. But we do need men who can make decisions, a large reservoir of men for a multitude of jobs—most of them obviously at less than top rank—and at all levels of government, not Federal alone.

If good management means anything, it means the capacity to make decisions. This is why I maintain that the degree to which management participates in the management of governmental policies is of inestimable and critical importance to the future of our entire way of life.

Private Capital Abroad

We need to recognize, too, that our national commitments call for a concert of governmental and private action. The issue of freedom vs. communism will be determined, in all probability, on the political-economic fronts far from our shores. It seems to me mandatory, then, that there be an intelligent and daring use of private capital. We must export not only risk capital but management skills. To help erect free societies elsewhere and to bulwark the inherent virtues of our own political freedoms, we must export education and training. And until education can meet the indigenous needs of these countries, we must export skilled manpower too—scientists, engineers and other experts essential to an industrial society.

Obviously, just as the Soviet threat cannot be met by government alone, so also it cannot be handled by private interests alone.

We must face the reality and brutality of Soviet economic tactics — of excess buying where it suits her political purposes, of subsidization, and of dumping. In these situations, where our producers cannot possibly compete, the Federal government must be prepared to protect and support private industry as it moves into foreign markets.

There are people in government well aware of the nature of the Russian economic threat. But they cannot do all that should be done until a broader public understanding exists. This means the understanding of management, of shareholders in American industry, of labor. This means also effective leadership in both public and private life to help understanding develop.

American management must exert leadership in alerting all segments of our nation to the scope of the peril and the dimensions of our national responsibilities.

We see around us on all sides, in private enterprise as well as in government, too great a lag time in the transformation of management attitudes. As a people confronted by problems more awesome than any ever faced before by man, we are simply too slow to respond to the inevitable changes necessary to meet our inevitable burdens.

Lack of Interest

A baleful example of this lack of concern was a shocking event at a prominent eastern university only three weeks ago. There, as part of an annual conference on foreign policy, the university scheduled a forum by a group of experts on rockets and missiles. This forum had to be cancelled—and I quote from the *New York Times*—"because of a lack of interest by scholars and businessmen."

In addition to these several matters which call for management's immediate attention—the functioning of government and public service, the collaboration of government and private programs to blunt communism's thrusts and to assist the free nations to advance their economic well-being, and educating ourselves about the peril and what we must do — I would state one other area of central importance.

Our future competence to rapidly embrace the accelerating and unpredictable benefits of science and technology, to maintain an ever-increasing rate of economic progress, to manage efficiently a society of growing complexity and to provide for all the emoluments of freedom—and yet carry to its ultimate success our historic responsibility—depends immeasurably upon education. It is management's duty to employ its talents, its leadership, and some of its resources to the attainment of excellence in American education—excellence not only in science, engineering, business administration and other matters of immediate relevancy to its business purposes, but to excellence in the final product of education—man himself.

Our future strength and competence as a nation will develop in direct proportion to our approach to excellence in American education. It will be reflected in the dynamism and vitality of our social institutions, the ways in which these institutions reflect and apply our democratic principles, respond to change, encourage the creativity and productivity of our human resources, and shoulder the responsibilities of the awesome threats to our progress and existence as a free nation. When we have progressed closer toward our educational goals there will remain no doubt that democracy will outdistance and outperform its totalitarian competitors.

Let us beware of miscalculating the dangers that beset us. Let us take care not to suffer defeat by default.

There is no economic Fortress America, any more than there is an impregnable military Fortress America. Our nation is the citadel of freedom, but let us remember also that even an impregnable ideological Fortress America would not be enough.

If we drift listlessly and apathetically, aimlessly and witlessly into a quicksand concept of such false Fortresses America, we risk losing all. Up to now we have been soft. Another 10 years of softness and we will see changes which will be irreversible. The Soviet offensive of the 1950s, '60s and '70s will stand in sharp contrast to the recent past. Where we withdraw from our responsibilities around the world, Russia will penetrate.

Only by facing fearlessly the future and our responsibility to it have we the right to hope for what Hocking calls "the most important freedom—the freedom to perfect one's freedom." Anything less than this is unfaithful to our past, unworthy of tomorrow.

This is my concept of management's responsibility in the preservation of freedom.

R. O. Willmore With Blunt Ellis Simmons

CHICAGO, Ill. — Robert O. Willmore has become associated with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges, in their research department. Until recently Mr. Willmore was vice-president and manager of research for Growth Research, Inc., managers of Growth Industry Shares, Inc., where he was in charge of all the firm's research activities.

Previously he was financial analyst with the A. O. Smith Corp., and prior to that was on the control planning staff of Pittsburgh Steel Co.

Two With Hooker & Fay

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Aurelio F. Ferrau and William J. Kirby have become associated with Hooker & Fay, 221 Montgomery Street, members of the New York and Pacific Stock Exchanges. Mr. Kirby was previously with Lawson, Levy, Williams & Stern.

McAndrew Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Mrs. Diane E. Teller has been added to the staff of McAndrew & Co. Inc., Russ Building, members of the Pacific Coast Stock Exchange.

Hill Richards Adds

(Special to The Financial Chronicle)

PASADENA, Calif. — Aida M. Lovell has been added to the staff of Hill Richards & Co., 490 East Walnut Street.

Joins Harrison Staff

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — Elizabeth T. Wiltse is now with Richard A. Harrison Inc., 2200 Sixteenth Street.

Scudder of Can. to Become Open-End

Sometime in the not too distant future, Scudder Fund of Canada will become an open-end fund. This news will break during the late fall or winter. Lehman Brothers will be the underwriter of any new financing.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Leo E. Drew is now with Reynolds & Co., 39 South La Salle Street.

Mutual Funds

By ROBERT R. RICH

Broad Street Investing to Purchase Assets of Jefferson Custodian Fund

The United States District Court for the Southern District of New York has approved a plan of reorganization for Jefferson Custodian Fund, Inc., which, if adopted by shareholders of Jefferson Custodian at a special meeting scheduled for Sept. 30, will result in the purchase of the assets of the fund by Broad Street Investing Corporation.

The court-approved plan is a sequel to action taken by the Securities and Exchange Commission last March 14, when it asked the court for an injunction against certain directors and officers of the fund and requested appointment of a receiver to hold the fund's assets for the purpose of reorganization or liquidation, as subsequently directed by the court. At the time, the SEC advised shareholders of Jefferson Custodian that its action "should not be construed as a reflection on the value of their shares." In the interim, the affairs of the fund have been under the direction of Thomas J. Ahearn, Jr., temporary receiver, and the asset value of its shares has risen from $4.40 to $4.92.

Broad Street Investing is the largest mutual fund in the group of investment companies sponsored by J. & W. Seligman & Co. It is a diversified fund now in its 29th year of operation, and assets currently approximate $120 million.

The plan of reorganization to be submitted to shareholders provides for the sale of the assets of Jefferson Custodian to Broad Street Investing in exchange for shares of Broad Street Investing valued at asset value free of any sales charge. Upon completion of this transaction, Jefferson Custodian would distribute the shares of Broad Street Investing received to its own shareholders on a pro rata basis in exchange for its own shares and would then dissolve. The plan is conditional to the receipt of satisfactory assurances by Treasury Department ruling that the transactions involved are tax-free both to Jefferson Custodian and its shareholders.

Wellington Fund Share Sales Continue Upward

Wellington Fund sales for the month of August 1958, the last month before introduction of the companion Wellington Equity Fund, again established a new all-time sales record, according to A. J. Wilkins, Vice-President.

August sales amounted to over $10 million, the highest for any August period in the 30 year history of the Wellington Fund. The comparable August figures are as follows:

August 1958	$10,003,000
August 1957	8,706,986
Increase	$1,296,014

This continues the trend of record sales totals during the period since Jan. 1, 1958. The comparable eight-months figures are as follows:

Eight months 1958	$75,760,841
Eight months 1957	63,718,673
Increase	12,042,168

The total assets of the Wellington Fund on Aug. 29, 1958, were $750,188,326.

Puritan Fund Adds To Holdings in Rail Securities

New common stocks added to the portfolio of Puritan Fund during the three months ended July 31, 1958, were Carrier; Glidden; Hammond Organ; Interchemical; Louisville & Nashville RR.; Mansfield Tire & Rubber; Southern Pacific; Spiegel; United Artists; and White Motor. Increases were made in Atlantic Coast Line RR.; General Cable; Great Northern Rwy.; Hecht; McGregor-Doniger, class "A"; N. Y., Chicago & St. Louis RR.; Norfolk & Western Rwy.; South Penn Oil; Southern Ry., and Truax-Traer Coal Co.

Eliminated from common holdings were C.I.T. Financial; Crucible Steel; Curtiss-Wright; Hawaiian Pineapple; Niagara Mohawk Power; Pullman; St. Joseph Lead; St. Louis Public Service, class "A", and Sinclair Oil. Decreases were made in American Viscose; Colgate-Palmolive; Simmons, and Wilson & Co.

Total Net Assets of Managed Funds Inc. Exceed $60 Million

Total net assets of the 11 Managed Funds, Inc. share classes passed the $60 million mark for the first time during the quarter ended Aug. 29, Hilton H. Slayton, President of the nationally distributed fund group announced.

Mr. Slayton reported assets of $60.7 million at market close on that date. This figure was 12.3% higher than the May 31 total of $54 million and 17.5% above the Aug. 31, 1957 total of $51.7 million.

At the same time, he disclosed new highs in quarterly sales, total shares outstanding and total number of shareholders.

Managed Funds volume (less load charges) during the quarter just ended amounted to $4.3 million compared with $3.7 million during the second quarter of fiscal 1958 and $3.6 million during the like period a year ago.

Shares outstanding rose to 20.9 million on Aug. 29 from 19.7 million three months earlier and 16.2 million at the end of last year's third quarter.

The estimated number of Managed Funds shareholders came to 22,000 at the end of last month, representing 51,000 separate shareholder accounts, another record high. The May 31 total amounted to 22,000 (and 47,000 individual accounts), and the Aug 31, 1957 total was 16,000 (and 36,000 accounts).

Income dividends paid out to shareholders during the third quarter amounted to $484,194 as against $406,369 during the second quarter, and $393,100 during the third 1957 quarter.

Capital gains distributions during the same periods totalled $1,381,603, $1,347,704 and $1,211,521 respectively.

Portfolio Changes By Bullock Ltd.

The following shows changes in the investment portfolio of Bullock Fund, Ltd. in the seven months ended July 31, 1958:

New additions of common stock were made in Phillips Petroleum; Public Service Co. of New Hampshire; Richfield Oil; Spiegel, and (H. I.) Thompson Fiber Glass Co. Increases in holdings were made in Aetna Casualty & Surety; American Chain & Cable; Cleveland Trust; Diamond Alkali; Employers Group Associates; N. Y. State Electric & Gas; Northern Illinois Gas; Northern Indiana Public Service; Standard Oil Co.; of Ohio; Texas Co., and West Penn Electric.

Eliminated from the holdings were American Cyanamid; Atlas Powder; Cerro de Pasco; International Minerals & Chemical; Kendall; Kennecott Copper; 3 M's, and (G. D.) Searle & Co.

Positions were reduced in Allied Laboratories and Jones & Laughlin Steel.

Canton Company To Liquidate For Pennroad

A special meeting of the stockholders of Canton Company of Baltimore has been called for Sept. 15, 1958 to consider and act upon a recommendation of the board of directors of the company that its affairs and business be liquidated.

The Pennroad Corp., holder of more than two-thirds of the outstanding stock of Canton, has felt for several years that it should dispose of all its investments which involve its personnel in the management of a company's affairs and has made statements to this effect in reports to its stockholders. Canton is one of the last of such investments which Pennroad now holds and the initial step looking to the liquidation of the affairs of Canton is being taken at the request of Pennroad.

It is the present intent of both Canton and Pennroad that the active operations of Canton and its subsidiaries will remain in Baltimore and will be continued under the present management substantially as they have been in the past.

Atomic Fund Assets Peak At $55 Million

Newton I. Steers, Jr., President, Atomic Development Mutual Fund, Inc., announced that the fund's net assets had reached $55,117,000,— a new high since inception of the fund less than five years ago.

Mr. Steers referred to the growth of the Atomic Navy from one submarine (The Nautilus) in 1955 to a presently authorized fleet of 36 vessels, including 33 submarines, a nuclear carrier, nuclear cruiser and nuclear destroyer, as the most significant development in the atomic field to date. He predicted equally impressive growth will follow in nuclear propulsion of tankers and merchant ships, in the use of radioactive isotopes in industry, and in the generation of electric power.

Record High Assets For Colonial Fund

In the Colonial Fund's current Quarterly Report to shareholders, President James H. Orr stated that the Fund's total net assets were at an all-time high of $53,499,000 at the quarter ended July 31, 1958, an increase of 33% over the $39,973,000 at the Oct. 31, 1957 fiscal year-end. Shareholders, he said, increased from 11,615 to 13,332.

During the past quarter, the following major portfolio changes were made by The Colonial Fund: New commitments were Ashland Oil & Refining Co.; Central Illinois Electric & Gas Co.; Fibreboard Paper Products Corp.; North American Aviation, Inc.; High

Auth. European Coal & Steel Community, 5s '78; Mich. Cons. Gas, 6¼s '82; National Fuel Gas, 5½s '82; Pacific Tel. & Tel., 5⅛s '87; Pittston Co., sub. notes 6¼s '76; Public Service Co. of N. H., 5⅜s '87, and Utah Power & Light, 5¼s '87.

Additions to existing holdings were Interstate Power Co.; Kern County Land Co.; Laclede Gas Co.; Sinclair Oil Corp.; American Tel. & Tel., 5s '83; Mich. Wisc. Pipe Lines, 6¼s '77; and Sperry Rand, s. f. deb. 5½s '82, ex. war.

Decreases were made in Hudson's Bay Oil and Gas Co. Ltd.; Inspiration Consol. Copper Co.; International Paper Co.; Ohio Edison Co., and Union Oil Co. of California.

Eliminated from the portfolio were Creole Petroleum Corp.; Prentice-Hall, Inc., 5% pfd.; Merrimack-Essex Electric, 5⅜s '87; Puget Sound Pr. & Lt., 6¼s '87; and Tampa Electric, 5s '87.

M. S. Walker Adds

(Special to The Financial Chronicle)

LONG BEACH, Calif.—Earl L. Bald has become affiliated with M. S. Walker & Co., 125 East First Street, members of the Pacific Coast Stock Exchange. He was formerly with Kerr & Bell.

Two With Paine, Webber

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James E. Castaldi and William H. Haskell have become connected with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Haskell was formerly with Shearson, Hammill & Co. and Walston & Co.

Continued from page 15

The Crisis in Railroading

gressional hearing on federal aid to water carriers. He said American taxpayers have shelled out more than one-and-a-half billion dollars to make waterways navigable and that another $40 million annually is being pumped in for maintenance and operation. Neither shippers nor carriers pay one cent in tolls and that, he said, is a pure and unadulterated subsidy. And by the way, the last three Presidents of the United States and the Hoover Commission all have urged user fees for water carriers, thus far to no avail.

Passenger Traffic Burden

Our passenger traffic is still burdened by a 10% excise tax established early in World War II to discourage travel. I'll say this—it has been a mighty effective tax—it still is discouraging travel every day. Passenger traffic is carried by the railroads at a tremendous annual deficit, which is particularly burdensome to the Eastern railroads. Most of our passenger business has been lost to the private automobile, which carries more than 85% of all intercity traffic. The remaining share has been cut into sharply by the airlines. Most of you are aware, I am sure, that the airlines receive substantial government benefits. The larger ones no longer get the out-and-out cash subsidy they received for so many years, but all of them receive a huge indirect subsidy through the use of airports and navigational guides furnished by the government.

Just last month the government announced a giant new airport for Washington to be built at Chantilly, Va. The original appropriation is for $12½ million, and expectations are that Congress will come up with the additional 30 to 40 million dollars needed to complete the work. Union Station at Washington, on the other hand, was built with railroad funds. It pays property and income taxes. But the new Chantilly Airport, like the National Airport before it and like airports all across the land, is built with the tax dollar.

Sometimes they say we railroad Presidents bellyache too much. Boy, we've got a bellyache to bellyache about!

Well, you may wonder, what can be done? We certainly are not going to drive the trucks off the highways, stop planes from flying through the sky, force barges to drop anchor. Can the railroads ever lick the combination of Uncle Sam and our competitors?

I have great hopes we can. I firmly believe that the good sense of the American public will not allow the railroads to go the way of socialized transportation over the rest of the world (except for one large railroad in Canada). I put particular hope in the transportation study committee established by the Senate under S 303.

The Senate, in holding the extensive hearings it did earlier in the year, learned a great deal about the railroad problem. It recognizes there are other matters relating to Federal regulation that need overhauling beyond those dealt with in the Transportation Act of 1958. Accordingly, it established a committee to make a study and report its recommendations in 18 months.

"Dime a Dozen"

Now there is nothing new about a study of the railroad problem. The railroads have been studied from hell to breakfast. Those studies fill a long bookshelf and they all come down to the same general conclusions that railroads are over-regulated and railroads suffer because of government subsidies. But I place particular faith in the coming Senate study because it sets out to uncover the answers to several basic questions.

One is: Just how much regulation is required in the public interest in view of the intense competition that exists today in transportation? I think they have the answer to that question before they even make their study.

The second answer they seek is: Should the government seek to recover through user charges the funds the government now disburses to construct and maintain highways, inland waterways and airports? Well, I have already mentioned that the last three Presidents of the United States and the Hoover Commission recommended such a solution, and I am confident that any impartial student setting out to find an answer will come up with exactly the same one.

Once our competitors begin to pay their fair share of the cost of the public facilities they use, the true economic worth of the railroads will glow like a beacon.

I have said a good deal about government and the railroads, but I do not want to leave you with the impression that railroads must lean on government if they are to succeed. Quite the contrary. Nothing will destroy the railroads more surely than reliance upon government help. All the railroads need is a chance to fight with the same weight gloves, with a referee that breaks them when they clinch and who keeps an honest score card.

Railroads have enormous built-in strength and capacity. You all have heard many times the story of what they did in World War II, when even their friends were flabbergasted at the flood of men and materials they carried. Even today, only a railroad on short notice can carry an armored division across the United States. Railroads almost instantly are ready to perform any task given them. No other form of transport handles people and products so economically when all costs are considered. No other form is so vital to our national defense.

Backbone of Defense

Probably nowhere else is the story of the railroads as the backbone of defense told in more thrilling fashion than in a report written by General James A. Van Fleet, commanding general of our fighting forces in Korea from 1951 through 1953. You will recall that we controlled the skies over Korea. With thousands of army, navy and marine planes, we smashed at enemy lines in the 200-mile area from Manchuria to the battle lines in Korea.

Time after time General Van Fleet was assured that the enemy's lines of communication were knocked out for good. Aerial reconnaissance proved the vast destruction done by our forces. The reports flowed in — "The marshalling yards at Seoul have been blasted out of existence," "The East Coast line is out for good," "The bridges at Sinanju are destroyed."

Yet, writes Van Fleet, within a few days, enemy locomotives were always operating through the very locations that had been destroyed. To quote him directly:

"We dive-bombed and skip-bombed, we shelled with heavy naval guns, we cannonaded with ground artillery, we strafed with rockets and machine guns, we organized sabotage and guerrilla attacks. But we never stopped the Red railroads from delivering ammunition and supplies; in considerable quantity, too."

In short, concluded Van Fleet he and his staff were witnessing, this time to our own military frustration, another demonstration of the capacity, the durability and the flexibility of railroads under war conditions.

Those same characteristics are true of railroads under peacetime conditions. Railroaders deal almost daily with the ravages of fire, flood, landslide, earthquake and the damage caused by accidents. You all have read stories of train accidents and seen photographs of piled-up cars, but you may not be aware that the damage is completely cleared and the line restored within a day or two.

Undoubtedly their wartime experiences have influenced the Russians in their attitude toward railroads. In World War II it was the rail lines through Iran, manned by American and British railroaders, that carried the military supplies that helped stop the Germans at Stalingrad. In the Korean War, Russians witnessed our inability to knock out Red rail lines.

I think it would be a good idea if we took a look at what is happening in Russia. We all have awakened to the fact that Russian industry is growing at a rapid rate and is fast catching up with ours. What is not so well known is that Russia's industrial progress is geared to its railroads.

Russia's Ambitious Program

At the end of World War II, the Russian transportation plant was badly damaged. The Russians could have built a giant highway system as Hitler did in Germany. They could have done so with relative ease: the country is flat, concrete far more available than steel, and Russia produces good trucks. Instead, the rulers of Russia embarked upon an ambitious rail program. The two-axle freight car, common throughout Europe, is headed for the scrap heap in Russia. In its place is the four-axle, roller-bearing car of 60 to 90-ton capacity, large cars, even by American standards. New lines are being laid. Diesels and electric engines are replacing steam. More than 1,400 miles of line have been electrified in the last two years. Train radio is in wide use. More than half the total mileage has been relaid with new rail during the last decade, some of it in 151-pound section, and that is big rail.

They are operating their railroads in impressive fashion. Freight moves in density unmatched even on our main lines in the United States. And listen to this: Russian railroads in 1957 carried more total ton-miles (680,000 million) than American railroads (626,000 million ton-miles). This record was made despite the fact that the United States has three times as much rail mileage as Russia.

One reason for this performance is that Russia does not have a good highway system. Another is that 85% of all her traffic is carried by rail, as against the less than 50% carried in this country. The big thing is that Russians are convinced that the most economical form of transportation is rail, and they are basing their bid for industrial greatness on their rail program. True, their railroads are not yet up to ours in efficiency (they use a great amount of hand labor), but nevertheless they are catching up rapidly.

I think there is a lesson to be learned here. American railroads have been modernizing as fast as they can get the funds to do so. Since World War II, well over a billion dollars a year has been spent in modernizing the American railroad plant. Even though railroads have the lowest return on investment of any of the major industries in our country, we are building electronically controlled freight yards, installing high-speed signaling, expanding our new piggy-back service, performing more and more of our work with the latest devices. But we have been hobbled in our efforts toward progress by a national blindness that handicaps the efficient in favor of the inefficient. We must stop this suicidal trend or suffer the consequences.

Railroads Not Outmoded

I am wondering if there are still some people who harbor a lingering doubt about the railroads, who may still think the railroads are an outmoded form of transport that is going to fade before the onslaught of trucks, barges and airplanes? If there are, listen to these facts of hard economics: Railroads move more than double the ton-miles handled by trucks with less than half as many employees. And mind you, those less-than-half-as-many railroaders maintain our own private right-of-way, whereas the truckers use a public right-of-way. We move almost half the nation's total intercity tonnage for a tenth of the fuel used by other modes of transport in handling their half. Nothing yet devised by the mind of man is as efficient as the steel wheel rolling on a steel rail at a minimum of friction. The simple fact is that railroads can handle more at less cost.

As the editor of "Trains Magazine," which is printed in Milwaukee, puts it:

"The barge boys know that, and so do the truckers. That is precisely why they scream to high heaven whenever Washington even scratches the surface of these truths. They inherently can't compete and they know it!"

Nine years ago I had occasion to address this School of Banking here at the University, and I opened with these words:

"We must have railroads in and for America — solvent railroads, strong railroads, manned by alert and respected workmen, directed by progressive management, modernized to fit the needs of American enterprise, operating under sound policies of government, and commanding the confidence of the American people."

Yes, there is a crisis in the railroad industry, as the title of my talk states. But that crisis can be met successfully by that same formula I gave in 1949. We have some big problems ahead of us—the problem of government subsidy I mentioned, and the problem of devising better contracts with our unions to eliminate outmoded working rules, the problem of attracting sufficient risk capital to feed our modernization program, and many others.

Two of the subjects which will be studied by the Senate group, in addition to those I have mentioned, are ownership of one form of transportation by another, and Federal policy on consolidations and mergers. On the first point I strongly feel that railroads should have the right to offer a complete transportation service. The public will benefit if the railroads are permitted the same freedom to diversify as is enjoyed by other industry. On the second point—consolidation—it likewise will be beneficial to all if railroads have greater freedom to combine. The process is not new at all. The Illinois Central, for example, is composed of more than 200 smaller roads. Several major consolidation studies are going on right now, and Congress and the Commission could help a great deal by proper laws permitting easier consolidation.

Whatever the problems, if we keep alert and keep our thinking progressive, none will be insurmountable.

I am hopeful that what I have had to say here today will be helpful to you in understanding the current railroad crisis. I also hope I have left you with the conviction that our railroads basically are a sound industry and that we will resolve our crisis successfully.

Securities Now in Registration

★ **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**
● **ITEMS REVISED**

★ **Aberdeen Estate Programs, Inc., N. Y.**
Sept. 8 filed $20,000,000 of three series of programs. **Proceeds**—For investment.

★ **Addison-Wesley Publishing Co., Inc.**
Sept. 3 (letter of notification) 13,600 shares of class B common stock (no par), of which 11,100 shares are to be offered for subscription by stockholders (rights to expire Oct. 15, 1958); and 2,500 shares are to be offered to employees under the stock purchase plan. **Price**—$20 per share. **Proceeds**—For working capital. **Address**—Route 128, Reading, Mass. **Underwriter**—None.

★ **Amber Oil Co., Inc.**
Sept. 5 (letter of notification) 125,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For development of an oil and gas property. **Office**—1305 Continental Life Bldg., Fort Worth, Texas. **Underwriter**—Leeford Co., Inc., Fort Worth, Texas.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American-South African Investment Co., Ltd. (9/18)
Aug. 27 filed 1,000,000 shares of common stock (par £1—South African). **Price** — Proposed maximum offering price is $28 per share. **Business**—The trust, incorporated under the laws of the Union of South Africa, has been organized to provide a medium for investment in the common shares of companies engaged in business in South Africa, with particular emphasis on those engaged in mining gold. The trust may also invest to a certain extent in gold bullion. **Underwriter**—Dillon, Read & Co. Inc., New York.

Ampal-American Israel Corp., New York
Aug. 8 filed $3,289,100 of 10-year discount convertible debentures, series E. **Price**—61.027% of principal amount, payable in cash or in State of Israel Independence Issue or Development Issue bonds. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Anderson Electric Corp.
Dec. 23, 1957 (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, 1957, 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

★ **Austral 1959 Corp. for Oil Exploration**
Sept. 9 filed $5,000,000 of oil exploration agreements for 1959, to be offered to any person who has an optional right to such offering under a similar agreement with Austral Oil Co. Inc. for 1958, or to any selected persons accepted by the company. **Proceeds** — To be applied against costs of selecting and acquiring interests in oil or gas explorations. **Office**—New York, N. Y. **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.

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.

★ **Capital Finance Co., Phoenix, Ariz.**
Sept. 4 (letter of notification) 100,000 shares of common stock (par $1.50). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—921 East McDowell Road, Phoenix, Ariz. **Underwriter**—None.

Carrtone Laboratories, Inc., Metairie (New Orleans), La.
July 2 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—None.

Central 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.

★ **Charlestown Racing Association, Inc.**
Sept. 9 filed 4,000,000 shares of common stock (par 10 cents), represented by voting trust certificates, of which 3,530,000 shares are to be offered to the public and the remaining 470,000 shares have been issued to nine persons, who may sell such shares at the market. **Price**—60 cents per share. **Proceeds** — For construction of racing plant and acquisition of equipment. **Office**—Charlestown, W. Va. **Underwriter**—None.

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.

★ **Citizens Life Insurance Co. of New York (9/25)**
Sept. 4 filed 150,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Control**—Over 98% of stock owned by Citizens Casualty Co. of New York. **Underwriter**—Lee Higginson Corp., New York.

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.
Aug. 21 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay additional costs of construction; and for retirement of obligations and working capital. **Office** — c/o John Harlan Lowell, 2200 Kenton, Aurora, Colo. **Underwriter**—Lowell, Murphy & Co., Inc., Denver, Colo.

Columbia & Rensselaer Telephone Corp.
Aug. 4 (letter of notification) 2,800 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each 2.572 shares held. **Price**—$60 per share. **Proceeds**—For construction 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 multiples of $50 each to class A and class B common stockholders. **Price** — $37.50 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.

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.

★ Fleming Co., Inc.
Sept. 2 (letter of notification) 18,750 shares of common stock (par $5). **Price** — $16 per share. **Proceeds** — For construction and acquisition of new frozen foods facilities; acquisition of new frozen foods equipment, and working capital. **Office** — 600 Garlinghouse Bldg., Topeka, Kan. **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. Statement to be withdrawn.

★ Florida Steel Corp. (9/29-10/3)
Sept. 9 filed 74,925 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter** — McDonald & Co., Cleveland, Ohio, and Kidder, Peabody & Co., New York.

★ Florida Water & Utilities Co., Miami, Fla.
Sept. 4 filed 55,000 shares of common stock (par $1). **Price** — $7 per share. **Proceeds** — Together with other funds, to be used to reduce the company's indebtedness, for working capital, and for property additions and improvements. **Underwriter** — Beil & Hough, Inc., St. Petersburg, Fla.

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.

● Fred Astaire Dance Studios (Metropolitan New York), Inc. (9/15)
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. (9/22-26)
Aug. 29 filed $2,000,000 of 5½%, 5¾%, 6% and 6½% serial debentures, series of 1958. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Underwriters**—Peters, Writer & Chirstensen, Inc., and Garrett - Bromfield & Co., both of Denver, Colo.

● Garrett Corp., Los Angeles, Calif. (9/18)
Aug. 28 filed $10,000,000 of subordinated convertible 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 145,825 shares of common stock (par $1). **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. Offering—Indefinitely postponed.

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.

★ Greenacres, Inc.
Aug. 28 (letter of notification) 125 shares of common stock (par $100). **Price**—$500 per share. **Proceeds**—For general purposes and in acquisition of further timber-producing and other unimproved real property for the temporary or permanent use of the company. **Office**—4427 Rainier Ave., Seattle 8, Wash. **Underwriter**—None.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16, 1957, filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. Price—$10 per share. Proceeds—For working capital and general corporate purposes. Underwriter—None.

Gulf States Utilities Co.
Aug. 14 filed $17,000,000 of first mortgage bonds, series A, due 1988. Proceeds—Together with cash on hand, to redeem and retire $17,000,000 principal amount of 4⅞% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; and Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Had been expected to be received on Sept. 15, but has been indefinitely postponed.

★ Harshaw Chemical Co. (9/30)
Sept. 9 filed $7,000,000 of 20-year debentures due 1978. **Price**—To be supplied by amendment. **Proceeds**—To be used for the retirement of indebtedness totaling $3,500,000, for capital improvements to chemical manufacturing facilities aggregating about $1,500,000, and for other corporate purposes, including additional working capital. **Underwriters**—Morgan Stanley & Co., New York; and McDonald & Co., Cleveland, Ohio.

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NEW ISSUE CALENDAR

September 12 (Friday)
San Diego Imperial Corp. — Preferred
(J. A. Hogle & Co.) $700,000

September 15 (Monday)
Cinemark II Productions, Inc. — Common
(Watson & Co.) $300,000
Fred Astaire Dance Studios (Metropolitan New York), Inc. — Common
(Willis E. Burnside & Co., Inc.) $299,940
North Carolina Natural Gas Corp. — Debs. & Com.
(Kidder, Peabody & Co.) $8,580,000

September 16 (Tuesday)
Suburban Gas Service Inc. — Common
(Kidder, Peabody & Co.) 100,000 shares
Tennessee Gas Transmission Co. — Bonds
(Stone & Webster Securities Corp.; White, Weld & Co. and Halsey, Stuart & Co., Inc.) $50,000,000
Tropical Gas Co., Inc. — Preferred
(Offering to stockholders—underwritten by Glore, Forgan & Co.) $2,554,400

September 17 (Wednesday)
Genung's, Inc. — Common
(G. H. Walker & Co.) 145,825 shares
Public Service Co. of Indiana, Inc. — Preferred
(Blyth & Co., Inc.) $24,282,600
Puerto Rico (Commonwealth of) — Bonds
(Bids 11 a.m. EDT) $9,000,000
Thiokol Chemical Corp. — Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 113,500 shares

September 18 (Thursday)
American-South African Investment Co., Ltd. — Common
(Dillon, Read & Co. Inc.) $28,000,000
Garrett Corp. — Debentures
(Merrill Lynch, Pierce, Fenner & Smith) $10,000,000
Standard Oil Co. (Indiana) — Debentures
(Morgan Stanley & Co.) $200,000,000

September 22 (Monday)
Frontier Refining Co. — Debentures
(Peters, Writer & Christensen, Inc. and Garrett-Bromfield & Co.) $2,000,000

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)
Consumers Power Co. — Preferred
(Morgan Stanley & Co.) $15,000,000
Norway (Kingdom of) — Bonds
(Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; Lazard Freres & Co. and Smith, Barney & Co.) $15,000,000
Pittsburgh & Lake Erie RR. — Equip. Trust Ctfs.
(Bids to be received) $3,975,000
Wisconsin Electric Power Co. — Common
(Offering to stockholders—no underwriting) 510,005 shares

September 25 (Thursday)
Citizens Life Insurance Co. — Common
(Lee Higginson Corp) 150,000 shares
Imperial Packing Corp. — Common
(Simmons & Co.) $290,000

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)
Harshaw Chemical Co. — Debentures
(Morgan Stanley & Co. and McDonald & Co.) $7,000,000
Israel-Negev Petroleum Corp. — Common
(Alkow & Co., Inc.) $750,000
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 8 (Wednesday)
Addresograph-Multigraph Corp. — Common
(Offering to stockholders—to be underwritten by Smith, Barney & Co.) 141,113 shares

October 9 (Thursday)
Arabol Manufacturing Co. — Preferred & Common
(Bids 11 a.m. EDT) 210 shares of preferred and 515.6 shares of common
Norfolk & Western Ry. — Equip. Trust Ctfs.
(Bids to be received) $7,440,000

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 13 (Thursday)
Norfolk & Western Ry. — Equip. Trust Ctfs.
(Bids to be received) $5,310,000

November 18 (Tuesday)
Pacific Telephone & Telegraph Co. — Debentures
(Bids to be invited) $80,000,000

December 18 (Thursday)
Norfolk & Western Ry. — Equip. Trust Ctfs.
(Bids to be received) $6,450,000

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
Pennyslvania Power Co. — Bonds
(Bids to be invited) $8,000,000
South Carolina Electric & Gas Co. — Bonds
(Bids to be invited) $10,000,000
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
Utah Power & Light Co. — Bonds
(Bids to be invited) $20,000,000

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★ Haydu Electronic Products, Inc.
Sept. 3 (letter of notification) $300,000 6% convertible subordinated debentures due Dec. 31, 1968. To be offered for public sale. **Price**—$100 per $100 of debentures. **Proceeds**—For working capital and for general corporate purposes. **Office**—1426 West Front St., Plainfield, N. J. **Underwriter** — Berry & Co., Plainfield, N. J. and New York, N. Y.

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.
Aug. 22 (letter of notification) 2,000 shares of class A stock (par $15), $170,000 of 6% subordinated debentures and 2,000 shares of class B stock (par $15) to be offered first to stockholders. **Price**—$15 per share for class A and $100 per unit to stockholders (each unit consisting of $85 of debentures and one class B share). **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. (9/25)
Aug. 21 (letter of notification) 290,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses in the production of citrus juices and by-products and working capital. **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.

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.

★ International Rectifier Corp., El Segundo, Calif.
Sept. 9 filed 180,000 shares of common stock (par $1), of which 80,000 shares are to be sold for the account of the company and 100,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

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.

★ Iron Mask Mining Co.
Aug. 28 (letter of notification) 1,000,000 shares of non-assessable common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Address**—Box 411, Sandpoint, Idaho. **Underwriter**—None.

● Israel-Negev Petroleum Corp. (9/30)
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**—Alkow & Co., Inc. (formerly Henry Montor Associates, Inc.), New York.

★ Istel Fund, Inc., N. Y.
Sept. 8 filed (by amendment) an additional 100,000 shares of common stock (par $1). **Price** — At market **Proceeds**—For investment.

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.
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. Statement effective Aug. 28.

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.

Leader-Cleveland Realty Associates, N. Y.
July 16 filed $1,280,000 of participations in partnership interests. **Price**—$10,000 per participation. **Proceeds**—To purchase the Leader Building in Cleveland, Ohio. **Underwriter**—None.

Life Insurance Securities Corp.
March 28 filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland. Me.

Longren Aircraft Co., Inc.
June 18 (letter of notification) 34,000 shares of common stock (par $1). **Price**—From 80 cents to $1.40 per share. **Proceeds**—To go to selling stockholders. **Office**—24751 Crenshaw Blvd., Torrance, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

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.

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.

Middle States Telephone Co. of Illinois
Aug. 20 (letter of notification) 12,806 shares of common stock (par $10) to be offered for subscription by stockholders of record Aug. 25, 1958 on the basis of one new share for each 12½ shares held. **Price**—To yield a maximum not to exceed $300,000. **Proceeds** — To discharge short term loans and for working capital. **Office** — 416 Margaret St., Pekin, Ill. **Underwriter**—None.

Mid-West Durex Co., Kansas City, Mo.
July 14 filed 725,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of plant and for working capital. **Underwriter**—Investment Sales, Inc., 532 E. Alameda Ave., Denver 9, Colo.

Midwest No-Joint Concrete Pipe Co.
Aug. 22 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Address**—P. O. Box 550, Rocky Ford, Colo. **Underwriter**—IAI Securities Corp., Englewood, Colo.

Milgo Electronic Corp.
Aug. 6 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by present stockholders on the basis of one share for each 8.8 shares owned of record date. Rights expire in September. **Price**—$24 per share to stockholders; $26 to general public. **Proceeds**—For test equipment and working capital. **Office**—7601 N. W. 37th Avenue, Miami, Fla. **Underwriter**—None.

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.

★ Nebraska Consolidated Mills Co., Omaha, Neb.
Sept. 9 filed 49,423 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one new share for each eight shares held (with an oversubscription privilege). **Price** — $10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

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.

★ New London Co.
Aug. 29 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For capitalization of the finance company and mortgage loan company. **Office**—814 South Tejon St., Colorado Springs, Colo. **Underwriter**—El Paso Management Co., Colorado Springs, Colo.

● North Carolina Natural Gas Corp. (9/15-19)
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 5⅜% first mortgage pipeline bonds due June 1, 1979, to be used for construction program and working capital. **Office**—Fayetteville, N. C. **Underwriter**—Kidder, Peabody & Co., New York.

North Carolina Telephone Co.
June 19 (letter of notification) 207,143 shares of common stock to be offered to common stockholders at the ratio of one share for each six shares held. **Price**—At par ($1 per share). **Proceeds**—To pay off obligations and for telephone plant construction. **Underwriter**—None.

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.

★ Norton Portland Corp.
Aug. 19 (letter of notification) 29,265 shares of non-voting class B capital stock (par $1). **Price**—$10 per shares. **Proceeds** — For outstanding trade obligations; to repay loans by stockholders and for working capital. **Office**—98 Exchange St., Portland, Me. **Underwriter**—None.

★ Norway (Kingdom of) (9/24)
Sept. 5 filed $15,000,000 of 15-year external loan bonds of 1958, due Oct. 1, 1973. **Price** — To be supplied by amendment. **Proceeds**—To acquire and import capital equipment required for development of the Norwegian economy. **Underwriters** — Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; Lazard Freres & Co.; and Smith, Barney & Co.; all of New York.

★ Oak Ridge, Inc.
Sept. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—11 Flamingo Plaza, Hialeah, Fla. **Underwriter**—Henry & Associates, Inc., Hialeah, Fla.

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.

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.

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.

★ Philadelphia Fund, Inc., Philadelphia, Pa.
Sept. 5 filed (by amendment) an additional 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

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.

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.

★ Preferred Risk Life Insurance Co.
Sept. 8 filed 250,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To increase capital and surplus. **Office**—Colorado Springs, Colo. **Underwriter**—None.

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.

★ Promotive Singing, Inc.
Sept. 3 (letter of notification) 7,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To purchase, sell, produce and promote entertainment for profit. **Office**—720 Glenforest, Rd., N. E., Atlanta, Ga. **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**—$100 per share. **Proceeds**—To reduce bank loans. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

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.

★ Raytheon Manufacturing Co.
Sept. 6 filed 379,954 shares of common stock (par $5) to be offered to officers and other key employees pursuant to the terms of a stock option arrangement under the company's Key Employee Incentive Plan; and 90,300 common shares to be offered to holders of the company's common stock purchase warrants issued attached to its 4½% 1971 notes now outstanding.

Reynolds Engineering & Supply, Inc.
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. (9/12-15)
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.

Sheridan-Belmont Hotel Co.
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter** — None.

● Simplicity Pattern Co. Inc., N. Y.
Aug. 15 filed 42,500 shares of common stock (par $1). **Price**—At the market or at a price within a range not less than the bid price and not higher than the asking price quoted on the New York Stock Exchange at the time of offering. The shares will also be offered from time to time on such Exchange at a price within the foregoing range. **Proceeds**—To go to Joseph M. Shapiro, the selling stockholder. **Underwriter** — Lee Higginson Corp., New York. **Offering**—Indefinitely postponed.

● South Carolina Electric & Gas Co.
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**—Had been expected to be received up to 11:30 a.m. (EDT) on Sept. 10, at 70 Broadway, New York, N. Y., but sale has been postponed.

★ Springfield Fire & Marine Insurance Co.
Aug. 25 (letter of notification) 9,400 shares of common stock (par $2) to be offered to employees of Springfield-Monarch Insurance Co., under the company's Stock Purchase Plan For Employees. **Proceeds**—To selling stockholders.

● Standard Oil Co. (Indiana) (9/18)
Aug. 28 $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.

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.

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★ Sumpter Oil & Gas Co., Inc.
Sept. 2 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For development, exploration and operation of an oil and gas lease. **Office** — 8400 Wisconsin Ave., N. W. Bethesda, Md. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20, 1957 filed 40,000 shares of common stock (public offering of 500,000 shares now planned). **Price**—$25 per share. **Proceeds**—For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

● Tennessee Gas Transmission Co. (9/16)
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.

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.

● Thiokol Chemical Corp. (9/17)
Aug. 22 filed 113,500 shares of capital stock (par $1) to be offered about Sept. 17 for subscription by stockholders at the rate of one new share for each 12 shares held (with a 14-day standby). **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**—Kidder, Peabody & Co., New York.

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. **Office**—130 East 18th Street, Brooklyn 26, N. Y. Daniel Stack is President. **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. (9/16)
Aug. 22 filed 25,544 shares of convertible preferred stock (par $100) to be offered for subscription by common stockholders of record Sept. 9, 1958, at the rate of one preferred share for each 27 shares held; rights to expire about Sept. 30. **Price**—To be supplied by amendment. **Proceeds**—To acquire the capital stock of Southeastern Natural Gas Corp., for payment of the company's outstanding short-term bank loans and short-term notes payable to suppliers, to the repurchase of notes receivable currently discounted, and the balance for general corporate purposes. **Underwriter**—Glore, Forgan & Co., New York.

Tungsten Mountain Mining Co.
Aug. 11 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To extinguish present indebtedness, increase reserve for contingencies and working capital. **Office**—511 Securities Bldg., Seattle 1, Wash. **Underwriter**—H. P. Pratt & Co., 807 Hoge Bldg., Seattle 4, Wash.

Twentieth Century Investors, Inc., Kansas City, Mo.
June 20 filed 2,000,000 shares of common stock (par $1) **Price**—At market. **Proceeds**—For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

Twentieth Century Investors Plan, Kansas City, Mo.
June 20 filed $10,000,000 of plans for the accumulation of shares of Twentieth Century Investors, Inc. **Price**—At market. **Proceeds** — For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

★ Union Bag-Camp Paper Corp., N. Y.
Sept. 5 filed 330,000 shares of capital stock (par $6.66⅔) to be offered to such executive officers as have been or may in the future be granted options pursuant to the company's Stock Option Plan.

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 Funds, Inc., Kansas City, Mo.
Sept. 8 filed (by amendment) $15,000,000 of periodic investment plans without insurance and $3,000,000 of plans with insurance. **Proceeds**—For investment.

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 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.
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**—Were to have been received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Sept. 9, but were postponed on Sept. 3.

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 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.

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. (9/24)
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 as of Sept. 24, 1958 (with an oversubscription privilege). **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. (10/8)
Sept. 9 it was announced company plans to offer to its common stockholders of record about Oct. 7, 1958, the right to subscribe for 141,113 additional shares of common stock on the basis of one new share for each 20 shares held; rights to expire on or about Oct. 22, 1958. **Price**—To be determined later. **Proceeds**—For general corporate purposes. **Underwriter**—Smith, Barney & Co., New York. **Registration**—Scheduled for about Sept. 17.

★ Arabol Manufacturing Co., N. Y. (10/9)
Sept. 9 it was announced that bids will be received at the Department of Justice, Office of Alien Property, Room 664, 101 Indiana Ave., N. W., Washington 25, D. C., by 11 a.m. (EDT) on Oct. 9, 1958, for the purchase from the Attorney General of the United States as an entirety, 515.6 shares of common capital stock (par $100) and 210 shares of 6% cumulative preferred capital stock (par $100) of this company.

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.

★ Bank of New York
Sept. 9 it was announced stockholders will vote Sept. 30 on increasing the capital stock by 110,000 shares to a total of 270,000 shares. Following approval, it is proposed to issue 80,000 shares as a 50% stock dividend and offer to stockholders the right to subscribe for the remaining 30,000 shares in the ratio of one new share for each eight shares held after giving effect to the stock distribution. **Price**—To be determined by trustees at a

later date. **Proceeds**—To increase capital and surplus. **Underwriter**—Morgan Stanley & Co., New York.

California Electric Power Co.
July 14 it was announced company contemplates marketing between $5,000,000 and $7,000,000 securities in October, 1958. Neither the exact date of the offering nor the nature of the securities to be offered has been determined. Decision on these two points will probably not be reached until mid-August or early September. **Proceeds**—To repay bank loans.

Central Hadley Corp.
The shareholders of the company at a special meeting held on June 25, approved an amendment to the certificate of incorporation authorizing an issue of 200,000 shares of 5% cumulative convertible preferred stock (par $10). Convertible into common stock at the rate of $2.86 per share. **Proceeds**—To retire outstanding notes of a subsidiary in the amount of $768,000.

Central Louisiana Electric Co., Inc.
March 28 it was announced that the company's financing program for the year 1958 anticipates the sale of both debt and equity securities (probably preferred stock) aggregating approximately $5,000,000. Both issues may be placed privately.

Cincinnati & Suburban Bell Telephone Co. (10/21)
July 7 it was announced that the directors have authorized the sale of not exceeding $25,000,000 debentures having a maturity of not more than 35 years. **Proceeds**—To repay advances received from American Telephone & Telegraph Co. which owns 29% of the outstanding common stock of the company. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co. and Eastman Dillon Union Securities & Co. (jointly). **Bids**—Expected to be received on or about Oct. 21.

Commonwealth Edison Co.
Aug. 25 it was reported that the company may issue and sell $25,000,000 of preferred stock. **Underwriters**—May be The First Boston Corp. and Glore Forgan & Co., both of New York. **Offering**—Expected late in 1958 or during the first three months of 1959.

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.

★ Dow Chemical Co. (10/13)
Sept. 9 it was announced the directors have authorized an offering of 175,000 additional shares of common stock to employees of company and of its subsidiaries and certain associated companies, with subscirptions to be accepted from Oct. 13 through Oct. 31, 1958. **Price**—To be announced on Oct. 1.

Duffy-Mott Co.
Sept. 2 it was reported that a common stock offering is planned, partly for selling stockholders. **Business**—A leading processor off "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.

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 (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.

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. and The First Boston Corp. (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. (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 and sell an undetermined amount of first mortgage 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 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.

★ Norfolk & Western Ry. (10/9) (11/13) (12/18)
Bids will be received this Fall by the company for the purchase from it of $19,200,000 equipment trust certificates due from 1-to-15 years, viz: Oct. 9, $7,440,000; Nov. 13, $5,310,000; and Dec. 18, $6,450,000. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co.
June 10 it was announced company will sell late this year $10,000,000 mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and/or preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Telephone & Telegraph Co. (11/18)
Aug. 22 it was announced company plans to issue and sell $80,000,000 of 32-year debentures due Nov. 1, 1990. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Nov. 18.

Pacific Telephone & Telegraph Co.
Aug. 22 it was reported company plans to offer to its common and preferred stockholders 1,594,604 additional shares of common stock on the basis of one new share for each eight common or preferred shares held. **Price**—At par ($100 per share). **Proceeds**—To repay advances and to reimburse the treasury for capital expenditures previously made. **Underwriter**—None. **Control**—Of the 332,000 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.

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.

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. 14	§65.4	*61.7	60.5	81.9
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 14	§1,764,000	*1,666,000	1,632,000	2,097,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 29	6,863,335	6,874,735	6,544,735	6,766,315
Crude runs to stills—daily average (bbls.)	Aug. 29	¶7,937,000	*7,892,000	7,727,000	8,327,000
Gasoline output (bbls.)	Aug. 29	28,206,000	*28,005,000	28,693,000	29,516,000
Kerosene output (bbls.)	Aug. 29	1,978,000	1,791,000	1,708,000	1,871,000
Distillate fuel oil output (bbls.)	Aug. 29	11,895,000	12,004,000	11,754,000	13,241,000
Residual fuel oil output (bbls.)	Aug. 29	7,286,000	6,710,000	7,101,000	7,609,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 29	173,470,000	173,756,000	178,715,000	171,683,000
Kerosene (bbls.) at	Aug. 29	28,624,000	27,548,000	25,914,000	34,114,000
Distillate fuel oil (bbls.) at	Aug. 29	138,322,000	*132,398,000	120,417,000	154,876,000
Residual fuel oil (bbls.) at	Aug. 29	67,018,000	*66,994,000	66,887,000	52,472,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 30	645,432	633,687	622,204	745,620
Revenue freight received from connections (no. of cars)	Aug. 30	544,872	525,245	505,622	624,697
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 4	$284,377,000	$397,801,000	$513,960,000	$314,122,000
Private construction	Sept. 4	71,569,000	195,490,000	212,555,000	108,206,000
Public construction	Sept. 4	212,808,000	202,311,000	301,405,000	205,916,000
State and municipal	Sept. 4	172,312,000	175,705,000	242,168,000	181,860,000
Federal	Sept. 4	40,496,000	26,606,000	59,237,000	24,056,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 30	8,340,000	*8,280,000	7,695,000	10,030,000
Pennsylvania anthracite (tons)	Aug. 30	455,000	433,000	428,000	577,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 30	149	134	114	144
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 6	12,025,000	12,272,000	12,707,000	11,678,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 4	191	246	290	208
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 2	6.188c	6.188c	6.138c	5.967c
Pig iron (per gross ton)	Sept. 2	$66.49	$66.49	$66.49	$66.42
Scrap steel (per gross ton)	Sept. 2	$42.83	$42.50	$42.17	$50.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 3	26.000c	26.100c	26.150c	26.575c
Export refinery at	Sept. 3	25.050c	24.925c	25.425c	24.825c
Lead (New York) at	Sept. 3	10.750c	10.750c	11.000c	14.000c
Lead (St. Louis) at	Sept. 3	10.550c	10.550c	10.800c	13.800c
‡Zinc (delivered) at	Sept. 3	10.500c	10.500c	10.500c	10.500c
Zinc (East St. Louis) at	Sept. 3	10.000c	10.000c	10.000c	10.000c
Aluminum (primary pig, 99%) at	Sept. 3	24.700c	24.700c	24.498c	26.000c
Straits tin (New York) at	Sept. 3	95.125c	94.625c	95.500c	92.875c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 9	89.02	88.39	91.08	87.61
Average corporate	Sept. 9	90.63	91.62	93.82	89.92
Aaa	Sept. 9	95.16	96.23	98.88	94.41
Aa	Sept. 9	93.38	94.56	96.69	92.35
A	Sept. 9	90.06	91.62	93.52	90.06
Baa	Sept. 9	84.30	84.94	86.91	83.53
Railroad Group	Sept. 9	88.81	89.09	90.20	88.40
Public Utilities Group	Sept. 9	90.34	91.48	94.12	89.92
Industrials Group	Sept. 9	92.64	94.71	97.31	91.48
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 9	3.49	3.55	3.30	3.57
Average corporate	Sept. 9	4.37	4.30	4.15	4.42
Aaa	Sept. 9	4.06	3.99	3.82	4.11
Aa	Sept. 9	4.18	4.10	3.96	4.25
A	Sept. 9	4.41	4.30	4.17	4.41
Baa	Sept. 9	4.84	4.79	4.64	4.90
Railroad Group	Sept. 9	4.50	4.48	4.40	4.53
Public Utilities Group	Sept. 9	4.39	4.31	4.13	4.42
Industrials Group	Sept. 9	4.23	4.09	3.92	4.31
MOODY'S COMMODITY INDEX	Sept. 9	392.3	393.4	403.9	417.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 30	299,431	275,008	339,845	265,643
Production (tons)	Aug. 30	307,590	293,915	299,148	290,919
Percentage of activity	Aug. 30	95	92	93	95
Unfilled orders (tons) at end of period	Aug. 30	407,334	419,411	465,523	418,314
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 5	108.75	108.68	109.81	110.28
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 16	1,926,830	2,592,340	2,178,690	1,143,400
Short sales	Aug. 16	342,410	494,010	479,370	210,110
Other sales	Aug. 16	1,523,970	2,118,840	1,773,920	1,008,820
Total sales	Aug. 16	1,866,380	2,612,850	2,253,290	1,218,930
Other transactions initiated on the floor—					
Total purchases	Aug. 16	507,980	644,630	408,420	191,700
Short sales	Aug. 16	41,400	33,900	57,200	17,500
Other sales	Aug. 16	500,450	599,640	387,350	207,065
Total sales	Aug. 16	541,850	633,540	444,550	224,565
Other transactions initiated off the floor—					
Total purchases	Aug. 16	618,410	845,290	626,610	388,090
Short sales	Aug. 16	119,710	135,890	154,420	71,900
Other sales	Aug. 16	673,046	892,010	677,041	388,405
Total sales	Aug. 16	792,756	1,027,900	831,461	460,305
Total round-lot transactions for account of members—					
Total purchases	Aug. 16	3,053,220	4,082,260	3,213,720	1,723,190
Short sales	Aug. 16	503,520	663,800	690,990	299,510
Other sales	Aug. 16	2,697,466	3,610,490	2,838,311	1,604,290
Total sales	Aug. 16	3,200,986	4,274,290	3,529,301	1,903,800
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. 16	1,223,120	1,485,737	1,298,033	1,258,228
Dollar value	Aug. 16	$154,312,556	$67,022,937	$62,830,596	$63,515,062
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 16	1,275,383	1,578,423	1,366,950	854,597
Customers' short sales	Aug. 16	5,446	11,772	15,196	12,274
Customers' other sales	Aug. 16	1,269,937	1,566,651	1,351,754	842,323
Dollar value	Aug. 16	$55,131,067	$69,512,553	$63,089,444	$43,069,428
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 16	434,350	538,510	492,770	192,780
Short sales	Aug. 16	------	------	------	------
Other sales	Aug. 16	434,350	538,510	492,770	192,780
Round-lot purchases by dealers—					
Number of shares	Aug. 16	381,420	452,750	413,290	562,090
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. 16	673,040	875,000	936,610	423,260
Other sales	Aug. 16	14,673,530	18,437,590	15,398,340	8,842,050
Total sales	Aug. 16	15,346,570	19,312,590	16,334,950	9,265,310
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Sept. 2	118.7	118.7	119.2	118.3
Farm products	Sept. 2	92.6	92.5	93.6	93.0
Processed foods	Sept. 2	110.1	110.2	111.9	107.3
Meats	Sept. 2	106.2	106.4	112.1	100.1
All commodities other than farm and foods	Sept. 2	125.9	125.9	126.1	125.9

*Revised figure. ¶Includes 1,120,000 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
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of July (in millions):			
Total new construction	$4,613	$4,397	$4,477
Private construction	3,114	2,979	3,124
Residential buildings (nonfarm)	1,627	1,539	1,586
New dwelling units	1,200	1,110	1,155
Additions and alterations	375	377	392
Nonhousekeeping	52	52	39
Nonresidential buildings	754	735	814
Industrial	185	193	297
Commercial	326	315	310
Office buildings and warehouses	169	169	159
Stores, restaurants, and garages	157	146	151
Other nonresidential buildings	243	227	207
Religious	75	70	75
Educational	50	46	42
Hospital and institutional	52	51	43
Social and recreational	41	37	27
Miscellaneous	25	23	20
Farm construction	171	162	169
Public utilities	542	524	536
Railroad	33	30	42
Telephone and telegraph	77	77	95
Other public utilities	432	417	399
All other private	20	19	19
Public construction	1,499	1,418	1,353
Residential buildings	67	65	40
Nonresidential buildings	420	406	390
Industrial	36	34	38
Educational	263	257	248
Hospital and institutional	31	30	28
Administrative and service	48	45	39
Other nonresidential buildings	42	40	37
Military facilities	105	95	121
Highways	620	580	539
Sewer and water systems	127	123	120
Sewer	76	73	68
Water	51	50	52
Public service enterprises	46	41	38
Conservation and development	101	96	94
All other public	13	12	11
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of July:			
Manufacturing number	255	235	181
Wholesale number	105	125	74
Retail number	613	640	570
Construction number	181	161	153
Commercial service number	99	99	81
Total number	1,253	1,260	1,059
Manufacturers' liabilities	$22,673,000	$18,959,000	$14,039,000
Wholesale liabilities	5,788,000	5,685,000	4,892,000
Retail liabilities	18,784,000	21,692,000	12,715,000
Construction liabilities	13,966,000	7,390,000	7,629,000
Commercial service liabilities	4,164,000	7,719,000	5,024,000
Total liabilities	$65,375,000	$61,445,000	$44,299,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of June:			
Cotton Seed—			
Received at mills (tons)	11,583	5,001	9,944
Crushed (tons)	127,093	179,741	146,563
Stocks (tons) June 30	225,276	340,786	183,095
Crude Oil—			
Stocks (pounds) June 30	45,678,000	71,433,000	70,242,000
Produced (pounds)	43,206,000	61,675,000	53,599,000
Shipped (pounds)	72,490,000	81,102,000	69,368,000
Refined Oil—			
Stocks (pounds) June 30	169,030,000	180,047,000	205,214,000
Produced (pounds)	66,351,000	74,534,000	65,405,000
Consumption (pounds)	84,589,000	94,014,000	105,878,000
Cake and Meal—			
Stocks (tons) June 3	162,223	182,734	287,779
Produced (tons)	55,479	81,357	72,366
Shipped (tons)	76,260	88,399	77,799
Hulls—			
Stocks (tons) June 30	113,791	128,501	65,676
Produced (tons)	31,124	45,564	33,424
Shipped (tons)	45,834	48,101	41,086
Linters (running bales)—			
Stocks June 30	341,167	354,870	198,427
Produced	33,846	48,742	43,568
Shipped	47,549	60,142	
Hull Fiber (1,000-lb. bales)—			
Stocks June 30	(a)	467	482
Produced	(a)	(a)	(a)
Shipped	(a)	(a)	(a)
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks June 30	4,018	4,400	1,418
Produced	311	532	382
Shipped	693	646	937

(a) Not shown to avoid disclosure of figures for individual companies.

	Latest Month	Previous Month	Year Ago
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate customers—Month of June (000's omitted)	45,746,221	44,707,315	45,613,472
Revenue from ultimate customers—month of June	$786,752,000	$763,006,000	$758,054,000
Number of ultimate customers at June 30	55,555,432	55,432,513	54,557,745
METAL PRICES (E. & M. J. QUOTATIONS)—			
August:			
Copper—			
Domestic refinery (per pound)	26.088c	25.674c	28.098c
Export refinery (per pound)	25.179c	24.397c	25.694c
††London, prompt (per long ton)	£205.313	£199.815	£208.613
††Three months, London (per long ton)	£206.056	£200.582	£210.631
Lead—			
Common, New York (per pound)	10.856c	11.000c	14.000c
Common, East St. Louis (per pound)	10.656c	10.800c	13.800c
††London, prompt (per long ton)	£70.384	£71.484	£91.726
††Three months, London (per long ton)	£71.853	£72.959	£92.012
Zinc (per pound)—East St. Louis	10.000c	10.000c	10.000c
§§Zinc, prime Western, delivered (per pound)	10.500c	10.500c	10.500c
††Zinc, London, prompt (per long ton)	£63.831	£63.598	£73.893
††Zinc, London, three months (per long ton)	£64.566	£64.274	£73.688
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.625c	88.625c	90.909c
Silver, London (per ounce)	75.000d	75.000d	78.750d
Sterling Exchange (check)	$2.80511	$2.80398	$2.78274
Tin, New York Straits	94.933c	94.957c	94.218c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$237.769	$230.038	$251.111
¶Antimony, New York, boxed	32.590c	32.590c	36.590c
Antimony (per pound), bulk Laredo	29.000c	29.000c	33.000c
Antimony (per pound), boxed Laredo	29.500c	29.500c	33.500c
Platinum, refined (per ounce)	$61.000	$62.385	$84.000
†Cadmium, refined (per pound)	$1.55000	$1.55000	$1.70000
‡Cadmium (per pound)	$1.55000	$1.55000	$1.70000
§Cadmium (per pound)	$1.55000	$1.55000	$1.70000
Cobalt, 97% grade (per pound—ounce—ton)	$2.00000	$2.00000	$2.00000
Aluminum, 99% grade ingot weighted average (per pound)	26.782c	26.100c	28.080c
Aluminum, 99% grade primary pig	24.682c	24.000c	25.986c
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ‡‡Increase all stocks.

Continued from page 37

CALENDAR

★ Pittsburgh & Lake Erie RR. (9/24)
Bids are expected to be received by this company on Sept. 24 for the purchase from it or $3,975,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Puerto Rico (Commonwealth of) (9/17)
Bids will be received by the Government Development Bank for Puerto Rico, 37 Wall St., New York, N. Y., up to 11 a.m. (EDT) on Sept. 17 for the purchase from the Commonwealth of $9,000,000 public improvement bonds of 1958, series B, due annually, July 1, 1959 to 1978, inclusive.

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.

★ Scudder Fund of Canada, Ltd.
Sept. 4 it was announced that this corporation late this year plans to become an open-end Fund and issue some additional shares of its capital stock. **Underwriter**—Lehman Brothers, New York.

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

Our Reporter's Report

The stock market may appear to be headed up a one-way street for the moment, but the same cannot be said to hold true of the seasoned and new issue bond markets.

Quite to the contrary the debt securities markets are experiencing tough sledding these days due largely to the upheaval in U. S. Government obligations since the Administration parted company with its aims of a "balanced" budget.

Hardening of money rates naturally plays its part in the disturbed atmosphere, but the firming up of credit costs is part of the same parcel observers see it. They do not find business storming the banks for loans.

Rather the Treasury is faced with the task of raising considerable new money and, since it cannot market any large quantities of long bonds, naturally will turn to the banks using short, and to the extent possible, intermediate obligations.

Things appeared to be moving in the right direction this week. Governments had assumed a firmer tone and several large new corporate undertakings, including Sears, Roebuck's behemoth offering were reported moving well.

It looked as though, at least insofar as negotiated deals were concerned, that new issues were finding a new footing from which to work.

But the Treasury list turned decidedly weak again, some of the recent issues falling to new low levels. Such performances hardly offered any inducement to brush off some of the issues that have been postponed. And the deferred list is now substantial.

Getting a Grip

There are indications that the new issue market will find its way out of the current wilderness via the leadership of negotiated underwritings where the banker and his client have an opportunity to fit forthcoming issues to circumstances prevailing at the time of sale.

Standard Oil Co. of California's $150 million of 25-year debentures may be taken as a case in point. The sponsoring syndicate fixed a price of 99⅝ for a yield of 4.40%. The Triple A rated debenture attracted brisk demand.

The same held true of this week's Sears, Roebuck offering of $350 million of 25-year debentures. Bankers priced the loan at 100 for a yield of 4¾% and it appeared that this was an inducement to major institutional investors, for inquiry was reported heavy and reports had even some of the "Big Five" insurance firms interested.

Paying the Price

When a firm, engaged in an expanding business, needs additional capital it often becomes necessary to pay the price demanded by the lender. That was the case when Texas Eastern Transmission came into the market for $35 million this week.

Its first mortgage pipe line bonds, having a 20-year maturity, were accorded a 5⅝% coupon rate, just about the highest yet on this turn of events in the money market.

And carrying a public offering price of 99 with an indicated yield of 5.71% the investor response to this issue was being watched closely.

The Week Ahead

If the major offerings on schedule for next week materialize, it will mean that bankers will be handling a total of around $262 million new issues.

But, of that amount Standard Oil Co. of Indiana's $200 million of projected debentures makes up the lion's share. This big one is slated for Thursday provided there is no change in the situation.

Other issues due for marketing are $10 million debentures of Garrett Corp. and $24,282,000 preferred stock of Public Service Co. of Indiana, both on tap for Wednesday, and $28 million common stock of American-South African Investment Co., due on Thursday.

Joins J. B. Hanauer

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Milton A. Phillips is now affiliated with J. B. Hanauer & Co., 140 South Beverly Drive. He was previously with Stone & Youngberg.

Taylor Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Max E. Goodland is now with Taylor and Company, 439 North Bedford Drive.

With F. I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert J. Garoutte is now with Francis I. du Pont & Co., Statler Center. He was formerly with J. Logan & Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The Eisenhower Administration is determined to rescue the Western mining industries from economic collapse.

The reasons for the move are partly economic, partly as defense measure, but mostly political. Ike and his team lined up a lot of support for the controversial extension of the Reciprocal Trade Agreements Act on the promise of bailing out the Western miners. They got the trade act extended all right, but missed in a bid to get Congress to approve a half-billion-dollar mineral sudsidy program.

Now, the White House team is scurring around frantically trying to administer props to the mining industries before the November elections. Chances are good they'll succeed, Administration insiders say.

Copper, lead and zinc are the prime objects of the Administration's affection now. But others, including tungsten and fluorspar will probably get help too.

Aid from State Dept.

Strangely, the State Department is wielding the bailing bucket now in the effort to keep the miners from sinking. It took over the task after the Interior Department missed in the effort to get help from Capitol Hill lawgivers.

State Department economic experts now are meeting with officials of other friendly mineral producing countries in the hope of working out voluntary limits on shipments of lead and zinc to this country. A club backing up the U. S. negotiators is the implied threat that the President will acceed to an earlier recommendation of the U. S. Tariff Commission for higher duties and quotas on these minerals.

This sort of threat has worked several times before, most recently in the case of Japanese textile and ferrous scrap shipments to this country.

Special Copper Study

In the case of copper, which now appears to be an even higher priority candidate for help, the State Department has instituted a special study of the problem. Thomas C. Mann, Assistant Secretary for Economic Affairs, recently confirmed reports that the Department was giving a lot of consideration to a demand from several Western Congressmen, including Sen. Mike Mansfield, for a stockpile program for copper.

One of the biggest problems depressing the copper industry is an inventory of some 150,000 tons. Sen. Mansfield has demanded that the Government announce plans to purchase up to 100,000 tons of domestically-mined copper at no less than 27½ cents a pound. The Senator claims that once the program was announced, the market would firm and the government would have to buy only a fraction of that amount.

Defense Department, Too

Meanwhile, help for some segments of the mining industries may be building up from another source—the Defense Department. The missile and high-speed plane programs have thus far depended on fairly conventional metals, particularly new high-temperature stainless steels, aluminum alloys, and the like. But as speeds, armament and electronic gear increase, the makers of these complex weapons are demanding better basic materials. As a result, some of the rare or little-used minerals are coming to the forefront.

Magnesium alloys more and more are being used in missile and plane construction. Some 20 of this country's 40-odd missiles now use large amounts of magnesium.

Titanium, in spite of high costs, forming troubles, and other problems, is again gaining ground in defense uses. In recent months, experimentation has stepped up considerably with the one-time "wonder metal" to develop it for armor plating for military equipment because of high strength and low weight. A magnesium-lithium combination, interlaced with steel fibres for reinforcement are being tested.

Beryllium, used up to now in limited applications as an alloy with copper in electronic gear, is also considered a possible sleeper in the race for new missile-age weapons. One of the two beryllium producers has already received a contract to try to develop methods of forming and shaping pure beryllium for use as skin and particularly leading edges of wings for new hypersonic aircraft. Its high temperature and fairly light weight make it ideal if the problem of brittleness can be solved—and many metallurgists believe it can.

Machine Tool Industry

Mining industries aren't the only producers getting top priority from government business protectors. The machine tool industry now is also in for a share of loving attention.

Machine tool experts in government are frankly worried over the sluggish state of the industry. So far, they're having only limited success in holding the tool makers away from the brink of a real financial crisis.

The industry has been caught for some time in a squeeze caused by slack industrial activity, rising imports, only fair exports, and a heavy flood of government sales of surplus tools.

Efforts this year in Congress to give the tool makers a boost by providing hefty depreciation to their customers flopped. The best the industry could get was a special allowance of 20% in the first year equipment or machinery is purchased. This is in addition to the normal first year's depreciation and applies to both new and used equipment. But it's far short of what the industry wanted.

Government Buying Increases

Government tool-buying programs have held up fairly well in the past two years, particularly in the purchases of specialized tools. Actual dollar figures are hidden by Pentagon budget planners, but insiders guess that it has been running well over $100 million a year.

At the same time, however, the government has stepped up its release of older tools as surplus.

Estimates are now that the government will declare anywhere from 12,000 to 15,000 tools surplus this year. Some guesses even run the figure as high as 25,000. Most of these are general purpose tools, which tend to shoot the largest holes in the industry's markets.

A government program operated jointly by the Commerce Department, the new Office of Civilian and Defense Mobilization, and the Department of Health Education and Welfare, is being pushed hard in an effort to soak up big chunks of these surplus tools.

Shipments to Schools

The plan, dubbed the "tools for schools" program, calls for placing these surplus machine tools in high schools and colleges for vocational and engineering training courses. The machines are donated by the government to the schools.

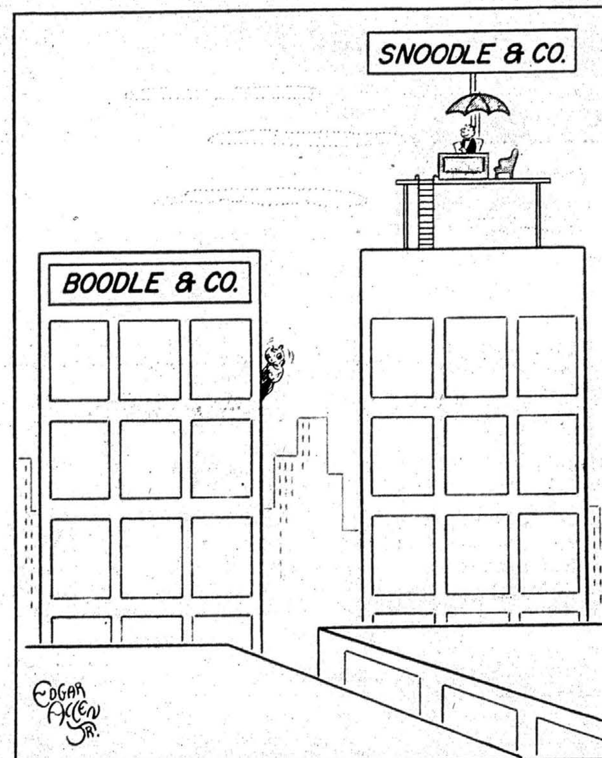
This program shows promise. But officials admit it could collapse at any time. The schools have asked for a total of 108,000 such surplus tools, most of them in the general purpose category. In the first half of this year, total allocations of tools to the schools and colleges amounted to 2,745 units. This compares with 1,200 sent during all of 1956 and only 1,750 in 1957.

Monthly shipments are expected to run between 400 and 800 for the rest of the year if all goes well. This would mean that the tools for schools program would absorb better than 5,000 of these surplus tools.

There is one problem that could slow the program to a walk. While the tools are free, the schools are required to pay transportation and installation costs, running to several hundred dollars for each unit. Schools generally operate on tight budgets, and many of them who have asked for tools may not be able to take delivery at the last minute.

[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



"Some people will do anything to have the tallest building!"

Business Man's Bookshelf

Business Fact Book New York City — Economic data — New York State Department of Commerce, 112 State Street, Albany 7, N. Y.; or 342 Madison Ave., New York 17, N. Y. (paper) on request.

Economic Impact of State and Local Taxes in West Virginia — Edwin W. Hanczaryk and James H. Thompson—Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va. — paper.

Employment and Earnings — Monthly statistical data on employment, hours, earnings and labor turnover — U. S. Department of Labor, 341 Ninth Ave., New York 1, N. Y. — $3.50 per year.

For New Writers — Booklet regarding material wanted—Vantage Press, 120 West 31st Street, New York 1, N. Y.

Freeman, September, 1958—Containing articles on Would You Have Signed It (Declaration of Independence); Common Ownership—American Style; Inflation is a Burglar; Beneficiaries of Free Market Upgrading; Source of Money, etc.—Foundation for Economic Education, Irvington-on-Hudson, N. Y. (paper) 50 cents.

Historical Statistics of the Gas Industry—American Gas Association, 420 Lexington Avenue, New York 17, N. Y.—$5.

Italian Affairs — Containing articles on Italian Government's Report on Somalia to the United Nations; Balance and Prospects of Productivity; Industrialization of the Southern Provinces; and Commercial Air Traffic — Italian Affairs, Via Veneto 56, Rome, Italy—15 cents per copy ($1.00 per year).

Journal of the Institute of Bankers, August, 1958—With Articles on Finance for Lending Institutions; Medium Term Credits in Practice; etc. — Institute of Bankers, Lombard Street, E. C. 3, England.

Journal of Political Economy, August 1958 containing articles on Investment in Human Capital and Personal Income Distribution; Demand for Currency Relative to the Total Money Supply; On the Theory of Optimal Investment Decision; Making Currency Reserves "Go Round"; Measuring Economic Growth: A Comment, etc.—University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill. —$6 per year; single copies $1.75.

"Little" Economies — Problems of U. S. Area Development—Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y. (paper) 50 cents.

Management's Stake in Research — Maurice Holland — Harper & Brothers, New York.

Pound Sterling, 1951-1958 — Roy F. Harrold — International Finance Section, Department of Economics and Sociology, Princeton University, Princeton, N. J.—paper—on request.

Report on What Really Happened in the "You Auto Buy Now" Campaign—Bureau of Advertising, American Newspaper Publishers Association, 485 Lexington Avenue, New York 17, N. Y.

Schools for Commercial Bank Personnel — Leo Fishman and Betty G. Fishman — Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va. (paper).