ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 188 Number 5790 New York 7, N. Y., Thursday, October 30, 1958 Price 50 Cents a Copy

EDITORIAL

As We See It

" * * of all sad words of tongue or pen*
The saddest are these—'it might have been'"

This familiar couplet from the poet aptly expresses the feeling of many thoughtful observers about the political campaigns now coming to a close. It could hardly be otherwise. Despite the tragic need for basic changes in public policy and public programs, we hear little or nothing on the hustings but charges and counter charges which either have little to support them or else could almost as well be leveled at the speakers themselves and their parties. One can scarcely wonder that there is so little real enthusiasm about how the voting turns out next week. The fact is that one needs repeatedly to remind oneself that there really should be and could be important reasons for supporting one group rather than another.

Of course, the paths chosen by both of the leading parties and by practically all influential politicians during the past two decades, particularly during the past decade, have left little difference in philosophy or programs among them, and thus predestined this campaign to the character it has assumed. The fact is, nonetheless, that a fundamental change in the direction of our thinking and our collective activity is for that reason all the greater, and the absence of any evidence of a realization of that truth among politicians, and among all too many voters, gives the picture a still more gloomy tone. If only there were even an articulate and vigorous minority

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Put On Your Specs

By JOSEPH MOSBY HORNOR
San Antonio, Texas

Texan contributor objects to what he believes are harmful forms of "taxing or forcing of contributions" for the benefit of government—ranging from tax-spending policies to reduction in gold content of the dollar and inflationary toll upon savings. Mr. Hornor charges negligence in the public's refusal to understand the nature of money and the fact that a piece of paper money is a demand promissory note, i.e., a promise to pay real money. He deplores discriminatory privileges of allowing foreign central banks to redeem U. S. dollars into gold; finds deficiencies in our banking and central banking reserve requirements and practices; and describes short-term or Treasury bills a misnomer since they are never paid but are the equivalent of long-term obligations because of constant renewals.

Popular thinking on economics blindly excludes proven faults of certain strongly supported policies. Admittedly, the Federal Income Tax is an instrument of tyranny that should be abolished. Up to this time objections to this un-American law have not induced much enthusiasm for repealing it. We should be grateful to some persons who now actively strive for the repeal of the Sixteenth Amendment and, at the same time, are increasing their popular support. Yet a dangerous activity confronts us and receives a popular support that affords a splendid example of the common weakness dwelt upon by Carlyle.

J. M. Hornor

This activity is that of objecting to high taxes whose amounts are statutory, while continuing on our course of wasting our resources.

Certainly most Congressmen and their numerous supporters, considering this matter, should "put on their specs." The employment of our income tax is a forcing of contributions. Yet, while

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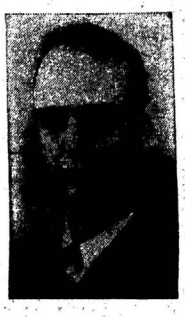
Today's Investment Problem

By ROGER F. MURRAY*
S. Sloan Colt Professor of Money and Banking
Graduate School of Business, Columbia University,
New York City, and
Former Vice-President, Bankers Trust Company,
New York City

Dr. Murray studies past performance to see if today's investment market has so fundamentally changed as to invalidate warning signals now being raised. Not impressed with the favorable business outlook argument, he examines other grounds offered to justify ignoring of past experience with present yield relationships. Concludes: (1) common stocks are not attractively priced or grossly overvalued; (2) inflation fears may subside before spreading; and (3) risk goes hand in hand with pursuit of aggressive stock acquisition program though, he adds, there is no basis for concluding stock prices will collapse in the near future.

There is no difficulty about identifying the principal investment problem facing the trustee or portfolio manager in today's environment. It is the level of stock prices. Stated in other terms, it is the choice between stocks and fixed income securities at a time when the current return on equities has again dropped significantly below the rate obtainable from marketable bonds and preferred stocks. The record of the past explicitly tells us that this kind of a yield relationship will not continue. It suggests to the prudent man that he refrain from buying equities at these prices. It warns of the probability that such purchases will produce capital losses, in addition to the lower level of income, unless, in accordance with the "greater fool" philosophy of equity investment, he can find another investor to take the stocks off his hands at even less attractive yields. This



Roger F. Murray

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*An address by Dr. Murray before the Trust Division of the New York State Bankers Association, Rochester, N.Y., Oct. 16, 1958.

PICTURES IN THIS ISSUE—Candid photos taken at the 26th Annual Dinner of the Corporate Bond Traders of New York appear in today's Pictorial Section.

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

American News Company—Merritt F. Beal, Analyst, Peter P. McDermott & Co., New York City. (Page 2)

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MERRITT F. BEAL
Analyst, Peter P. McDermott & Co.
Members: New York Stock Exchange, American Stock Exchange and Chicago Board of Trade

The American News Company

There have been so many changes and improvements in the affairs of American News Company, so much elimination of unprofitable units and such expansion into profitable fields, that it would hardly be recognized by those who were familiar only with the old company. The corporation setup is about the same and remains the acme of simplicity, as it has no bonds and no preferred stock, its sole capital obligation being 735,780 shares of common stock. On this common stock it is paying dividends at the rate of $1.60 annually, giving a yield on current prices of about 5½%. The book value, at last reports, was about $32 a share after huge write-offs and eliminations in 1957.

Merritt F. Beal

The company's growth for many years was steadily upward but in the last few years parts of the business were proving to be unprofitable and a decision was finally reached by the management to eliminate all unprofitable units. This was accomplished by a meat-axe operation and for the year of 1957 a deficit of $6.67 a share was reported. The remaining profitable units were operated intensively, efficiently, and broadened as expansion was possible and profitable, with such expansion continuing on even a wider scale.

Although the company, through subsidiaries, does some manufacturing, such as book matches, it is primarily a service organization, operating restaurants, newsstands, and checking facilities, retailing periodicals, books, magazines, newspapers, tobaccos, and foods in railway, bus and air terminals, stores, office buildings, steamships, piers, public parks, golf courses, etc.

Among other services for the traveling public in railroad stations, airports, subways, bus and ferry terminals, there are bootblacks, drug stores, snack bars, vending machines, cobbler shops, greeting cards, game rooms, and a broad variety of small businesses necessary and profitable.

Branches are located in Rockefeller Center, New York, and Penn Center, Philadelphia, and in Hilton, Sheraton and other hotels. Activities also include food service for hospitals, offices, and "in plant" feeding. Early this year the company had about 300 eating places in 32 states and including such luxurious places as the Rainbow Room in Rockefeller Center.

Eight Savarin dining rooms and six gift corners are operated along the New York Thruway, and eight restaurants have been or are about to be opened on the new Connecticut Thruway. Early this year the company established six restaurants on the right-of-way of the Kansas Turnpike.

The company has come very active in connection with the new Penn Center in Philadelphia, where it is understood to be operating thirty bowling alleys—a first venture into a very profitable side line—and we are informed that contracts have been signed to run the newsstands in the Philadelphia Subways.

A tobacco and book shop was opened this year at the Havana Hilton Hotel in Havana, the initial foreign venture.

Net sales for the company in 1956 were around $172 million, but in 1957, because of the elimination of the wholesale periodical division, sales declined to about $100 million. While all 1958 figures are not comparable with those of 1957, still we note that for the first nine months of 1958, the company's net sales amounted to $71,508,000 compared to $96,645,000 for the same period in 1957. The earnings for the first nine months were $1.25 per share, compared to a heavy deficit for last year.

For the quarter ended Sept. 30, 1958, the company's net sales approximated $25,391,000 compared to $19,928,000 for the same quarter last year, which shows a notable improvement. The results were earnings of $0.51 a share against a deficit of $4.93 a share in the corresponding quarter of 1957. The increase in the foregoing figures demonstrates the remarkable managerial ability that has been centered on the diversified activities of this company.

It is my opinion that the sales of this company should continue to expand indefinitely and that net earnings may be expected to increase more than proportionately. In the kind of market we are presently witnessing, it is not too much to expect a genuine growth stock, particularly among the service issues, to sell at 25 times earnings, which in the case of American News may be well above 33 on 1958 earnings, and higher for 1959. The price-earnings ratio is definitely on the march because of the scarcity factor that has entered the market as a result of fund buying on a tremendous scale, and the tax factor that prevents profit taking by important interests.

This is a very complicated organization and the outlook for further growth under brilliantly demonstrated management seems to me to justify putting this stock in any up-to-date growth portfolio.

VAN V. MIDGLEY
Head Analyst and Account Executive
Mason Brothers, Oakland, Calif.

Atlas Sewing Centers

There is a peculiar psychology surrounding purchases made by people. When one buys an automobile, a TV set, a washing machine or any other useful article, you know that day by day they become less valuable, notwithstanding there is the use value not measured. However, with the purchase of stocks or real estate, one expects them to become immediately more valuable market-wise . . . or eventually so, at least.

Van V. Midgley

In my opinion, if one can invest in a growth situation, one in which it is easily recognizable a growth exists, you can expect the investment to become more valuable, everything else being equal.

Growth in a company can be developed internally wherein new products are added, financed by company earnings. Growth in a company can be developed by acquisition of related companies by the expenditure of cash or the exchange of stock or both. And, growth of a company can be attained by adding additional distributing units for the company's products. So called "chain stores" come in this last group.

The reason I like Atlas Sewing Centers is because its growth is developed by adding new distributing units for its products . . . this is a visible and sure method to develop growth if management is capable . . . and management has evidenced itself as being capable.

Atlas Sewing Centers was founded 11 years ago with a single store in Jacksonville, Fla. Today, the company operates through 50 company outlets located in the Southern part of the United States, the West and Midwest. Each center is the headquarters for an average number of 17 salesmen. Leads for salesmen are generated by advertising in newspapers, magazines, and on radio and TV. Salesmen are not permitted to "cold-canvass." There is quite a difference in selling by expecting prospective customers to voluntarily come into a store in contrast to a salesman making a house call on a prospect who has evidenced interest in your product. Each salesman is given about five leads to contact each day and is expected to report on them. The conversion rate of leads to sales is high with Atlas.

Products handled by Atlas are manufactured by others from patented designs owned by Atlas. Sewing machines are made in Japan, the largest center of sewing machine manufacture in the world today, and vacuum cleaners are made by Landers, Frary and Clark, of New Britain, Conn., manufacturers of the well known line of "Universal" products. Both the Atlas Sewing Machine and the Atlas Vacuum Cleaner carry the seal of approval of "Good Housekeeping" Magazine. In my opinion, this endorsement carries weight with buyers of their product.

In addition to the 50 presently company owned and operated Centers (a Center is not a place where people meet to learn sewing, but a place from which salesmen operate, direction of salesmen is carried on, inventory is kept and accounting and collections are made), Atlas has granted distribution franchises to 42 dealers who sell Atlas products under selling jurisdiction of the company. New company operated Centers are being added at the rate of about one each month, which adds to gross business and consequently net. Herein lies part of the company's growth potential.

About 85% of Atlas' products are sold on an installment basis . . . about 12 to 15 months periods. The present rate of expansion is programmed for about three years in advance indicating an eventual total of 85 company outlets at the end of this period. Salesmen per outlet will be moved up to 20 per outlet with a sales quota of $25 to $30 thousand per man per year. Simple arithmetic brings

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An Appraisal of Dow-Jones Industrial Average

By NICHOLAS MOLODOVSKY*
White, Weld & Co., Members, New York Stock Exchange

After showing why the price-earnings ratio approach may be inadequate, stock market economist discusses other methods of valuation of common stocks. Finds that investors create a market value based on average earning power and that market value in turn moves in the direction of an intrinsic value. Projections of the latter suggest that even at its present high level the Dow average is still reasonably priced.

During most of 1958, prices and earnings of common stocks have been moving in opposite directions. Divergencies in their relative action are not an unusual development. This time, however, they have been so striking that many experienced investors were shocked and bewildered.

Nicholas Molodovsky

From its July high to its October low, the Dow average in 1957 lost one hundred points. It has since not only retraced the entire decline but established, by an impressive margin, new and unprecedented highs. Rarely has the progress of such a powerful bull market been looked upon by so many with so much distrust. Throughout the 12 months of its duration to date, the most representative opinion was that stock prices had lost all contact with any reasonable measure of value. A crescendo of doubts was accompanying rising prices.

Last August, as the D J I A was reaching again toward its 1957 high, a financial writer, surveying the collapsing earnings reported for the first two quarters, commented in a leading newspaper that "the securities markets are caught in one of the most confusing economic experiences of recent history. For the moment, the ticker tape is spinning out what seems to be best describable as a tale told by an idiot, full of sound and fury, signifying nothing' . . . The babel of prices coming from the securities ticker is so incongruous that there is little of extravagance in the statement that today in Wall Street nobody seems to have any definite idea of what an investment grade common stock is really worth."

This wonderment and sense of unreality continue to pervade boardrooms and research staffs alike despite the fact that business is improving and that earnings should start reflecting this change for the better.

"Many Are Mystified by Continued Rise of Stock Prices" asserted late last month a headline in one of the most widely read financial pages. The article was accompanied by photographs of customers in a brokerage office. The mood predominant among these men was described by the capition "Market Baffles Tape Watchers."

Two days prior to this reporting, an editorial of a well known financial journal, entitled "Puzzle at Broad and Wall," stated that "if you look at the usual statistics—the relationship of earnings to stock prices, for example—the booming market makes little sense. At present prices stock buyers are not only discounting the improved corporate earnings just ahead, which the market would normally do, but all the foreseeable gains for some time to come. It has been pretty hard to justify this market boom by sound economic judgment."

In trying to account for this apparent anomaly, the editorial was typical of present thinking. In addition to improving business, the "impetus for all this buying is the fear—or expectation—of inflation. The reason why people are willing to pay more dollars for an equity than they would by any traditional standard is a widespread feeling that the dollars used to pay for it will not for very long be worth what they are today . . . The present stock market is not so much a reflection of feverish speculations as it is of quiet desperation."

There is no denying the impact of inflation on the prices of stocks. It is certainly an important factor in the changing relation of stock and bond yields. But can it be true that value has been as completely absent from the pricing of stocks as so many people believe? Even less than two weeks ago, the title of a financial column proclaimed that "Booming Market Defies All Rules."

Such a value vacuum in appraising common stocks is frustrating and dangerous. The price of a stock could make no sense and would be no more than an irrelevant number if it did not represent an attempt at expressing the stock's value, i.e., its capital worth. Before accepting the finding that no architectural design exists for one of the tallest structures of national wealth, it might be well to go over the blueprint. For the sake of broader significance, we shall do so by means of the D J I A—the most popular of all measuring yardsticks of common stock prices.

Stock Yields and Bond Yields

Two mental road-blocks were prominent among the obstacles which prevented investors from accepting, without protest, the reality of soaring prices.

One difficulty was the unusual

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*An address by Mr. Molodovsky before the Association of Customers Brokers, October 27, 1958. Opinions expressed in this talk are the speaker's own and not necessarily those of White, Weld & Co.

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Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg U S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, October 30, 1958
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings state and city news; etc.)
Other Offices: 135 South La Salle St. Chicago 3, Ill. (Telephone STate 2-0613)

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

Subscription Rates

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

Other Publications

Bank and Quotation Record — Monthly $45.00 per year (Foreign Postage extra)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Hong Kong—Funnel for Communist Economic Aggression

By A. WILFRED MAY

Mr. May lists various ways in which Communist China's economic warfare is demonstrated in and through Hong Kong. Depicts techniques of price cutting and dumping, and the suiting of trade policies to political aims. Concludes the Communists' economic aggression is even more important and decisive than "Quemoy."

HONG KONG—Outstanding in Des Vouex Road, humming shopping center of this colorful cosmopolitan community, is the China Products Co. store, an intriguing 75' by 125' four-story structure of white brick. One of 10 department stores and about 100 food shops which since early 1957 have been exclusively distributing items produced on the Communist China mainland, this institution is remarkable as to both the variety and pricing of the merchandise offered. In one show window are attractively displayed bright yarns, sweaters and other woolen goods, in another, shoes, sneakers and bedroom slippers; silk and woolen piece goods in flashy colors; in another a display of ivory carvings; and a fourth window shows a complete line of radios and record players. Inside, the shopper is offered men's colored nylon elastic-top nylon socks at 24 cents (in the dollar equivalent of the Hong Kong price tag); pure silk hose at 20 cents; white and colored shirts, cellophane-wrapped, at $1.70 versus $4.80 for their U. S. counterparts in other stores; ball point pens (which this writer can testify, really work!) at 20 cents; large electric fans at $2.50; strikingly colored thermos bottles at $1.50, etc. In the shoe area particularly, many of the local non-Communists testified to me as to the quality-equivalent price advantage in the Communist stores. Best quality men's leather shoes are about 25% cheaper, while rubber boots and sneakers are half the price of those offered in the non-Communist shops. Likewise drastically undersold by the China Shop group is a long list of miscellaneous consumer items running the gamut from plastic containers to sewing machines to umbrellas.

A Wilfred May

Similar price differentials are clearly manifested in the food area. Personal inspection at the large Wa Cheong grocery store on Potinger Street reveals newly arrived sugar from Communist China at 6½ cents per pound versus 8 cents on the next counter for the Formosa product. And the same with canned goods; Commie tomato juice is 12 cents versus 17 cents for the corresponding size of American and other brands.

Propaganda Mileage Rung Up

These achievements by Communist China for the consumer far transcend economic return, including the conventional striving for foreign exchange which is normal in this Switzerland-ish free exchange market. Political motivation, apart from the economic, is evident in various ways. The price ticket savings, of course, create vast consumer goodwill. Again, the constant shipment of new products, not producible in large quantities but for prestige purposes, as tape recorders, bicycles, sewing machines, a replica of the Parker 51 pen (at $3), and even automobiles in the amount of 10 promised by the end of the year, has served as another important way of impressing the consumer—prestige-wise—and affording good propaganda mileage.

Also highlighting the political motivation, is the situation reflected in our cited differentials in sugar. The successive price cuts in sugar here by Communist China have occurred while she has been a net importer of sugar. Hence, it is evident that the price-cutting has been done for political harassment of the Formosans as well as for the future capture of the business market.

Quite varied are the efforts engaged in to impress the community of political fence-sitters and anti-communists. For their edification, goods come in the newest Western-type of 60-ton aluminum tank freight cars, which manufactured in Czechoslovakia, and Hungary, the mainlanders obtained via Moscow. And on the latest October 1 Revolution Day, the local citizenry was vividly shown, through a display of Communist celebration flags, how control of the "neutral" Chamber of Commerce has been taken over.

In the case of the over-all trade picture, the techniques practiced by the Communists in and around Hong Kong are a broadly significant indicator of what the non-Communist world faces. The textile picture reveals that while undercutting of Japan and India throughout Southeast Asia may be causing the most trouble, Hong Kong's hefty side-swiping has a host of significant implications. Quantitatively, the progress achieved by Red China is highlighted by the over-all export-import record for the first eight months of this year which shows that while Hong Kong's imports from the United Kingdom, Japan, the United States and Belgium all declined by the substantial total of 360 HK dollars, Communist China actually increased her shipment by $126 million. In fact, China has been the only one of the 11 exporting countries here to score a gain this year.

Typical is the record of its cotton cloth imports into Hong Kong. Totaling 8 million yards in 1954, they have steadily grown to 100 million yards in 1957. Refined sugar receipts from the mainland at only 3,000 tons in 1955, went up to 16,000 tons in 1957 and to an annual rate of over 50,000 currently. Red China's coal exports here, at 164,000 tons in 1957, were up 900% over the 1955 level, severely hurting Japanese and Indian exporters.

Sabotaging Japan

Epitomizing the sabotaging of Japan—whereas in 1953 Japan supplied to Hong Kong 32% of her grey goods requirements, with practically nothing coming from China, now the Communists supply 84%, and the Japanese only 2%.

In the textile area here, the state trading companies from the Communist mainland have consistently underquoted the competition by 10-15%, and further when necessary have manipulated prices, to undermine the Japanese trade—all while severely rationing the same grey goods in their home market. In addition to the price tag weapon, the Reds broadly use credit terms as a wedge—driving through as long as two-year maturities, against a mere two to three months by the Hong Kong and Japanese firms. The Communists' Bank of China, sometimes functioning in the role of a central bank, continually tries to outcompete its British opposite numbers in a variety of fields, ranging from terms on long-term capital loans to letters of credit.

The crucial effect of this trade offensive directly on the Hong Kong manufacturers, as depicted to me by the Secretary of the Hong Kong Cotton Spinners Association and director of several important mills, Mr. Charles Silas, has been to reduce local profits by 20-25%, with cuts in some production rates by 50%, and initiating of some local unemployment. Some weaving and knitting plants have been forced to shut down.

Particularly dractic price-cutting in this market has taken place in building gravel and stones, where the price for the goods delivered has been no higher than the normal freight charge from Canton here.

These Communist maneuvers may be characterized as *politically* motivated since the more ruthless grasping for control of the market, particularly in textiles, has stemmed from the break with the Nisi's Japanese Government; and as at least "quasi-dumping" since the price and credit sacrifices have been made concurrently with their domestic shortages. Clearly, Communist China has been furthering political aims via ruthless trade aggression. Political strategy is likewise manifested in their favoring of merchants who support them politically (the USSR's old Amtorg technique), and conversely in cutting prices to put out of business those who are unsympathetic to them.

Other manifestations of political trading are seen in the desire to impress "neutral" foreigners with new products; in the evident efforts to beating the Formosa political opposition in sugar, hogs, camphor products; with the blacklisting of merchants who buy from the Formosans.

Price Maneuvering

To capture a market initially, and perhaps to unbalance it for political purposes, the Chinese will engage in the most ruthless price-cutting, without relation to the cost factor; and with sporadic renewals of this in the midst of price maintenance when a market is safely theirs. This has been instanced in the case of several food items in Hong Kong.

In cement noticeably, Red China has been conducting the most ruthless four-cornered warfare with Japan, Hong Kong, and Formosa. This she began in 1956, prior to which time she had manufactured no cement. In fact the first 1956 exports to these countries took place midst imports of the products, and at higher prices. To date this year, the quantity of Communist China's cement coming into this market has risen by 28% over last year. As the direct result of Communist China's persistent dumping in both Hong Kong and Southeast Asia, particularly in Malaya and Singapore, the operations, production and earnings of the Green Island Cement Company, Hong Kong's producer, have become painfully reduced.

Since the beginning of this year the local Green Island Company has been forced to reduce its price three times to come closer to the Chinese product (now $17 per metric ton). And China official sources reveal that she intends to double their output. A Canton plant plans to double its export volume of 300,000 tons, and another new plant in Ying Tak in Kwantung Province, when completed, is scheduled to produce 700,000 tons annually.

Food Invasion

In the food area, too, is the Red aggression painfully severe. Canned goods from Communist China have flooded the markets here, as well as Southeast Asia, notably Singapore. A leading local cannery merchant complains that similar mainland canned goods have captured the local market at prices one-third of his. Red China's biggest canned food plant, the Kwantung Cannery of Canton went into operation recently, which will enable that district alone to turn out 150 million tons of canned fruits every year. Large competing shipments of livestock also come from Canton every day. NG Fung Hong, Communist China's commercial agent in Hong Kong for foodstuffs, has constantly on hand a stock of 2,000 to 3,000 head of cattle and 40,000 to 50,000 head of hogs stored in the Government's slaughter house in Kennefy Town, for the supplying of Hong Kong's three million population.

The Red's pricing strategy has been clever and effective, with their success great in manipulating the market so that no importer dares to bring in large imports of livestock from other sources, with any chance of successfully competing with the Communists and making a profit.

In another food area the Chinese Communists have shown in a different manner their strange ways of living in sweet *"CO-EXISTENCE."* Over recent months they have been sabotaging the local fishing industry, shooting up boats of the small helpless fishermen—the represented purpose being to get them to join the Communist cooperatives, which they are financially incapable of doing. Meanwhile, the Commies' selling of Cantonese fish at 50% of the Hong Kong fish prices has crippled the local Aberdeen wholesale market (whose entire colorful community is wholly dependent on this industry).

The same story of trade aggression has been wreaking havoc here in wheat flour, paper, and rubber tires; each of these industries feeling the dire effect, more and more, of Communist China's dumping and other superaggressive trade efforts.

Red China is able to sell at cut-throat prices because, along with her abundance of natural resources she has state-subsidized industries with state-controlled prices and free of criteria. This gives her complete freedom of action in her trade maneuverings. Likewise is her export trading power increased by its channeling through state-controlled trading entities. This is helpful to her in ways in addition to pricing. For example, it enables their dumping of goods, even in the face of desire of the distributor or the customer, by their foisting on to their distributors *quotas* of successive shipments of the same or kindred items, often choking them with surpluses—all adding to the flooding of the market.

This state control likewise facilitates the prompt and adept price cutting and dumping of particular items in anticipation of competitors' shipments of the product. This may be accompanied by sporadic turning on and off of the screws. Or again, the price-cutting may be done to gain general control in a community. This motive would apply here in Hong Kong, which does not afford Red China political representation. Dumping may also be used to undermine a political competitor, as against the Chinese Nationalist Formosans. The latter's Takoo Sugar Refining Company has been forced to mark down the prices of its products again and again this year on account of the keen competition from Canton.

The Cold War Technique Here

While Communist China's trade aggression is ruthless generally, towards Hong Kong it is largely a sideswiping operation, because she wants to keep her in both political and economic business. Hong Kong provides these, among other practical advantages—

(1) Generally she is like a tenant who, for the landlord, does his own decorating at his own expense.

(2) She is as a convenient "Switzerland," through whose free port foreign exchange may be acquired. In the acquisition of exchange from private overseas trade sources, Hong Kong provides the medium for getting large amounts of remittances directly to them through their Bank of China, sometimes paid for at arbitrary rates quite unfair to the sender.

(3) Through their retail shops doing business here, the gaining of exchange as long as they keep going here.

(4) In addition to providing a "window" on the capitalist world in the political avenues, it affords know-how in the trade spheres.

So some measure of Communist co-existence with Hong Kong will no doubt continue indefinitely. Nevertheless, the Communists' aggression of the economic kind against Hong Kong and Southeast Asia will continue, as a threat just as serious, if not as obvious, as that manifested in the recurrent political crises in Quemoy!

S. K. Phillips, Sr.

Samuel K. Phillips, Sr., passed away Oct. 21 at the age of 75. Mr. Phillips, a Governor of the Philadelphia-Baltimore Stock Exchange, was senior partner of Samuel K. Phillips & Co., Philadelphia.

The State of Trade and Industry

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

The delay in changeover to 1959 model cars occasioned by strikes in the automotive industry has upset the time-table of the manufacturers in getting the new models into dealers' hands in sufficient numbers. At the same time it has made the car makers reluctant to place orders in adequate quantities for steel and other materials pending the settlement of these labor disputes.

The present shortage of cars in dealers' hands will necessitate an all-out effort by the manufacturers to step up production to supply them with adequate stocks and in turn will call for the placing of orders for steel and other materials in greater quantities from now on. This building of inventories by the auto industry will provide further stimulus to the recovery by boosting production and jobs not only in the steel industry, but in other lines as well.

In some quarters, it is felt with the introduction of the new cars, that auto manufacturers and dealers have something to gain by the shortage, since it will tend to lessen price resistance until that time when new car stocks improve.

National income recorded a substantial increase in the third quarter, with the prospect that corporate profits will reflect significant improvement, the United States Department of Commerce reported.

While data for a calculation of third quarter national income and corporate profits is not yet available, the agency commented "it is clear that the larger part of the 1957-58 decline in national income has now been recovered."

The department declared that second quarter national income reached an annual rate of $352,400,000,000, up about $2,000,000,000 from the $350,600,000,000 annual rate for the first quarter, the low of the recession. However, the second quarter rate was still $16,300,000,000 below the high annual rate of $368,700,000,000 in the third quarter of 1957.

Corporate profits in the second quarter of this year rose to an annual rate of $32,000,000,000 from $31,700,000,000 in the first quarter, the report continued. This was more than $12,000,000,000 below the annual rate high of $44,200,000,000 in the third quarter of 1957.

But the expansion since mid-year for the rest of the economy as a whole "has undoubtedly brought about a significant improvement" in corporate profits, the department noted.

Despite the after-tax net income drop to an annual rate of $15,700,000,000 in the second quarter, compared with the $22,100,000,000 annual rate in the third quarter of 1957, the flow of dividends has held even with last year, the agency pointed out.

Personal income continued to climb in September, attaining a record seasonally-adjusted annual rate of $357,500,000,000, according to the United States Department of Commerce.

The September rate, which set a new high for the third straight month, was about $1,400,000,000 higher than the revised August figure, with most of the increase due to a further advance in wage and salary payments. The department's new report put the August rate at $356,100,000,000, or $500,000,000 higher than the earlier figure.

In the steel industry the mills are writing off 1958 as the poorest production year since 1949, "The Iron Age," national metalworking weekly stated on Wednesday of the current week.

At the same time, it added, steelmakers are looking ahead to a better year in 1959 despite the possibility of a strike over new contract demands. Carefully worked out estimates are that output in 1959 will hit 110,000,000 tons. This would be the fifth best year in history.

Production this year is expected to be 84,000,000 ingot tons, or about 60% of capacity. In 1949, when capacity was much lower, the mills operated at 81% of capacity and turned out 78,000,000 tons.

To help boost demand next year, the mills are counting on continued improvement in the over-all economy; a better automotive year than 1958; rebuilding of steel inventories in customer plants and a pickup in the market for plates, linepipe, oil country casing and tubing and structurals, all of which have been lagging.

Meanwhile, continues this trade weekly, the market has been perking along at a fair pace on the strength of demand for sheets and strip and galvanized sheet, a pickup in orders for hot and cold-rolled bars, a better tone in wire orders and a smattering of support in heavier steel products.

Sheet and strip demand has been strengthening despite holdups in deliveries to some struck auto plants. The market is particularly tight in the Chicago area, where some mills have fallen behind on their delivery promises.

The current slowdown in deliveries to automotive is strengthening belief that December steel output will be better than had been expected. This is based on an expected pickup in deliveries to auto companies once their labor problems are settled, declares this trade magazine.

Earlier forecasts for December were that demand would level off and perhaps decline somewhat. Some mills still believe this will be the case. The key to the situation probably is automotive and early reception of the new models has been encouraging.

One buyer for an automotive firm recently received his third November production schedule boost in 45 days. His steel sheet suppliers already are one week behind originally scheduled delivery. He believes that another production increase will put him in a squeeze for November steel needs, concludes "The Iron Age."

United States car makers will fall far short of their October

Continued on page 36

Free World Progress and American Responsibilities

By PHILIP CORTNEY*
President and Economist, Coty, Inc.
and
Chairman, U. S. Council, International Chamber of Commerce

Our survival and, whether we like it or not, that of the free world depends upon reversing our disgraceful unwillingness to reinstate the American dollar on a sound basis, and to pursue other essential conditions necessary for the preservation and progress of a free market economy. In supplying the details behind this strong indictment, Mr. Cortney notes we must: cease becoming a high cost and high living country which threatens our international competitiveness, control the amplitudes of our business cycle which jeopardizes the free world, end business and labor monopoly, and most importantly reinstate sanity in the management of our monetary affairs. He warns there is no protection against inflation for everybody, points out government debt monetization is the root of inflation, and finds loss of gold and demoralization of government bond market a perilous symptom of an unsound situation.

Whether we like it or not destiny has put on the shoulders of our people the responsibility for leadership of the free world. It is no exaggeration to state that the survival of the free society depends a great deal on the degree of responsibility and earnestness with which we Americans face the difficult and complex problems confronting the free nations.

Philip Cortney

Recent material achievements by the communists have come as a shock to ourselves and our allies. We shouldn't try to minimize these achievements simply because they were accomplished in a society anathema to us. A large portion of the world will be influenced by material accomplishments and today, more so that at any time in the past, free enterprise is on trial as an efficient form of organization.

As you are aware, Mr. Khruschev stated only six months ago that he was declaring war upon us in the peaceful field of trade. He added that Russia would prove the superiority of their system in the field of peaceful production. If there is one area of agreement between communistic opinion and ours it is that social and economic systems are inseparable. If we cannot establish the superiority of our economic system, many nations now outside the communist camp may reject private enterprise — soon to find that at the same time they have rejected their freedom and independence.

When I observe the complacency of the great majority of our people in the face of the dangers which are confronting us, I am wondering whether they do not understand the gravity of the perils, or whether they are too lazy and indifferent to bother with our fateful destiny.

The lot of our free society is literlly in the hands of our people. We are too prone to blame the government and the politicians for all of our troubles. It seems obvious to me that the shape of our society is determined not only by government, but by business leaders, educators, churchmen, journalists, etc. It will require a great deal of foresight, vision, wisdom and enlightened aloofness from greediness to defend our free society against both its external and internal enemies.

Among the domestic foes of our free society I will mention our complacency, our acquired easy living habits, our greediness for money, our exaggerated pleasure seeking, and last, but not least, our labor unions due to bad and unwise laws enacted by short-sighted politicians.

But to repeat again, we are too hard on the politicians, forgetting that they have to be elected by universal suffrage, while most of the other leaders of our society either don't recognize or don't live up to their responsibilities.

Greatly under the influence of the U. S. Council, of which I have the honor to be Chairman, the International Chamber of Commerce has chosen as its theme for its next Congress "Responsibilities of the Businessman in Domestic and International Affairs."

Business leaders inevitably have a great influence on the nature of our society. It is their duty and role, like it or not, to be the active guardians of the free market economy, which is challenged today as never before. It is true enough that the destiny of our free society depends primarily on the political climate in which free enterprise has to operate. However, it is my considered opinion that if the viewpoint of the responsible business community is lacking from public councils balanced decisions on public policy will be difficult if not impossible. It is up to the business leaders to ascertain that their influence and power are used to correct defects and shortcomings of our economic system due either to politics or inherent in the free enterprise system.

Business Must Meet the Challenge

The businessman's unique role should be as the most active guardian of the free market economy, which is being challenged today as never before. To prove its superiority the free market economy must demonstrate that it can grow and innovate at a satisfactory pace; that it can constantly improve the standard of living of the people, and that the rewards to the people and the distribution of national income are as equitable as possible in a free and good society.

The attainment of these aims depends primarily on the following conditions:

First and foremost, the survival of a free society depends on having a sound currency. It is no exaggeration to state that an unsound currency will bring in its wake sooner or later a totalitarian form of society.

The second condition for the successful operation of a free society is the free play of market forces.

The third condition is that we should prevent abnormal or exaggerated swings of the business cycle.

And the fourth condition, but not the least one, is that we should liberalize trade between nations as much as we possibly can.

Let me now examine each one of the conditions for the preservation and progress of a free market economy.

A Dangerously Serious Situation

The constant loss of gold and the demoralization of our government bond market are disquieting symptoms of a basically unsound monetary situation due to abuses of money and credit. Worse yet, we have deliberately put the world on a dollar standard, while the dollar itself is on a government bond standard, and the credit of our government depends in the final analysis on politics and labor unions. We have indeed created a dangerous situation, and our responsibility is the greater as the international monetary system has come to depend a great deal on the soundness of the dollar.

We should not hesitate to shout as loudly as we possibly can that our dollar has become an unsound currency. It is up to us to make sure that sanity is reinstated in the management of our monetary affairs. We have destroyed with our own hands the international gold standard, and we have made no serious effort to restore new monetary discipline. It is noteworthy that recent decisions for the further monetization of government debt, the root cause of inflation, have been made in this country almost without opposition.

The resulting domestic evils of inflation are quite obvious, but the damage of inflationary policies throughout the world to unity and progress are even worse. Exchange controls, import quotas, impediments to international trade, are directly attributable to irresponsible inflationary policies. The unity of Europe, be it said in passing, will remain a chimera unless conditions for free convertibility of currencies are restored.

The deterioration of our currency will not stop until such time

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*An address by Mr. Cortney before the Boston Conference on Distribution, Boston, Mass., Oct. 20, 1958.

Current Bond Market Trends and Bond Financing Procedures

By A. B. HAGER, JR.*
Vice-President, Halsey, Stuart & Co. Inc., New York City

The outlook for bond prices, developments in the field of corporate finance in past 25 years, and when and what rate to borrow money, are Mr. Hager's comprisable topics. The New York investment banker doubts the current situation presages any sustained bond price upturn, and he incisively weighs the *pros* and *cons* of competitive bidding *versus* direct placement and of callable and refundable *versus* non-callable and non-refundable issues. In answering the question as to whether to defer financing, or not, the author advises managements to borrow when and as money is needed and to pay the rate which bond market indicates is proper at time of borrowing.

Before discussing other phases of the bond business I should like to review recent developments in the market from the viewpoint of one who is engaged in the business of underwriting and marketing new bond issues.

The past 12 months have witnessed two reversals of trends in the bond market which for their very abruptness and severity were the most spectacular in my memory. The first was a radical upsurge in prices. This was triggered by the announcement on the afternoon of Nov. 14, 1957 that the discount rate, after standing only three months at 3½% was being reduced to 3%.

The effect of this announcement was electrifying. Slow moving new issues suddenly were sold rapidly. For instance, on the morning of Nov. 14, there was an estimated unsold balance of at least $150,000,000 principal amount out of a total issue of $250,000,000 American Telephone and Telegraph Company Debentures which had been first publicly offered two weeks previously. By the close of business that day the entire issue was substantially all sold. Prices of other recent issues which had declined after marketing bounced back and went to premiums. Dealer inventories of bonds were reduced substantially. Buyers who for some time had shown little interest in bonds now suddenly found funds to invest in large amounts. During the weeks immediately following, each succeeding new issue brought a price appreciably higher than its predecessor of comparable quality. For example, the cost of money for Aa rated utility bonds dropped **approximately** 1¼% per annum in 2½ months time.

There followed three further cuts in the discount rate. The last of these was a cut to 1¾% which in the New York district occurred on April 19, 1958. These successive cuts had much less of an effect on the bond market. However, bond prices were thereafter maintained at a fairly steady level until the end of May. At this point the market developed a tone that was decidedly suspicious. However, the severity of what was to come caught most of the so-called experts "flat footed." In early June the U. S. Treasury undertook some financing which included a new series of long-term 3¼% bonds due 1985 and an issue of 2⅝% bonds due 1965. Although for a short period these bonds sold at a premium, it was not long after the subscription books had been closed that the market prices on these new issues started to slide progressively downward. This, of course, was accompanied by a decline in prices for all types of bonds.

The drop in bond prices during the summer was as spectacularly drastic as the increase in prices which occurred in the latter part of 1957. There was concern as to what action the monetary authorities might take and, in addition, quotations were depressed during this period by skepticism as to the ability of the market to absorb some very large issues which were scheduled for offering in the period immediately ahead. Among these were issues of $150,000,000 Debentures of Standard Oil of California — $350,000,000 Debentures of Sears, Roebuck & Co. (the largest corporate debt issue ever to be underwritten for public offering) and $200,000,000 Standard Oil of Indiana Debentures. It actually developed that these offerings were all marketed successfully despite the adverse conditions then prevailing, thus proving once again that an issue of quality can always be sold if the price is right. The lifting of the weight of these large offerings had a salutary effect on the market immediately thereafter. This was evidenced by the fact that the market price of each went to a premium soon after distribution.

Sustained Bond Price Upturn Held Unlikely

In view of what happened during the summer months the bond market has been in a somewhat "jittery" state these past several weeks. Quotations have been unusually sensitive to any kind of rumor and feature news stories have set off sharp swings in prices. However, at the moment the market is giving a pretty good account of itself. This may be due, in part, to the fact that, other than for the Treasury's financing problems, the schedule of new offerings for the balance of the year is relatively light and there are no large amounts of undigested new offerings. I seriously doubt, however, whether the current situation presages any sustained upturn in bond prices.

Competitive Bidding versus Direct Placement

There have been two developments in financing practices during the past 25 years upon which I should like to comment. One is the widespread use of competitive bidding for debt securities of public utility and railroad companies and the other is the so-called direct or private placement method of selling securities.

Prior to these developments it was customary to market all types of new corporate debt issues through the so-called negotiated sale method. Under this method the coupon rate, price and other terms of the new issue are arrived at through discussions and ultimate agreement between the issuer and the investment banker, or bankers, selected to underwrite and sell the new securities.

This method is now used only occasionally for utility debt issues and even less frequently for railroad issues, although it is the customary method for marketing publicly offered new issues of industrial and other corporate types and obligations of foreign governments.

For generations competitive bidding has been the accepted method by which states, counties, cities and other municipalities sell their bonds. The application of competitive bidding to corporate securities has been a somewhat more recent development, although the Commonwealth of Massachusetts pioneered in this field as early as 1870 when its statutes required that capital stock of gas and electric companies not taken by share-holders, pursuant to their preemptive rights, be disposed of through competitive bidding. In this same state a statute was adopted in 1919 requiring that bonds of gas and electric companies be disposed of through competitive bidding and in 1950 the law was further broadened to apply also, with certain exceptions, to long term notes, debentures or other evidences of indebtedness.

Federal agencies have adopted competitive bidding rules or policies as follows:

The Interstate Commerce Commission in 1926, as to Equipment Trust Certificates, and in 1944, as to other railroad securities; the Federal Power Commission in 1939 and the Securities and Exchange Commission in 1941 under its Rule U-50. This method is still the accepted practice among these agencies. In addition, there are several states which regulate the issuance of public utility securities which have, by rule or policy, adopted the practice generally of requiring competitive bidding.

Besides those required by law or by commission rule or policy to sell their securities at competitive bidding there are numerous public utility companies which have elected this method of sale although under no requirement to do so. These include some companies formerly subject to SEC Rule U-50 but now exempt from regulation by virtue of the fact that they have ceased to be a registered holding company or subsidiary thereof. It is a significant fact that since 1941 American Telephone & Telegraph Company and its so-called Bell System companies have sold at competitive bidding over five and one-half billion of dollars principal amount of bond and debenture issues. Included in this total are two billion three hundred million debentures of the parent A. T. & T. which the management elected to sell at competitive bidding though under no legal compulsion to do so.

Approximately 90% of the public utility debt issues (including those of natural gas pipe line companies) which were publicly offered during the period 1941 through 1957 were sold by competitive bidding. During the same interval over 95% of the publicly offered railroad debt securities (exclusive of equipment trust certificates) were also sold by this method.

I cite these facts merely to give some indication of the extent of the use of competitive bidding in selling debt securities. In the corporate field competitive bidding has been applied primarily to the securities of public utility and railroad companies and in certain instances, natural gas pipe line companies. However, it is not inconceivable that by virtue of the wide public ownership of some of the large industrial corporations, the time may come when they too may elect to sell their securities in open competition.

Unregistered Issues

Since the passage of the Securities Act in 1933, there has developed a practice on the part of many corporate issuers of selling their securities directly to investors without registration under that Act. These sales are popularly known as "private placements" and were relatively unknown before that time.

Unregistered issues of this nature are made possible by what may be considered to be a loophole in the Securities Act. This is Section 4 (1), under which an

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*An address by Mr. Hager before the 27th Annual National Conference of the Controllers Institute of America, Atlantic City, N. J., Oct. 22, 1958.

The Broadening Scope Of Municipal Financing

By JOHN S. LINEN*
Vice President, The Chase Manhattan Bank
New York City

New York banker presents brief outline of persistently growing municipal capital financing in past 15 years and reveals the total for the first seven months of 1958 was higher than for previous peak years of 1954 and 1957. Mr. Linen tabulates the major purposes for municipal borrowing, reviews borrowing methods pursued other than the sales of general obligations and calls attention to a study showing shocking profits by contractors on lease purchase financing. He cautions on the need for examining carefully the pressure for admittedly needed public schooling and suggests much can be done to educate the laymen in economics, and in improving his ability to analyze and formulate sound judgments.

The past decade has seen revolutionary changes in municipal financing. The growth of our country both in population and in its business and industrial aspects, has made necessary methods of financing that are not subject to the narrow restrictions and limitations imposed by State constitutions and legislative enactments. These latter have neither been amended in many cases, to conform to present day demands, nor has recognition been given by our State Legislative bodies that some of these provisions were outmoded 40 and 50 years ago.

John S. Linen

New Jersey held a Constitutional Convention in 1947 to make some greatly needed changes in its constitution which had been adopted in 1844, over 100 years earlier. Some of its provisions had seriously handicapped for years the effective exercise of the State's authority in performing its necessary duties. Many states have not taken similar corrective steps.

The reason why broader authority has been needed is well known to many of us. The demands that rest on the doorsteps of our states and their municipal units of government today for facilities and services would have staggered beyond belief the public officials responsible for supplying these requirements just a generation ago.

Purposes Requiring Capital Borrowing

The capital improvements requiring financing in those days were restricted principally to modest school needs, street improvements and water supply, with minor additional needs. Today, we find these items still leading with educational costs far in front of any other purpose. But, there is a multitude of other functions requiring capital financing which, in the aggregate, swell the total substantially. It will take just a moment to note the classification of purposes of issue as prepared by the Investment Bankers Association for the year 1957. In the order of volume of such financing, they are listed below.

Under the unclassified group, which represents about 13% of the total, are such varied purposes as dormitory revenue, transit, forest preserve and even abattoir and mosquito abatement districts.

While the above titles refer to capital improvements which have been financed by bond issues, they suggest, at the same time, the many public services which are today expected or demanded by our present day living standards. These services involve not alone capital costs, but sizable annual appropriations for operating costs as well. I refer to such items as schools, hospitals, welfare, sewage treatment and disposal, housing, transit and other subsidies.

	Millions
1. Education	$2,428
2. Roads and Bridges	1,035
3. Water and Sewer	1,010
4. Other Utilities	493
5. Veterans' Aid	333
6. Ports and Airports	184
7. Health and Welfare	135
8. Public Housing	113
9. Recreation	83
10. Flood Control	49
11. Industrial	7
12. Unclassified	891
	$6,761
Refunding	50
	$6,811

Volume of Borrowing—15-Year Review

A quick look at the comparative volume totals is even more astounding. If we go back for only 15 years, this is still true. The growth has been rather consistently upward since that time, with the total financing during each of the past five years, 10 times greater than was the case in 1943. An indication of the growth is listed below:

	Millions
1943	$507
1945	819
1947	2,354
1950	3,694
1953	5,558
1954	*6,969
1955	5,977
1956	5,446
1957	6,958

*All-time high.

It is confidently predicted by various responsible sources that the trend will continue toward higher totals in the years to come. In support of this, the total for the first seven months of 1958 was higher than for the previous peak years of 1954 and 1957.

Various Methods of Borrowing

Because of constitutional and legislative restrictions referred to, various methods of financing were resorted to other than the sale of general obligations. These included the pledge of special taxes, the sale of Special Revenue and Authority obligations, Municipal Lease and Contract financing, etc.

Although these procedures have been a convenient means of escaping the restrictions they have, in many cases, been a costly method of doing such financing rather than an economical one. Mr. Beebe, of the law firm of O'Melveny & Myers in Los Angeles, disclosed some shocking profits by contractors on lease purchase financing in his speech at the Annual Meeting of the National Municipal League at Colorado Springs last month.

The amount of financing that has been done in other form than

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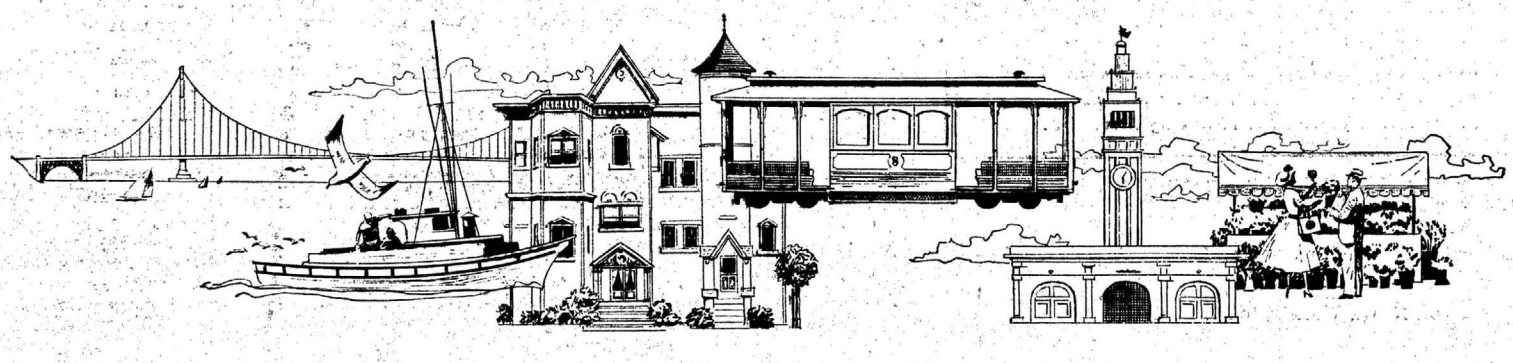
*An address by Mr. Linen before the North Carolina Municipal Council, Asheville, N. C., Oct. 10, 1958.

New Issues



$24,425,000 CITY AND COUNTY OF SAN FRANCISCO

CALIFORNIA

ISSUES, AMOUNTS, RATES, MATURITIES AND YIELDS OR PRICES

(Accrued interest to be added)

$1,400,000 Street Improvement Bonds—1947, Series K
Due: $95,000 Each Year Dec. 1, 1959-68
90,000 Each Year Dec. 1, 1969-73

$2,600,000 Sewer Bonds—1954, Series C
Due: $170,000 Each Year Dec. 1, 1959-63
175,000 Each Year Dec. 1, 1964-73

$675,000 San Francisco Hospital Bonds—1954, Series C
Due: $45,000 Each Year Dec. 1, 1959-73

$600,000 Playgrounds and Recreation Centers Bonds—1955, Series C
Due: $40,000 Each Year Dec. 1, 1959-73

$3,725,000 School Bonds—1956, Series B
Due: $250,000 Each Year Dec. 1, 1959-68
245,000 Each Year Dec. 1, 1969-73

$15,425,000 Hall of Justice Bonds—1956, Series C
Due: $1,025,000 Each Year Dec. 1, 1959-63
1,030,000 Each Year Dec. 1, 1964-73

Amount	Coupon Rate	Due	Yield or Price
$1,625,000	6%	1959	2.00%
1,625,000	6	1960	2.20%
1,625,000	6	1961	2.40%
1,625,000	2½	1962	100
1,625,000	2½	1963	2.60%
1,635,000	2¾	1964	2.70%
1,635,000	2¾	1965	2.80%
1,635,000	2¾	1966	2.90%

Amount	Coupon Rate	Due	Yield or Price
$1,635,000	3%	1967	2.95%
1,635,000	3	1968	100
1,625,000	3	1969	100
1,625,000	3	1970	3.05%
1,625,000	3	1971	3.10%
1,625,000	3	1972	3.15%
1,625,000	3	1973	3.15%

Legal Opinion

The above bonds are offered when, as and if issued and received by the underwriters listed below as well as other underwriters not shown whose names will be furnished on request, and subject to approval of legality by Messrs. Orrick, Dahlquist, Herrington & Sutcliffe, Attorneys, San Francisco, California.

6%, 2½%, 2¾% and 3% Various Purpose Bonds

Dated December 1, 1958 *Due December 1, 1959-73, incl.*

Payment and Registration

Principal and semi-annual interest (June 1 and December 1) payable, at the option of the holder, at the office of the Treasurer of the City and County of San Francisco in San Francisco, California, or at the Fiscal Agency of the City and County in New York, N. Y. Coupon bonds in denomination of $1,000 registerable as to both principal and interest.

Tax Exemption

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

Legality for Investment

We believe these bonds are legal investments in New York for savings banks and trust funds and in California for savings banks, subject to the legal limitations upon the amount of the bank's investment, and are likewise legal investments in California for trust funds and for other funds which may be invested in bonds which are legal investments for savings banks, and are eligible as security for deposits of public moneys in California.

Purpose and Security

These bonds, issued under provisions of the Charter of the City and County of San Francisco and the laws of the State of California for various purposes, in the opinion of counsel constitute valid and legally binding obligations of the City and County of San Francisco and said City and County has power and is obligated to levy ad valorem taxes for the payment of said bonds and the interest thereon upon all property within said City and County of San Francisco, subject to taxation by said City and County (except certain intangible personal property, which is taxable at limited rates), without limitation of rate or amount.

Tax Gain, Amortization of Premium

These bonds will be initially issued by the above named political subdivision at not less than their par value, and a taxable gain may accrue on bonds purchased at a discount. Investors are required under existing regulations to amortize any premium paid thereon.

Bank of America N. T. & S. A. — Harris Trust and Savings Bank — The Chase Manhattan Bank — The First National City Bank of New York — Bankers Trust Company — Guaranty Trust Company of New York — Blyth & Co., Inc. — The First Boston Corporation

Lehman Brothers — Harriman Ripley & Co. Incorporated — Smith, Barney & Co. — The Northern Trust Company — American Trust Company San Francisco — Security-First National Bank — Phelps, Fenn & Co. — Merrill Lynch, Pierce, Fenner & Smith

R. H. Moulton & Company — Weeden & Co. — C. J. Devine & Co. — The First National Bank of Oregon — Seattle-First National Bank — Dean Witter & Co. — White, Weld & Co. — Ladenburg, Thalmann & Co.

J. Barth & Co. — Clark, Dodge & Co. — F. S. Moseley & Co. — Paine, Webber, Jackson & Curtis — R. W. Pressprich & Co. — Reynolds & Co. — Shearson, Hammill & Co. — Shields & Company

William R. Staats & Co. — The Boatmen's National Bank of St. Louis — Estabrook & Co. — New York Hanseatic Corporation — Roosevelt & Cross Incorporated — F. S. Smithers & Co. — Stone & Youngberg

Spencer Trask & Co. — Trust Company of Georgia — Andrews & Wells, Inc. — William Blair & Company — City National Bank & Trust Company of Chicago — Eldredge & Co. Incorporated — First Southwest Company

Fitzpatrick, Sullivan & Co. — The Illinois Company Incorporated — Kean, Taylor & Co. — A. M. Kidder & Co., Inc. — Model, Roland & Stone — Wm. E. Pollock & Co., Inc. — Provident Savings Bank & Trust Company

Schoellkopf, Hutton & Pomeroy, Inc. — The First National Bank and Trust Company Oklahoma City, Okla. — Frantz Hutchinson & Co. — J. A. Hogle & Co. — Kalman & Company, Inc. — National Bank of Commerce of Seattle

Northwestern National Bank of Minneapolis — Stern, Lauer & Co. — Van Alstyne, Noel & Co. — J. R. Williston & Beane — Anderson & Strudwick — Dittmar & Company, Inc. — A. G. Edwards & Sons

The First Cleveland Corporation — Ginther & Company — Granbery, Marache & Co. — G. C. Haas & Co. — Industrial National Bank of Providence — Lawson, Levy, Williams & Stern — Irving Lundborg & Co.

Reinholdt & Gardner — Rockland-Atlas National Bank of Boston — Rodman & Renshaw — Seasongood & Mayer — Shuman, Agnew & Co. — Townsend, Dabney and Tyson — J. C. Wheat & Co.

Brush, Slocumb & Co. Inc. — The Continental Bank and Trust Company Salt Lake City, Utah — Federation Bank and Trust Co. — Green, Ellis & Anderson — Hallowell, Sulzberger, Jenks, Kirkland & Co.

Kenower, MacArthur & Co. — Schaffer, Necker & Co. — Stern Brothers & Co. — Walter Stokes & Company — Thornton, Mohr and Farish — R. D. White & Company — H. E. Work & Co.

October 28, 1958

A circular relating to these bonds may be obtained from any of the above underwriters.

Dealer-Broker Investment Recommendations & Literature

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

American Capital and Canadian Management—Study—Empire Trust Company, R. C. Helm, Vice-President, 20 Broad Street, New York 5, N. Y.

Atomic Letter No. 52—With reports on Geneva Atomic Conference, the nuclear navy, **Philips Lamps** and **Ceneo Instruments Corp.** — Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

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

Canadian Securities—An analysis—reprints of two lectures by James R. Clarke, of Dominion Securities Corporation—Lohman Publishing Company, Burlington, Vt.

Canadian Stocks — Price earnings ratios for major industry groups — McLeod, Young, Weir & Company, Ltd., 50 King Street, West, Toronto, Canada.

Chemical & Pharmaceutical Industry—Review—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Comparative Yields of U. S. Treasury Issues — Tabulation — Aubrey G. Lanston & Co., Inc., 20 Broad Street, New York 5, N. Y.

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

Electric Utility Stocks—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Futures Trading in Non Ferrous Metals — Booklet on metals markets — Commodity Exchange, Inc., Secretary, 81 Broad Street, New York 4, N. Y.—50c per copy.

Investment Outlook and recommended securities — Bulletin — Edwards & Hanly, 100 North Franklin Street, Hempstead, N. Y.

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

Leading Banks and Trust Companies of the U. S. — Quarterly comparison — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Bulletin on 3rd quarter earnings comparison — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Comparative figures at Sept. 30, 1958—The First Boston Corporation, 15 Broad Street, New York 5, N. Y. Also available is an analysis of **General Reinsurance Corporation.**

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

Paper Production—Review—David L. Babson and Company, Inc., 89 Broad Street, Boston 10, Mass.

Tax Exempt Market—Review—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

Values in Industries—Review of economic and market conditions through the third quarter of 1958—Distributors Group, Incorporated, 63 Wall Street, New York 5, N. Y.

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Acoustica Associates, Inc. — Data — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available are data on **Microwave Associates, Inc.** and **Oil Basin Pipeline Co.**

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

American Hoist & Derrick Co.—Memorandum—Piper, Jaffray & Hopwood, 115 South Seventh Street, Minneapolis 2, Minn. Also available are memoranda on **Control Data Corp.** and **Red Owl Stores.**

American Investors Corporation — Bulletin — De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

American Machine & Foundry Co.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available is a report on **Stone Container Corporation.**

American Machine and Foundry—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a bulletin on **Morgan Engineering Company.**

American Natural Gas Company—Analysis—Baker, Weeks & Co., 1 Wall Street, New York 5, N. Y.

Anaconda Company — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Summit Mining Corporation.**

Arkansas Louisiana Gas — Analysis — Oppenheimer & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Revlon, Inc.**

Avco Common—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. In the same circular there is also an analysis of **Wheeling Steel.**

Avco Manufacturing — Report — Bache & Co., 36 Wall Street, New York 5, N. Y.

California Eastern Aviation, Inc.—Analysis—Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.

Cascade Natural Gas Corporation—Report—Blanchett, Hinton & Jones, Inc., 1411 Fourth Avenue Building, Seattle 1, Wash.

Chicago, Milwaukee, St. Paul & Pacific — Analysis — H. M. Byllesby and Company, Inc., 135 South La Salle Street, Chicago 3, Ill.

Citizens Utility Company—Analysis—Mabon & Company, 115 Broadway, New York 6, N. Y.

Clevite Corporation—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Dictaphone Corporation — Data — Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y.

Donaldson Co.—Memorandum—Paine, Webber, Jackson & Curtis, Pillsbury Building, Minneapolis 2, Minn. Also available is a memorandum on **Investors Diversified Services.**

Foremost Dairies, Inc. — Analysis — Parrish & Co., 40 Wall Street, New York 5, N. Y.

Franklin National Bank of Long Island—Analysis—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

General America Corporation — Analysis — Pacific Northwest Company, Terminal Box 3686, Seattle 24, Wash.

Great Northern Railway-Northern Pacific Railway and their subsidiaries—Study—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. Also available is a memorandum on **Sterling Drug Inc.**

Grolier Society, Inc.—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

H. Heintz Co.—Memorandum—Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

Hussmann Refrigerator Co. — Review — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

James Lees & Sons—Analysis—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Longren Aircraft Co.—Memorandum—Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

Mack Trucks Inc.—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Magnavox Company—Analysis—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

McKesson & Robbins, Inc.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Meredith Publishing Company — Bulletin — Stone & Webster Securities Corporation, 90 Broad Street, New York 4, N. Y.

Nekoosa Edwards Paper Company—Analysis—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also in the same circular is an analysis of **Ceco Steel Products Corporation.**

Nippon Gas Chemical Industries—Analysis in current issue of "Monthly Stock Digest" — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same Digest is an analysis of the current Japanese economic situation.

Purolator Products Inc.—Memorandum—A. C. Allyn & Co., 44 Wall Street, New York 5, N. Y.

Purolator Products Inc. — Memorandum — Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Reeves Soundcraft—Analysis—John R. Boland & Co., Inc., 30 Broad Street, New York 4, N. Y.

Reiter Foster Oil Corporation — Analysis — Arthur B. Hogan, Inc., 6705 Sunset Boulevard, Hollywood 28, Calif.

Studebaker Packard vs Botany Mills—Comparison—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Sylvania Electric Products, Inc.—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

United American Life Insurance Company — Data — Copley & Company, Independence Building, Colorado Springs, Colo. In the same bulletin ar edata on **Pyramid Life Insurance Company, All States Life and International Fidelity Insurance Company.**

United States Steel—Study—Jas. H. Oliphant & Co., 61 Broadway, New York 6, N. Y.

COMING EVENTS

In Investment Field

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

Nov. 8, 1958 (Philadelphia, Pa.) Investment Traders Association of Philadelphia sixth annual dinner dance at the Philadelphia Cricket Club.

Nov. 10, 1958 (New York City) Security Traders Association of New York Annual Beefsteak Party at the Antlers Restaurant.

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

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

April 1-3, 1959 (San Antonio, Tex.) Texas Group of Investment Bankers Association of America annual meeting at the Hilton Hotel.

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

Two With Fallon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas N. Moon and Irving White have become affiliated with James L. Fallon Co., 7805 Sunset Boulevard.

With Marvin C. Yerke

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Lee A. Kuhn is now with Marvin C. Yerke and Associates, Inc., 40 West Broad Street.

Now With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Carl L. Pfeifer, Jr., has become associated with Walston & Co., Inc., 210 East Wisconsin Avenue.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

WINSTON SALEM, N. C. — M. Edward Bizzell, Jr., has joined the staff of Reynolds & Co., Reynolds Building.

Clinton Cessna Opens

MODESTO, Calif. — Clinton Cessna is engaging in a securities business from offices at 104 Chabot.

Financing the Replacement Fleet And the Investment Banker's Role

By ROBERT C. PORTER*
Partner, F. Eberstadt & Co.
New York City

The latest investment opportunities in the shipping industry and the need for investment banking financial planning are discussed by Mr. Porter. Now that the changed Federal policy permits government insurance of bonds purchased by private sources, the investment banker opines such bonds should readily compete with other government obligations. He anticipates over $1 billion needed by operators in the next 10 to 15 years for the replacement fleet; reviews the successful acceptance of Grace Line's first venture into Government Insured Merchant Marine bonds; and outlines the advantages of public and private placements and the role of the investment banker.

The present provisions of the Merchant Marine Act require the shipping industry to obtain its financing for the replacement fleet from normal investment sources rather than from the Government under Title V at the historic 3½% interest rate. This is a change in Government policy which emphasizes the necessity for a type of financial planning that has not been required in the past. The manifold increase in replacement costs and the inadequacy of present depreciation reserves to meet these increased costs has accentuated the problem for most companies although some fortunate companies feel that their present reserves are sufficient to cover the cost of the first group of ships to be built under their replacement programs.


Robert C. Porter

One of the first questions for the financial planner is how much money is his company going to have to raise from outside sources at some time during the replacement program. On the assumption that very few companies will have sufficient reserves to cover the cost of the entire program, the next question is one of timing, that is, should at least part of the cost of each replacement vessel be financed from outside sources as the program progresses or should the reserves and the assets be first exhausted and the outside financing problem left to a later date. When the time arrives for the outside financing, the question of how this financing should be done must be decided. At the present time the major avenue for such financing is United States Government Insured Merchant Marine Loans or Mortgages under Title XI of the Merchant Marine Act of 1936, as amended. This avenue in turn involves weighing the advantages of an underwritten public offering against the private placement of similar securities with institutional investors. Other possibilities are bank loans for shorter terms of 5 to 10 years or even equity financing if the company's reserves are not sufficient at a later date to supply the necessary risk capital behind the mortgage loan.

Total Forward Requirements

The Maritime Administration's estimate of the total cost of the replacement fleet for the subsidized lines during the next 15 years is $4 billion for approximately 259 vessels. It is estimated that after construction subsidy the total cost to be paid by the subsidized operators will be $2.2 billion. The total reserves of the subsidized U. S. Flag Operators which have been set up to cover these requirements to the extent shown in published reports are approximately $400 thousand. This leaves a balance of approximately $1.8 billion to be covered by cash derived from depreciation and earnings of approximately $87 million per annum after dividends over the past few years —from sales of vessels, and from outside financing. It seems clear taking into consideration the Government's construction subsidy policy that something in excess of $1 billion will have to be raised by the subsidized operators through outside financing over the next 10 to 15 years. If construction costs continue to rise because of inflation, the amount required may be larger. The figures recently published by Grace Line in its circular offering U. S. Government Insured Merchant Marine Bonds to the public show an estimate of $370 million (before the deduction of construction subsidy and National Defense features) for its replacement program against existing reserves of approximately $24 million and an average annual cash throw-off in the five years 1953 through 1957 of approximately $4 million after dividends. These figures indicates the necessity of raising outside capital as the program progresses which is the plan that Grace has put into operation.

Timing

Under Title XI as now written the application for Government Insurance of the Mortgage Loan on a new vessel must be made before delivery and the Government's insurance commitment requires that the insured loans be made within a period of approximately 12 months after delivery. Thus, the financial planner must decide at an early date whether his company should obtain a Government Insured Loan on the replacement vessel rather than pay for the ship wholly from his reserves and lose this avenue of financing for the future. While legislation was introduced at the last session of Congress to obviate the necessity for this early decision by permitting a company to obtain an insured mortgage on its vessels during the first five years after delivery to the extent of 75% or depreciated cost for the purpose of financing new construction, it has not as yet passed.

Although the legislation is desirable since it would give the financial planner more flexibility, there remains the basic question of when is the best time to finance. A famous banker when asked the question said—the best time to finance is when market conditions are favorable, earnings and prospects are good, and well before necessity forces the issue—in short when you can. The financing of the replacement program for the American Merchant Marine is similar in this respect to that of the airline industry for its replacement fleet of jet airliners. Those companies that covered their four year forward contracts for this new type of equipment by obtaining commitments from institutional lenders in 1955-1956 for contract payments due in 1959 and 1960 are in a much sounder financial position than those that are not yet sure where the money is coming from or what the state of the money market or their earnings or reserves will be in 1960.

Not Exhausting Reserve Funds

By financing at least part of each construction contract rather than first exhausting its reserve funds, the company not only avoids the possibility of adverse changes in the money market, but of adverse changes in the regulations of the Maritime Act itself due to changes in administrative or legislative policy. For example, as the charter market has deteriorated and there is less assurance that a single new tanker can be operated at a profit, the Maritime Administration has almost doubled the net worth requirements that single ship operators are required to put up in order to obtain Title XI Insurance. Recent legislation permits the investment of 50% of the reserve funds in common stocks. Such investments may provide some hedge against further inflation in ship construction costs. Also by conserving a substantial part of its reserve funds the company is always in a posititon to put its 25% share of the cost of the ship as required to obtain Title XI Insurance. Since this 25% cannot be borrowed, a company that has depleted its reserves might be required to seek common stock financing in unfavorable circumstances in order to complete its replacement program. One should also keep in mind that there is a ceiling of $1 billion on Title XI Insurance of which $235,000,000 has been committed to date.

Variations in the availability of money and the rate obtainable also have a bearing on timing. However, the forecasting of long-term money rates or money supply is not an exact science. The recent history of the bond market emphasizes this point. As recently as last month one major company finally sold a large issue of Aaa

Continued on page 34

*An address by Mr. Porter before the Propeller Club of the United States and Merchant Marine Conference, San Francisco, Calif., Oct. 15, 1958.

Are We Now in the Foothills Of the Fabulous 1960's?

By LEO CHERNE*
Executive Director, Research Institute of America, Inc.
New York City

On the occasion of the New York Commodity Exchange's Silver Anniversary, Mr. Cherne ascribes to commodity trade the creative phase of dynamic capitalism and optimistically depicts the current evidences of business recovery that "portend substantial improvement still to come in the months ahead." The business economist and consultant locates our economy as now being in the foothills of the Fabulous '60s and indicates some of the dimensions of growth that will "stagger the imagination and will stretch even America's fantastic capacity to produce." Anticipates a $500 billion G. N. P. in 1959, $600 billion by 1970, and a doubling of new capital investment in 1970.

It is not just a generation that divides the year in which the Commodity Exchange was founded and this year in which it celebrates its 25th anniversary. It is a world of change from the pervasive pessimism of 1933, the limited hope for the American economy, a world with stagnating trade, and the growth of a thousand varieties of barriers against the flow of goods across international boundaries. Now, 25 years later, the American capitalist economy is the world's strongest, the choices it offers are the world's greatest, and the vigor of its participation in the world economy is the cornerstone upon which so much of the freedom of the world depends.


Leo M. Cherne

It is appropriate indeed to look at these 25 years and those which lie before us on an occasion which honors the Silver Anniversary of the Commodity Exchange. It is in the trade of the world's most vital commodities that we see the most creative and essential expression of dynamic capitalism. In this exchange of the most vital commodities the world can genuinely hope for a broader and more peaceful future.

*From a talk by Mr. Cherne before the New York Commodity Exchange 25th Anniversary, New York City, Oct. 9, 1958

Traces Recovery Evidence

At this moment, some of our economic muscles still ache with the cramps of a receding recession but evidence of the spreading business recovery continues to multiply. Especially heartening is that most of the recent indications of improved business are of the kind that portend substantial improvement still to come in the months ahead.

Thus, for example, the attendance at the trade shows in recent days has been up sharply and exhibitors enthusiastically report the presence of customers ready to buy. The heavier ordering which has taken place means a faster pace in output during the winter months when our economy will need that push. New orders for materials handling equipment, for industrial supplies are also on the rise, an invariable harbinger of increased spending for heavier industrial goods within the coming months. The Research Institute's own survey of company spending plans for early 1959 further indicates strong upsurge in capital expenditure next year.

Impressive as are the evidences of business recovery, they pale before the certainty that confronts the American economy during the next 10 years. The American economy is now in the foothills of the Fabulous '60s. The sheer dimensions of the growth that will take place stagger the imagination and will stretch even American's fantastic capacity to produce.

Total population in the United States will go up 27,000,000 during the decade of the '60s. This increase of 15% in the nation's population will make of the United States a nation with more than 200,000,000 people by 1970. But there is a population explosion that is far more significant than this. In the same 10 years, the population of those between 20 and 29 years old will increase by almost 40%. Since this is the age group that does the marrying, the home building and buying and furnishing, and is responsible for most of the family growth, the economic consequences are profound indeed. There will be over 30,000,000 of these young adults by 1970, and it is they who will provide the bulk of the labor force for the age of automation.

$500 Billion GNP in 1959

Along with this growing market and labor force will go a great increase in the total output of goods and services. The Gross National Product will be well on the way to $500 billion by the end of next year and will be nearly $600 billion by 1970. Consumer disposable income which is now just over $300 billion will probably exceed $450 billion by 1970. An increase by a third in consumer disposable income compared with a population increase half that amount provides a certainty in the substantial rise in the American standard of living. By 1970, two out of three of America's 60,000,000 households will live better than the typical family does today.

Industrial growth will obviously be comparable. Expenditures for research and development alone will likely exceed $20 billion each year by 1970. The money industry invests each year on new plants and equipment will be double in 1970 what it is this year.

These are only the bare boundaries of the Fabulous '60s.

Anthony Lund to Be Amott, Baker V.-P.

Anthony H. Lund, manager of the syndicate department, on Nov. 6 will become a Vice-President of Amott, Baker & Co, Incorporated, 150 Broadway, New York City, members of the New York Stock Exchange.

Hemphill, Noyes & Co. To Admit H. H. Kuver

Hemphill, Noyes & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, on Nov. 6 will admit Herman H. Kuver to partnership. Mr. Kuver will become a member of the New York Stock Exchange.

Courts Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Robert G. Watt has been added to the staff of Courts & Co., 11 Marietta St., Northwest, members of the New York Stock Exchange.

Two With First Southern

(Special to THE FINANCIAL CHRONICLE)

J. R. Miller and Robert F. Oliver are now connected with First Southern Corporation.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Walter G. Miller, Jr. is now with Goodbody & Co., 59 Marietta Street, Northwest.

With Westheimer Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harry J. Diacou is now with Westheimer & Co., 134 South La Salle Street. He was formerly with Irving Weis & Company.

CARDINAL RONCALLI IS NEW POPE WILL REIGN AS JOHN XXIII

After a week of suspense and deep public interest, Angelo Guiseppe Roncalli, Patriarch of Venice, was chosen on Tuesday afternoon, Oct. 28, 1958 to succeed Pope Pius XII, who died on Oct. 9, 1958, as the head of the Roman Catholic Church. Pope John XXIII will be 77 years old on Nov. 25 next and is the 262nd Supreme Pontiff to rule the destinies of this world-wide Church.

Pope John XXIII was elected successor on the 11th ballot on the third day's voting by the 51 Cardinals in secret conclave in the Sistine Chapel of the walled enclosure of the Vatican. The new Pope's coronation was unofficially set for Sunday, Nov. 9.

His Eminence the Most Reverend Lord Cardinal Angelo Guiseppe Roncalli chose "John XXIII" as his Papal name and became the first Roman Catholic Pontiff to bear that name since the death of John XXII on Dec. 4, 1334.

The newly elected Pope appeared on the balcony of St. Peter's Basilica and before the multitudes of the Eternal City gave his first blessing "Urbi et Orbi"—to the City of Rome and to the world.

The Catholic world of one-half billion souls once more was with a spiritual leader, "Bishop of Rome, Vicar of Jesus Christ, successor of the Prince of the Apostles, Supreme Pontiff of the Universal Church, Patriarch of the West, Primate of Italy, Archbishop and Metropolitan of the Province of Rome and Sovereign of the State of Vatican City."

Pope John XXIII has been a diplomat in the service of the Roman Catholic Church and has known more than ordinary success in this field. He served from 1925 until late in 1944 as the Vatican"s diplomatic delegate in Bulgaria, later in Turkey and France. Following this, he became Papal Nuncio to Paris during a very difficult period, the hectic postwar years.

The Holy Father's elevation is being received with approbation throughout the world. He is a man of the pastoral mold and is more likely to concern himself with the Church's internal interests than to devote himself to international affairs, it is felt.

In appearance he is robust looking and affable in speech and manner, besides being modest and approachable in bearing.

President Eisenhower cabled the following message to Pope John XXIII as follows:

"Your Holiness:

"It is with great pleasure that I have learned of your election as Supreme Pontiff of the Roman Catholic Church. I join with other Americans in extending my congratulations on your elevation to this high office. My best wishes for the success of your endeavors are, I am certain, shared by men of goodwill everywhere."

Messages of goodwill have been received from all the heads of foreign governments and people of prominence as well.

Dictaphone Corporation—Belt Line Conveyor of Words

By DR. IRA U. COBLEIGH

Enterprise Economist

A quite swift review of a company uniquely effective in upgrading office efficiency.

The name Dictaphone is 52 years old. Copyrighted back in 1906, it referred to a business dictation machine manufactured by the old Columbia Gramaphone Co. This machine, in turn, was a refinement of a cruder one invented in 1881 by Alexander Graham Bell and one Chas. Tainter, which produced the oldest recording we now have of the human voice. When you turned the crank (by hand) on this primitive prototype, words spoken into the mouthpiece created vibrations in a diaphragm that moved a stylus up and down cutting "hill and dale" grooves in a wax coated drum.

Ira

In 1923 Dictaphone Corporation was formed as a separate enterprise for the development of dictating machines, with Mr. C. K. Woodbridge (now Board Chairman) as its President. It produced the first experimental electric dictating machine in 1936. This worked so well in actual operation that, with some modifications, it was placed on the market in 1939, moving the company along the high road to outstanding success.

All the while, however, the company sought an improvement on the wax cylinder; and in 1947 it revolutionized the industry with its introduction of the Dictaphone Time-Master dictating machine and by replacing the cylinder with the sensational new 15-minute Dictabelt. This plastic endless belt offered obvious advantages: visible tone grooves allowing the user to find his place quickly; sharp and clear playback; non-erasability; and far more compact filing and mailing.

Finally, in April, 1958, there was offered the last word in automation—the new Dictaphone Time-Master with touch-button control. Transistor actuated, this marvel of electronics and phonics is ready for action the moment you pick up the "mike"—no "warm up" time needed. Touch a button and you can record, hear the playback, make a correction, or indicate the length of a letter, instantly. Loading and unloading the Dictabelt is also done automatically — just by pushing a button. This dictation unit is matched with a Time-Master transcriber for secretaries — also transistorized with touch button control (the transcriber not the secretaries!) All of which adds up to effortless dictation and swift perfection in transcription.

This Dictaphonic dream machine is all quite wonderful but what does it offer over the old fashioned stenographer and her notebook? A great deal! The company estimates that a $10,000 a year executive will save at least $1,000 a year in company time. No longer will the secretary be called in, pencil poised, only to sit around while Mr. Jones answers his phone, hems and haws, mentally organizes what he wants to say and gropes for the right words and phrases to implement it. No more "frozen notes," either — shorthand in writing that only the taker can read; and pure Sanscrit if she's not at hand to transcribe! The new Dictaphone units reduce errors, speed correspondence, eliminate stenographic drudgery, and present an unmatched dictation technique—an electronic boon to the two and a half million secretaries in the United States. Dictaphones may not improve the boss's disposition but "Tillie" won't have to spend so many hours a week putting up with it! He can now do all his dictation when she's not around!

While the major business of the company is in dictating machines, Dictaphone Corporation is also the largest and oldest manufacturer of recording equipment for industrial and government use. It provides sound recording equipment for monitoring radio broadcasts, telephone recording and air traffic control; and has specialized in magnetic tape recording. Dictaphone recently received its largest single recording machine order from Civil Aeronautics Administration for 452 Dictatape recording machines and 175 transcribers (for use in traffic control towers at commercial airfields).

The latest development at Dictaphone is AIMO (Audio Instructed Manufacturing Operation), a revolutionary new method of providing taped voice instructions, rather than printed words or diagrams, to manufacturing workers. AIMO was researched jointly with Westinghouse and makes it possible for an operator to perform correctly each step in a relay, assembly or fabrication process, just by following precise oral instructions, delivered via a small transistor receiver, and a listening device. This guidance has proven faster and more efficient than having the operator keep transferring his vision back and forth from printed instruction sheet, to the assembly. AIMO adapts itself to a broad variety of industrial and governmental uses for both individual and group instruction and direction.

Since 1956 the company has enjoyed expanding sales of the "Corvette" of its line, its Dicet portable voice recorder. This attractive little receiver is truly portable. No bigger than a home movie camera, it weighs but two pounds 11 ounces; runs on a battery and packs enough magnetic tape for an hour's recording. It's a magnificent traveling companion, great for on-the-spot use, especially for business or professional people who move around a lot. Starts and stops at the press of a thumb. It can even be rented now on an American Express Credit Card, like a Hertz car. Pick a Dicet up in one city and drop it off in another. Dicets are also standard equipment for in-flight recording by passengers on Capital Airlines.

From the foregoing, you can get a pretty good idea about the Dictaphone product line; but perhaps you are unfamiliar with the quite remarkable growth of this company, and the splendid financial results it has achieved for its long term shareholders. In each of the past nine years, net sales of Dictaphone Corp. have reached a new high, rising from $12,800,000 in 1949 to $36,000,000 in 1957. The advance in per share net (adjusted) has been equally impressive—from $1.07 in 1949, to $4.38 in 1957. (Net per share was actually highest, $4.76, in 1956.)

Dividends have been paid without interruption since 1926, with average annual cash distribution in the past decade amounting to approximately 36% of net. There was also a 4-for-1 stock split in 1957 as a result of which there are now 570,000 common shares outstanding, preceded only by $4 million in long term debt and 12,208 shares of 4% preferred ($100 par). Patient stockholders here have seen their shares rise in market value from a low of $4 in 1949 to a high of $62½ in 1957. Present quotation is around $51 with a $1.20 dividend indicated.

The recent recession has had its effect on business at Dictaphone since its sales are sensitively related to the rate of general business activity and levels of capital spending. Thus results for 1958 are expected to fall somewhat below 1957 figures. The future, however, of this research minded, and aggressively managed enterprise appears excellent. The company has three plants in Bridgeport, Conn., four in England, and has just opened a brand new plant in Concord, New Hampshire, for the manufacture of Dictabelts.

In common with most "growth" companies, Dictaphone emphasizes research and development and now has nearly 100 engineers, scientists and technicians in its research and engineering division, busily at work on refinements of the present line, and ideating the products of the future.

Management, under the direction of Mr. C. K. Woodbridge, Chairman, and Mr. L. M. Powell, President, has been outstanding, as evidenced not only by the continuous technical advances made in the product line, but by the dynamic results achieved in advertising, promotion and selling. The Board of Directors is composed of an unusual group of men of attainment and leadership in many lines of endeavor.

Dictaphone has not only secured a commanding portion of the American market, in its field, but is moving rapidly ahead elsewhere through subsidiaries in Canada and England, and distributors in 62 other countries of the world. (If it doesn't do business in Russia it's because they've had too many "dictators" there already!)

It is a pleasure to review a company such as Dictaphone which is almost a copybook example of a successful and expanding corporate enterprise. For its 3,000 employees, 1,700 stockholders, and myriad customers, it has performed long and well. And in the area of office management, it has done a unique job in streamlining the flow of correspondence from the mind to the mail chute.

Guardian Secs. Co. Formed

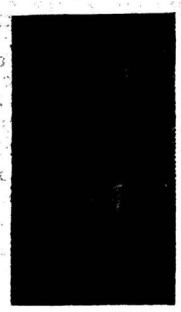
RENO, Nev.—Guardian Securities Company has been formed with offices at 140 North Virginia Street to engage in a securities business. Officers are William B. Mead, President; George C. Woodward, Vice-President and Assistant Secretary and Raymond H. C. Bissell, Secretary.

Is Gold Superfluous?

By PAUL EINZIG

One of Britain's leading monetary economists believes it would be the "height of folly" for us to demonetize gold as suggested by Rene Leon (*Chronicle*, Aug. 14). Dr. Einzig denies our mint purchase price aids the USSR but agrees that to raise the price above $35.00, as suggested by Keynes's biographer, Roy Harrod, would confer a free gift on the Russians. In endorsing our Treasurer's reaffirmation of gold price fixity, the writer asks that we not forget: (1) "why dollars are trusted implicitly"; (2) international credit in trade and finance would worsen without gold; and (3) fixed dollar-gold ratio is essential for Western World stability and provides less USSR opportunity for fishing in troubled waters.

LONDON, Eng. — Speaking at the Annual Meeting of the International Monetary Fund at New Delhi on Oct. 7, Mr. Anderson, Secretary of the United States Treasury, emphatically reaffirmed his Government's determination to maintain the existing system under which gold and dollars are interchangeable at $35 per ounce. Such a statement of policy was indeed overdue in view of the recent crop of suggestions advocating or foreshadowing fundamental changes in that policy. On the one hand there was renewed agitation in favor of raising the official American buying price of gold. On the other hand, there was a revival of the demand, popular during the inter-War period, that gold should be demonetized altogether.



Dr. Paul Einzig

Answers Rene Leon

The latter view was expressed with much emphasis in an article by Mr. Rene Leon appearing in the August 14 issued of the *Commercial and Financial Chronicle*. He demands that the United States Treasury should discontinue buying gold at the fixed price of $35 per ounce. His main argument that in buying all gold at that price regardless of its country or origin the United States Government provides economic assistance to the Soviet Union, has strong emotional appeal and deserves to be examined more closely.

Of course, if the United States Treasury were to follow Mr. Harrod's suggestion and raise the official buying price of gold to $100 per ounce it would confer a free gift on all gold producers, including the Soviet Union. It seems, however, that the prewar price of $35 per ounce contains little or no element of free gift. There is no reason to suppose that the cost of production in terms of manhours and equipment is appreciably lower in the Soviet Union than in South Africa. And in view of the increase in costs the price of $35 per ounce cannot be regarded as erring on the generous side.

It is Mr. Leon's assumption that Soviet Russia exports gold largely for the purpose of acquiring dollars. What he appears to have completely overlooked is that dollars can be acquired also through the export of goods other than gold, and that the Soviet Government is eminently in a position to do so by reducing the price of its goods available for export to a level at which they can compete with goods produced in the free world. The reason why this is not done on a larger scale is because most of the output of Soviet Russia is needed to meet domestic requirements or requirements of other Communist countries. If the Soviet Union did not give gold production high priority more manpower and equipment would become available for producing other goods available for export.

Since these goods could be sold at twice or three times their prewar prices—even allowing for the cuts that would be made in order to overcome the obstacle of political antipathy to Communist goods—it seems reasonable to assume that by such a switch over of productive capacity the Soviet Government would be able to acquire more dollars than by continuing to give gold production high priority at the expense of other industries. That in spite of this gold production has such a high priority in the USSR is probably due to considerations of prestige, considerations of the same kind as those which induced the Soviet Government to give top priority to the manufacturing of sputniks.

Manpower and other productive resources in the Soviet Union are fully used to the limit of capacity. If less productive capacity is devoted to gold production it would be possible to devote more productive capacity for the production of H bombs, or for the production of exportable surpluses to be dumped into the markets of the Free World to the detriment of producers of the Western countries. It is, to say the least, open to doubt whether the change would be to the advantage of the United States and of the Free World in general. Perhaps it is as well from our point of view if Moscow is not discouraged from using a by no means negligible proportion of the productive resources at its command for the purpose of gold production.

Cannot Ignore Gold's Importance

There is, however, a much more important argument against Mr. Rene Leon's contention that it would be detrimental to Soviet interests if gold were to be demonetized. He does not appear to realize the immense importance of the limited monetary role played by gold from the point of view of the financial strength of the United States and also from the point of view of the financial and economic stability of the Free World. He cheerfully contemplates the prospects of a heavy slump in the market price of gold as a result of the cessation of official American purchases at a fixed price. Has it not occurred to him that, while under the existing price of $35 the United States would be able to pay out in gold all foreign holders of dollars, a fall in the price of gold to say $20 per ounce would leave part of these foreign dollar holdings uncovered? The reason why dollars are trusted implicitly is precisely the existence of a substantial excess of gold holdings over foreign holdings of dollars. Would it not be the height of folly for the United States authorities deliberately to sacrifice this position of strength?

During the whole postwar period sterling has been highly vulnerable precisely because foreign holdings of sterling have greatly exceeded the British gold reserve. Would Mr. Leon like to see the dollar exposed to major waves of distrust such as sterling experienced on some half a dozen occasions since the end of the War?

Provides Only Fixed Point

A fixed dollar-gold ratio is essential from the point of view of the stability of the Western World. It is the only fixed point in an essentially fluid world economy. There would be nothing gained if through the removal of this fixed point the international markets were to be converted into a gamblers' paradise. This together with the weakening of the financial power and prestige of the United States would provide the Communists with excellent opportunities for fishing in troubled waters.

Mr. Leon's contention is that since only a small fraction of international balances is settled in gold the entire settlement might as well be made with the aid of international credit. With a somewhat dubious consistency he advocates in the same breath the abolition of the International Monetary Fund even though its credit facilities go a long way towards supplementing the inadequate gold reserves available for international settlements. What he overlooks is that the demonetization of gold would lead to a drastic contraction of private credit resources available for the requirements of international trade and finance. Should gold cease to be dependable for international payments the risk of defaults on international debts would greatly increase. Likewise the wild fluctuations envisaged by Mr. Leon would tend to increase risk attached to the granting of international credits.

Finally, a deliberate action taken by the United States Treasury to depreciate gold in terms of dollars would inflict on the American taxpayer a loss amounting to many billions of dollars. The gold reserve would have to be written down in accordance with the fall in the market value of gold. This consideration alone should be sufficient to dispose of Mr. Leon's bright idea. The possession of a huge gold reserve has created for the United States Government and for the American taxpayer a vested interest in favor of maintaining the present monetary role and monetary value of gold.

Franklin Johnson With Cyrus J. Lawrence Sons

Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York Stock Exchange, have announced that Franklin P. Johnson is now associated with their firm in the investment advisory department. Mr. Johnson was formerly a Vice-President of Manufacturers Trust Company where he administered the investment of institutional and individual funds.

Robert W. Clark, Jr. With Burns, Corbett

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert W. Clark, Jr. has become associated with Burns, Corbett & Pickard, Inc., 135 South La Salle Street. He was formerly with Eastman Dillon, Union Securities & Co. Prior thereto he was syndicate manager for Arthur M. Krensky & Co., Inc. and for the Chicago office of Lehman Brothers.

Fahey, Clark Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Robert J. Fahey is now with Fahey, Clark & Co., Union Commerce Building, members of the Midwest Stock Exchange.

NSTA Notes

SECURITY TRADERS CLUB OF ST. LOUIS

At the Security Traders Club of St. Louis annual election party, the following were named to serve as officers for the coming year:

Robert A. Pauli

Herbert M. Roach

Kenneth J. Jansen

Elmer Jarrett

W. Jack Wichmann

Richard A. Schmelzle

President: Robert A. Pauli, Scherck, Richter Company.

First Vice-President: Herbert M. Roach, Yates, Heitner & Woods.

Second Vice-President: Kenneth J. Jansen, Edward D. Jones & Co.

Third Vice-President: Elmer Jarrett, Newhard, Cook & Co.

Secretary: W. Jack Wichmann, Stifel, Nicolaus & Company Incorporated.

Treasurer: Richard A. Schmelzle, Fusz-Schmelzle & Co., Inc.

Yes, but . . . !

"It is universally true, in my opinion, that governmental strength and social stability call for an economic environment which is both dynamic and financially sound. Among the principal elements in maintaining such an economic basis for the free world are (1) a continuing growth in productive investment, international as well as domestic; (2) financial policies that will command the confidence of the public, and assure the strength of currencies; and (3) mutually beneficial international trade and a constant effort to avoid hampering restrictions on the freedom of exchange transactions." — President Dwight D. Eisenhower.

Pres. Eisenhower

We doubt whether there would be any need for the President or anyone else to trouble himself about "a continuing growth in productive investment" if and where conditions propitious for it exist.

Sound "financial policies" and the avoidance of "hampering restrictions on the freedom of exchange transactions" are undoubtedly among the elements which promote conditions propitious for productive investment, but they are not by any means all of them.

One thing which does not help is to pretend such conditions exist when they do not—or act as if they existed.

With Interstate Secs.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Theron T. Kinzie is now with Interstate Securities Corporation, 200 South Tryon Street.

Powell Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

FAYETTEVILLE, N. C. — Arthur C. Blue has become connected with Powell & Company, Inc., 120 Anderson Street.

Prosperity Without Inflation Through Sound Government Power

By HON. WALLACE F. BENNETT*
Senator of the United States (Rep., Utah)

Utah's Republican Senator recommends government power be used to end inflation. Instead of recourse to wage-price controls, Senator Bennett would have the government deny or suspend wage or profit increases whenever price level rose until such time as when prices returned to their former level. So long as prices drop or stay stable every year, labor and capital would be perfectly free to divide the producers' share of increased production and productivity in accordance with normal practice. The Senator sees no hope in monetary controls alone, and avers that by making stable or lower prices at every level of production and distribution a fixed public policy, the consumer would be protected from inflation.

Prosperity, the enjoyment of a high and rising standard of living, has always been the chief economic goal of what we call "the American way of life." Inflation, like sin, is generally regarded as an evil, to be avoided on principle. Yet somehow the two have got all tangled up together in our thinking. Over the last 20 years, inflation has proven the more consistent and durable of the two. While we have had periods of recession, when prosperity disappeared for a time, inflation has flourished steadily. This has led to the belief that the two are inseparable. Some accept inflation as a necessary price we must pay for prosperity; others have come lately to regard it as a positive benefit, a part of the formula for greater prosperity.

Wallace F. Bennett

But today, fortunately, more and more Americans, aware of the damage it has done to other economies in their own lifetime, are asking what can be done to produce prosperity without inflation. They realize that inflation is a malignant disease whose dangerous cells can grow and expand at an ever-increasing rate, until they choke off the sound and normal cells of growth from which healthy prosperity comes. Or, to change the simile, they see it as a deadly habit-forming narcotic which produces the illusion of prosperity, but whose destructive dosage must be constantly increased to a point of no return.

What is the true relationship of prosperity and inflation? Are they partners, or antagonists? Are they inseparable, or can we have prosperity free from inflation? If we can, how can it be achieved?

Defines Prosperity

First, what is prosperity? Essentially, prosperity is a feeling, an attitude, a frame of mind. It exists when we have faith, faith and confidence that our standard of living is rising and will rise steadily in the future, as far as we can see the future. This feeling includes the satisfactions that come when we feel sure that our power to produce and achieve is also going to increase. It is sustained by our enjoyment as consumers of the necessities, comforts, and even some of the extravagances of life. It is particularly rich and strong when we feel that, by self-restraint, saving and sacrifices, we have provided protection for ourselves and our loved ones against the risks and accidents of illness and old age.

But although prosperity can be described as an attitude, it can be achieved only through tangible, solid economic growth. The faith which underlies it must rest on a firm and dependable rate of economic growth and expansion. Measured over the long pull, we have had such an expansion here in America. As producers of material things, and creators of service patterns, we are superb. We are imaginative, resourceful and courageous. We can combine art and science, ingenuity and efficiency. We have learned to use amazing accuracy to produce both volume and variety. We ought to be the happiest people on earth, living in permanent prosperity.

Instead, for a generation, we have constantly been beset by fears, swinging between the poles of boom and gloom, uneasy and uncertain.

The Riddle of Inflation

The key to this paradox is inflation, which is as much a manifestation of human weakness as prosperity is of spiritual strength. And the trouble seems to come when we face the job of translating material values into money values. We, who are practical, knowledgeable and hard-headed when we deal with things, become as children when we deal with money — naive, soft-headed and believers in magic. We accept money as wealth, when it is only an artificial means to measure trade and store it. Believing money is wealth, we can be persuaded that we can increase wealth by expanding the supply of money, particularly in the hands of consumers. And because the Federal Government creates money, we can be made to believe that it, and not we, can create prosperity.

Believing this, we turn our backs on the substance of prosperity, production and productivity, because they seem the hard way, and reach for inflation, the shadow and illusion, the counterfeit, because it seems the easy way, the promise of something for nothing. True, for some people, and for a limited time, inflation can be profitable. But whatever they gain is stolen, not created, stolen from the past and future for the temporary present, stolen from the weak and helpless, the old and ill, for the greedy and rapacious.

Far from producing more prosperity for all, inflation warps and thwarts the productive capacity, distorts the measurements of progress, and obscures as well as stunts the rate of growth. It makes its presence felt in different ways in various aspects of the economy, but its eventual effect is always destructive.

Are prosperity and inflation partners or antagonists? To use the symbolism of the so-called adult westerns, prosperity is the "good guy" and inflation is the "bad guy." As in the pictures, the "bad guy" is often mistaken for the "good guy," but if the story is to have a happy ending, he must be discovered, unmasked and destroyed. Can it be done? It always is on TV, but if we would be "good guys" and heroes, we must have born wisdom to see the truth and courage to fight for it.

Monetary Controls Are Inadequate

If we are to win the fight against inflation, what resources do we have? Well, law and order are on our side. Since inflation is a crime against the value of money, we have the central monetary authority, the Federal Reserve Board. It has the responsibility and the power to move against inflation by restraining the growth of the money supply—when necessary, putting it in jail, so to speak. But inflation still has many friends, men and organizations with great political power, and they can and have prevented full control of the villain. To rely on monetary controls alone may be too costly, particularly in terms of unemployment.

The Federal Government has another power, whose effect may be described as negative. It rests on our willingness as citizens to let the government live within its income. When the budget is balanced at any level, it is difficult for inflation to operate. But when the town is wide open, so to speak, and we force the government to live beyond its income, inflation flourishes, and even the sheriff of monetary policy can't arrest him.

Inflation is a versatile thief, who can work in many fields of crime. He can be the world's most successful confidence man, and the meanest pick-pocket. When people try to flee from him in one area, he meets them in a new disguise in the new one. When, following the current and wide-spread "smart" advice, investors flee from bonds to common stocks, he pushes these prices up beyond the breaking point. He did this in '29 and can do it again. When they desert stocks for real estate, these prices can go so high that when they break, the values will not meet the mortgage, and foreclosures destroy the market. This also happened in the 20's, and the upward spiral has begun again.

And it can happen to any man who goes too deeply in debt, because while at first it can produce the illusion of prosperity, by creating booms as it did in '55 and '56, these are always followed by unemployment, with its inevitable increase in repossessions and bankruptcies.

Unsupportable Wage and Price Increases

But these are, in a sense, limited and specialized disasters that befall the smart, the unwary or the foolish. There is a great area in which all of us are its victims — the area of unsupported price and wage increases. By unsupported, I mean those wage increases that are not validated by increased productivity, and those price increases that are not matched by greater value. This is the aspect of inflation in which we in business are both the unwitting and often unwilling accomplices, and the unsuspecting victims. This is the kind of crime that we must someday stand and fight against.

I know there are millions of Americans who are beginning to recognize this evil and who are becoming aroused to meet its challenge. But all of us seem to feel alone and helpless. We know something must be done—but how and by whom?

Let's return to our Western for the answer. When the desperadoes seem to have taken over the town and the law men can't control the situation there's always one final powerful force, the law-abiding citizens themselves. When they come out of hiding and form a posse of vigilantes, the good guys always win. Where can we find them for this fight and what will bring them out?

There is a feeling of power that comes to simple ordinary people when they have a cause, and when they have a weapon in their hands. A simple, powerful weapon every man, woman and child can use. The need to destroy inflation is a worthy cause and the necessary weapon exists if we have the courage to use it. What is the weapon? A positive program to control prices at the consumer level so that they will either stay level or drop. If this can be made to work, inflation in the form of price inflation can be licked.

Sounds simple doesn't it? But does it also sound like a pipe dream, a worse illusion than inflation? Let's check the facts and see.

Here are the essential features of such a program as I see them:

(1) True prosperity depends fundamentally on our ability to keep on increasing our capacity to produce. This idea is expressed in the phrase "rate of increase in productivity." It is not measured by what we have produced or consumed in the past and certainly not by the volume of dol-

Continued on page 29

*An address by Sen. Bennett before the American Hardware Manufacturers Association, Atlantic City, N. J., Oct. 7, 1958.

Science in the United States

By WALTER E. SPAHR
Executive Vice-President, Economists' National Committee on Monetary Policy, New York City
Professor Emeritus, New York University

In outlining the general confusion as to—and misuse of—the word "science," a leading American economist quizzes the common practice of seeking and furnishing unscientific forecasts in the field of economics and lack of editorial standards as evidenced in the widespread publication of such material. Economists who are followers of Marx, or Keynes, Smith, or Marshall are said to mark themselves as nonscientists as much as those professing themselves to be followers of the Democratic, Socialist or Republican parties. Inquires why we generally term a physicist or a chemist a scientist, regardless of how imperfect his methodology may be, while a historian or economist who follows the methods of science is not regarded as a scientist. Particularly singles out as responsible villains in all this many of our colleges and universities.

Common misuse of the word "science"

Under the caption "83% in U. S. Found to Favor Science," *The New York Times* (August 17), it was reported that "Mr. Krieghbaum said 83 per cent of the persons interviewed felt that 'the world is better off because of science.' Five per cent of the others gave qualified approval of science, he said.


Walter E. Spahr

". . . Only 12 per cent, however, said scientists were directly responsible for the evil uses of their discoveries.

"Forty-one per cent thought scientists were generally 'odd and peculiar people', Mr. Kreighbaum said."

According to the report, "The survey was conducted . . . by the Survey Research Center of the University of Michigan"; the "survey report was issued last week by Hillier Krieghbaum, Associate Professor of Journalism at New York University"; and the "Rockefeller Foundation provided $80,000 to finance the survey."

The preceding is illustrative of a common practice in this country of classifying certain material, or fields of activity, as "science" despite the fact that science is a question of method—the method by which truth is obtained.

A correct description of science

The nature of science has been described well by Karl Pearson in his classic, *The Grammar of Science* (Adam and Charles Black, London, 1911), 3d ed., Pt. I, Physical, p. 12:

"Now this is the peculiarity of scientific method, that when once it has become a habit of mind, that minds converts *all* facts whatsoever into science. The field of science is unlimited; its material is endless, every group of natural phenomena, every phase of social life, every stage of past or present development is material for science. *The unity of all science consists alone in its method, not in its material.* The man who classifies facts of any kind whatever, who sees their mutual relation and describes their sequences, is applying the scientific method and is a man of science. The facts may belong to the past history of mankind, to the social statistics of our great cities, to the atmosphere of the most distant stars, to the digestive organs of a worm, or to the life of a scarcely visible bacillus. It is not facts themselves which make science, but the method by which they are dealt with." (Italic in the original.)

It may be doubted that any scientist, who has written a treatise on the nature and implicatons of science, differs from Pearson as to the meaning of science.

If described in terms of science, the Krieghbaum report is to the effect that 83 per cent of the persons interviewed expressed the opinion (the word "felt" was used) that the world is better off because there are people who pursue methods of investigation which lead to the truth; that 5 per cent of the others gave qualified approval to the use of such methods; that only 12 per cent said scientists were directly responsible for the evil use of the facts and principles flowing from pursuit of methods designed to obtain truth; that 41 per cent thought those who pursued the methods of science were generally odd and peculiar people.

Classification of materials rather than description of methods of reaching truth a common phenomenon in this country

The Kreighbaum report is not a unique example of the confusion which exists as to the nature of science. Examples appear daily in our newspapers, magazines, other publications, and in conversation. For instance *The Saturday Evening Post* of March 3 published an article by a distinguished member of a graduate faculty of one of our universities under the caption "Science vs. The Humanities." The *Congressional Record* of August 13, p. 15877, quoted a statement from a former outstanding president of one of our universities in which he is alleged to have said "The bill [National Defense Education Act of 1958] will smother science and education by making private support unnecessary."

College and university catalogues often list "science" apart from the humanities, or education, or some other subjects.

Reasons for the common error

Since all things lend themselves to scientific or unscientific analysis, and since the methods of science are those by which truth in any field is obtained, a question arises as to why the common practice exists in this country of describing such fields as physics and chemistry as "science" and of overlooking the fact that science is a matter of methodogy? Why is a physicist called a scientist regardless of how imperfect his methodology may be while the historian or economist who understands and follows the methods of science is regarded as a nonscientist?

It seems clear that this practice arises from the fact that a very small percentage of our people have ever studied the nature and principles of science. It also seems reasonable to suppose that if the administrators of our colleges and universities had had such training our college and university catalogs would hardly present the indefensible classifications which commonly characterize them. Instead of "science" and the humanities or something else, we should be able to find courses in physics, chemistry, mechanical engineering, mathematics, history, economics, philosophy, and so on; or, for emphasis, science in physics, science in chemistry, science in economics, science in history, and so on.

Since science is the method by which correct answers are obtained, it seems reasonable to assume that a college or university has no valid excuse for existence except as it pursues the methods of scence in all the fields in which courses are offered. This means that all members of the faculty should understand what the methods of science are, should be scientists, and should train their students to be scientists. There would appear to be no logical reason for graduating any student from a college or university who has not demonstrated that he is a scientist in his method of analyzing problems and related data.

These standards apparently are not the ones generally followed in our schools. Relatively few colleges and universities even offer courses designed to acquaint students with the nature and implications of science and with their responsibilities as scientists. Apparently few administrators and members of the faculties of colleges and universities have had a course or otherwise been trained in the principles of science.

This author has never seen a college or university state that its purpose is to train and graduate scientists. The result is that the courses offered and the training given in our colleges and universities are in high degree, or for the most part, a hodgepodge in which the subjective evaluations of the instructor seem to be the controlling principle. Well established procedures in such fields as chemistry, anatomy, physics, and so on tend to force instructors and students in those fields into highly scientific techniques; but many such students, and faculty, seem to have relatively little understanding of the nature and implications of science as is often readily observable when they discuss questions outside the fields in which their techniques of procedure have been developed.

And in such fields as history, economics, philosophy, psychology, school administration, and so on, in which rigid techniques of procedure may not have developed far because such courses, apparently generally, are not under the control of scientists, subjective values enter in high degree—unscientific discussion, rather than application of the methods of science, seems to be the dominant procedure.

If a college or university were staffed with scientists who consistently follow the methods of science and if it trained the students to be scientists and graduated only scientists, it seems reasonable to suppose that such an educational institution would be unique in this country. It would be educational in the only proper sense of that term since pursuit of methods which lead to erroneous answers is hardly the proper purpose of an "educational" institution.

It seems quite clear to this author that our colleges and universities, their administrators and staffs, and their students and graduates fall far below the level of trained scientists who practice the methods and fulfill the responsibilities of science.

Some of the consequences of misunderstanding the nature of science

Because pursuit of correct methods for ascertaining truth is superior in every respect to pursuit of methods which lead to erroneous answers, the results of the widespread failure to understand the nature of science cannot be otherwise than unfortunate.

Unscientific forecasting in the field of economics and widespread acceptance of such forecasting. Some of the lack of science which is common in the field of economics reveals itself in a crude form in the practice of forecasting men or most of which falls outside the bounds of science. These forecasters reveal that they either do not understand the meaning of science or that they choose not to fulfill the responsibilities of scientists. Many of our economic forecasters step far outside the limits of science and assert that this or that *will* happen, as though they can see into the future, despite the simple fact that no man living today has ever lived tomorrow or can see what tomorrow—if, indeed, there is a tomorrow—may bring. Such people, who in this respect are pretenders, seem not to understand that science is a description of past events and that it recognizes no law of necessity in the recurrence of any observed regularity in a past sequence of events. Science deals with probabilities stated in the light of experience with recognition of the fact that such probabilities, so calculated, may not be projected into the future as certainties. For this reason the words "will" and "must" and "inevitable," often used by our nonscientific economic forecasters, and others, fall outside the bounds of science.

The widespread lack of understanding of the nature and requirements of science is also illustrated by a common practice of searching and paying for the services of economists who make unscientific forecasts. Those who seek or pay for such forecasts apparently do not understand that they are being imposed upon by people who pretend that they can see into the future and are willing to say that this or that *will* happen.

The widespread acceptance of such unwarranted pretense, as though it had some value, is illustrated almost daily in our press by headlines which state that Mr. Jones "sees" a market of certain size for X products next year, that Mr. Smith "sees" a rise in interest rates within six months, that Mr. Johnson "sees" an increase of 5 per cent in the purchase of new automobiles during the next quarter, and so on. We have many "seers" in this country, and they have much in common with the seers, prophets, and crystal gazers of ancient and mediaeval times. Our prophets publicize what they claim to see in the future, and their alleged foresight is published, hawked about, and scrutinized as though this species of pretense were worthy of serious consideration.

Failures to stand alone. Since one of the fundamental requirements of science is that the scientist question everything, adherence to that standard of behavior requires that the scientist stand alone. He may not accept as fact what is not proved and provable. He may not have a leader whose theories he accepts.

Those economists who have classified themselves as followers of Marx, or Keynes, or Smith, or Marshall, mark themselves as nonscientists. Those who are Democrats, or Republicans, or Liberals, or Socialists similarly remove themselves from the category of scientists in economics.

In this country, particularly since the emergence of the Roosevelt New Deal and the Keynes theories of the 1930s, a very large portion of our economists have joined a political movement although many of them occupy positions appropriate for scientists only. Cliques and political groups in the field of economics have pressed forward and have brushed science and the scientist to one side.

It is a difficult undertaking to be a scientist in economics; and few men and women wearing the label of economist meet the requirements of the scientist.

Widespread publication of unscientific contentions. A general lack of understanding of the nature and implications of science has given rise to widespread publication of much material which, though offered as valuable or reliable or interesting information or opinion, may fall far short of meeting the requirements of science. An editor trained in principles of science should have no difficulty in distinguishing the writing of a scientist from that of the nonscientist. And since the latter, by definition, utilizes a methodology which does not produce truth, a question arises as to why nonscientific writing is published. There probably are many answers, but a fundamental one would seem to be that editors who utilize such material either are unacquainted with the principles of science or have chosen not to adhere to them.

Gains to be had from pursuit of methods of science

It is by utilizing the truths established by scientists that humanity progresses to higher standards of living and satisfactions.

To the extent that our publications produce the opinions of scientists, people are put in a position to profit from the truths produced by scientists; and truth, by scientific definition, is obtained in no other manner.

The products of the work of scientists open the way to acquaintance with correct classification and definition—foundations of scientific analysis.

Utilization of scientists in economics should be expected to put an end to such pretense as that exhibited in our common economic forecasts and other manifestations of nonscientific attitude.

Our pronounced tendencies to embrace slogans and false labels should be turned in an opposite direction.

Many of the common procedures in advertising should be sent on the road to extinction since science seeks truth.

There should be a better understanding of the limits of precise knowledge with which we live.

Science in religion should replace the unscientific attributes now so prevalent.

There should be a greatly improved quality in thinking, speaking, and writing. Words such as "will," "must," and "inevitable" should be confined to the limits of science. The commonly-used word "feel" should disappear as a synonym for believe or observe since science involves precise description.

There should be an awareness that truth, in the form of statement of fact as distinguished from concept, by scientific definition, cannot be obtained from a single source. For example, nothing in this article may properly be accepted as anything more than allegations of this author; their accuracy should be kept in the area of questioning until verified. The quoted statement of Karl Pearson as to the nature of science and of the scientist is subject to question until verified. But it is the opinion of this author that a long and careful search of the many treatises on the meaning of science should confirm the accuracy of Pearson's principal contentions.

Finally, a study of the principles of science should make clear the fact that it is by pursuit of the methods of science that humanity improves its state of well-being.

Walter G. Schallitz

Walter G. Schallitz, President of Security Adjustment Corporation, Brooklyn, N. Y., passed away suddenly Oct. 26 at the age of 55.

Taking Another Look at Consumer-Credit Controls

By C. CANBY BALDERSTON*
Vice Chairman, Board of Governors, Federal Reserve System
Washington, D. C.

Warning that further relaxation of auto and mortgage credit may bring about selective consumer credit controls, Mr. Balderston reviews the 1955 record regarding liberalization of credit terms for autos and homes, and states detrimental developments in the future may compel a reconsideration of hands-off qualitative control policy of two years ago. The Reserve official praises consumers' debt-handling ability but considers, also, the thornier cyclical aspect involved in accentuated peaks.

In his essay on *Compensation*, Emerson observed that "Every sweet hath its sour; every evil its good. . . . . For every benefit which you receive, a tax is levied. . . . Every thing has two sides, a good and an evil."

The age-old problem of how to have roses without thorns is well illustrated by consumer credit. Consumer credit may properly be referred to as a rose because of the role that it has played in advancing the scale of living of citizens generally. Doubtless technical advance would have permitted Americans to achieve eventually the wide ownership of homes, autos, bathtubs and television that they have now achieved. But consumer credit enabled them to get these things sooner than otherwise. The saving process is so slow for a young family with children that they prefer to go into debt to own a home of their choice and to equip it rather than to wait indefinitely. Even those who are critical of the gadgets that surround us must admit that an astounding proportion of Americans now have the physical basis for a pleasanter life. And those who were skeptical of the consumers' ability to handle debt must recognize that the record of financial responsibility has been remarkably good.


C. Canby Balderston

Reviews 1955 Credit Liberalization Record

Like most roses, consumer credit also has its thorns. The recession from which we are emerging, in part a consumer-durable-goods recession, reminds us of the influence of consumer credit in the consumer boom of 1955. In that year the outstanding volume of instalment credit increased $5½ billion or almost 25%. This increase was accompanied by a significant easing in the terms on which consumer credit was extended, particularly credit to purchase new automobiles. By mid-1955, 30-month instalment contracts on new automobiles were typical as against 24 months the year before, and contracts with 36-month maturities were becoming common. At that time, the down-payments standard of one-third of the transaction price was still being adhered to, but over-allowances on trade-ins were lowering the effective down payment and the buyer's equity. With this impetus, 7.4 million new cars were sold in the domestic market, an increase of more than one-third over 1954. The same liberalization of terms was evident in the use of credit to expand residential construction at an accelerated rate. You will remember that in 1955 new housing starts reached 1.329 million.

In the second half of that year the thorns began to appear in the shape of increases in the prices of industrial products amounting to almost 4%. The chain of events that followed has caused many thoughtful persons to question whether the obvious gains from the use of consumer credit are bought at too high a social cost if it accelerates an already booming market for consumer durables. You will recall that the consumer boom of 1955 was followed by an expansion of inventories in every consumer-durables industry during 1956 even though the sale of automobiles declined sharply. This industry, a mighty force in the economy, appeared to have overextended itself and to have slowed down for a while. Automobile executives and workers must have regretted that the 1955 market was oversold by at least a million cars.

Accentuated the Cycle

This consumer boom was no small factor in inducing subsequent management decisions that were not altogether prudent. In 1956 businessmen expanded their outlays for plant and equipment at a rate 22% faster than in the year before. Thus a plant-expansion boom, triggered in part by the consumer boom of 1955, drove the cost of building materials and labor higher and higher. This upward movement led some manufacturers to believe that if they were going to need expanded capacity, they had better get it promptly before costs rose still higher. As a result, many of them discounted the growth in demand for their product for years ahead. When the awakening came during the last half of 1957, many industries became aware of excess capacity.

Most tragic of all was the unemployment that resulted. Having obtained the consumer durables that they needed most, having automobiles that were still good for thousands of miles, and becoming disenchanted with the increased prices, consumers went on a buyers' holiday. There developed an over-supply of stoves, refrigerators, washing machines, radios and television sets. Production schedules were cut back and men were laid off. The construction boom also languished and here again men were laid off. And so, in 1957 and 1958, society paid in unemployment, lost salaries and lost profits the price of another bust that followed in the wake of a boom which we must, in all honesty, recognize was helped on its way by the excessively rapid growth of consumer credit.

Social Desirability

This poses the question as to whether it is socially desirable to have selective control over consumer credit, in addition to general fiscal and monetary control. The decision must represent a value judgment based upon a balancing of gains against disadvantages. To diminish the unstabilizing effects of consumer credit has strong appeal to those who feel that, despite its benefits, excessive fluctuations in its use should be prevented in order to minimize economic instability. But if selective control is to be employed, the disadvantages of such control need to be faced up to and removed if possible. In the use of margin requirements to prevent excessive flow of credit into the stock market, supervision and enforcement are not too difficult. In three previous efforts to regulate consumer credit, however, the administrative difficulties were so great that the Federal Reserve System, which had the task of enforcement and the 200,000 retailers and financial institutions to whom the regulation applied breathed a sigh of relief when the ordeal was over.

To gain a proper perspective of the role of selective controls, one must compare them with general fiscal and monetary policy. Fiscal policy acts through governmental surpluses or deficits, which reflect both governmental spending and taxing. The direct responsibility rests upon the Congress and the Treasury. General monetary control, entrusted by the Congress to the Federal Reserve System, has the particular role of regulating the reserves available to the commercial banks so that bank credit may contract and expand flexibly in accordance with the fluctuating needs of the economy. The Federal Reserve has the task of controlling the supply of money and credit in total, leaving its allocation to the competitive forces of the free market. Credit is allocated in the marketplace to those credit-worthy borrowers who are willing to pay the going price. The apportionment among individual borrowers is left to competition between private borrowers and private lenders, even though the responsibility for influencing the total supply of credit rests with the central bank.

In contrast to this relatively impersonal allocation of the money supply are so-called selective or direct controls. Broadly speaking, they embrace rationing, and price and wage controls, as well as regulation of specific uses of credit. If any of these is used, government intervenes in the operation of the free market. Of course it also intervenes when it uses subsidies, price supports, and guarantees to shelter particular groups of citizens. It is clear that even if these supplementary controls are helpful in meeting emergencies, they are no substitute for general fiscal and monetary controls. Without the general controls, inflationary pressures will break loose eventually.

Praises Accomplishments

Through the use of general credit measures, supplemented by stock market margin regulations, economic fluctuations have been greatly moderated in the period since 1950, despite a sharp increase in both public and private debt. Since 1950 we have added $20 billion to consumer instalment credit outstanding, $90 billion to mortgage debt, and $85 billion to corporate debt—in considerable part to finance additions to plant and equipment. We have also added to the Federal debt, largely as a result of the need to reorganize and reequip the defense establishment in view of the rapid technical advances which have taken place in a world of continuing international tensions. At the same time State and local governments have borrowed $30 billion to finance schools and highways and for other purposes.

When one contemplates these magnitudes and the rates of increase they imply, both in credit and in our stock of real wealth—homes, automobiles, factories, and public facilities—it seems almost a miracle that we have been able to accomplish so much growth and still maintain as much stability as we have had in prices and employment. I am convinced that we could not have done even this well if we had not clung tenaciously to a sound, flexible monetary policy.

Reliance on general credit measures alone, of course, has limitations. Despite the manifest necessity for a sound general credit policy, and despite the manifest advantages of permitting the market to carry out the function of credit allocation, conditions may at times develop in specific areas that to some people would justify selective credit controls. Developments in a particular area may be unsound in themselves; or the area may be absorbing too much of the total credit expansion that is appropriate to the situation. Under such circumstances, public opinion may come to insist upon selective controls to supplement general ones.

Reconsideration May Be Forced

The Federal Reserve System made a study of the consumer-credit field almost two years ago and concluded that selective controls of consumer credit were not called for at that time. It is possible, however, that developments in the future might call for a reconsideration of that view. They might create a widespread public demand for consumer-credit controls as an alternative to enhanced cyclical fluctuations or to an increased degree of general credit restraint. Such feeling might be generated, for example, if terms were once more eased radically at a time when credit demand and consumer spending were on the increase. In that case, society might decide that the benefits to be gained by consumer-credit regulation would outweigh the difficulties. If so, we should benefit from the experience during prior periods of regulation so as to minimize administrative difficulties.

And so I return to the question posed at the beginning of my remarks. This question has been put into verse by the economist, Kenneth Boulding:

The Fruits of the Financial
System
Are quite impressive, once
you list 'em,
Although the system has the
power
To turn its fruits extremely
sour.[1]

[1] "Principles of Economic Policy" by Kenneth E. Boulding, p. 210.

*An address by Mr. Balderston before the New York State Bankers Association, New York City, Oct. 23, 1958.

New Loewi Branch

WAUWATOSA, Wis.—Loewi & Co., Incorporated, has opened a branch office in the Mayfair Shopping Center, 1 Central Mall, under the management of T. O. Malmstone, Jr.

With Eastman Dillon

CARLISLE, Pa.—Eastman Dillon, Union Securities & Co., members of the New York Stock Exchange, announce that Bruce E. Biel is now associated with their Carlisle, Pa., office, 100 West High Street, as a registered representative.

Prior to joining Eastman Dillon, Union Securities & Co., Mr. Biel was associated with the First Pennsylvania Banking & Trust Company of Philadelphia in the commercial credit department.

THE MARKET . . . AND YOU

By WALLACE STREETE

Following a period of decline lasting for six consecutive days, the market rebounded sharply on Tuesday and Wednesday of this week and succeeded in recouping a substantial portion of the earlier losses. The uptrend was particularly marked on Wednesday and produced a 5.84 point gain in the Dow-Jones Industrial Average. At the closing level of 542.72, the index was but 3.64 points below the all-time high recorded on Oct. 17.

* * *

Last week's slight sell-off, incidentally, came in the wake of a complete absence of any untoward developments either in the business trend or in the world political situation. As a matter of fact, many of the third quarter reports of the nation's leading companies actually were rather "bullish" in tone. While there were exceptions to the growing trend of much higher earnings this year vs. 1957, the breadth of the improvement recorded was significant. That is to say, gains were achieved by companies in diverse fields, rather than being concentrated in specific Industries.

Inflation and the Reserve Board

The action of the Federal Reserve Board in upping the discount rate from 2% to 2½% was not viewed as being portentous either in the stock or money markets. A change obviously was called for in order to narrow the spread between the bank borrowing rate and the yield on Treasury bills. However, there's no gain saying the fact that the Board is more than slightly disturbed at what is termed the "inflation psychology" pervading the activity in the stock market.

* * *

This attitude was again publicly aired by still another spokesman, namely, J. L. Robertson, who after stating that while there are good reasons "to think that profits are rising rapidly," went on to strongly imply that the greater activity and rising stock prices were purely a symtom of the growing acceptance of inevitable inflation. This thinking, he added, is completely unjustified and suggested that its continued acceptance in the area of business and investment decisions is potentially dangerous to its adherents. The Board, he continued, has the powers, and will and can stop inflation "in its tracks." To the foregoing, may we add the warning of Vice-Chairman Balderston of possible controls on consumer credit.

Rails Buoyant

While no one believes that the woes of the railroad industry are now a matter of history, the latest earnings reports from some of the carriers are none-the-less extremely encouraging. Furthermore, should the rate of improvement achieved to date as compared with a year ago obtain for the remainder of the year, the final readings should be quite impressive. That the market is optimistic on this score is evidenced in the fact that the carrier equities have performed much better recently than their industrial counterparts.

Another factor here, of course, concerns the feeling that something concrete may develop from the long-standing reports of projected mergers. Some of these have been in the "possible" stage for more than a year, without even a smattering of progress thus far (at least publicly) toward an eventual union.

* * *

Rail consolidations, by the way (or at least those consistent with "the public interest") were given the "green light" just recently by Kenneth H. Tuggle, member of the Interstate Commerce Commission. As a matter of fact, Mr. Tuggle seemingly deplored the fact that nothing has been accomplished thus far, and the further fact that the carriers had not availed themselves of the government-guaranteed loan program.

In the merger candidate field, the ICC member specifically mentioned the four Western roads, Northern Pacific; Great Northern; Chicago, Burlington and Quincy, and the Spokane, Portland and Seattle; also the possible Pennsylvania-Central and Coast Line-Seaboard blends.

* * *

Pacing the Uptrend

Among the issues that continue to maintain upward momentum, and in complete disregard of the action of the list in general, is American Motors. An important factor in its good performance could be attributed to substantial short covering. Although there is still a rather large short interest in the issue, the total amount was markedly reduced in the month ended Oct. 15. Aside from this element, the fact is that the company, based on its output this year as compared with 1957, is doing extremely well in the area of earnings.

As a matter of record, the so-called low-priced stocks clearly have been in the vanguard insofar as trading activity and price appreciation are concerned during the recent past. Aside from American Motors, the list includes Alleghany Corporation; Avco Manufacturing; Curtis Publishing; United Industrial Corporation; Artloom, and Studebaker-Packard. Percentage-wise, issues in this category have chalked up gains far in excess of those achieved by the higher-priced "blue chips."

The meteoric rise of the low-priced issues during the current year, for example, is graphically illustrated in Standard & Poor's index covering 23 issues. While the component stood at 34.55 in January, it had advanced to 53.86 on Oct. 22. In the same period the company's 500-stock average rose from 40.99 to 51.07. Small wonder that some analysts, in light of the record and the history of past bull markets, are inclined to express some misgiving as to the outlook for the market as a whole.

[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.]

Two Top Antitrust Legal Experts to Address Metropolitan Economists

Victor R. Hansen, in charge of the Government's Antitrust Division, and attorney Jerrold G. Van Cise of Cahill, Gordon, Reindel, and Ohl, of New York City, are to present their views to Metropolitan Economic Association of New York, this Friday evening, October 31, in New York City.

Business and academic economists will have an opportunity to learn from two of the country's top ranking legal experts some of the latest thinking and occurrences now taking place in the antitrust area.

Appearing before the members of the Metropolitan Economic Association of New York tomorrow evening, Oct. 31, 1958, will be Victor R. Hansen, the Assistant Attorney General of the United States in charge of the Antitrust Division in the Department of Justice, and prominent attorney, Jerrold G. Van Cise of Cahill, Gordon, Reindel, and Ohl, New York City, who has written and practiced widely in this field. The government and private antitrust attorneys will present their differing views for the edification of economists who often judge monopoly or monopolization on grounds other than that which form the basis for court decisions.

This is the first of four annual meetings in the 1957-58 year of the Association which will take place in the Remington Rand Auditorium, 315 Fourth Avenue, New York City. As is the usual practice, the three subsequent meetings will also be devoted to fostering serious discussion of economic problems of common interest to academic and practicing economists and other qualified persons in the far-ranging Metropolitan New York region. This is done by inviting distinguished experts in their fields to bring challenging realities and insight to economists who are anxious to question and improve their own knowledge and understanding of the subject—economics.

Early Warning Indicator Hoped For in Capital-Output Ratio Method

Newly perfected technique to determine extent of overcapacity by the Conference Board shows that in 1957 11 out of 19 manufacturing industries possessed excess capacity. The Board hopes it will uncover a lead business cycle indicator.

A new approach to the problem of determining the extent of overcapacity in manufacturing at the peak of general business has been explored by the National Industrial Conference Board, according to a Oct. 28th report.

The Conference Board undertook the analysis in the belief that intelligent forecasting of the extent and duration of recession in individual industries might be possible if it could be established that excess capacity emerges in the latter stages of a business expansion and contributes importantly to a business contraction.

Despite the crucial importance of the relationship of peak demand to capacity to produce, there is surprisingly little firm statistical evidence that bears on it, The Conference Board notes. The deficiency does not stem from the inability to measure peak demands, but from the inability to devise broadly based measures of capacity output.

Capital-Output Ratio

The approach studied by the NICB is based on analysis of the relationship of capital to output. Capital, in this context, means fixed capital, such as structures and equipment. The volume of structures and equipment is measured by the value which manufacturing enterprises place on these assets in their balance sheets, corrected for price changes.

The procedure employed is to establish a fixed capital-output ratio for each of the broad industry classifications for a benchmark year which independent evidence indicates was a period when capacity was virtually fully utilized. A significant rise in the capital-output ratios above the bench-mark ratios would be evidence of excess capacity—unless technological changes in the interval required more capital per unit of output.

The Conference Board chose 1948 as the bench-mark year because independent evidence suggests that at that time almost all branches of manufacturing were operating at peak output with virtually no excess capacity.

Eleven Had Excess Capacity in '57

Through use of the fixed capital-output ratio, The Conference Board concludes that in 1957 excess capacity existed in eleven of nineteen manufacturing subgroups. These eleven industries accounted for about 62% of all fixed capital reported by manufacturing enterprises at the end of 1957. They are: motor vehicles and equipment; electrical machinery; fabricated metal products; chemicals and allied products; tobacco products; rubber products; lumber and its products; printing and publishing; stone, clay and glass products; primary metals; and machinery, excluding electrical.

The eight subgroups without excess in 1957 include: food and kindred products, including beverages; textile-mill products; leather and its products; transportation equipment, excluding motor vehicles; instruments; petroleum and coal products; furniture and fixtures; and paper and allied products.

Early Warning System Hoped For

If the exploratory results are approximately correct, The Conference Board notes, the new approach to measuring excess capacity will provide early in a recession some critical data for judging the probable severity of the downturn. It will also be useful in forecasting the duration of the slump, for recovery is conditioned in large part by the extent of excess capacity at the peak of business.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Philip E. Chew is now connected with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. He was formerly with Harris, Upham & Co.

Stone & Webster Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Marshall F. Campbell, Jr: is now with Stone & Webster Securities Corp., 49 Federal Street.

With Rodman & Renshaw

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William C. Douglas is now with Rodman & Renshaw, 209 South La Salle St.

Joins Walter Hood

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — Douglass G. Starrett has become affiliated with Walter J. Hood Co., Inc., 142 High Street.

Laidlaw Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward A. Dionne is now affiliated with Laidlaw & Co., 80 Federal Street.

Alexander Yearley, IV, Chairman of NASD

WASHINGTON, D. C.—Alexander Yearley, IV, Atlanta, has been nominated Chairman of the Board of Governors of the National Association of Securities Dealers, largest organization of brokers and dealers in the country. Nomination is tantamount to


A. Yearley, IV


Donald L. Patterson


Allen J. Nix


E. W. Borkland, Jr


Wallace H. Fulton

election. Mr. Yearley is a partner of Robinson, Humphrey & Co. and Vice-President of its corporate affiliate. He will succeed Charles L. Bergmann, New York, partner, R. W. Pressprich & Co.

Mr. Yearley will take office in January and serve as Chairman for one year. He is presently serving a three-year term as a member of the board. This is the second time since formation of the NASD that an Atlanta dealer has been chosen for the post. Clement A. Evans, President of Clement A. Evans & Co., Inc., was Chairman of the association in 1949.

Mr. Yearley is a former President of the Georgia Security Dealers Association, Chairman of the Southern Group, Investment Bankers Association of America.

Others selected for national NASD offices, who also will assume their duties in January, are:

Donald L. Patterson, Denver, partner of Boettcher and Company, and Allen J. Nix, New York, partner of Riter & Co., Vice-Chairmen; Ernest W. Borkland, Jr., New York, partner, Tucker, Anthony & R. L. Day, Treasurer; and Wallace H. Fulton, Washington, director.

Int. Harvester Credit Debentures Offered

Public offering of $50,000,000 International Harvester Credit Corp. 4⅝% debentures, series A due 1979, was made yesterday (Oct. 29) at 99½% and accrued interest, to yield about 4.66% to maturity. The offering, which represents the first public financing by the Credit corporation, was underwritten by a nationwide group of investment firms headed jointly by Morgan Stanley & Co., Glore, Forgan & Co., and William Blair & Co.

The corporation, a wholly-owned subsidiary of International Harvester Co., will add the net proceeds of the sale to its general funds to be available for the purchase of receivables. The proceeds may be applied initially to the reduction of short-term borrowings.

The debentures will be non-redeemable prior to Nov. 1, 1963. On and after Nov. 1, 1963, the debentures will be redeemable at 104% and accrued interest if redeemed on or prior to Oct. 31, 1964 and thereafter at prices decreasing to the principal amount on and after Nov. 1, 1976.

The Credit corporation finances wholesale and retail sales of International Harvester Co. and its distributors and dealers in the United States. The Harvester company is a leading maker of motor trucks, various lines of farm machinery and construction equipment, including crawler tractors, earth and material moving equipment and power units.

International Harvester's farm equipment is sold to approximately 4,800 independent dealers located throughout the country; its motor trucks are sold to 5,100 dealers, a majority of which are Harvester farm equipment dealers as well, and construction equipment is sold to more than 100 distributors. In addition, International has retail outlets for farm equipment in about 100 cities, some of which also retail motor trucks, and retail outlets for trucks at about 170 other locations.

Total indebtedness of the Credit corporation at Aug. 31, 1958, was $286,438,500. This total included: short-term notes amounting to $241,438,500, long-term senior debt of $20,000,000 and subordinated indebtedness of $25,000,000. All of the outstanding stock of the Credit corporation is owned by the International Harvester Co. Total capital stock and surplus at July 31, 1958, amounted to $55,891,875.

For the nine months ended July 31, 1958, receivables acquired by the Credit corporation totaled $420,529,000, compared with $437,336,000 in the corresponding period of 1957 and $631,338,000 for the 1957 fiscal year ended Oct. 31.

Total income of the Credit corporation for the nine months ended July 31, 1958, was $23,877,127, compared with $21,262,339 for the same period in 1957. Net income after taxes for the respective periods was $4,439,076 and $3,510,867. For the 1957 fiscal year total income was $29,455,080 and net income $4,955,601.

With Thomson, McKinnon

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Raymond F. Briggs has become associated with Thomson & McKinnon, Security Building. He was formerly with Hill, Darlington & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

In an effort to win the Negro vote, Paul Butler, the Democratic National Committee Chairman, is given to saying that if the Southern Democrats don't subscribe to the Supreme Court's ruling on desegregation they can leave the party, that the party really does not need them.


Carlisle Bargeron

As things stand now the gentleman is badly mistaken. His cockiness is based on an erroneous assumption that Truman won without the South in his celebrated upset of 1948. He did no such thing. He lost Alabama, South Carolina, Mississippi and Louisiana. He carried the rest of the South.

I suppose that the Democrats could become so well established in the thickly populated industrial States — Illinois, Pennsylvania, New York, New Jersey, etc.— that they would not need the South but that is not the situation now.

Neither is there any likelihood of any southern State leaving the fold this year. And if it is left to the southern leaders in the Senate and House there will not be such a happening in the near future.

This is because that at present these men hold the committee leaderships. These take with them patronage and power. The situation has come about through the practice of the South in reelecting their men until they have come to have long periods of service, and, under the seniority system, they are the ones in high places to whom everybody else has to kowtow. Sam Rayburn is speaker of the House, for example; another Texan, Lyndon Johnson, is the leader of the Senate.

An Arkansan, Wilbur Mills, is Chairman of the powerful House Ways and Means Committee; a Virginian, Senator Harry F. Byrd, is Chairman of its counterpart on the Senate side.

It is for this reason that the Southerners want to see the party win nationally. If it doesn't they lose their chairmanships. They take considerable abuse from their Eastern and Middle Western brethern in order to preserve party unity. At the last session they compromised on a civil rights bill which caused some of their constituents to wonder just what was happening.

Now, they are in this mood at present and will be, so far as one can tell. They don't want a third party, and apparently are willing to go a long way and take a lot to avoid having one.

But the Northerners and Middle Westerners such as Senator Hubert Humphrey don't realize that these men are not reflecting the diehard feeling of the rank and file of the South. In every State in the South there are politicians who would like to come to Washington. They care nothing about the committee chairmanships because it would be a long time before they worked up to one. The people as a whole certainly have no interest in them.

So if they get the feeling that their representatives are not aggressive enough on matters like civil rights, some of the most prominent heads up here in Congress from the South will fall.

History is replete with instances of men who came here and became national figures and who all of a sudden were defeated—because they had lost the home touch. In my opinion, if there is a recurrence of 1957 when the Southerners compromised on the civil rights fight only to realize now that they had been double-crossed, there will be some replacements in Congress from the South.

It is true that there is no more similarity between the Northern and Middle Western Democrats on the one hand and the Southerners as there is between night and day. It is a marriage of convenience but it should work both ways. Such men as Hubert Humphrey and Paul Butler have long been insolent in their attitude towards the Southerners. But recently Butler has been taken to task by Senator Smathers of Florida, who strangely enough, is Chairman of the Democratic Senatorial Campaign Committee, and as such is in charge of electing Democrats in the North and Middle West, there being no contests in the South. Senator Smathers made it known that he was fed up on Butler's statements, and the voluble Democratic National Chairman duly took note.

Spahr Debates Gold Standard at C.C.N.Y. Today

A debate on the issue of irredeemable currency *versus* a gold standard and a redeemable currency will be held today at the Baruch School of Business, City College of New York City. Upholding the latter will be Dr. Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy, New York City. A leading monetary and banking scholar, he has written and spoken widely on the subject. Dr. Spahr heads a national group of money and banking economists which has, since our departure from the gold standard in 1933, not been fully credited or appreciated for serving as the country's "watch dog" against further deterioration of our monetary system while striving for return to a fully redeemable gold standard at present mint purchase price of gold.

Opposing a return to a redeemable gold standard will be Frederick Sethur, Associate Professor of Economics and a member of the C.C.N.Y. faculty.

With Grant, Fontaine

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Theodore O. Leydecker has become associated with Grant, Fontaine & Co., 300 21st Street. Mr. Leydecker has recently been with Earl A. Holtham. In the past he was an officer of Stephenson, Leydecker & Co.

Unemployment, the Cold War And Election Year Claims

By GEORGE MEANY*

President, American Federation of Labor and Congress of Industrial Organizations, Washington, D. C.

Election year claims notwithstanding, labors' spokesman disagrees with his friend the Secretary of Labor that the recession is over; saliently observes that industrial production recovery of 70% outpaces the 19% recovery in manufacturing jobs and 25% non-farm jobs; finds it rather ridiculous that we boast of American living standards in the "cold-war" fight while pursuing anti-union activity bound to lower our standard of life; and pledges non-direct political action in fighting the right-to-work laws. Mr. Meany also submits a program to strengthen consumer purchasing power, and refuses to concede legislation is needed to punish labor as a whole because of the sins of a few.

We live in an age where things are happening on the national and international scene, where things come up every day that affect the trade union movement. However, I am going to confine myself to one or two subjects which I think are of vital importance to the trade union movement at this time.

George Meany

Any problem that faces American labor is of necessity a national problem and not just a labor problem. The problems of the American worker, in my mind, are the problems of the nation itself, and I think one of the major problems that confronts this nation today is the problem of continuing unemployment.

Yes, we pay more attention to it, perhaps, because we represent workers, because we have official jobs in the trade union movement, but this is a national problem and it is a problem that the entire nation must face; and when we look at this problem we must look at it along with all of our national problems against the background of world affairs.

It is 13 years since the last war ended, and 13 years in which we have still not achieved a peaceful solution of mankind's problems.

Yes, 13 years since we fought a war to end tyranny and dictatorship and now for at least 10 of those 13 years we have been faced with the threat of dictatorship just as vicious if not more vicious than that which was faced during World War II.

We can have no illusions about this question because this is a fight between the free way of life as we see it here in America and the slave way of life as it is practiced behind the Iron Curtain.

Our Unemployment and the U. S. S. R.

This is a real threat. Anyone who has studied world affairs must know that the military potential of the Soviet Union is such that their ground troops could overrun Europe in a very short time.

The technological advances that they have shown in the field of guided missiles and air power must be taken as a real threat and not just as something that can be shrugged off.

It is also a fact that our nation is a leader of the free world, and it should be the leader of the free world whether we will it or not because it is the one nation that has the material resources and the will to turn back Soviet aggression if it comes.

So when we speak of unemployment or any other problem, we must relate it to the question of whether or not we can maintain the economy here to keep America strong enough so that she can discharge her obligation to the freedom-loving citizens of this country and to the other free nations of the world.

So we cannot ignore anything that affects the economic health of the nation.

One of these things that must affect the economic health of the nation is unemployment.

It would be nice to say that we have solved this problem but we haven't.

I heard a speech the other night on television. It was the shortest political speech of the present campaign. It was delivered by a Cabinet officer, the Secretary of Labor, a very good personal friend of mine and a very good Secretary of Labor, but this is campaign time so the speech consisted of four words. It went on television all over the nation, and the four words were:

"The recession is over."

Elections Do Not Erase Unemployment

Well, that would be pretty nice if we could believe it, and if there is anything I think that would hurt the unemployed person any more than the fact that he is out of work is to tell him that it is of no consequence, it doesn't mean anything, because conditions are good.

Well, here are some facts in regard to this recession:

Incidentally, we couldn't get anyone in the Administration for the past year and a half to admit that there was a recession, but suddenly because there is a reduction in the number of unemployed we are told that the recession is over.

Well, it isn't over even though this is election time in a campaign year.

There are one and one-half million more unemployed in America today than there were one year ago. That is a fact; those are the official figures.

The unemployment on a nationwide scale for the month of September was 7.2% of the national work force. This percentage of 7.2% for the month of September has been exceeded in four months in the last 16 years. Six per cent is considered an emergency depressed area by the Labor Department's own measuring rod, so if that is so, we find that the entire nation as a whole is over the 6%; 7.2% for the month of September.

Industrial employment has come up a little bit, but unemployment is still near the peak in certain areas.

In the transportation equipment industry, unemployment is 12.6%. In the industries that employ basic metal workers, industrial workers, unemployment is 10.3%; 9.9% of the miners are out and 9.6% of the construction workers of the country are out.

There were 1,100,000 fewer jobs in September of 1958 than there were in September of 1957.

In September of 1958 there were 1,461,000 employees who had drawn 15 weeks or more of unemployment insurance; 50,800 workers by the end of August had exhausted their temporary supplemental unemployment insurance benefits in the States that adopted that temporary program.

In the States that did not adopt the program, there were 56,000 who exhausted their benefits during the month of August, and there are tens of thousands each month who are exhausting their unemployment benefits.

So we are told by a representative of the Administration that "the recession is over."

Well, it is my feeling that election or not, the American public is entitled to the facts, and I think the day is past when you can kid the American public or the American worker by statements which have as a background a political inspiration.

Jobs Lag Behind Recovery

The odd thing about this situation is that the industrial production of this country in the last eight or nine months has regained 70% of the decline that came with this recession.

Seventy per cent of the industrial production has been regained, but only 19% of the manufacturing jobs have come back and only 25% of all the non-farm jobs in the country have been regained.

Now, what does this mean? Does this mean that we accept 4,200,000 as permanently unemployed? Does this mean that we are going to have continuing unemployment with these mililons out of the market insofar as purchasing power is concerned?

Well, if it does, it mean recurring depressions every two or three years.

Outlines Program of Action

What we need is not statements that the recession is over; what we need is action on the part of the Government and the Congress to strengthen consumer buying power.

The tax structure should be overhauled to give relief to those in the low and middle income groups.

There should be realistic, uniform, modern standards for unemployment insurance throughout the country.

There are many, many things that could be done to bring about more employment:

Long-needed public services, like schools, housing, roads, hospitals and many other ways in which the economy can be strengthened and strengthened in the only place where it really means anything, and that is in the pay envelope which furnishes the purchasing power that keeps this dynamic economy of ours going, or should keep it going.

So that is one of the problems that we are going to have to face.

This is one of the problems that labor must face because we are directly concerned, but in my book it is a problem that the nation as a whole must face. It should be the concern of the entire nation and not just of those who speak for workers.

Then, of course, we have another problem that we are facing that could affect the nation itself, and that is the drive that is now on to hamper and if possible destroy the trade union movement.

It sounds almost ridiculous to think that at this late date, after the contributions that the trade

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*An address by Mr. Meany before the Bricklayers, Masons and Plasterers Union's 65th Convention, Atlantic City, N. J. Oct. 14, 1958.

Politics and Recessions

By MILTON C. LIGHTNER*

President, National Association of Manufacturers and Chairman of the Board, Singer Manufacturing Company, Elizabeth, N. J.

Private industry's spokesman singles out the labor movement as an "internal threat" to our economic and political system in averring conditions which brought on the 1957-58 recession remain uncorrected. The N.A.M. head blames government spending and wage increase exceeding productivity for laying the basis for past downturn and asseverates that business can avert a repetition of this by entering politics to combat political action by union leaders.

Today there are a great many politicians who compete for the sales dollar. They want to get those dollars as taxes for them to use as they deem best, and they are slowly and surely pulling ahead of you.

Milton C. Lightner

They sell the American people on the idea that government can make better use of our money on our behalf than we, the American people, can by spending our own money. Each one of such programs that these politicians can sell to the American people reduces take-home pay, and removes a part of your potential market.

The most effective sales argument used by such a politician is that these government programs are bought with easy payments, paid by somebody else.

While we have filled America with the countless items that make up the American standard of living with the slogan, "Buy now, pay later," some politicians have been filling the minds of customers with Utopian ideas—using the slogan, "Buy now, and never pay at all."

Sales personnel are realists and know this political sales appeal can't be true. But the Federal Trade Commission and the Better Business Bureaus are in no position to condemn false advertising of a political proposal.

Considerable damage has already been done. The recession is an old topic by now, and yet it must not be forgotten because its history can forecast our futures and if conditions remain as they are we are surely laying the groundwork for a new recession.

Basis for Recession

The basis for the recession which began last year was inflation. The parties primarily responsible for this inflation were government and organized labor. Here is how it worked.

Government encouraged the development of labor monopoly—the only unregulated monopoly that government will tolerate under our laws. Anti-monopoly laws which apply to everyone else specifically exempt labor unions.

As a result, many employers were in no position to resist effectively the most extreme demands for repeated wage increases and fringe benefits. So began the wage-price spiral with which all of you, and your customers, became so familiar. The big unions gave the employer this choice: capitulate on wage demands or face a strike and let your competitor serve your customers. Few employers indeed could afford to fight excessive wage demands. And wages went up everywhere more than twice as fast as all of America's inventiveness and know-how could increase productivity.

Someone had to pay for this. The unions assured the public that the employer could pay—that the wage increases could come out of profits. But there wasn't that much profit, as you well know, each new price list has tended to show price increases.

This could only go on so long before the public began to be reluctant to buy. The public became reluctant last year, and the recession followed.

What happened to the lucky union member who had received the raises? Frequently he found that he was out of a job. Not only that, but the money he had wasn't worth as much as it had been. His union tactics had forced inflation, forced unemployment, and despite all the assurance that someone else would pay the bill, many union members paid in the end along with all the rest of us.

The Government's contribution to the wage-price spiral was twofold. First, it encouraged the growth of union monopoly. And then it increased the money supply to pay the higher wages, contributing to the inflation.

Preventing the Next Recession

What is to prevent the next recession? As things now stand, absolutely nothing. The unions are as powerful as ever, operating in the same untouchable legal position. Congress has launched new civilian programs and fattened the old ones, while continuing the great appropriations caused by the cold war. And now the government has been deprived by the recession of tax revenues and has gone into deficit financing on a scale unprecedented in the peacetime history of our country.

Too few of the American people realize that entirely aside from the record defense budget we have a record budget which has no connection with defense whatsoever. Who is responsible for this great surging growth of Federal activity?

Primarily, labor union leaders and those politicians who are obligated to them or who are actively seeking their support are responsible. The labor movement used to be non-political, and its founders warned repeatedly against political activity upon the part of the labor movement. But today the labor movement is by far the largest pressure group in politics and it had tremendous power in the last Congress.

Reviews Kennedy-Ives Bill's Background

This influence is demonstrated in the history of the Kennedy-Ives bill, which I would like to recall briefly.

First, the revelations of the McClellan Committee on labor rackets aroused the public and it became evident that labor legislation would be needed. When none was forthcoming, Senator Knowland and other senators tried to provide needed legislation as amendments to a bill on the Senate floor. To prevent this move from succeeding, the Senate Labor

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*An address by Mr. Lightner before the Sales Executives Association, St. Louis, Mo., Oct. 17, 1958.

California IBA Group Elects

Alger J. Jacobs (left), Vice-President, Crocker-Anglo National Bank, newly elected Chairman, California Group, Investment Bankers Association of America is congratulated by outgoing Chairman, Curtis H. Bingham, President, Bingham, Walter & Hurry, Los Angeles.

SAN FRANCISCO, Calif.—Alger J. Jacobs, Vice-President, Crocker-Anglo National Bank, was elected chairman of the California Group, Investment Bankers Association of America, at the annual meeting, succeeding Curtis H. Bingham, President of Bingham, Walter & Hurry, Los Angeles.

Murray Ward, resident partner of E. F. Hutton & Company, Los Angeles was elected Vice-Chairman and Harvey J. Franklin, manager, Municipal Bond Department, Merrill Lynch, Pierce, Fenner & Smith was re-elected Secretary-Treasurer.

All were elected for one-year terms effective at the close of the annual conference of the national association at Miami Beach, Florida Nov. 30, Dec. 5, 1958.

Donald Moulton, President, R. H. Moulton & Company, Los Angeles and N. Connor Templeton, resident partner, Mitchum, Jones & Templeton, Sacramento were elected to three-year terms on the Executive Committee of the California Group.

Jo M. French, Vice-President, Blyth & Co., Inc., Los Angeles, was Chairman of the Nominating Committee.

San Francisco Bonds Totaling $24,425,000 Offered to Investors

An underwriting group headed by Bank of America N. T. & S. A. and including American Trust Company, (San Francisco), Blyth & Co. and Security First National Bank, Los Angeles, was the successful bidder on Oct. 27, for a total of $24,425,000 City & County of San Francisco various purpose bonds, at a net interest cost to the city and county of 3.06%. The bonds, bearing coupon rates of 6%, 2½%, 2¾% and 3%, were reoffered to investors to yield 2.00% to 3.15% according to maturities, Dec. 1, 1959 to 1973.

A premium of $5,759 was bid for $15,425,000 Hall of Justice bonds. Proceeds from the sale of these bonds will be used to construct a new Hall of Justice. The new building will house offices of the Police and Sheriffs Departments, Prison, Court Rooms for Traffic, Municipal and Superior courts and all other offices and departments dealing with law enforcement.

For $3,725,000 school bonds, the syndicate bid a premium of $2,099. The bonds are part of a 1956 authorization for buildings and land for new schools and additions to and remodeling of existing schools.

The syndicate bid a premium of $309 for the $2,600,000 sewer bonds. These bonds are part of a 1954 authorization for construction and additions to sewage disposal plants and for new sewer lines and replacement of old lines.

An issue of $1,400,000 street improvement bonds went to the Bank syndicate on a premium bid of $1,109. The bonds are part of a 1947 authorization for extension and improvement of streets, purchase of right-of-way, removal of streetcar tracks and new traffic signals.

For $675,000 San Francisco hospital bonds the Bank syndicate bid a premium of $289. Proceeds from the sale of these bonds, part of a 1954 authorization, will be used for additions and improvements to the hospital.

The Bank group bid a premium of $259 for $600,000 playgrounds and recreation centers bonds. These bonds are part of a 1955 authorization for acquisition of new playgrounds and recreation centers and enlargement and improvement of existing ones.

Bank of America and the underwriting accounts it managed during the past 12 months have raised more than $657 million for civic improvements required by California's fast growing economy. The Bank and its underwriting groups, through successful competitive financing provide California communities with an assured source of funds for needed public facilities.

Inv. Planning of Penn. Official Appointments

PITTSBURGH, Pa.—Edward N. Pape, President of Investors Planning Corporation of Pennsylvania, 209 North Craig Street, has announced the appointment of Ray G. Bender and Augustine J. Marasco to Assistant Vice-President.

Mr. Bender was associated with Westinghouse Electric Corporation and United States Steel Corporation prior to accepting a position with Investors Planning Corporation early this year.

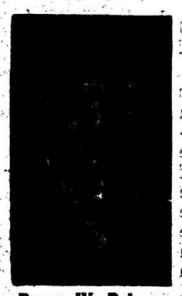
Mr. Marasco has been with Investors Planning Corporation since 1954. He was in the banking field for several years before entering the investment business with Investors Planning Corporation.

The Wealth of Nations Lies in the Oceans

By ROGER W. BABSON

Enthusiastic about potential opportunities for investors and college students in the wealth of the ocean. Mr. Babson accords to the untapped resources of the ocean the hope of tomorrow's mankind.

Those who invest in mining stocks should save a little money for investment in companies extracting minerals from oceans, lakes, and rivers. Every student knows that the oceans own incalculable mineral and food wealth. The bottoms of lakes have been collecting minerals from the surrounding watershed for thousands of years, while gold and uranium is still being secured from river beds. But the trip of 17 days from New York to Cape Town has impressed me especially with the mineral wealth of the oceans which cover three-fifths of the earth.



Roger W. Babson

The Greatest Undiscovered Treasures

The greatest boon to mankind was the discovery of fire; then the discovery of the wheel for transportation; then the discovery of steel and of electricity for industry. The latest great industries have been in connection with the telephone and the internal combustion engine, both of which are used by almost every householder. Yet there are other far more important things which few readers realize. For instance, that an acre of good sea floor can produce nine tons of clam meat, against one ton of beef, pork, or lamb on an acre of pasturage. On land we farm only a few inches of topsoil, but the water turns out vegetable matter in far greater quantities and of far greater value. The ocean has a producing potential 200 times that of the land.

The valuable mines of the world today will be found in the ocean. We have barely begun to tap the chemical resources of oceans, rivers, and lakes, which contain most of the mineral wealth which has been washed off the land during millions of years. This includes hoards of gold, silver, iron, copper, lead, and, of course, magnesium and iodine. This is my first thought as I land in South Africa.

What of the Future?

Readers really interested in the subject should visit the institution founded by the Rockefellers at Woods Hole, Mass. This institution has six vessels afloat with heavy cables to dredge the floor of the ocean several miles down. Many mines on land are developing ore discovered a mile or more below the surface, while oil wells extend down two or three miles. The ocean which we know, however, is only as far down as fishermen can operate nets and draggers, the distance of a few hundred feet. The Navy is just waking up to the great importance of oceanography, as the next war will be fought both in the air and under the water.

I am much pleased that the government has selected Gloucester, Mass., where I was born and raised, as the location of its fisheries laboratory. This laboratory's first work will be in connection with discovering, catching, processing and marketing fish products. I hope, however, it will begin the study of the wealth of the ocean in other ways, as is now being done in Africa. Readers will probably be offered stocks of new companies which will build private laboratories in the U. S., because a cubic mile of sea water contains more than 5,000,000 tons of useful essential chemicals. The most active U. S. company in this field today is the Dow Chemical Company, which has been successfully securing magnesium from sea water. Recently Merck & Company has been using this product to produce milk of magnesia, citrate of magnesia, and antacid powders. These last are extensively used in making steel, rubber, and ink. I am giving special attention to learning what Africa is doing along these line.

Opportunity for Chemists

Just now "electronics" is the fad and many young men — not properly equipped in mathematics and physics—are rushing into this new industry. If, however, I were a young man just entering college, I would specialize in industrial chemistry with special reference to the oceans, which contain such huge quantities of magnesium, bismuth, iron and silver salts, and many other valuable compounds. In addition to the industrial products, the ocean provides vitamins for bread and flour enrichment, antibiotics to control infection, and stimulants for farm feeds.

I have great respect for doctors, but instead of training to be a doctor I should train to be a chemist or a manufacturer of pharmaceutical products. Otherwise, I should attend a school of business administration and learn to sell products made in electronically controlled automated factories or else the chemicals found in the ocean or air. Personally, I would rather be in the selling end of the business than in the manufacturing end if I lived in the United States. The great opportunities in South Africa should be to educate and capitalize the huge native labor force for manufacturing and exporting.

As a hedge against inflation, I purchased some land near Eureka, Kansas, which has been planted to alfalfa. This gives me three crops a year, given normal rainfall. Most of it is baled and sold for cattle feed at about $20 per ton. Recently there has been a demand from a man in Indiana who is willing to pay $25 a ton for finely ground alfalfa. Checking through this sale I find it is used for making "alfalfa tablets" which are sold at my local Wellesley, Mass, drug store at $1.50 for two hundred tablets.

This means that when I buy these tablets, I am paying over $1,200 a ton for alfalfa which I sell at $25 a ton! I am not complaining about this profit, which comes from the processing, but I use it as an illustration that profit in the U. S. comes from manufacturing and merchandising rather than from agriculture. Another illustration of what I have in mind is the great success of the Nutrilite Company of Buena Park, Calif., which has thousands of men and women selling products which come from the ocean, or from the land or the air. I hope to find in Africa even greater opportunities for profit from products heretofore wasted. The exportation of "lobster tails" to the United States is the first to catch my eye.

Inflation and Securities

By JACKSON MARTINDELL*
Chairman of the Board, American Institute of Management
New York City

Mr. Martindell avers a new downturn is in the making which will cause a stock market retreat next month. He forbodingly warns of the dire consequences of inflation and that stocks in the long run are no hedge against inflation. Deplores the situation where investors must become speculators and predicts the Government will have to maintain reasonable prices on its bonds or eventually will have to force institutions to take government bonds, or take over the institutions. Suggests four rules for those choosing stock market investments.

Just as we had a reasonably predictable upturn last December, I can now state a new downturn is in the making which will see the stock market retreat next month. This November downturn would have occurred in September had the Government not feared to take drastic anti-inflationary action before the election.


Jackson Martindell

While the public seems astounded by the 10-month rise, the stock market has been doing precisely what reasonably can be expected during a serious stage of inflation; for inflation, with its dire consequences, is now in our economic saddle.

Perhaps the best definition of inflation today is, too many people chasing too many dollars in order to buy unnecessary merchandise of doubtful quality. Since it has been estimated that most of our national expenditures are for luxuries, the foundation of our inflation is greed, the most unpleasant of all human characteristics.

With an indifferent public, any full blown inflation, like malaria, must run its course as malaria does within the body of an indifferent victim. A malaria attack is "characterized by precise periods of chills and fever, alternating with a rhythm that is more discouraging because it is predictable. The third stage of inflation, and that is what we are now experiencing, is likewise predictable and frightening.

Must Expect Government Alternating Actions

Investors must expect, for some years, alternating government inspired advances and declines in securities and business. First the Government steps in to retard, and when this becomes too unpopular, the Government sparks a turn around. These alternating periods, each lasting less than a year, will become more violent and less manageable as times goes by. All inflations end this way unless they are stopped, and they can only be stopped by measures that would never be sanctioned in the United States.

We have now reached the stage in our inflation cycle where government bonds can be sold only to institutions. Within five years we will undoubtedly reach the point where these institutions will be forced to take these bonds, and at a later point, the Government will have to take the institutions. Meanwhile, in order to keep the institutions solvent, bond prices will have to be reasonably maintained. It is not the price of the bonds that will suffer, it is the value of the bonds in terms of purchasing power. One only has to go back to the financial record of the 1920's to see that the German government bonds sold above par, even at a time when a $1,000 bond bought only a package of cigarettes.

What is one to do who has capital? One must become a speculator. It is no longer possible to remain an investor in the United States and be a person of substance. From here on in the capitalistic system will reward the speculators — those fortunate enough, and courageous enough to take the steps called for when paper money is becoming less and less dependable.

No Long Run Hedge in Stocks

The great majority of Americans now think of the stock market as a hedge against inflation. It is an excellent hedge in the early stages of inflation. As time goes by, however, as it has now, inflation is no respecter of the share owner, except in very limited areas. Those who choose the stock market as their means of protection should follow certain rules:

(1) First, and most important of all, the company must be excellently managed.

(2) The enterprise must be well financed and, therefore, able to acquire other products and other companies under favorable circumstances. The best holding at a time like this is a company of no funded debt, rather than one that owes everybody. Surprisingly enough, when money is cheap in purchasing power, it is hard to come by. This is because nobody wants to lend it. Who is anxious to put his money out at 3% when the annual decline in purchanig power is 3% or more, thus depriving the investor of any real return whatsoever?

(3) Companies and industries must be avoided for the long term where there is both a combination of high labor cost and regulated return. This is true of all the transportation companies, whether they are railroads or airlines. Strangely enough, light and power stocks offer the very best hedge that one can wish for from a true investment point of view, because they provide a necessity, there is an expanding demand for their product, bad debts are non-existent, labor cost is negligible, and rate adjustments can be had.

(4) Above all, the investor turned speculator by circumstances beyond his control, must remember that stocks *per se* are no hedge against inflation. Inadequate depreciation reserves quickly erode the true values of the stocks of nine out of ten companies. Less than 100 excellently managed companies with their common stocks now listed on the New York Stock Exchange give any reasonable measure of inflation protection.

These 100 securities are to be found among the power and light issues, the chain stores, supermarkets, the chemicals, the pharmaceuticals, the oils, the soap companies, and the metals. To choose these companies one must know that the physical sales volume can be doubled in the next ten years, that an adequate margin of profit can be sustained, that the growing volume of the company's business can be financed without the issuance of additional shares.

*From a talk by Mr. Martindell before the Public Foundation for the Economic Education of Women, Inc., New York City, Oct. 14, 1958.

Leif Olsen With M. A. Schapiro Co.

M. A. Schapiro & Co., Inc., 1 Wall Street, New York City, has announced the appointment of Leif H. Olsen as a Vice-President of the firm effective Nov. 1. The Schapiro organization specializes in bank stocks and conducts a program in bank analysis.


Leif H. Olsen

Mr. Olsen was formerly Chief of the Public Information Division of the Federal Reserve Bank of New York.

Before joining the Federal Reserve Bank in 1956, Mr. Olsen was a financial writer for "The New York Times" covering banking and the money markets. Prior thereto he was a member of the staff of "The Wall Street Journal" covering banking, insurance companies and the securities market.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. and associates offered yesterday (Oct. 29) an issue of $10,000,000 Texas Electric Service Co. first mortgage bonds, 4½% series due Nov. 1, 1988, at 101.656% and accrued interest, to yield 4.40%. Award of the bonds was won by the underwriters at competitive sale on Oct. 28 on a bid of 100.9599%.

Net proceeds from the sale of the bonds, together with proceeds derived from the concurrent sale of 80,000 shares of preferred stock, and other funds, will be used by the company for construction purposes. The construction program is expected to cost about $33,000,000 in 1958 and $25,000,000 in 1959.

The 1988 series bonds will be redeemable at general redemption prices ranging from 106.16% to par, and at special redemption prices receding from 101.66% to par, plus accrued interest in each case.

Texas Electric Service Co. is engaged in the generation, transmission and distribution of electricity wholly within the State of Texas. The company, Texas Power & Light Co. and Dallas Power & Light Co., whose respective systems are interconnected, are subsidiaries of Texas Utilities Co.

For the 12 months ended Aug. 31, 1958, the company had total operating revenues of $64,008,000 and net income of $15,679,000.

Commodity Club of NY Elects New Officers

The Commodity Club of New York, Inc., has elected the following new officers:

President: Werner Lehnberg, E. F. Hutton & Company.

First Vice-President. Milton W. Jiler, Commodity Research Bureau, Inc.

Second Vice-President: Charles Mattey, Bache & Co.

Secretary: Irving Hankin, Merrill Lynch, Pierce, Fenner & Smith.

Treasurer: Julius Rutkay, Anderson, Clayton & Fleming.

Now Van Hoozer & Co.

KANSAS CITY, Mo.—The firm name of Ruppert Investments, Inc., 1016 Baltimore Avenue, has been changed to Van Hoozer & Co., Inc.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Jack D. Hay is now affiliated with Shearson, Hammill & Co., 348 East Green Street. He was formerly with J. Logan & Co.

Keep Government Limited In the Interest of Freedom

By CLARENCE MANION*
Attorney-at-Law, Doran, Manion, Boynton and Kamm,
South Bend, Indiana
Former Dean, University of Notre Dame College of Law and
Former Chairman of Commission on Inter-Governmental Relations
Author of "The Key to Peace"

Dean Manion labels current Federal taxation "extortionate." He declares "insane" Congressional spending hurts U. S. A. business more than anything the Soviets have done in five years and constitutes an attack on the American worker's paycheck. States proper solution requires popular support, time and money in order to install proper limitations and, thus, forestall ultimate surrender to communism.

For better or worse consumer credit is now firmly established as one of the necessary outlets for the orderly prosperous flow of American business. The consumer credit man is at the far end of the American production line and nobody likes to think of what would happen to American business if the credit man ceased to function.


Dr. C. E. Manion

By the same token the credit man has a vital interest in what goes on upstream in American business. Too many of us have "the old man river" complex as far as American business is concerned. Private enterprise just won't keep rolling along without the intelligent help and understanding of all American people to whom it has brought the highest standard of living in the world's history.

I am a member of the Indiana State Board of Education. Our board is now besieged by requests to install teaching of the Russian language in Indiana schools. On the contrary, we haven't had a single request to strengthen the teaching of our American system of free enterprise which is very inadequately taught in all our schools today. This popular indifference to basic American values is killing American freedom in this country at the very time that we need to strengthen freedom against communism. The business of freedom needs intelligent business management and needs it badly. Freedom needs to know who its competitors are right here at home and how to fight then through intelligent advertising.

Insane Congressional Spending

The biggest competitor in this country now is the government of the United States. The insane extravagance of the 86th Congress hurt American business more than anything the Soviets have done in five years. The extortionate taxation of a spendthrift government makes a continuous assault on the American worker's paycheck which you credit men must depend upon for the repayment of the billions that you have loaned to the American people. Liberty means limited government. It was the purpose of the constitution to keep government limited in the interest of freedom. It is a difficult job to keep a rapacious government within its prescribed constitutional limitations. That cannot be done without proper limitations and popular support and this understanding and support cannot be generated without business management. This will be hard selling. It will take time and money but the only alternative is complete socialism, tyrannical government and ultimate surrender to communism.

*A statement by Dean Manion before 44th Annual Convention of National Consumer Finance Association, Bal Harbour, Fla.

Hartford Electric Lt. Co. Financing Program

Underwriting groups headed jointly by The First Boston Corp., Putnam & Co. and Chas. W. Scranton & Co. offered for public sale yesterday (Oct. 29) a new issue of $18,000,000 of 4⅜% first mortgage bonds due 1988 and 100,000 shares of 4.96% preferred stock of $50 par value of The Hartford Electric Light Co. The bonds were priced at 99.25% and accrued interest to yield about 4.42% to maturity and the preferred stock offered at $50 per share to yield 4.96%.

Concurrently the company is offering to the holders of its common stock rights to subscribe at $56 per share for 149,633 shares of additional common stock at the rate of one share for each ten shares held of record Oct. 21, 1958. The subscription offer will expire at 3 p.m. (EST) on Nov. 17, 1958. The offering will be underwritten by a group headed by The First Boston Corp., Putnam & Co. and Chas. W. Scranton & Co.

The utility company proposes to use the combined net proceeds of this financing program for the payment of $27,500,000 outstanding short-term bank loans and apply any remaining proceeds to the company's continuing construction program. Total plant expenditures for 1958 are estimated at $22,000,000. Construction spending for 1959 is estimated at $12,000,000, principally for additions to electric transmission and electric and gas distribution facilities.

The new bonds will not be redeemable prior to Oct. 1, 1963 at an interest cost to the company of less than 4⅜%. Optional redemption prices range from 104.38% to the principal amount. The special redemption price is par. The new preferred stock is redeemable at $53.75 per share on or before Nov. 1, 1963 and thereafter at prices decreasing to $50.50 per share after Nov. 1, 1973.

Hartford Electric's service territory covers approximately 1,000 square miles in Connecticut. Principal communities served include Hartford, East and West Hartford, Manchester, Middletown and Torrington. Population of the area is about 675,000.

For the 12 months ended Aug. 31, 1958 operating revenues were $50,508,000 and net income $6,927,000 against $48,784,000 and $6,962,000 for the preceding 12 months.

Chicago Analysts to Hear

CHICAGO, Ill. — Dr. F. Otto Haas and W. T. McClintock of Rohm & Haas Company will be guest speakers at the luncheon meeting of the Investment Analysts Society of Chicago to be held Oct. 30 in the Adams Room of the Midland Hotel.

The Growing Opportunities In Property Improvement Loans

By ROY F. COOKE*
Assistant Commissioner, Title I
Federal Housing Administration, Washington, D. C.

The almost inexhaustible market for home improvement loans are depicted by FHA official after observing that the self-supporting FHA Title I home improvement field is presently a $10 billion market and that a very large number of homes are more than 20 years old. Mr. Cooke points out that home owners presently spend $8 billion every year on their properties and 20% of this must be financed by lenders. He explains how government's home improvement loan insurance program does business, and how contracting firms and leaders can profit from it.

We like to refer to the FHA home improvement program as the "3 R's." These "3 R's" for us in Title I symbolizes three little, but mighty important words... Remodel-Repair-Repay.


Roy F. Cooke

Wrapped up in these "three little words" is an $8 billion industry . . . home improvement. This is not a one-shot expenditure of $8 billion, but the yearly outlay by American homeowners to maintain their properties. A great portion of this money to maintain homes comes out of savings or income. On the other hand, at least 20% of this home repair investment must be financed by lenders.

The FHA Title I loan insurance program began in 1934. It was a depression device to stimulate our sagging economy. In those days very few lenders, especially banks and savings and loans, had any experience or interest in instalment credit lending.

It developed that it was up to FHA Title I to lay down the broad principles of consumer credit and guarantee loans until lenders gained experience. All this was done to induce lenders to make unsecured loans to homeowners to promote our industrial recovery.

States FHA Title I Is a Going Business

Today I am proud to report that FHA Title I is a going business. We have 12,800 approved lenders engaged in instalment credit lending in about every county of the nation and every possession. We are self-supporting; paying all of our overhead—salaries, claims, rents, equipment, etc.—and have a sizable reserve for insurance. There are more than 60 new lenders entering the FHA Title I program each month.

Title I pays its own way by charging a one-half of 1% insurance premium on each dollar of the net proceeds of the loan. This insurance premium has been reduced three times since 1954 when the rate was lowered from .75 to .65%, in August 1957 to .55%, and in April 1958 to one-half of 1%. But the rate to the borrower has remained the same . . . $5 discount. This rate gives the lender a good net profit, plus 90% insurance on the unpaid balance in event of claim.

During this period of premium reduction, the average loan has increased from $200 to nearly $1,000. These larger loans have resulted in bigger profits to lenders because the initial cost of putting sizable loans on the books is the same as for smaller loans.

At this time, Title I has 1¼ million active loans in its insurance portfolio valued at $1½ billion. New loans are being insured at the rate of about 5,000 per day and the amount insured each month often reaches $100 million. . . . These are all consumer loans.

We consider consumer credit as the most modern advancement in banking and truly one of the greatest creative ideas of this era because it enlarged the buying power of the average man who lacked cash for purchases. . . . Title I is pleased to be one of the outstanding pioneers in this business revolution.

Now what does this huge home improvement market mean to all banks engaged in our Title I program? Already we have insured 21 million loans valued at more than $11 billion. There are over 50 million homes in this nation and more than 1 million new ones are being built each year. This presents an inexhaustible market for home improvement loans because people always want *improvements* — additions, alterations, decorations, air conditioning, etc.—whether a house is one or 50 years old. It is well to remember — "A home is only as modern as the last improvement."

66% Are 20-30 Years Old

Of the 50 million houses I just referred to, it is of interest to analyze them. The most recent survey shows that 66% are from 20 to 30 years old and that 45% of them were built before 1920; 30 million have not been painted in 10 years; 16 million have no central heating; 9 million no hot water; 9½ million no bath tubs, but still 23½ million are owner-occupied. What a market! Let good business sense and imagination evaluate this tremendous market especially in view of the new technological developments and the young family formations seeking to establish a modern home.

Many modern families have been reared in the use of consumer credit. We know it's the way to buy and obtain possessions which would otherwise be impossible if it were purely a cash transaction. However, a recent Federal Reserve survey showed that 50% of all families have no instalment credit obligation. Also, it showed that of families with annual incomes from $3,000 to $7,500 per year only 40% used consumer credit which leaves a 60% market to be developed. The basic function of consumer credit is to aid the purchaser, and in view of these figures there is a lot of pent-up purchasing power available in this country. However, on the other hand, sales promoted by unwise and risky credit use are dangerous to the economy of the nation.

Lending Criteria

Often the question is asked, "What rules for granting consumer credit should a good lender use?" The criteria I use, and this is based on experience in both banking and manufacturing, are: (1) consumer credit is intended to serve the buyer rather than the producer; (2) consumer credit should be granted on a sound basis to create an asset and not a liability; (3) consumer credit should be sold on a common sense basis; and (4) consumer credit should be extended in accordance with the accepted code of ethics perfected by industry and the banking profession. Good consumer credit builds character in the borrower . . . it does not destroy it.

So that FHA Title I may keep all fingers on the pulse of its program from a practical operating approach, we have created two Advisory Committees who meet periodically to give us advice.

Credit Bankers Placed on Advisory Committee

One Advisory Committee consists of 25 of the leading consumer credit bankers in the country. These lenders represent each geographical area of the nation. We are in constant communication with our Lenders Advisory Committee and find its advice from the practical operating point of view most helpful and useful. We have the same regard and admiration for the local Title I Lenders Groups which have been organized in the larger banking communities throughout the nation.

Our other Committee has a membership of men on the president or vice-president level representing business, building material manufacturers, retail dealers, the National Better Business Bureau and a credit rating organization. This group is known as the Industry Advisory Committee. It advises Title I how the program is working for the dealers and consumers.

All in all, we have a balanced program that operates for the benefit of all — the lender, the manufacturer, the dealer and the homeowner.

To give an indication of how Title I is growing, three months ago the Federal Reserve reported Title I as insuring 63% of all home improvement loans; now their figures show we are insuring 70% of all loans. The same reports show that Title I business has increased $100 million in outstandings compared to $20 million for lenders on their "own plan."

The American Bankers Association survey of delinquencies reports "own plan" delinquency at 1.48% and Title I at 1.37%. Our own Call Report, as of March 31, reveals Title I delinquency to be 1.11% in 1958 as compared with 1.29% in 1957. This low ratio indicates that people are paying on their Title I loans even though there is some unemployment.

To assist lenders in collecting on delinquent accounts, we have begun the use of a communication to delinquent borrowers known as the "Pre-claim Letter." This "Pre-claim Letter" is sent at the request of the lender by the local FHA office to the homeowner advising his account is overdue and the lender is about to file a claim with the government for the unpaid balance. The results of this letter have been amazingly successful; 39% of all delinquent accounts, where this letter has been used, have been paid in full or made active again. This letter is now in nationwide use and is available to all Title I lenders.

Black Listing Unethical Dealers And Contractors

Another assistance given approved Title I lenders is the policing of unethical dealers and contractors, commonly known as "suede shoe boys" or "dynamiters." After thorough investigation, we have listed over 6,500 such operators who are out to cheat and swindle homeowners by not installing material according to contract or overpricing the job exorbitantly. A disappointed homeowner is not a good payer on a loan. This type of contractor and dealer is put on our "Precautionary Measures List" which to all intent and purposes puts him out of business because no Title I lender will buy his paper except under certain regulatory conditions.

This "P. M. List Program" is most effective because legitimate contractors can serve the homeowner without the shadow of suspicion which a few morally low ones can cast on the 165,000 contractor-dealers participating in the Title I program.

To help our contractor-dealers further, we have an educational program underway. Our Dealer Relations Unit and Financial Representatives, which are spotted throughout the nation, meet with and address manufacturers' sales meetings, conventions of trade associations, state and local groups to advise them on the operation of Title I.

This program is paying big dividends. It has met with such an enthusiastic reception that the Governors of the States of West Virginia and Vermont have issued Home Improvement Month Proclamations urging all citizens of their respective states to remodel and repair their homes.

About the biggest compliment paid the Title I program came by way of a visitor from Australia. After sitting in on one of our Title I Industry Advisory Committee meetings he spoke: "I have visited all countries of Europe studying housing but this is the first and only country in which I've seen bankers, industry and government sit down together and work for the common good of the homeowner."

"It is truly the most unique plan in the world." he said.

*An address by Mr. Cooke before the Instalment Credit Association of Greater St. Louis, St. Louis, Mo.

Named Trustees

The election of Maurice S. Benjamin and D. J. St. Germain as trustees of the American Surety Company of New York to fill existing vacancies, was announced by William E. McKell, Chairman and President.

Mr. Benjamin is the founder and senior partner of the New York investment firm of Benjamin, Hill & Co., which commenced operations in 1921. A veteran of the securities industry, he holds a membership in the New York Stock Exchange, is an associate member of the American Stock Exchange, and a member of long standing of the New York Society of Security Analysts.

Mr. St. Germain also has been active in the investment business for many years, having founded his own firm, D. J. St. Germain & Company in Springfield in 1924 to specialize in bank and insurance stocks. He is also general manager of First Springfield Corporation, established in 1932, and of First Financial Trust, established in 1922.

Joins Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Loren L. Cluster is now associated with Goodbody & Co., 14 Northeast First Avenue. He was formerly with Francis I. du Pont & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The First National City Bank of New York announced on Oct. 22 that William I. Spencer, Vice-President, has been assigned general supervision of the bank's Petroleum Department, succeeding J. Ed. Warren, formerly Senior Vice-President.

Mr. Spencer has been instrumental in the development of special banking services for clients in the petroleum industry. As administrative head of the department he directs the activities of a group of petroleum engineers, geologists, and lending officers, who render financial counsel to the oil industry.

* * *

Mr. John J. Lynch, Vice-President and trustee of the **Kings County Trust Company, Brooklyn,**

John J. Lynch

N. Y., has been elected trustee of **The Dime Savings Bank of Brooklyn, N. Y.,** it is announced by George C. Johnson, Chairman of the Board of Trustees of the bank. He will fill the vacancy created by the recent death of John E. Baxter.

* * *

The First National City Bank of New York announced on Oct. 20 that it has increased its maximum on monthly payment business loans from $25,000 to $50,000.

The bank said it had done this to more adequately assist small business expansion in changing economic times. In the past 30 years the bank has extended more than 171,000 monthly payment business loans totaling over $335,000,000.

* * *

George H. Burchum, Assistant Controller of the **Chase Manhattan Bank, New York,** died Oct. 21, at the age of 63. Mr. Burchum started his banking career with the **Seaboard National Bank, New York,** in 1915 and served with it through its mergers with the **Equitable Trust Company, New York,** and the **Chase National Bank, N. Y.,** into the **Chase Manhattan Bank.**

* * *

Irving Trust Company, New York, announces the election of Wilbur G. Malcolm to its Board of Directors.

* * *

Richmond P. Gardner, Vice-President, **The Bank of New York, N. Y.,** died Oct. 22. Mr. Gardner's age was 58.

Mr. Gardner joined the **Fifth Avenue Bank, New York,** in 1934, as a new business and customer relations man. In 1943 he was made Assistant Cashier and in 1945 Assistant Vice-President. In 1949, one year after the **Fifth Avenue Bank's** merger with the Bank of New York, he became a Vice-President. From that time on Mr. Gardner concerned himself with commercial banking.

* * *

The Chase Manhattan Bank, New York, has made application to the appropriate authorities to open a Banking office in Johannesburg, South Africa, according to an announcement on Oct. 29 by John J. McCloy, Chairman of the Board.

"The Union of South Africa has a real potential for economic growth," Mr. McCloy said, "as indicated by the rapid progress it has been making, particularly in recent years. We believe the facilities of our bank, offered locally, would be of service to the area as it continues to expand its industrial development at home and its trade abroad."

Mr. McCloy said that in order to conform with South African banking regulations, Chase Manhattan would establish a domestic corporation in South Africa, to be named **The Chase Manhattan Bank of South Africa, Ltd.**

Preliminary arrangements are to be handled by Donald L. Ballantyne, Vice-President in Chase Manhattan's international department, who will be in South Africa in the near future.

* * *

The appointment of Milton Cohen as an Assistant Vice-President of **Manufacturers Trust Company, New York,** is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Cohen began his Banking career with the **State Bank, New York,** in 1922 and joined Manufacturers Trust Company with the merger of the two Banks in 1929. He was appointed an Assistant Manager in 1951 and an Assistant Secretary in 1953.

At present, Mr. Cohen is assigned to the Bank's 39th Street office.

* * *

Irving Trust Company, New York announces the appointment of James K. McKillop as Assistant Secretary.

Mr. McKillop has been with the company since 1952 and is in the Company Investments Division.

* * *

The First New Haven National Bank, New Haven, Conn., opened its new Allingtown Branch on Oct. 20. Located in the Allingtown business section of West Haven, it is the 11th in the First New Haven's branch banking system.

Matthew J. Coyle, III, grandson of West Haven's first selectman, officially opened the branch for business. Assisting young Coyle in the ceremony were his grandfather, Matthew J. Coyle; Joseph A. Schmitz, Manager of the branch, and Joseph H. Allen, Chairman of the Board and Chief Executive Officer.

* * *

Election of James W. West, Jr., to the Board of Directors of **Trenton Trust Company, Trenton, N. J.** was announced Oct. 23 by Mrs. Mary G. Roebling, President and Board Chairman.

Mr. West's appointment to the Trenton Trust board brings the number of directors to 17.

* * *

The boards of directors of **The Morristown Trust Company, Morristown, N. J.,** and **First Bank and Trust Company, Madison, N. J.,** at separate meetings on Oct. 21 approved and authorized the execution of an agreement of merger of the two institutions, subject to approval of the Commissioner of the Department of Banking and Insurance of the State of New Jersey and the stockholders of each institution.

Under the terms of the agreement the shareholders of the First Bank and Trust Company will receive one and two-thirds shares for each share of First Bank and Trust Company stock and shareholders of the Morristown Trust Company will have share for share.

The merged institution will have outstanding 92,000 shares of $20 par value capital stock.

The proposed merger will result in a county wide banking institution with total resources in excess of $62,000,000, and total capital funds of $4,478,000. Trust assets will exceed $72,000,000.

The merged bank will have eight offices throughout the county located in Morristown, Madison, Florham Park, Morris Plains, Denville and Chester serving the banking needs of rapidly growing Morris County.

A new name is planned for the merged bank.

* * *

Bank of Passaic and Trust Company, Clifton, N. J., has changed its title to **Bank of Passaic and Clifton.**

* * *

Richard Mellon Scaife has been elected a director of **Mellon National Bank & Trust Co., Pittsburgh, Pa.**

* * *

City Bank and Trust Company, of Reading, Pa., announced on Oct. 24 a plan to distribute 26,875 shares of stock as a 50% stock dividend and 20,156¼ shares in a subscription offering to stockholders.

The board of directors has recommended an increase in capital stock from 53,750 to 100,781¼ shares. John D. Heckman, President, said the proposed increase will be submitted to shareholders at a special meeting on Nov. 10.

If the recommendation is approved by the shareholders and by State and Federal supervisory authorities, the stock dividend will be distributed Jan. 2, next, to shareholders of record Dec. 1. The subscription offering will be made on the basis of one new share for each four held, after giving effect to the stock dividend. The price and timing of the offering will be set later.

The bank's board of directors said they expect to declare a $1.30 a share dividend on presently outstanding stock, payable Jan. 2 to holders of record Dec. 1. Policy regarding future dividends will be announced when the cash offering is made.

* * *

The Union National Bank of Minersville, Pa. with common capital stock of $100,000, has gone into voluntary liquidation by a resolution of its shareholders dated July 31, effective Oct. 10.

Liquidating agent: Trust Department of **The Miners National Bank of Pottsville, Pa.** Absorbed by the Miners National Bank of Pottsville, Pa.

* * *

The First National Bank of Elysburg, Pa., with common capital stock of $45,000, has gone into voluntary liquidation by a resolution of its shareholders dated July 18, effective as of the close of business Oct. 10. Liquidating agent: Mr. Daniel Mowery, care of the liquidating bank. Absorbed by: **The Guarantee Trust and Safe Deposit Company of Shamokin, Pa.**

* * *

"A modern bank for a modern community," is the way President Francis H. Beam of **The National City Bank of Cleveland, Ohio,** described the bank's new North Olmsted Office which had its grand opening Oct. 24 and 25.

Manager of the new North Olmsted Office is Thomas E. Burris, previously Assistant Manager at the bank's Chester-40th Office. National City, which is Cleveland's oldest bank, has 19 offices in Cuyahoga County.

* * *

By a stock dividend, the common capital stock of **National Boulevard Bank of Chicago, Ill.,** was increased from $1,000,000 to $1,500,000, effective Oct. 14. (Number of shares outstanding—75,000 shares, par value $20.)

* * *

Directors of **Merchandise National Bank of Chicago, Ill.,** on Oct. 21 proposed an increase in capital through a 1 for 11 stock dividend, according to an announcement from Kenneth K. Du Vall, President.

The proposal would raise the bank's capital stock from $1,650,000 to $1,800,000 and increase the number of shares by 15,000 to 180,000. The plan is subject to final approval of the Comptroller of the Currency and voting of stockholders at a special meeting Nov. 4.

Under the plan, shareholders would receive one share at $10 par value for each 11 shares owned, Du Vall stated. Scrip certificates, marketable for a stipulated period, will be issued to avoid fractional shares in the stock split. Henceforth, the directors plan to continue the present dividend of 25 cents per share quarterly on the common stock.

The dividend will be made possible through transfer of $500,000 from retained earnings. Of this amount, $150,000 will be applied to capital, raising it to $1,800,000, and $350,000 will be applied to surplus which would total $2,700,000.

With approximately $400,000 remaining in retained earnings, the bank's capital account would total $4,900,000, a record high, Du Vall said. The bank's capital account has increased more than $1,600,000 or almost 50%, since the end of 1950, he stated.

In June, 1953, the Merchandise National Bank's capital was increased from $1,000,000 to $1,500,000 when a 50% stock dividend was declared and shareholders received six shares for each share held. Another increase in November, 1956, raised the bank's capital to $1,650,000 through a 10% stock dividend.

* * *

First National Bank in De Kalb, Ill. increased its common capital stock from $100,000 to $200,000 by a stock dividend, and from $200,000 to $250,000 by the sale of new stock, effective Oct. 14. (Number of shares outstanding — 5,000 shares, par value $50.)

* * *

By a stock dividend **The Merchants National Bank of Topeka, Kan.,** increased its common capital stock from $1,200,000 to $1,500,000, effective Oct. 16. (Number of shares outstanding — 60,000 shares, par value $25.)

* * *

The Garden National Bank of Garden City, Kan., increased its common capital stock from $200,000 to $300,000 by a stock dividend, effective Oct. 14. (Number of shares outstanding — 3,000 shares, par value $100.)

* * *

J. C. Osborne, Vice-President of the **Trust Company of Georgia in Atlanta, Ga.,** announced on Oct. 31 that the New York Office of the representatives of the Factoring Department moved to the Empire State Building on Nov. 1. This office was formerly at 15 Broad Street, New York, and the Bond Department representatives of the trust company will continue to use the downtown location.

Harold W. Sterns will be in charge of the office, assisted by William Savage and Miss Agnes Jean Knight.

* * *

Stockholders of **First National Bank in Dallas, Tex.,** will act Dec. 2 on a proposed $8,900,000 increase in the bank's capital and surplus, which would bring the total to $60,000,000, divided $26,000,000 capital and $34,000,000 surplus.

First National directors voted on Oct. 21 to recommend the increase and called the special meeting of the shareholders for action on the proposal.

The increase would be effected by the sale at $27 per share of 290,000 new shares of First National common stock of $10 par value each. This would yield $7,830,000, of which amount $2,900,000 would be added to capital and the remainder of $4,930,000 would be put in surplus. In addition, $1,070,000 would be transferred from undivided profits into surplus. Thus present capital stock of $23,100,000 would be increased to $26,000,000 and present surplus of $28,000,000 would be raised to $34,000,000.

With the proposed enlarged capitalization in effect, First National Bank would also have, besides the $60,000,000 capital and surplus, approximately $6,000,000 in undivided profits and about $8,000,000 in reserve for contingencies, making a total capital account of approximately $74,000,000.

The proposal calls for the new capital stock to be offered to stockholders of record Dec. 2 on the basis of one share of new stock for each eight shares owned.

The proposed capitalization increase would be the bank's seventh since 1950 when the capital structure totaled $15,000,000.

It is contemplated that the regular dividend will be continued at the rate of $1.40 per share per year, paid quarterly, which is an annual yield of 5.18% on the sales price of $27 per share.

* * *

Plans for increasing capital and surplus of the **Republic National Bank, Dallas, Texas,** to $100,000,000; issuance of a 3% stock dividend to shareholders; a 6⅔% increase in cash dividends — from $1.08 to $1.92 per share annually—and simultaneous payment by The Howard Corporation et al, wholly owned in trust for the shareholders of the Bank, of a $2,000,000 cash dividend, were announced jointly Monday by Karl Hoblitzelle, Chairman of the Board, Fred F. Florence, Chairman, Executive Committee, and James W. Aston, President of the Bank.

Proposals for the increase in capitalization and issuance of the stock dividend will be submitted to shareholders for approval November 14.

Upon ratification of proposals by shareholders, and formal approval by the Comptroller of the Currency, Republic will be the first Bank in the Southwest to reach the $100,000,000-mark in capital and surplus, and will rank in eighteenth position in capital and surplus among banks of the Nation. Completion of proposals would bring total capitalization of the Bank, including contingency reserves, to approximately $113,000,000.

The Bank's Board of Directors on Oct. 27 adopted resolutions detailing proposals for the increase, and calling a special meeting of the shareholders November 14, for shareholder action on the proposals to accomplish the following:

1. A $13,000,000 increase in capital and surplus of the Bank, bringing Republic's capital and surplus to $100,000,000;

2. Issuance of a stock dividend of 89,428 shares of the Bank's $12 par value stock, being 3% of the 2,980,950 shares currently outstanding, to be distributed to shareholders without cost to them, and

3. An offering of 85,170 new shares of the Bank's stock, with pre-emptive rights to the shareholders of record as of November 14, at $60 per share, aforesaid rights to expire December 1. Basis for this offering is to be one share for each 35 shares currently outstanding.

The monthly cash dividend rate will be increased from $0.15 to $0.16 per share, payable on all stock outstanding, effective for the month of December, 1958, and payable on Jan. 2, 1959. This will increase the dividend rate on an annual basis from $1.80 to $1.92 per share. This increase will be applicable to the new stock to be

issued. Under the new dividend rate, cash dividend payments to shareholders will exceed $6,000,000 annually.

Giving effect to proposals for the increase, $7,110,200 of new capital funds would be paid into the Bank. An additional $5,889,800 would be transferred from the Undivided Profits Account, giving a total of $13,000,000 in funds allocated to increased capitalization. Issuance of new shares of stock to be sold, together with the stock dividend, would make 3,155,548 shares outstanding, and the new capital stock would amount to $37,866,576.

Proposals also stipulate that surplus be increased from $51,228,600 to $62,133,424, making total capital and surplus $100,000,000.

* * *

Bank of Hawaii, Honolulu, Hawaii, announced the appointment of David Z. Williams as Assistant Cashier. Mr. Williams is Secretary of the bank's Loan Committee, and will be concerned mostly with small business loans.

Mr. Williams came to Hawaii in March of 1947 from the **Seattle First National Bank**, and was employed by the Bank of Hawaii at that time. After a short training period at the bank's Head Office, he was transferred to the Lihue Branch on the Island of Kauai in July of 1947 where he was made Assistant Manager of the Kauai Branches. Mr. Williams returned to the Bank of Hawaii Credit Department at Head Office in August of 1956. He was appointed Assistant Manager of that department in January of 1957.

* * *

Brazil's largest private Bank has established a non-banking service center at 666 Fifth Avenue, New York. **Banco da Lavoura de Minas Gerais, Brazil,** has more than 280 branches located in every state of Brazil and is represented in the United States—for banking purposes—through a network of important American correspondent banks.

Securities Salesman's Corner

By JOHN DUTTON

Two Good Suggestions For Selling Better From "MSS"

The "Mutual Fund Service" which is published by Kalb Voorhis & Co., New York City, and edited by Ferd Nauheim, has excellent material available in its regular issues that can be helpful not only to those concerned primarily with the distribution of mutual funds but other types of securities as well. This service is available either on a straight fee basis or can be secured through the placement of orders for securities listed on the New York Stock Exchange with the member firm that are the publishers.

A recent issue developed ideas and techniques for broadening prospect groups through the medium of speaking before meetings and clubs. The point is made that today the demand for speakers with a knowledge of investment principles is at an all-time high and that many program chairmen will jump at the chance to obtain your services for a talk on such subjects as investing in mutual funds, tax saving ideas, financial planning, etc. Here are some suggestions from MSS:

"Limit your talk to one subject. Don't attempt to give a complete package unless you feel absolutely sure you can cover the ground thoroughly and with satisfying completeness. If you wallow-about or bog down and your time runs out you are in trouble."

"Ask and find out how much time you will have. Then choose a subject that will best fit the needs of the particular group. If you know mutual fund investing and all it has to offer you couldn't pick a more interesting subject."

"It is a good idea to limit questions to after your talk. If your audience is allowed to interrupt you repeatedly, you cannot do justice to any subject—or to your audience. Explain to them that you will reserve 10 or 15 minutes to questions after your delivery."

The point is also stressed that the way to win new prospects is to avoid any suggestion of outright commercialism. The closer you stick to the idea that you are there to inform and to educate, the more good-will you will create. While avoiding commercialism; it is good to include how you worked out some case histories which helped clients to solve their problems. Also, there is nothing offensive in giving out literature, providing it is educational and pertinent to the subject you cover in your talk.

The suggestion is also advanced that you give out one piece of literature at the meeting, but in your talk, you refer to another by its title (MSS has a very excellent folder available for subscribers with the compelling title "I Want MY Dollars Guaranteed"). Using a strong title such as this and referring to it at the conclusion of your talk you say, "I'm sorry I don't have any of the 'Guaranteed Dollar' folders with me, but if you would like to have a copy just give me your name at the end of the meeting. I'll see that one is sent to you."

These can be mailed with a covering letter and can be followed with a phone call and a possible interview. Public speaking can build prestige and sales.

Improving Telephone Prospecting

MSS covers the problem of reaching certain persons when they are free and willing to talk, such as is the case with professional men, doctors, dentists, chiropractors, veterinarians, and lawyers. Rather than contact them at their homes which is sometimes resented, MSS suggests:

Since most professional men have a secretary who answers the telephone, find out from his assistant the best time to reach him on the telephone. Here's a sample:

"When the girl answers, start to identify yourself pleasantly and confidently 'My name is Jackson—Harold Jackson—of the So-and-So company. Are you Dr. Smith's secretary?' Usually she will say, 'Yes,' and also give you her name. Then you continue: 'I wonder if you could tell me the best time to telephone Dr. Smith, when he'd have a few minutes to talk? I have some suggestions I'd like to discuss with him pertaining to tax savings on his personal investments.'

"Most secretaries will react in one of three ways. If the doctor is free she may put you through at once, or check with the doctor to see if he will take the call.

"She'll suggest a time, either before or after office hours, when the doctor is usually available to talk. Or she may suggest you call him at home in the evening. In either case, you thank her for her help, and make the call at the suggested time.

"She may ask for further explanation and, if this happens, explain the purpose of your request for an appointment as you would to the doctor himself.

"The preliminary call to the secretary gives you a natural introduction for your talk with the doctor, something like this: 'I called your office yesterday, Dr. Smith, and your assistant suggested that I call you before 9:30 in the morning.' Then you go right into your basic approach on tax savings, or whatever appeal you are using with these prospects."

Continued from page 2

The Security I Like Best

the possible gross in three years with 85 outlets and 20 salesmen per outlet and $25 thousand gross per salesman to a total of $42.5 million of gross business. Net will improve in direct relation to gross.

It might be well to call attention at this time that Atlas is not involved with union labor . . . they do not manufacture and the salesmen are not members of a union.

The company is well financed with bank credit for handling installment purchases and the company finances about $4 million of receivables with its own funds. Company's loss record on receivables has averaged about 1% over the past 10 years. A cautious accounting policy is practiced by the company. If an account falls behind in payments by 90 days, the unpaid balance must be charged off against income and though the debtor resumes payments on a regular basis, the charge-off remains as a liability until the total unpaid amount is paid. Thus earnings of any one year might be depressed if collections are poor and rise sharply in the following year as delinquent payments catch up.

Earnings for the fiscal year ending May 31, 1958, which were projected about two months ago at about $1.40 per share have developed to be 90 cents per share due to the accounting practice above referred to. Earnings of 90 cents per share on a stock selling around $10 (Over-the-Counter Market) is a creditable showing under present business conditions, particularly where new sales units are being added each month which may eventually add to earnings . . . and in addition, reserves set up against Accounts Receivable will begin to show up in earnings this fiscal year.

New Business

Atlas' long experience in the installment business has developed a list of 500,000 people who have been good customers and lived up to their contract. New names, of course, are added to this list each month at the rate of about 12,000 a month. This valuable list offers the company the opportunity to enter the mail order business with an initial offering of a 48 piece set of International Silver flatware at a substantial discount from store prices and on a 10-month installment pay basis. The silver is especially designed for Atlas and is obtainable only from them. A similar deal has been developed with a manufacturer of aluminum cooking ware and a dish manufacturer. The company's investment in this project is limited to the cost of the mailing piece and offering letter . . . no inventory of merchandise offered is necessary as the manufacturers mail the articles direct to the customers. A 10% response to this mail-order approach seems a reasonable expectation, and each item offered, perhaps three to four a year, could add approximately $2.5 million in gross business to the company's volume for each item offered.

Since 1954, sales have increased from $3.4 million to a volume of $13.1 million in the fiscal year ending May 31, 1958. Net earnings per share advanced from seven cents to $1.34 in 1957. Earnings for fiscal 1958 are reported at 90 cents per share . . . the drop in earnings from 1957 is explained above, by the very conservative accounting practices.

I see no risk in the fact that sewing machines are imported from Japan, though this has been a questionable thought with some. The quality of workmanship on close tolerance machines made by Japanese mechanics has brought to them this tremendous volume of sewing machine manufacturing business. However, Atlas owns all its patented designs, and the sewing machines could be manufactured anywhere in the world . . . in fact, the company has been assured of an excellent low-cost labor market in South America.

In March, 1958, the company sold publicly $1 million of 6¼% convertible debentures, convertible at any time into common stock at $6.25 per share. Funds received are to be used in expansion of the company's operations. In addition, there are options outstanding to executive employees for the purchase of 26,100 shares of common at $5.70 to $6.27 per share and warrants to purchase 33,333 shares of common at $6.25 per share. The conversion of the bonds and exercising of the options and warrants would add about 219,433 shares to the common capitalization of 594,000 shares making a total of 813,433 shares outstanding. The exercising of the options and warrants will add about $365,000 to the company's assets. The Kern brothers, organizers of the business, it is understood, own about 60% of the company's common, assuring an avid interest by them in sound business practices.

People like to buy things . . . their desires are never satisfied . . . and particularly if the thing purchased can be used to promote their living enjoyment. Selling to one who has already evidenced an interest to buy is not too difficult. This, perhaps, explains the high rate of sales to personal calls experienced by Atlas salesmen. I have visited two of the Atlas Centers and found them to be very enthusiastic organizations . . . not only about the company but more particularly for the employees' individual future.

The 50 cents a share currently being paid as the annual dividend on the stock is well secured by earnings of nearly twice this amount and a yield of about 5% pays well while waiting for developments. The dividend has only recently been increased from 40 cents a share and it is my understanding management will keep dividend payments in the future in a good relationship to increased earnings.

A great deal has been written about the demand for "hobby tools" for men for the garage or basement workshop . . . and such workshops have produced some very useful articles of furniture, or made possible inexpensive repairs around the house.

Is it not possible that the housewife can regard a sewing machine as a "hobby tool" for which she can put it to productive use in the making of her own dresses, her daughter's clothes, and repairing those of her husband and children? . . . and materially less costly is the sewing machine in comparison to the machine tools put into the basement workshop.

For the first two months of the current fiscal year beginning June 1st, net after taxes equaled 26½ cents which included doubling reserve requirements over the same period last year. For the first quarter of the current fiscal year, sales rose 19% over the like period in 1957. Conversion of bonds in this period increased common capitalization to 644,768 shares, which share volume has been used in the above computations.

Atlas is the second largest distributor of sewing machines in the United States. I think Atlas Sewing Centers stock offers an excellent opportunity for those willing to assume some small risk in order to participate in the growth of a company in which its past history has shown to be so evident, and with projected developments for the next three or four years to be so promising.

Mississippi Valley IBA Group Elects

ST. LOUIS, Mo.—At the annual meeting of the Mississippi Valley Group of the Investment Bankers Association of America, the following were elected officers for the ensuing year:

Hunter Breckenridge

Hunter Breckenridge, Chairman, McCourtney-Breckenridge & Company, St. Louis, Mo.

Clarence S. Blewer, Vice-Chairman, Blewer, Glynn & Company, St. Louis, Mo.

Louis A. Lanford, Secretary - Treasurer, Hill, Crawford & Lanford, Little Rock, Ark.

Mr. Breckenridge succeeds Elvin K. Popper, I. M. Simon & Co.

Newly elected members of the Executive Committee are Mr. Popper, John H. Crago, Smith, Moore & Co.; Edward D. Jones, Edward D. Jones & Co.; Elzey G. Burkham, G. H. Walker & Co.; Mel F. Cooke, Dean Witter & Co.; Clark Cox, Harris Trust & Saving Bank; Firmin D. Fusz, Jr., Fusz-Schmelzle & Company, Inc. and Howard P. Morris, Taussig, Day & Co., Inc.

Mr. Crago and Mr. Jones are incoming Governors of the Investment Bankers Association of America, representing the Mississippi Valley Group.

Twin City Inv. Women To Hear on Municipals

MINNEAPOLIS, Minn.—Stanley Manske of the First National Bank of St. Paul will be guest speaker at the meeting of the Twin City Investment Women's Club to be held at Coleman's in Highland Park, St. Paul, Nov. 19. Mr. Manske's subject will be "Current Trends in Municipal Financing."

"Distaff Dollars"

Harris, Upham & Co., 99 Park Avenue, New York, will feature a "Distaff Dollars" exhibit at the 162nd Convention of the New York City Federation of Women's Clubs, Inc., Friday, Oct. 31, in the Grand Ballroom of the Biltmore Hotel. Focused on women's role in contemporary capitalism, the presentation will highlight the actual telephonic administration of several buy-and-sell security orders from the convention floor by Mrs. Rose O'Neill, registered representative with the firm.

H. B. Eatherton Opens

DENVER, Colo. — Herschel B. Eatherton is conducting a securities business from offices in the C. A. Johnson Building.

Public Utility Securities

By OWEN ELY

San Diego Gas & Electric Company

San Diego Gas & Electric supplies electricity and natural gas to a population of about 929,000 in San Diego and environs. The large and permanent U. S. Naval base is a feature of the area. Industrial plants include aviation manufacturing, electronics, etc. Grains and citrus fruits are the principal farm products, some of the land using electric irrigation pumps. The area is known as the "poinsettia capital of the world," and avocados are also grown extensively.

Electricity contributes about 70% of revenues and natural gas most of the remainder. Residential sales contribute 42% of electrical revenues, rural 4%, commercial and industrial 49% and sales to other utilities and municipalities 5%. Domestic and commercial sales provide most of the gas revenues.

San Diego, like other California utilities, has enjoyed a rapid increase in kwh sales and revenues, especially in recent years. In 1946 revenues were only $18 million; currently they exceed $57 million. Kilowatt hour sales in the three years 1955-1957 showed an average gain of over 10% annually.

Business activity in the metropolitan San Diego area rose to an all-time high in mid-1958, following nine months of relative economic stability. A local business index reflecting eight major economic series advanced to a new high of 265 compared with 239 in June, 1957, an increase of nearly 11%. The construction index rose to 486, a gain of 43% over a year ago. Reports at that time from aircraft firms and other manufacturing companies forecast a gradual improvement in the level of industrial employment during the third and fourth quarters of this year. (This data was compiled by the Union-Tribune Publishing Co.)

San Diego Gas & Electric has quite adequate generating capacity. In August this year a 106,000 kw unit went into operation, raising total capacity to 662,000 kw, in addition to which 80,000 kw is available from other companies. The 1957 peak load was 485,000 kw. The company should now be able to eliminate use of the obsolete Station B, except perhaps for peak shaving, and also perhaps to reduce use of the Silver Gate Section. The latter had a heat rate last year of 12,364 BTU per kwh compared with 10,145 for the first unit at Encina.

The company's gas sales have increased from 14.2 billion cf in 1953 to 18.9 billion in 1957, the gain in the latter year being relatively small due to warm weather. Gas supply line capacity has increased much faster than sales and an additional supply of gas will be available in 1958.

The company expended about $25 million for construction in 1957 and about the same amount is estimated for 1958. Expenditures for 1959 were forecast some time ago at about $29 million and for 1960 at $27 million. Capitalization as of Dec. 31, 1957, was 48% debt, 16% preferred stock and 36% common stock equity (with four million shares outstanding). The equity ratio had declined from 44% in 1954.

Share earnings have shown an irregular postwar trend, declining from 92 cents in 1946 to 84 cents in 1948, then advancing to $1.19 in 1950, but declining to $1.13 in the year following; advancing sharply to $1.52 in the following year, only to drop back to $1.06 in 1954; recovering to $1.51 in 1956 but declining to $1.30 recently.

California utilities have been affected by rising fuel costs in the past year or so, since they have no automatic adjustment clauses in rate schedules to protect them. In the 12 months ended Aug. 31, San Diego's cost of oil, gas and purchased energy was 19% higher than in the preceding period ($15,669,000 as compared with $13,207,000), while revenues gained only 9%.

Another contributing factor in the recent decline in share earnings was the abnormally warm weather during the fall and winter months, with resulting adverse affects on gas sales and in a less degree on the sales of electricity. On the other hand, the credit for interest on construction in the 12 months ended Aug. 31 approximated 15¢ a share compared with less than 5¢ a share in the previous period.

Early this year the company requested rate increases which it was estimated were required to bring the overall return on rate base up to 6.55%. Recently the company obtained increases in electric, gas and steam rates which it is estimated are equivalent to about 75¢ a share after allowance for Federal and state income taxes. With recent earnings of $1.30 a share, pro forma earnings might thus be in the neighborhood of $2 a share; however, it seems probable that the company may do equity financing about a year from now, on perhaps of 1-for-10 basis, which would dilute earnings to around $1.80. Since the price of oil is now declining, however, it is possible that lower operating costs might make the figure a little higher.

Before the rate increase the stock was selling in the neighborhood of 23½, but more recently it has advanced to 26½. At the latter price the yield based on the 96¢ dividend rate is about 3.6%; however, it would be logical to expect a dividend increase in 1959 since the current payout is low in relation to pro forma earnings. The present price-earnings ratio based on earnings for Aug. 31 would be over 20, but based on anticipated 1959 earnings would approximate 14.7, below the general average for the industry.

With W. H. Newbold's Son

ARDMORE, Pa. — W. H. Newbold's Son & Co., members of the New York Stock Exchange and other leading exchanges, announce that Roderick G. Kellett is now associated with them as a registered representative in their Ardmore office at 604 Suburban Square Building.

Harry G. Fairman, Jr.

Harry G. Fairman, Jr., passed away Oct. 20 at the age of 67. Mr. Fairman was founder and President of Fairman & Co. of Los Angeles.

Blyth Group Offers Glidden Debentures

An underwriting group headed by Blyth & Co., Inc. offered for public sale yesterday (Oct. 29) a new issue of $30,000,000 Glidden Co., 4¾% sinking fund debentures, due Nov. 1, 1983 at 99% and accrued interest, to yield about 4.82% to maturity.

Glidden will use the proceeds to repay $15,000,000 of outstanding bank loans, to retire $6,000,000 of serial notes and to reimburse its treasury funds by about $9,000,000. Proceeds from the bank loans and notes were used by the company primarily for the purchase of property, plant and equipment. In the past five years, over $50,000,000 has been spent for these purposes.

The debentures are non-refundable for five years, but are otherwise redeemable at prices ranging from 103¾% to the principal amount. They are redeemable for the sinking fund at par.

Glidden, with headquarters in Cleveland, Ohio, produces paints, foods, and chemicals. The company's Durkee Famous Foods division, accounting for about 46% of sales, is primarily a supplier of bulk materials to the food, baking and confectionery industries.

Glidden's paint division manufacturers a complete line of paints and coatings, about 60% of which are trade, or non-industrial sales. The paint division produces about 42% of sales. The company's chemical operations include titanium dioxide, pigments, terpene chemicals and tall oil products.

S. A. A. Inv. Formed

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla.—S. A. A. Investments & Securities Co., Inc. has been formed with offices in the Masonic Temple Building to engage in a securities business.

Eisele-King Firm's 90th Anniversary

Highlight of the annual meeting of the partners, executives and registered representatives of Eisele & King, Libaire, Stout & Co., Oct. 23, was the marking of the firm's 90th Anniversary as a Wall Street brokerage firm. The occasion was celebrated, following the business meeting, during the traditional dinner held at Whyte's Restaurant.

Eisele & King, Libaire, Stout & Co. traces its history back to 1868 when Adolphe Libaire and H. B. Stout founded separate partnerships and acquired memberships on the New York Stock Exchange. Subsequent mergers and expanding business marked the growth of the firm through the years. Its present structure was formed in 1942 when the firms of Libaire, Stout & Co. and Eisele & King merged.

To further point up the 90th Anniversary, Eisele & King, Libaire, Stout & Co. has published a pocket-size booklet giving a capsule history of the firm and chronological record of all personnel. The brochure will be distributed within the firm and to interested clients.

Stern, Frank, Meyer & Fox To Admit Partner

LOS ANGELES, Calif. — Stern, Frank, Meyer & Fox, 325 West Eighth Street, members of the New York and Pacific Coast Stock Exchanges, on Nov. 6 will admit Arthur Morton Hill to partnership. Mr. Hill has been with the firm for many years.

M. A. Saari & Co. Opens

LOS ANGELES, Calif.—Mathew A. Saari is engaging in a securities business from offices at 4040 West Beverly Boulevard, under the firm name of M. A. Saari & Co. Mr. Saari was previously with Toboco & Co.

Mary Roebling, Gov. Of American Exch.

Bank President Mary G. Roebling internationally known figure in banking, industrial, cultural and welfare fields, was hailed as "the first lady of finance" by Edward T. McCormick, American Stock Exchange President, who announced her appointment to the market's board of governors with unanimous board approval. Mrs. Roebling has many firsts to her credit, but this marks the first time in history that a woman has reached this financial pinnacle. Never before, in the history of securities markets, has a woman been placed on the top policy-making board of a national stock exchange.


Mary G. Roebling

At an induction ceremony before exchange governors and the financial press, Mr. McCormick stated: "I am delighted that the governors have unanimously supported my nomination of Mrs. Roebling. Stating it simply, we have selected Mrs. Roebling for two main reasons; first because of her stature and executive ability in the business field and secondly because she is a woman. We welcome this opportunity to give proper recognition to the vital role that women shareowners are playing in our economy.

"The American woman is today a major influence in the securities market and constitutes a majority among the shareowning public. Male stockholders outranked the fair sex until 1952, but today 52%, and probably more, of our nation's shareholders are women. Mrs. Roebling will be in a unique position to bring a feminine influence and point of view to our proceedings."

Mrs. Roebling has been chosen to represent the American public on the exchange board of governors, and in this capacity she will join Dean George Rowland Collins of the New York University Graduate School of Business and Mr. William Zeckendorf of Webb & Knapp, Inc., also public governors. These governors are relied upon heavily to bring public reaction and thought to board planning and discussion. Mrs. Roebling will be an active and voting part of the 32 member board which consists of James R. Dyer, Chairman, Mr. McCormick, 15 regular members of the exchange, 12 non-regular members, who may be either associate members or partners in regular member firms, and the three public governors.

Mrs. Roebling is the first and only woman in America to head a major banking institution. She is the widow of the late Sigfried Roebling, Grandson of Washington Roebling, builder of the Brooklyn Bridge and other structures, and assumed her late husband's post as Director of the Trenton Trust Company, Trenton, N. J., in 1936. She became President of the bank in 1937 and is now both President and Chairman. Trenton Trust resources expanded from $17 million to over $90 million during her tenure.

In addition to directorates or trusteeships in nearly a score of corporate, educational and cultural institutions, she is the first and only woman trustee of the United States Council, International Chamber of Commerce; the first and only woman Vice-President of the National Defense Transportation Association; and is a member emeritus of the Defense Advisory Committee on Women in the Services. She is also widely known for her philanthropic work on behalf of religious and charitable institutions. Appointed to the Advisory Committee to the State Treasurer of New Jersey by both Democratic and Republican governors, she is the only woman ever to serve in that capacity.

In accepting the governorship Mrs. Roebling stated: "Gentlemen you have conferred on me a signal honor. The selection of a woman to become a member of your board of governors would indicate that there is freedom of thought among you in the matter of women in business. This is as it should be."

Florida Power & Light Common Stock Offered

An underwriting group headed by Merrill Lynch, Pierce Fenner & Smith and Kidder, Peabody & Co. yesterday (Oct. 29) offered 300,000 shares of no par value common stock of Florida Power & Light Co. at $78.50 per share.

Net proceeds from the sale of these shares will be used to provide additional electric facilities and for other corporate purposes. The company estimates that its 1958-59 construction program will approximate $153,000,000, of which approximately $75,000,000 will be expended in 1958.

Florida Power & Light Co. is now engaged only in the electric utility business and is not in direct competition with any privately or publicly owned utility company. The company supplies electric service in 480 communities, including Miami, Fort Lauderdale, Coral Gables, West Palm Beach, Miami Beach, Hialeah, Hollywood and Daytona Beach. In August, 1958 the company sold all of its gas properties to The Houston Corp., a non-affiliated company.

Form Glore, Evans & Co.

LOS ANGELES, Calif.—Glore, Evans & Co. has been formed with offices at 11168 Santa Monica Boulevard to engage in a securities business. Officers are Benjamin F. Evans, Jr., President; Clayton H. Read, Vice-President and William R. Glore, Secretary-Treasurer.

N. Sfikas Opens

ROCHESTER, N. Y. — Nick Sfikas is conducting a securities busines from offices at 130 South Clinton Avenue.

L. A. Spilman Forms Firm

OTTUMWA, Iowa — Lawrence A. Spilman is engaging in a securities business from offices at 211 East Second Street under the firm name of Lawrence A. Spilman & Co.

Form Statewide Secs.

BOGOTA, N. J.—Frederick R. Hill and K. M. Hill have formed Statewide Securities Corporation with offices at 64 West Main St., to engage in a securities business.

Continued from first page

As We See It

inspired with true Americanism appealing to the voters this autumn, the outlook would be less disheartening!

Voters Beware!

It would be well if the voter would take the time now and then to review the facts for himself—since plainly none of the campaigners are doing so or have any intention of doing so. The real issues are not to be found by comparing the Administrations of Mr. Truman and Mr. Eisenhower, or even the current regime with those of Franklin Roosevelt. We need rather to look about us and compare what we see with what existed before this country went half-socialist—the decades when it was carving out for itself a place in the world which is still the envy of peoples almost everywhere else on the globe.

In 1914, the year in which World War I broke upon the world, we were a free people—really free in the sense in which Adam Smith and his political contemporaries used the term. Some concessions had been made to the rising tide of collectivism in Europe and elsewhere, but a man could still join a union or refuse to do so, and only here and there would his decision interfere with his ability to obtain work. The great rank and file were not obliged to pay through the nose for the exactions of labor monopolies in giant industries. A man with energy, ambition and requisite shrewdness could amass a fortune roughly proportionate to his economic contribution to the country. Such geniuses were not obliged to work most of their time for Uncle Sam and possibly also for the state in which he lived. Relatively speaking businessmen conducted their affairs as their own judgments directed. The economic consequences of changes that have now taken place in these areas are almost beyond estimate.

Total Federal expenditures in 1914 came to less than three-quarters of a billion dollars—as hard as the fact is to believe or comprehend in this day and time. Even a decade after a bitter and destructive world war, our Federal Government was spending less than three and a half billion a year. By the time a second world war descended upon us, these outlays had risen to more than eight and three-quarter billion. Outlays rose to some 98 and a half billion during World War II, and it seemed to the ordinary man that one of the most urgent postwar tasks was to get these expenditures down again somewhere within reason. Yet in the fiscal year 1958 they amounted to nearly 72 billion — 13 years after the end of hostilities — and are moving up again all too rapidly.

The course of the national debt follows the pattern of outlays. It was less two billion in 1914. World War I caused it to rise drastically, but by 1929 conservative administrations had got it down to less than 17 billion. Then came the New Deal which ran it up to more than 45 billion. World War II lifted the figure to nearly 260 billion. Today it is higher than that, not lower, by some 17 billion and doubtless will be appreciably higher still by the end of the current fiscal year. Of course, the country has been getting bigger through these years, but population growth has failed by a wide margin to keep pace with these outlays of the national government—or with the indebtedness of the nation, which incidentally is much greater than the figures ordinarily quoted would indicate.

Saving Far Outstripped

Now, have we as individuals so managed our affairs that these enormous increases in the national debt could be absorbed from our current saving? To ask the question is to answer it. It is not only the Federal Government, but state and local governments, many types of business and very nearly all individuals that have taken this road to more and ever more indebtedness in the past decade or two.

So far as the Federal Government is concerned, let it be noted that the commercial banks of the country in 1914 held only some $818 million of United States Government obligations while other assets, chiefly loans, came to about $16 billion. Even in 1929 when the national debt had grown to nearly $17 billion less than five billion was held by the commercial banking system which had not far from 50 billion in total earning assets. The New Deal managed to get more than $15 billion in government securities into the commercial banks by 1939 despite the fact that total assets declined about 10 billion during the decade. Of course, enormous increases in government holdings occurred during the war, and while some progress has been made in getting the debt into other hands, nearly $65 billion of it still remained with the commercial banks at the middle of this year. And, of course, money supply has grown apace, and now stands at upward of $232 billion. It requires a full measure of New Deal dogma and a vast amount of naivete to find soundness in these situations.

Yet where during the entire campaign that is now coming to an end, do we find any frank recognition of this state of affairs? Of course, we can find it practically nowhere. And that is not all. The public has been so "brainwashed," as it were, by the fallacies of the New Deal that it apparently does not see for itself the horrible danger that lurks in conditions of this sort. So long as the public remains in this condition, few politicians are likely—even if they had the independence of mind and the insight into such matters requisite for the task—to have the temerity to face the people with the real facts. We need statesmen, not politicians, in sufficient numbers to begin the tremendous task of getting us back on our intellectual feet about economics and economic policy.

Continued from page 6

Current Bond Market Trends and Bond Financing Procedures

exemption from registration is granted to transactions by an issuer not involving any public offering. To my knowledge there has never been a regulation or final adjudication which answers satisfactorily for all cases the problem of what constitutes a private placement as opposed to a public offering. While the majority of nonregistered issues have only one or relatively few purchasers, when more than 50 institutions buy a nonregistered issue, as has happened on occasion, one is compelled to wonder if the courts might not decide subsequently that a public offering had been made and that such transaction was thus a violation of the Securities Act. Furthermore, it is doubtful that the Congress foresaw or intended that the financing undertaken pursuant to this section of the Act would grow to its present proportions. According to figures prepared by the Securities and Exchange Commission covering the 24-year period 1934 through 1957, the annual gross proceeds of public offerings of corporate bonds, notes and debentures have averaged about $2½ billion and during the same period Private Placements have averaged about $1.8 billion. For the year 1957 the figures were $6.1 billion and $3.8 billion, respectively.

Private Placement Arguments

Let us examine some of the principal considerations or arguments which may have influenced the decision of some managements to sell their securities by private placement.

(1) There may be a desire by an issuer's officers and directors to avoid possible liabilities under the Securities Act.

These liabilities could arise from an untrue statement or failure to state a material fact in the registration statement. While any tendency to avoid personal liability is readily understandable, the wholesome effect of the disclosure requirements of the Securities Act is widely recognized. This is particularly true in the case of those companies vested with a public interest through wide ownership of stock or by virtue of the nature of their businesses.

(2) The avoidance of expense due to registration.

In most cases this advantage, if any, can evaporate quickly if even a slightly better price can be obtained through public offering. As a matter of fact, in connection with private placements there are often incurred many items of expense such as printing of contracts, indentures and other documents which are the same as would be involved in a public offering. Thus, in fact, many expenses are paralleled rather than avoided.

(3) The contention that less time and effort are involved.

An analysis of this argument indicates it can be over-stressed. In most private, as in public offerings, it is necessary to prepare a presentation of all the material facts; to solicit interest of prospective buyers; and to draft the necessary documents. This involves the services of counsel for the issuer, counsel for the purchasers, accountants, etc., and, in many cases, investment bankers. A public offering may require a somewhat longer time schedule than a private sale although this is not always the case. It would seem that most well managed corporations are in a position to anticipate their financial needs well enough in advance to allow time for the registration process.

(4) The facility in effecting changes, such as indenture provisions, should the need arise.

While customarily machinery is provided for effecting changes in the indenture provisions of publicly held issues, it is obviously simpler to contact a few holders than many.

Opposing Arguments

While additional arguments may be advanced in favor of private placements there are other factors which tend to make this financing method less attractive to corporate managements, these are:

A. The adequacy of price received by the issuer is frequently open to question.

The buyers of unregistered securities are usually experienced bargainers who are anxious to make the best trades they can for their respective institutions. Quite naturally, many of them will seek to take advantage of the fact that the issuers are depriving themselves of access to broader markets for their securities.

B. The private placement deprives the issuer of certain benefits of an open market for its securities.

For one thing, the issuer using this method forfeits the possibility of later acquiring its securities for sinking fund or other purposes at substantial savings. If at least part of an issue is not locked up with a few buyers there should be opportunities for the issuer to buy back its bonds in the open market at savings due to changes in interest rates. Some corporations have saved millions of dollars in reacquiring their bonds in the open market.

C. The issuer runs the risk of being burdened with onerous indenture provisions.

A single purchaser or small group of purchasers is in a strong position to dictate the provisions of a privately placed issue. Their natural tendency is to impose every possible safeguard which they consider desirable to secure their institutions' investment. In some cases these restrictive provisions can hamper a company's operations.

I do not wish to convey the impression of arguing against the practice of private placement in its entirety. On the contrary, I believe this method of financing performs a very useful function in many instances. It is of particular value in helping to develop new ventures and in supplying the financial needs of those enterprises whose activities may not be readily understood or appreciated by the public. It is also useful in the case of smaller issues where a public offering might not be economically feasible. However, the managements of established enterprises who have the latitude of choice, should consider carefully all aspects of the problem before deciding between public offering and private placement of their securities.

In order that my previous comments may create no misconceptions, I might point out that our firm, while pre-eminent in the field of bidding competitively for public utility and railroad debt securities, is also active in financing undertaken by these other methods. We assist issuers in placing their debt securities privately and we participate in the underwriting of publicly offered negotiated issues (primarily of industrial companies) which are managed by ourselves, as well as those managed by others.

Call Protection on Bond and Debenture Issues

A fairly recent development in the field of corporate finance has been the desire on the part of certain institutional investors for some sort of call protection on bond and debenture issues. This stems from the experience of many institutions which had purchased certain bond issues at attractive terms when interest rates were high in mid-1953 only to have the bonds taken away from them through refunding operations during the following year when money rates eased.

Accordingly, in order to meet the demands of the institutions, there was developed the practice of making some of the new debt issues either non-callable or non-refundable for specific periods. If an issue is made non-callable it cannot be redeemed for any purpose during that period. If it is made non-refundable, it cannot be redeemed with monies borrowed at a lower interest cost to the issuer that that represented by the price which it received for the issue in question. Such call protection features generally extend for a period of at least five years and, in a few cases, run 10 years or even longer.

Understandably there have been objections to this practice in certain quarters. Some managements do not like it and The Securities and Exchange Commission and The Federal Power Commission have pursued the policy of not authorizing debt issues of companies subject to their respective jurisdictions if such provisions are proposed. However, some utility companies not subject to the jurisdiction of these agencies do have call protection features in their recent debt issues.

Not infrequently we are asked by some potential issuers whether or not we would recommend the incorporation of such restrictive call features. While obviously an issue which is non-callable or non-refundable for a period is easier to sell under certain market conditions, we do not think it is sound business judgment for managements to relinquish control over their debt unless it is absolutely necessary to do so. We prefer to see some sort of "sweetening" of call prices for a period such as five years as com-

pensation to the investor should the bonds be refunded during this interval. We think that managements should give consideration to this in preference to being prevented from retiring their debt at any time. However, it must be recognized that there are certain instances when it is necessary to accede to the wishes of the buyers. For instance, in the case of the recent issue of $350 million Sears, Roebuck & Co. Debentures, it was obvious to the Managers, of which our firm was one, of the underwriting syndicate that a so-called non-refunding feature was important. This was because the very unusual magnitude of the issue required the enlisting of interest on the part of as many potential buyers as possible. Naturally, the higher interest rates go the more the investing institutions will want call protection and, conversely, when and if interest rates decline their concern with this subject will wane.

When to Borrow

In discussing their financing plans we are sometimes asked by company managements if they would be well advised to take advantage of the then current market or defer their financing until some distant date, such as six months or more, when funds are actually required. It has been our observation that sometimes when a company borrows too far in advance it finds it could have done better by waiting. Conversely, there have been several cases in recent years where companies have rejected bids or otherwise deferred or postponed financing plans by resorting to temporary borrowings only to find that the ultimate financing costs are greater than the terms which they could have obtained in the first instance. In general, it is our advice to managements to borrow when and as money is needed and to pay the rate which the bond market indicates is proper at the time of borrowing.

Form Trustors Corp.

LOS ANGELES, Calif.—Trustors Corporation has been formed with offices at 5400 Wilshire Boulevard to engage in a securities business. Officers are Denny Dennison, chairman of the board; Manuel J. Felix, President; Jack P. Marsh, Vice-President; and Samuel J. Puma, Secretary and Treasurer.

Smith, Barney Adds

Joseph L. Davis, Jr., William D. Knauss, and Wiliam E. Rex have become associated with Smith, Barney & Co. as registered representatives in the 522 Fifth Avenue, New York City, office.

Frank L. Walker Adds

(Special to THE FINANCIAL CHRONICLE)

MARIETTA, Ohio — Harold W. Miller and James B. Munnell are now associated with Frank L. Walker & Co., Peoples Bank Bldg.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Stuart J. Malone has become affiliated with Bache & Co., 445 North Roxbury Drive.

Now With Toboco

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Arnold B. London has joined the staff of Toboco & Co., Inc., 9235 Wilshire Boulevard. He was formerly with H. Carroll & Co.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Bruce C. Dunn has become connected with First California Company, Incorporated, 647 South Spring Street. He was formerly with Hill Richards & Co.

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The Broadening Scope Of Municipal Financing

the sale of general obligations, sometimes erroneously entitled "Revenue" issues, is impressive. In 1954 the total was over $3.2 billion and in 1957 over $2 billion, or 46% and 29%, respectively, of all tax exempt financing during the years in question.

Pressure for School Improvements

As our local units of government are subjected to pressures from time to time by citizens' groups, they must decide on public policy questions that in the aggregate may have an important influence, not alone on their own welfare and stability, but on the national economy as well.

One of the most persuasive pressure groups is the school or educational advocates. They represent a cause that is essential and one in which all good citizens have a keen interest. Their cause is understandably well supported. On occasions these groups develop a fervor which is impressive and frequently their efforts are effective. Because it is such a good cause does not mean, however, that individual cases or demands should not be subject to careful examination and scrutiny. It may be, in fact, that the general educational program should be studied with the view to better assuring its effectiveness, not only in terms of physical plant, but in substantive content as well.

Effectiveness of Educational Programs

Let me cite a particular area which holds a special significance. The major fiscal problem on national scene today is the creeping inflation that persists and threatens to enmesh us. Dr. E. Sherman Adams, Educational Director of the American Bankers Association, in a recent speech raised the issue of what kind of a job our schools are doing today in educating the younger generation on this and related economic questions so that they may vote wisely and intelligently on matters that directly affect their individual welfare and the common interest of the citizens at large.

It is not necessary that all students major in economics or that they understand the involved questions that enter into the calculations on our larger economic judgments. Nevertheless, there are some simple and fundamental questions, the significance of which should be understood by at least high school students. At this age our youth are approaching maturity and they should be prepared to think accurately on matters of public policy so that they may formulate independent and sound judgments. Quoting Dr. Adams, he states: "A strong economy is today essential to our national welfare. If our economic strength were to be sapped either by inflation or by a severe depression, the safety of the United States and the entire free world would be greatly imperiled—commissars stand ready to inherit the earth." In substance he asks the following challenging and thought-provoking questions:

(1) Are students learning the simple facts today at the high school level and even at the college level, that will effectively improve the economic literacy of the American people?

(2) Today inflationary biases are imbedded in our economy which push prices up in good times and prevent prices from ever readjusting downward. Do students understand the significance of this trend of the wage-price spiral and its serious threat to the public interest?

(3) The seductive claims made by the advocates of more money and cheap credit mislead many well meaning adult people. Is the risk inherent in this concept especially in boom times, understood by our on-coming generation so that sound positions and leadership can be expected in the future?

(4) Many people are not really concerned about the danger of inflation. They have little understanding of the fact that creeping inflation could eventually develop into a gallop or that repeated doses of slow inflation over a period of years will result in a substantial cut in the value of their savings and insurance. Are many of our young people securing the type of education that develops their ability to think clearly for themselves on pressing problems like these, as distinguished from book, traditional or memorized knowledge?

Major Importance of Education In Nation

As bankers and men dealing in public finance, it is our responsibility to consider the significance of the figures and trends indicated by the facts already given. As American citizens, we have reason to be proud of the educational facilities that are provided by the various state and local governments and the generous manner in which the public has responded to this need. As indicated above, it represents the largest cause for public expenditure.

Roger A. Freeman, Vice-President of the Institute for Social Science Research, has stated:

. . . that almost 45 million persons, one-fourth of the Nation, are enrolled in educational institutions,

. . . that four out of five of our students are enrolled in state controlled schools and colleges,

. . . that state and local governments employ two and one-half million persons in education, more than all civil employees of the Federal Government, including those in the postal service and in national defense,

. . . that education now accounts for almost half of the state and local public payrolls.

. . . that the proportion of young people going to college is almost five times larger in the United States than in Europe,

. . . that the four biggest items of state and local government expenditures are, education, highways, public welfare, health and hospitals, in that order. Education alone totals more than the three other functions combined.

The questions I have cited, are intended to suggest that a more constructive approach in the educational process may be given emphasis in certain teaching areas with a view to aiding the ability to analyze and in formulating sound judgments when the essential facts are at hand.

It is not here suggested that many teachers or many schools fail in meeting these desirable objectives. The question is raised, however, as to whether or not there is adequate insistence and "follow-up" in some of our schools by the administrative officers regarding teaching methods and procedures to give assurance of satisfying average results. It may be that something like the "Case Problem" method of teaching, which has proved so effective at the Harvard Business School, will need to be given wider application. It may be also that a basic course in "current affairs" or political science should be a required subject for all students instead of a selected course as it is in many cases today.

I have had some hesitancy in voicing these views as I make no claim to special knowledge in this field and I have no desire to be critical of the teaching profession, for which I have a profound respect and admiration. It has seemed to me not inappropriate, however, to give some direct attention to our school and educational objectives in view of the fact that they represent such an important part of our state and local government expenditures. If it turns out that I have been able to make a constructive suggestion or two, I shall be sincerely gratified.

Conclusion

I will admit that I have no direct knowledge of the specific conditions applying in North and South Carolina educational institutions. As I have thought about this matter, however, it has occurred to me that high schools and universities in this area could secure from both the Local Government Commission and the North Carolina Municipal Council a great deal of useful information which might be used advantageously in civic or political science courses. Such information would have the advantage of presenting specific problems of an operating and fiscal nature and the solutions that have been found. It could be used in promoting a broader interest in the processes of state and local government on the part of our high school and college graduates, who are just reaching voting age.

There are many other organizations throughout the country that would be prepared to give similar assistance. I am thinking of The Municipal Finance Officers Association of the United States and Canada, The American Municipal Association, The Government Affairs Foundation, and three organizations with which I am officially connected, the National Municipal League, the Institute of Public Administration, and the Citizens Budget Commission of New York City. In addition, there is a world of information that can be made available in the field of economics concerning the facts of inflation and the factors that encourage or retard its progress. While honest opinions can vary on how best to deal with monetary, pricing, labor, and related problems, an informed approach by this important group of our citizenship is an objective that should have generous endorsement.

Some may contend that these economic questions get into the realm of politics and therefore public institutions should not attempt to take sides. If the subjects under discussion are dealt with on a factual basis and decisions are reached on the merits of the facts at hand, political considerations should not influence the judgments made. The individuals concerned will soon enough have to take positions on public questions and deal individually with political opinions.

Whether there is general agreement with the suggestions I have made is not important. I do hope that they may stimulate thinking on this subject and be productive of good.

With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Frederick M. Swenson has become associated with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Herman J. Houle, Jr. has become connected with Samuel B. Franklin & Company, 215 West Seventh Street.

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Put On Your Specs

this forcing causes many strong complaints, another much less noticed and much more harmful form of taxing or forcing of contributions prevails. The following brings this out: "the stealing by a government and central banking system from people's savings through the issuance of bills of credit which they refuse to redeem in a standard of metallic money."—*"Monetary Notes," Nov. 9, 1952, Sec. 9, Note No. 8, by Walter E. Spahr.*

Concerning this matter, it is important to remember, also, that reducing the gold unit's content 24 years ago was an impairing of the obligation of contracts, a violation of the Constitution because the *Congress was not given the right to do this.*

Some conception of the stealing referred to may be had by reading the following by the exceedingly high authority, the Editorial Staff, American Institute for Economic Research, in "Current Economic Trends," June, 1957 on page 31: "Another effect of the great inflation has been subtly to shift wealth from the accumulated savings of the people to that available for current use. About $160,000,000,000 has been thus 'stolen' from the life insurance, savings deposits, and other fixed dollar-value holdings of many individuals and transferred to others for current spending."

Under date of March 1, 1958, the Institute published "Research Reports-Twentieth-Century Common Sense," from which I quote: "Government sponsored 'theft' via inflation has taken nearly $200,000,000,000 worth of real wealth (goods and services) from holders of life insurance and savings bonds, savings deposits, etc. since 1940."

In passing, we should observe that, when, in 1934, the gold content of our standard unit measure of money was lowered, this change was expected correctly to contribute, independently of other movements, to the realization of higher prices. For the change to come about, time was required, but the expectation has been realized.

A General Negligence to Consider the Nature of Our Medium of Exchange

Now, as in the recent past, our policies as to our medium of exchange are being employed in a cloud of general negligence to understand the simple nature of money. How simple and general the understanding of the nature of a piece of leather, a piece of skin of an animal tanned or otherwise dressed for use. As simple and general, and as little neglected, is the understanding of the nature of substance after substance. No excuse is to be found for the evil complained of here. Money is metallic coin and nothing else. At the time of the Convention in Philadelphia *money* was so defined and had no other definition.

The only lawful power over money ever granted in our Constitution is the power to borrow money, on the credit of the United States; to coin money, regulate the value (that is, the degree of substance), thereof, and of foreign coin; and to provide for punishment of counterfeiting the current coin of the United States. The Congress borrows money on the credit of the United States, and it provides for punishment of counterfeiting, as empowered.

On Jan. 30, 1934, the Congress enacted legislation allowing the Executive Department to seize and melt all gold coins. Also, it involved the transferring to the United States the title to all seized gold. This Act authorized "in payment" credits in the Treasury Department in "equivalent amounts in dollars."—*48 Stat., pp. 337 Et Seq.*

By a statute of long standing our unit of money was called *dollar.* This standard coin contained 23.22 grains of pure gold, 2.58 grains of alloy. Then, as always since our Constitution was adopted, there existed no right by our Government to deny redemption in a dollar or multiples thereof. but, for the convenience of holders of bills of credit or any government promises to pay money, often, instead of coin, bullion was the medium for redemption. Obviously the only requirement was that its gold weight should equal that of our dollar or dollars represented.

Parenthetically, the purposes of this article do not justify a discussion of our policy as to Silver dollars, a policy made confusing by "New Deal" laws and *fiats.*

Dollar Redemptions Allowed Today

The name, *dollar,* correctly applied today, designates our present standard coin, a coin of 13.714 grains of pure gold and 1.524 grains of alloy. It will be observed that this name is unqualified and, therefore, can be contrasted clearly with the terms, *Silver dollar* and *Paper dollar.* Under present conditions, our Government, though promising it, denies redemption in one dollar or multiples thereof, the medium when redemption is completed being gold bullion. The right of such redemption extends only to those foreign Central banks or foreign governments holding our promises to pay money, metallic coin. Presumably, in all such cases the use of bullion is satisfactory, but standing out is the perfidy of refusing redemption in money. Here is a marked want of integrity. Yet this want is far more marked in the following mentioned activity: Our Government forbids anyone in the United States to possess gold for use as a storehouse of value or as a medium of exchange. Well-known for 25 years, this truth is intended to serve here as a reminder that nowhere in the Constitution is such a power granted. Moreover, the 10th Amendment still stands, and a dollar is as defined.

An Occasion to "Look Round A Little"

Popular thinking seems to be in accord with the idea advanced through our government's calling irredeemable promises to pay money *money.* Yet, throughout our land, for a long time before the *New Deal* such was not the case.

"The ordinary man thinks in very simple terms, but is quite capable of understanding the true theory of paper money if that theory is emphasized in his daily practice. The true theory of paper money is that a piece of paper money is a demand promissory note, a promise to pay real money —gold—on demand."—*A History of Currency in the United States, by A. Barton Hepburn, L.L.D. (Macmillan, 1924), P. 463.*

To "look round a little" is to grasp Mr. Hepburn's definition of real money and hence our Federal Government's great misrepresentation. Since the "New Deal," the ordinary man's understanding of the true theory of paper money has been deemphasized in his daily practice with the result that confusion is widespread as to the understanding of money, *real money.*

"Richard Henry Lee, writing to George Mason, at the outset of the Constitutional Convention on May 15, 1787, said: 'Knaves assure and fools believe that calling paper "money" and making it tender is the way to be rich and happy; thus the national mind is kept in continual disturbance by the intrigues of wicked men for fraudulent purposes, for speculative designs. . . .'"—*The Making of the Constitution, by Charles Warren, P. 55.*

"In 1752, Mr. Sherman published a little pamphlet entitled 'A Caveat Against Injustice or an Inquiry Into the Evil Consequences of a Fluctuating Medium of Exchange.' . . . He denounced paper money as a 'cheat, vexation, and snare, a medium whereby we are continually cheating and wronging one another in our dealings when at work and commerce.'"—*Autobiography of Seventy Years, by George F. Hoar, P. 12.*

Another Source of Confusion

Another source of confusion is the assertion that the advocates of a gold standard consider the gold standard to be an automatic regulator which, when at work, would check "inflationary expansion of the money supply."—*The Gold Standard — Past, Present, Future." in United Business Service* (210 Newberry St., Boston 16, Jan. 14, 1952.)

"There comes a time under a gold standard, when credit expansion must end, if the monetary standard is to be preserved. That situation arose in 1920. The gold brake finally brought the expansion to a halt."—*Walter E. Spahr's note 9, P. 3, Monetary Notes, March 1, 1952.*

In his *The Cause and Control of the Business Cycle* (The Murray Printing Company, Cambridge, Mass., 1932), on page 49, Mr. E. C. Harwood says: "Inflation is defined, therefore, as the condition arising when the banks of the country have originated purchasing power in excess of that required to represent goods produced (including form, place and time values) which are currently coming to market."

Here we should remember that the reference here is to a commercial bank or a commercial department of a bank whose deposits are subject to withdrawal on demand. Long ago, history established that the only safe use of demand deposits is to lend them, after making a proper reserve, on 30, 60, 90, or, at most, 120 day paper secured by goods "currently coming to market."

As to the situation arising in 1920, credit expansion had prevailed for a long time before 1920, because of two things common in such happenings: First, the placing in the hands of individuals and businesses of excess purchasing power which, of course, was used to purchase goods of one kind or another; second, because of the absence of goods to balance the excess, a bidding up by buyers of prices in general. This last observation has been made by following the Harwood book quoted for the same character of causes and consequences.

The evidence is sufficient that two extremely highly qualified money authorities carefully avoid the claim that "with an automatic regulator [the gold standard] at work, inflationary expansion of the money supply would be checked."—*The Gold Standard,* quoted from above. Dr. Spahr says: "The quotation should have contained the word 'ultimately.'"

Discrimination

It is important to observe that the great discrimination between the treatment of foreign central banks or foreign governments and all others is characterized as follows: As has been noted, the former are allowed to convert their United States *promises to pay money* to the bullion equivalent in exchange value of money, *real money,* gold coin at the rate of $35 per fine ounce. All others (institutions as well as persons) are denied this privilege to convert. A grave consequence is, that, with the exceptions noted, all people and all institutions abroad acquiring United States paper dollars can get the fullest possible benefits from them only by trading them to others in the best way possible, the difficulties for them of profitable exchanges in gold being costly.

"Our dollar now does its work with diminished honor in the various markets of the world. It is now subject to multiple quotations, a characteristic of a defective and weak currency.

"The reserves of our Federal Reserve banks are listed as held against all their Federal Reserve notes and deposits. But our people cannot touch these reserves; the privilege of utilizing them is confined to foreign central banks and governments. The reserves against the Federal Reserve notes and deposits in Federal Reserve banks held domestically are merely accounting devices."—*Why People of U. S. Need a Gold Standard, by Walter E. Spahr, Reprinted from The Commercial and Financial Chronicle, Oct. 16, 1952.*

More About Reserves

However wisely selected, the securities given against a bank's deposit credits and paper promises to pay money, need the certain support of such a proportion of reserves as will provide against sudden and unexpected, even if temporary, depreciation of said securities. This proportion can be certain only if it consist of money, metallic coin. The name *reserve,* something held in readiness for use, was well chosen.

In this matter history has given us a helpful lesson. During most of the two and a fraction centuries ending in 1914 much good banking was practiced in England. Throughout that time the required amount of a bank's reserve seems not to have been hard to determine, except when the State interfered. Under our gold coin standard, the Federal Reserve System had little incentive to change its rule of keeping in reserve 35% of its deposit liabilities and 40% of its paper currency.

Today, our Federal Reserve System's so-called *reserves* are misnamed. They are not things held in readiness for use. Used only as "accounting devices," they cannot be said to be kept in such form as to meet all instant demands upon them. The authorities of the System, instead of avoiding this evil, exert their powers of so using reserves as to help the banks to expand or to contract the exchange media supply. How easily they do this. Since we cannot have redeemability except as aforestated, the so-called *reserve* "requirement may be reduced without the fear of gold withdrawals and insufficient gold holdings." *The Federal Debt-Vehicle of Inflation?, by Leland Rex Robinson and Herbert R. Brinberg, The Commercial and Financial Chronicle, May 10, 1951.* Obviously, this "requirement" may be raised for manipulation purposes.

The limited scope of this article forbids reminding the reader of numerous other specific ugly influences upon banking reserves. Yet news commentary after news commentary shows the popularity of efforts to adjust affairs to such influences and to avoid resisting them. Illustrative and constituting an excerpt from Mr. George Shea's column in *The Wall Street Journal,* June 30, 1958, is the following:

"As for the future, seasonal factors plus the needs of the U. S. Treasury will strongly influence Reserve System actions. . . . In addition, the Treasury must finance a deficit which in the coming 12 months will hover around $10 billion. These needs will tend to use up bank reserves, and the extent to which the Fed replenishes the used-up reserves will tell the story. . . ."

As we know only too well, the Fed will be unafraid of gold withdrawals and insufficient gold holdings.

"Look Round a Little" Again

When again we look around a little, we readily recall Mr. Harwood's above quoted statement to the effect that inflation is the condition arising when the banks of the country have originated purchasing power in excess of that required to represent goods produced and currently coming to market. The banks, in this respect, have originated enormous purchasing power which is undesirable. The greatest such power is government debt used as security for paper money and demand deposits. An immense portion of the private debt used to secure paper money and demand deposits is of the sort affording the undesirable kind of purchasing power to which Mr. Harwood referred. Examples are real estate loans and instalment purchase loans originating in the banks' demand deposit departments. Banks can properly make such loans only in their savings departments.

A special bulletin entitled *Research Reports — 20th Century Common Sense,* by the American Institute for Economic Research, dated March, 1958, contains Note 6, Page 4, reading as follows: "We believe that the huge total of private debt incurred in recent years ($300,000,000,000 since 1945) includes a small percentage of vulnerable loans reflecting unwise borrowing. Only 3% of it would equal the loans for stock speculation on margin in 1929, and we suspect that even more may have been unwisely incurred."

Observations From the Past

Many well known economists today call Government debt an asset to the economy, but this conception of an asset is both old and erroneous. Some observations from the past follow:

". . . Some general medium of exchange is wanted to be the measure of everything; and this quality no more belongs to metal, than it does to stocks and paper, when the circulation of them is supported by the credit and good faith, and by the interest they produce." *An Essay on Circulation and Credit in Four Parts, and a Letter on the Jealousie of Commerce. From the French of Monsieur Isaac DePinto, Translated, With Annotations, by the Rev. S. Baggs, M. A.—London. Printed for J. Ridley, in St. James Street. MDCCLXXIV, Page 126.*

Only two years after the above appeared, published was *The Wealth of Nations,* by the renowned Adam Smith. On pages 368-369, Book V (P. F. Collier and Son, M. C. M. I) appears the following:

"The public funds of the different nations of Europe, particularly those of England, have by one author been represented as the accumulation of a great capital superadded to the other capital of the country, by means of which its trade is extended, its manufactures multiplied, and its lands cultivated and improved much beyond what they could have been by means of that other capital only. He does not consider that the capital which the first creditors of the public advanced to government, was, from the moment in which they advanced it, a certain portion of the annual produce turned away from serving in the function of a capital, to serve in that of a revenue; from maintaining productive laborers to maintain unproductive ones, and to the spent and wasted, generally in the course of the year

without even the hope of any future reproduction."

Turning to this book's page 350, one finds:

"The progress of the enormous debts which at present oppress, and will in the long probably ruin, all the great nations of Europe, has been pretty uniform."

A second observation from the past: In the history of the 19th Century is to be seen the chief cause of the greatest financial crisis of that 100-year period, namely, the crisis of 1873. This was Napoleon III's financing of socialistic programs by debts "on the argument that the public debt was not a liability but an asset to the economy." *Reflections in the Dangers of the Present Economic Situation, by Felix Somary, Doctor of Law and Political Economy, Zurich, Switzerland, as given in The Commercial and Financial Chronicle, July 26, 1956.*

"Napoleon III's was the Government of cheap bread, great public works, and holidays."—*Enc. Brit., Vol. 16, p. 98.*

So much for past events. Our public debt grows and grows, and is represented chiefly by Treasury bills. As we know, these instruments represent debts which are promised to be paid in short terms. However, here we are as dishonorable in our use of the adjective *short* as we are in the use of the term *money* or of the term *dollar*. Since the New Deal, it turns out, short-term, or Treasury, bills are never paid, but renewed again and again. Therefore, they are equivalent to long-term obligations which are never repaid.

In *The Wall Street Journal*, Aug. 9, 1957, an editorial refers to "the thought that the Government can go on spending more and more, year after year, without discipline and without end. These economic magicians smugly assume that they know better than the experience of all recorded history."

Conclusion

Attention now has been given to an outstanding difference between certain of our statutory unjust, although Constitutional, taxes and taxes resulting from our government's using powers over money which are not granted by the Constitution. We have seen it do this through ignoring the true nature of money; through applying unlawfully the name *dollar;* and through forcing the use of debt to support debt.

That which is called the abandonment of the gold standard is a thoroughly dishonorable prohibition of the use of money, coined metal, causing, among other things, a toleration of the Federal Reserve System's dishonest alteration of reserves to mere "accounting devices."

An established lesson in life is that dishonest individuals fail. The same holds true of an aggregate of individuals, such as the people of these United States. Appalling to contemplate is our destiny if we do not discontinue very soon our present dishonesty in monetary affairs.

Morgan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Keith G. Habliston has been added to the staff of Morgan & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange.

Joins Witherspoon Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Earl W. Morse has joined the staff of Witherspoon & Company, Inc., 215 West Seventh Street.

New E. I. Hagen Branch

TACOMA, Wash.—E. I. Hagen & Co. has opened a branch office at 915½ Pacific Avenue, under the management of Jack R. Bratlie. Charles H. Dick is associated with the new office.

Continued from page 13

Prosperity Without Inflation Through Sound Government Power

lars in existence. It is not a finished record of past history. Rather it is the measure of the strength of a rising power for the future—of our potential capacity for growth. It is the composite expression of increasing skills, improved productive machinery, and more efficient methods of manufacture and distribution. To insure a steady increase in the rate of productivity, we need to motivate all segments of our economic society to make their contribution. We can only do this by giving everyone some share of the growing prosperity which is reward for such an increase.

(2) Prosperity is a two-phase engine that requires both production and consumption to operate. Both phases of the cycle need to share in the benefits of the process in order to get the greatest efficiency out of the engine. The producers take their rewards by means of increases, workers in increased wages, investors in increased profits. But the consumer takes his share in decreases — decreases of the prices he pays.

(3) In inflation, the producers not only take all the gains created by greater productivity, but because of the heavy oversupply of money permits it, they rob the consumer of his share and more. By translating their share into increased prices, they create for themselves the illusion of something for nothing, a reward greater than they have earned. So long as they are both producer and consumer as most of us are, they can keep up the illusion; and in fact, when inflated prices rise faster than wages, they have an apparently perfect justification to begin another round of the wage-price spiral. But people on pensions, fixed on fairly static incomes, cannot increase their incomes and are thus the greatest losers.

(4) The consumers greatly outnumber the producers when we include those who wear both hats. They should have every right to a real share in the gains of productivity in the only way they can get it, by lower prices. In fact they should have priority.

How can they get this share? First, they must realize their right to it and demand it in the market place. Stable or lower prices at every level of production and distribution must become a fixed public policy instead of the present acceptance of inflation. How can they know whether they are getting it? By watching the movement of the consumer's price under a recognized official, accepted standard of measurement. And if just demanding their share in terms of stable or reduced prices won't work — maybe the power of the Federal Government will have to be brought to play. That power is already being invoked both by labor and management when they need it. The consumers who are unorganized may have a greater right to call on its protection.

Senator's Basic Proposals

Let me make it clear right here that I am not thinking of a return to wage and price controls in the wartime pattern. They didn't work and never will. I am thinking of a simple self-triggering system of enforcing the consumer's priority in a free market. Suppose the government said to labor and capital "you cannot have increased wages and profits in any year following a year in which prices rose?" Or to say it another way, so long as prices stay stable or drop every year you will be perfectly free to divide the producer's share of increased production and productivity as you please according to present and existing law. But whenever a rise in the average price level for a year reveals that you have robbed the consumer of all of his share, then your right to increase will be suspended for one or more years until his prices come back into line.

What do you think of this basic idea? Can you live with it? In fact, wouldn't you prefer to operate in an atmosphere of stable or slightly falling prices rather than in a continuous and increasing inflation? True, it would force you to readjust many management policies, but most of those readjustments would be good ones. If we could effectively control—yes, almost certainly end price inflation, you could turn your mind to the improvement of productivity; and the risk of the suspension of wage increases should turn your workers' minds toward the same goal. Booms and recessions would not automatically be eliminiated, but their severity would undoubtedly be reduced. Speculative pressures in inventory would be diminished and there are many other values.

I was a business executive for 30 years—in a business that was comparatively small but whose scope included manufacturing, distributing and retailing. Against this background, I think this idea is worth investigating by labor, by management and by government. The famous phrase says, "never underestimate the power of a woman." It is the woman who spends the consumer's dollar and when she and her millions of sisters see the hope of price stability — don't think they won't work for it.

(And in parenthesis let me suggest that only in this way can the pensioners and fixed income people escape inflation, the pickpocket, and have a chance to get some share in increased prosperity.)

To return to our TV picture, "Prosperity Rides Again." This, I believe, is the call that can bring out the posse and put a potent weapon in the hands of everyone of them. This will put them on the side of the "good guys" and down that villain inflation the worst of the "bad guys." In the picture the "good guys" always win. Remember this when you decide which side you will be on!

Can we have prosperity without inflation? Of course we can if we follow a script like this! The final picture may be changed in detail but I think the general idea is sound and will lead us to that happy ending—prosperity without inflation.

E. I. Hagen Opens Branch

THE DALLES, Oreg.—E. I. Hagen & Co. has opened a branch office in the U. S. National Bank Building, under the direction of Eugene T. Porter.

With E. I. Hagen Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Vincent S. Bartos, Roger A. Chaney, and Lewis R. Thompson have become affiliated with E. I. Hagen & Co., American Bank Building.

G. H. Crawford Branch

SUMTER, S. C.—G. H. Crawford Co., Inc. has opened a branch office in the Shelor Building under the direction of Henry H. Shelor.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Indications continue to increase that the recession from the 1957 highs has about run its course, and that better economic conditions are developing. Several sources have tabbed the let-down in business as the shortest recession since the end of the war; and, certainly, if we are now well on our way out of the slump it will have been one of rather short duration. Unemployment is on the decline, employment on the increase, car loadings up, etc.

Every week or two we read of increases in bankers acceptances and in commercial paper rates. The Federal Reserve re-discount rate, recently advanced in several Reserve districts, followed by several others. Now we learn that this rate in five centers—Philadelphia, Richmond, St. Louis, Dallas and Minneapolis — with Board approval, has been advanced from 2% to 2½%, with the remaining districts staying at 2%, to which figure their rate was boosted in August from the old 1¾%.

One of the better signs of the trend in money rates is the Treasury bill rate, as Treasury bills are issued each week for the relatively short period of 90 or 91 days. This rate has been above 2½% since last November, and on Oct. 11 reached close to 3%. Because of the bills' short maturity, they are used by the banks, and particularly by the larger institutions.

In other words, interest rates are holding up well, and interest rates are one of the components of bank earnings. The prime lending rate, highly important to banks as it is the one from which all others are scaled, declined during the recession, but it was put up to 4% in September.

While loan volume at the large New York banks has not been strong of late, the weekly reporting of it has shown ups and downs. The mid-year date is the one from which increases in loan volume normally start, as it is then that retailers and wholesalers begin to build up inventory for the fall and winter trade, and it is about that time that crops begin to move. Since that date this year, however, business loans at the New York banks have declined in volume by some $428,000,000. This compares with a shrinkage of $461,000,000 in the like period of 1957. But, compared with last year, the banks now have the advantage of firming rates, even though they will not get the full benefit of, let us say, the September hike, until later on.

In our comments two weeks ago on the banks, we pointed out the important increase in government bond holdings by the banks from a year earlier. Part of this increase came about as a result of the decline in loan volume, and part of it was due to the increase in deposit volume. But the important point was that, with a single exception, invested assets (also called working assets) of this group of banks showed a good increase at the Sept. 30, 1958 date when compared with a year earlier. The average increase in the 12 months was $6.4%, not a bad showing in view of the fact that the period was one of economic contraction. It was for this reason that earnings held up so well, while those of industrial and rail companies generally did so poorly. The invested assets exhibit is as follows:

	Invested Assets Per Share*	
	9/30/57	9/30/58
Bankers Trust	$504	$534
Bank of New York	1,542	1,638
Chase Manhattan	439	459
Chemical Corn Exch.	377	400
Empire Trust	1,398	1,544
First National City	489	507
Guaranty Trust	393	386
Hanover Bank	331	349
Irving Trust	261	279
Manufacturers Trust	451	507
J. P. Morgan & Co.	1,857	2,079
New York Trust	512	536
United States Trust	301	321

*Adjustments made in 1937 figures for stock dividends and capital changes via subscription rights in period.

This increase in working assets surely indicates growth, and this writer is of the opinion that this will be reflected in improved earnings as we go along.

Woolrych, Currier & Carlson Formed in LA

LOS ANGELES, Calif. — Theodore D. Carlsen has become associated with Woolrych & Currier of San Diego to form Woolrych, Currier & Carlson. The firm's main office will continue in San Diego at 233 A Street. Mr. Carlsen will be resident partner in charge of the new Los Angeles office at 210 West 7th Street. The new firm has made application for membership in the Los Angeles Division of the Pacific Coast Stock Exchange, and will maintain a direct wire to Troster, Singer & Co., New York City.

Ted D. Carlsen

Mr. Carlsen, who has been in the securities business in Los Angeles for the past 21 years, has recently been manager of the trading department of Harbison & Henderson.

Other partners in the firm are Dr. Edmund H. Woolrych and Warren Currier III. Dr. Woolrych was an economist with the Bankers Trust Company of New York prior to coming to California. Mr. Currier, a native Californian, has recently returned to the coast after 12 years in the investment business in New York with Allen & Company and P. W. Brooks & Co.

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Politics and Recessions

Committee promised to produce a labor bill.

Senators Kennedy and Ives, who had the responsibility for putting the bell on the cat, began by consulting the cat. They got in touch with George Meany, the President of the AFL-CIO. The Kennedy-Ives bill which emerged bore a striking similarity to the Meany proposals for a labor bill which had appeared in the AFL-CIO "News". To insure Meany's support, the bill contained little or nothing that would get to the heart of the abuses of labor power, but it did have several provisions that would have weakened the Taft-Hartley law.

The bill, as it passed the Senate, would have required simple honesty in certain aspects of the handling of union funds, and would have given members more assurance of some voice in union elections.

It did not deal at all with the basic wrongs the union leaders had been perpetrating upon the public, such as the formation of labor monopolies, secondary boycotts against innocent parties, organizational picketing to force workers into unions they were unwilling to join or had rejected in bargaining elections, and other common evils.

On the other hand, it would have placed many supervisors under union control, it would have allowed construction unions to force employers to sign contracts before a worker was hired and then deliver all his employees to the union when hired, and it would have allowed economic strikers who had been legally replaced by other workers to vote in representation elections. And it would have made a mere unfair labor practice out of extortion, instead of regarding it as a felony as the law has regarded it for centuries, and probably would have legalized extortion if the employer assented.

This was the Kennedy-Ives bill over which so many tears were shed when it met its deserved defeat in the House of Representatives. Yes, the National Association of Manufacturers advocated defeat for this bill after it was certain that it could not be improved and saved by amendment on the House floor. The real reason for the defeat of Kennedy-Ives was that it was a bad bill and that it came up for vote with no opportunity for real debate or any amendment, and members refused to have it jammed through in this manner.

Among the many defects the bill had was that nowhere did it deal with the problem of the growing dominance of politics by labor leaders. Union members join unions in connection with their work—not their politics. Yet, today union leaders are spending millions of dollars of union dues money in support of political candidates. Nor do these leaders often bother to ask permission of the men and women of both parties whose money they are spending.

Labor's Political Role

In the last Congress, according to *U. S. News and World Report*, labor's chieftains felt they could count upon the support of 38 Senators and 177 Representatives on major issues. In the next Congress they hope to obtain an actual majority.

To do this, millions will be spent. Thousands of union staff employees will organize teams of volunteers to ring every doorbell in every doubtful district in the land. They will provide baby sitters and transportation to the polls on election day. They will write speeches and distribute pamphlets for candidates. They will provide publicity in the giant labor press.

And after election day, these union leaders expect to collect what they feel is due to them. They will demand the kind of government they want, in addition to the retention and extension of the privileges and immunities they now have to the exclusion of any other citizen.

If you have been following their political utterances over the years you know that the kind of government they want is not the kind of government you want, nor the kind that most Americans want. They want the kind of cradle-to-grave-welfare state that has brought disaster to so many nations throughout the course of history. They want to strengthen the Federal Government at the expense of state and local governments. Many of them even want government and labor in a position to out-vote management in corporation business affairs. They want high taxes on everyone who shows drive and initiative and tax reduction for everyone else. They want to divide corporate profits and choke off America's growth possible only through the reinvestment of profits.

And they want to control every employee, whether or not he wishes to belong to a union.

The Taft-Hartley law provides that the states may, by appropriate state legislation, forbid the barring of a non-union man or woman from employment — in other words, make the compulsory union shop illegal. Known as Right-to-Work laws, these are now in effect in 18 states. In all states it is illegal to refuse to hire someone or to fire him because he exercises a right to join a union. But in your state and all except these 18 states it is legal under union contract to require that an employer fire an employee if he does not join the union or resigns from it. Is that American? Is that freedom? I hope the day will soon come when all states give the employee the complete, unfettered freedom to join or to refuse to join unions. Only then will employees be free men and union leaders really responsive to their membership.

Those of us who still believe that Americans should be free and that government is to serve the people and not to be served by the people, have been slow to become alarmed.

We had too much confidence that these false ideas could not be sold.

Perhaps we forgot the power that a well-organized minority can wield. All through history, changes in government often have been achieved by vigorous minorities. And that is what we are faced with today.

This small minority does not even include many of the labor union members themselves, or even all of the leaders of labor. But it is a well-organized and determined minority, disciplined and efficient.

There is an answer. If any foreign government in the world were attempting to impose such a government on us by force, every one of us would be working or fighting day and night to prevent it.

Answer to Labor's Threat

The answer to this internal threat is to work and fight to defeat it.

It is our duty to provide the leadership that a campaign to defeat these men and these ideas will require. No one is better fitted for this role, because it is a sales job to be done by sales methods.

The political structure of this country was created on the assumption that it would be operated by the country's most able citizens. We are without a royalty, a nobility, an oligarchy or a tyrant. We have a representative form of government. We are expected to thresh our differences out in the open in full hearing of the voters, and allow the voters to make up their minds.

Conservative leadership for this struggle must come from the sources of conservative strength, and that includes the vast business community which creates America's wealth under increasing handicaps. And this leadership is beginning to come forth.

The National Association of Manufacturers is launching a public affairs program to assist its members who want to count in the struggle. We are offering them guidance into the realm of governmental and political affairs, information on candidates and issues, and plans for battle in the campaigns.

Some may have heard of some of the other efforts being launched in this field—the Syracuse plan, General Electric's program, Gulf Oil Company's program, and other movements.

There is not only room for you in this movement, your participation is vital. It is vital to the country, and it is vital to you. Where will you be if your customers continue to be impoverished by taxation and inflation until they can no longer buy the things they need for their homes, their families and their businesses? Where will you be if the products you sell soar in price until they are beyond the pocketbooks of your customers?

What will become of the children who are your pride and your hope and your inspiration for toil and sacrifice, if they are to come of age in a nation which penalizes the able to serve the ne'er-do-well?

Yes, government is your personal problem. Today, a few score of men heading large labor unions are willing to relieve you of all responsibility to deal with that problem, and who are striving to give you the kind of government they desire.

Your voice in that government came to you effortlessly with your citizenship, but the duties of citizenship are inseparable from the privileges of a citizen of our beloved country. The privileges will no longer exist if the duties are not performed.

Little time remains before election day. Perhaps it is too late for you to form an organization of power and efficiency to deal with the problem this time. You can, however, examine the candidates who seek your votes, and, irrespective of the party label, determine whether they are a part of the labor boss conspiracy to rule, or whether they will fight the conspiracy with heart and with intelligence. You should do no less, and you should and can do more. It is not too late to volunteer to support those who deserve your support. You might be the one who makes the few votes difference between election and defeat for a man who will truly serve all America.

And you will learn the first lessons that politics has to teach, become battle tested and be ready to count for much more in the next and succeeding campaigns.

I am not appealing for any one party or for a task force for a particular limited campaign or objective. You, and people like you, will be needed always in political affairs, so long as there is a United States of America. And if you, and people like you, perform the duties you owe to America, this Nation will exist as a great and free Nation so long as you give it your best.

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An Appraisal of Dow-Jones Industrial Average

relation between stock and bond yields. Much of the thinking about the values of stocks is done not in direct value terms, but rather in those of symptoms. Among such earmarks or outward signs, yield relations are frequently heeded. Their present position has often in the past been precursory of drastic declines of stock prices. The structure of yields is now flashing storm signals.

Such fears, however, may be based too much on a formalistic and mechanical application of historical analogy. The causal link which made the relationship work in the past was that considerable switching was done in order to increase investment returns when stock yields dropped to the level of bond yields, and particularly when they declined below them.

It seems reasonable to assume that such an incentive may be weakened, or may even disappear, in periods when the majority of investors hape doubts concerning the stability of the purchasing power of fixed income. When their faith in this respect happens to be as strongly undermined, as seems now to be the case, there is no inducement for selling stocks, whose dividends can grow, in order to purchase bonds. Thus, the unusual yield relations may be extended indefinitely. And there are other deep-seated economic forces at work which may contribute to the same result.

Limitations of Price-Earnings Ratios

The other problem encountered by analysts and investors was the uncommonly high and rising level of price-to-earnings ratios.

It is easy to exaggerate the significance of these ratios. True to their name, they are just expressions of relations between two factors. They have no independent existence of their own, as prices and earnings have. The ratios must be high when earnings are low. When the denominator declines, the ratio cannot help rising. The respective movements of earnings and ratios have to be inverse. By tracing a rough chart of their historical year-to-year changes, anyone can convince himself that earnings are reflected by the ratios as by a faithful mirror, or rather, since the reflection is inverse, like the surrounding landscape in the surface of a lake.

Besides, fluctuating current earnings cannot serve as a reliable capitalization base. They do not offer a strong enough foundation for supporting a capital structure. Capital is substantial. Its income-producing mass cannot be appraised from so slim an indication as earnings of a single year, nor of a few years. A more stable form of earning power is needed by investors as basis for market values.

Earning Power

The idea of earning power or of average and representative and normal earnings is theoretically simple. But its level which effectively serves as a basis for the valuation of stocks cannot be found by formula or definition. It is a work-out. Countless investors and speculators operate in the market. Their ideas and information about present and projected earnings vary from the sublime to the ridiculous. Only as an outcome of a ceaseless tug of war, sanctioned by profit as reward for good judgment and by financial loss as retribution for ignorance or ineptitude, there emerges a level of earning power that has operational significance for valuation.

In this analysis the search for the normal earning power of the D J I A, resulting from the collective trial and error of buyers and sellers, was approached by two different methods:

(1) One was direct and simple. It consisted in constructing a 12-year moving average of current earnings.

(2) The other method was more complex. It used the concept that earnings are the "dividends' fund." From the average historical relations between the rates of growth of earnings and those of dividend payouts, a curve of "normal" dividends was computed. It served as the basis for deriving a level of earning power necessary and sufficient for payment of normal dividends.

The earning power curve of the D J I A appearing on Fig. 1 is the result of a simple arithmetic average of these two estimates.

On Fig. 1, the normal earning power of the D J I A is expressed by a single line. In reality, of course, no such definite and clear-cut appraisal could have been made. A better mental picture of this line would be in the form of countless points of individual judgments clustering irregularly around it. And statistically it represents a composite view taken from two different and significant angles and vantage points described above. This merging into one curve of two reasonable measures draws an acceptable picture of average opinion of average earnings. The smooth and solid curve of earning power does look like a sounder capitalization base than the more erratic and sometimes brutally changing outline of current earnings.

Earning Power and Market Value

However, it is not enough merely to submit a persuasive argument in favor of a suitable measure of earning power. Its validity has to be tested. If we are right in thinking that the "market," i.e., those buyers and sellers whose transactions effectively produce the price curve have been using such a level of earning power as a base for a market value of the D J I A, we should be able to check it. This test can be made easily and quickly.

To illustrate, let us take the year 1948, which stands about halfway in our period. That year's per share earning power figure of the D J I A is plotted on Fig. 1 at $13.03. The Dow average's mean annual price in 1948 was 180.34. The ratio of the mean price to earning power is 13.8.

We can repeat this simple calculation for each of the years of our period and then average out the various ratios obtained. The resulting figure is 14.7.

We can also find this average capitalizer by using the more complicated and precise procedure of correlation analysis. It produces the almost identical constant capitalizer of 14.8.

By multiplying each successive annual figure of earning power by this constant capitalizer of 14.8 we obtain the curve of Market Value which is drawn through the price ranges of Fig. 1.

This line looks like a fair expression of value. When stock prices rise far above it, they eventually correct such overvaluations by substantial declines. And if prices remain for an extended period below the line of Market Value, there follow correspondingly extended rises.

Of course, valuation decisions are not always in the price-making saddle. Many other influences contribute to the formation of stock prices. So, for instance, dur-

ing the long period of undervaluation extending from 1948 through 1954, two cyclical recessions and the imposition, at the time of Korea, of war-time controls and taxes did not pass unnoticed by the stock market.

Fig. 1 pictures Market Value with sufficient realism to dispel the specter of a value vacuum. It also bears witness to the fact that earning power is the foundation of value. In fact, earning power is value. The difference between them is in the respective levels. The two lines representing them on the chart are parallel. The application of a capitalization multiplier at the level of earning power raises it to the level of value.

Normal Price-Earnings Ratios

Let us open a parenthesis for a few remarks. They may help to visualize more clearely the functioning of the mechanism of capitalization of earnings in the stock market.

Earning power is an average of actual earnings. In order to produce the same level of value, a different multiplier must be applied to actual earnings when

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FIGURE 1

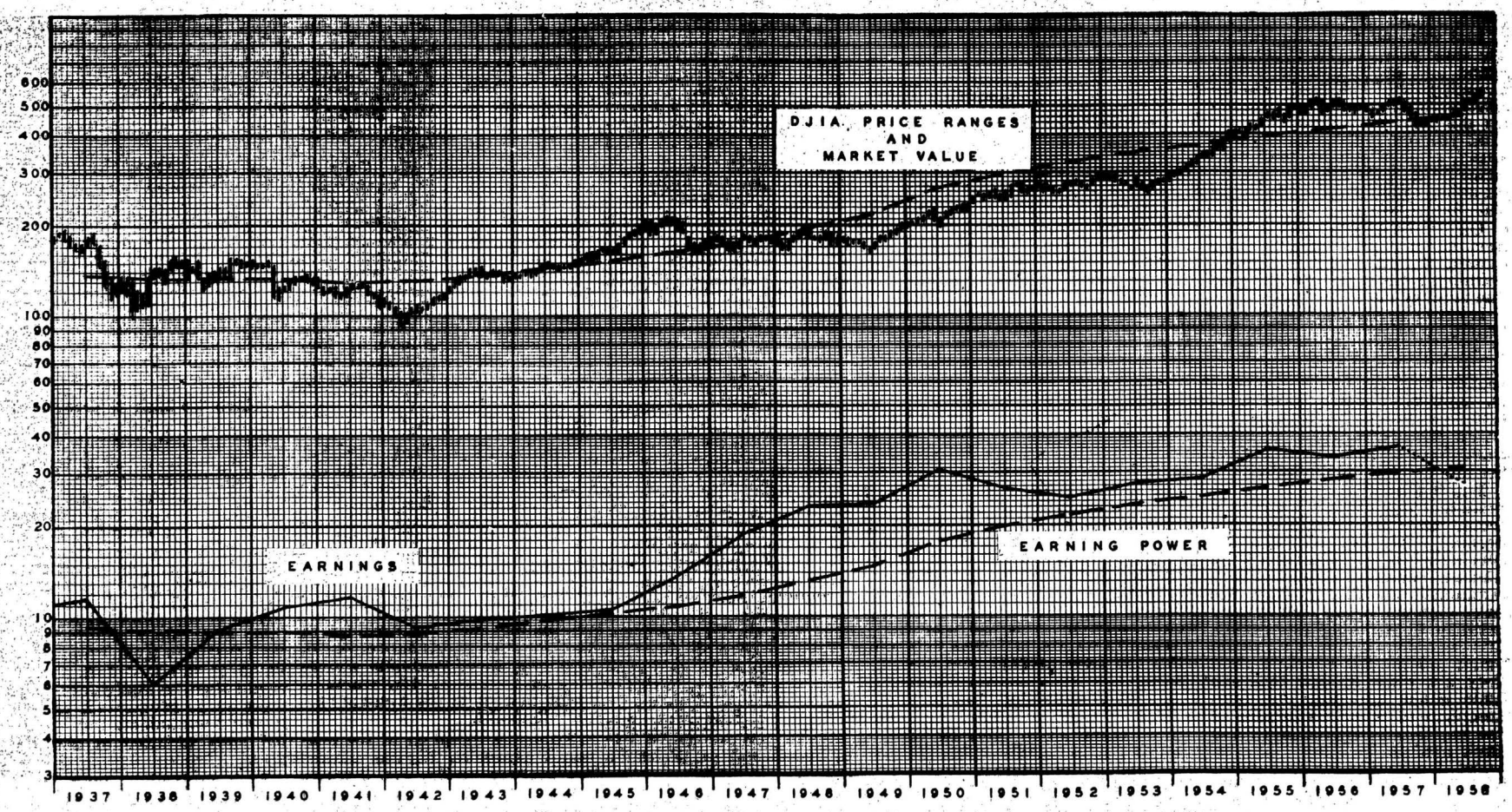
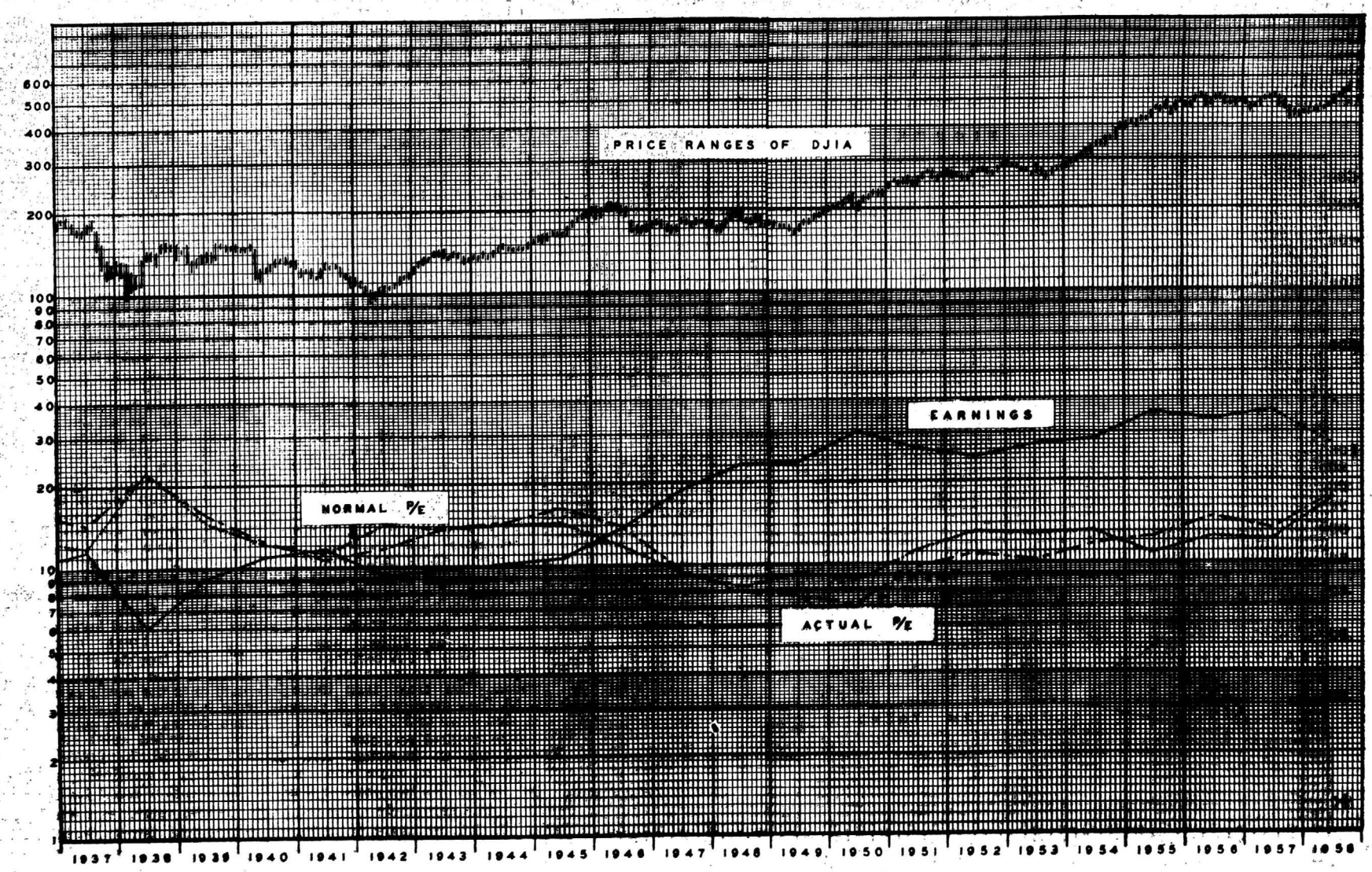


FIGURE 2



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An Appraisal of Dow-Jones Industrial Averages

they stand above or below earning power than to the latter itself.

1948 was used as an illustration. In that year, current earnings stand high above earning power. A multiplier of 14.8, applied to the 1948 earning power level, results in the level of value shown for that year on Fig. 1. Quite obviously, a much smaller multiplier must be used for the higher level of actual earnings in order to result in the same level of value.

On the contrary, in 1958, current earnings are below earning power. They need a higher price-earnings ratio to be able to reach the level of market value.

If earning power represents the real base of capitalization in the stock market, then the fluctuations of current earnings may be looked upon as deviations from it. And it becomes possible to compute normal price-earnings ratios which should be used as multipliers of current earnings to compensate for the deviations.

Fig. 2 shows, since 1937, what price-earnings ratios of the D J I A would have been normal if the earning power level of Fig. 1 was serving as the capitalization base. These hypothetical multipliers are confronted on Fig. 2 with the price-earnings ratios such as they actually were during this period. The actual and the theoretical ratios are not far apart. Indeed they are close enough to leave little doubt that the principles described offer a true picture of the capitalization process in the stock market.

Fig. 2 also illustrates a point made earlier in this presentation. Current earnings and price-earnings ratios move in opposite directions. At the beginning of our period, the multipliers were higher in the recession year of 1938 than in 1937, which was a year of high earnings. History was repeated at the period's end in 1957-58, and as the years in between were rolling by.

To close the parenthesis, it may be mentioned that the above summary was just a bird's-eye view of how the Stock Market capitalizes earnings. A comprehensive discussion may be found in "A Theory of Price-Earnings Ratios," *The Analysts Journal*, Nov., 1953.

D J I A and Market Value

It is apparent from Fig. 1 that during the first part of the current year the Dow average was selling below or in line with its indicated Market Value. Only in July did the Average exceed 500. In August and September, it was still frequently trading below that figure. In fact, at the time when the commentator mentioned at the outset of this paper was quoting Macbeth to convey dramatically the impression that stock prices had reached completely irrational heights, they were, as measured by the D J I A, well within a reasonable Market Value zone.

Fig. 2 tells the same story. In order to make them comparable from year to year, it plots all ratios in terms of annual averages of stock prices. At this moment, the actual price-earnings ratio is therefore higher than it is drawn on the chart. But the normal price-earnings ratio for 1958 would still remain at 16.8 where it is shown on Fig. 2. It was only when the Dow average rose decisively above its Market Value that the actual ratio substantially exceeded its normal level.

The recent sharp advance of the D J I A to heights which are well above its Market Value raises the question as to how much importance we should attach to this fact.

Intrinsic Value

In determining the level of Market Value, a purely passive attitude was assumed in this analysis. No attempt was made to appraise the worth of the D J I A. The effort was limited to finding how the stock market itself, or rather those buyers and sellers who transact their business in it have collectively and habitually valued the Dow average in terms of its capitalized earning power. This speaker acted much more like a hunter following a trail, or an astronomer computing an orbit, than an appraiser.

Market Value is important. We must listen with respect to the market voicing its own opinion. If its conviction is strong, it will not easily be swayed. Yet the market will not remain stubborn without reason. It is eager to recognize reality, as this is the road to financial reward.

However, if we can project future earnings more accurately and capitalize them more correctly than the market does at the moment, we may assume that Market Value will tend to move in the direction of such an Intrinsic Value until they rejoin. The market's traveling speed toward this goal will be conditioned by the degree and timing of public recognition of the correct projections. But the Intrinsic Value is the objective towards which the Market Value is irresistibly drawn.

The Intrinsic Value of an equity, or of a stock average, can be defined and computed in a variety of ways. It can be related to assets, to return on net worth or on original investment, and other factors. But for our purpose it seems logical to select the basis of valuation already used for computing Market Value. This basis is earnings.

A practical method of computation may be derived from the principle that the value of a common stock is the present worth of the sum of all future dividends. Since dividends flow out of earnings, present worth can be expressed in terms of capitalization of earnings.

The principle of present worth is often used in studying the economics of financial and even industrial projections. For the valuation of stocks the techniques of its application can be greatly improved. They will be described in detail in a study to be published soon and which has been completed after years of research.

In brief, normal theoretical dividends can be derived from the rates of growth of the earnings. They offer a convenient valuation springboard.

It is vital to discount future dividends at a truly significant rate. An error in its selection can result in completely distorted values even for the most accurate projections of future dividends.

A 7% rate has been used for discounting future normal dividends in this report. In round figures, it stems from an average historical current return of 5% and an average rate of growth of 2% per annum of both earnings and dividends.

In another sense also, the rate of discount is at the very heart of stock valuation by the present worth method. This concept implies the need to estimate all future payments. It is a pretty high hurdle but, through the use of the discount rate, less insurmountable than it seems. Financial perpetuity is brief compared to the eternity of philosophy and religion. Future payments discounted at 7% shrink rapidly toward zero.

Measuring D J I A

Earnings figures for the D J I A are available back to 1915. In the course of the 43 years which have since elasped, stocks have been subjected to practically all conceivable political and economic developments and contingencies short of the destruction of the capitalistic system in this country.

If a trend line is fitted into the fluctuating curve of earnings of the D J I A for this entire period, it shows an approximate annual rate of growth of 4%, which is twice as high as the average rate for all stocks.

From the inception of the economic expansion that has marked the postwar period, Fig. 3 traces the annual ranges of the D J I A and its annual per share earnings. It also extends into the future the long-term trend line of earnings anchored in 1915 and shows their short-term trend through 1958.

For figuring present worth, we must compute the rates of growth of the trend lines of earnings. It matters less to know what the exact configuration the future will give to the annual changes of actual earnings. Their effect on value will be small.

On Fig. 3, a mathematical balancing out of future earnings was made in such a way as to assure a continued growth of the long-term trend line at 4% per annum. This projection of future profits does not pretend to be a forecast. But it is worthy of notice that it does provide, even for the relatively near future, two long and steep declines of the D J I A earnings. They picture recession of much greater severity than the none-too-mild 1957-1958 slide.

The least arbitrary of all estimates of future earnings is the simple projection of the past into the future. For D J I A this can be done by an indefinite extension of the long-term trend line growing at 4%. It justifies, as of now, a price level of 530. This may well be what investors and speculators are currently instinctively doing in the market.

A somewhat similar result will be obtained by indefinitely extending the short-term trend line shown in Fig. 3. While pent-up demand was filling war-time shortages, D J I A earnings were expanding with extraordinary speed. But from 1950 through 1958, their average rate of growth settled down to 3% per annum.

The cyclical recession of 1957-1958 was an important test. It was wider in scope and more severe than its two postwar predecessors. Nevertheless, the fall in D J I A's per share net stopped short of the two previous lows and, perhaps even more importantly, its low did not even touch the long-term trend line.

The average earnings of the 1950's may well represent for D J I A a new plateau of earning power, in line with the generally enlarged dimensions of the American economy. And a 3% rate of earnings growth from this higher average level, instead of the 4% rate of the long-term line, could reflect both a narrowing of profit margins and a rate of currency depreciation which conceivably may account henceforth for something like one-half of the growth rate expressed in paper dollars.

An acceptance of these assumptions would lift D J I A's Intrinsic Value for 1958 to the 540 level. But it would dampen the values of the coming years. Indirectly, there would be also the implication of the recurrence in the future of the shallowed and shorter cyclical swings with D J I A earnings oscillating around a less steeply rising trend line placed, in the earlier years, at a higher level.

Where the Risk of Error Lies

The selection of the rate of growth of projected future earnings and of their initial level are the decisive factors for appraising Intrinsic Value. Much more optimistic projections could be ventured. For example, it could be argued that the reality of a higher postwar plateau of corporate earnings has been sufficiently well entrenched to justify a projection of the historical long-term trend of earnings growing at 4% from that new level. The Intrinsic Value of the D J I A for 1958 would then be equivalent to 715. Since value grows with earnings, it would exceed, for the D J I A, the level of 1,000 in about ten years.

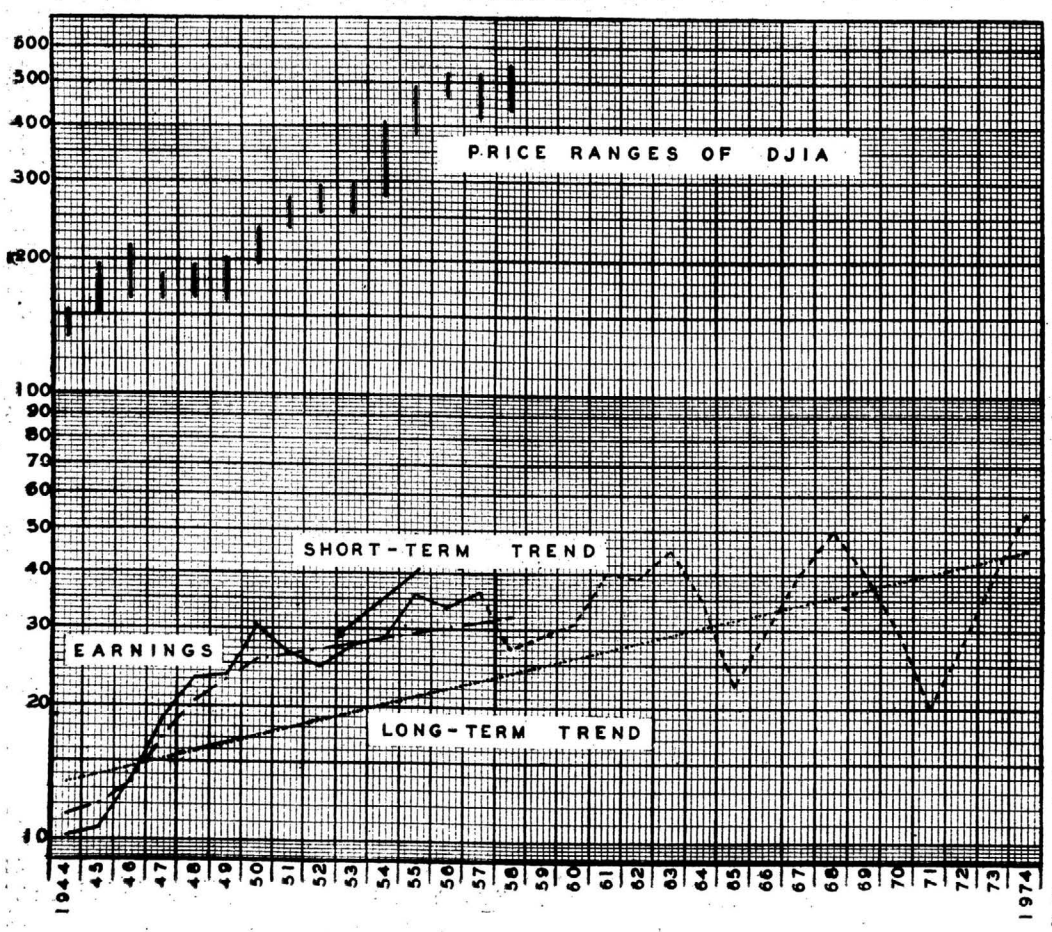
Such projections may be impressive, but we shall leave them out of bounds of our reckening of values. A 4% rate of earnings growth for the long-term 1958 trend point, or an extension of the short-term trend line, at a 3% rate, both continued indefinitely, already yield the conclusion that the D J I A is still fairly priced. If still higher estimates of the value of D J I A should prove to be correct, investors would simply make larger profits. To this prospect, their objections could not be strong. The risk thus lies on the downside.

So, for instance, the mere acceptance of the Market Value figure of 455, such as it is in 1958, as an accurate measure of D J I A's Intrinsic Value would mean considerable losses for purchases made at present levels. What specific implications are contained in that figure?

Since 1915, which is the earliest date for which we have earnings data of the D J I A, its long-term earnings trend has been growing, as we know, at an annual rate of 4%. If we assume that an eventual dampening of the trend line's growth rate is more likely than an indefinite preservation of the status quo which has prevailed for half a century, and perhaps longer, we can let the basic 4% rate run for another 25 years and then bend it over into a 3% rate for 25 more years, and extend it thereafter at 2% in perpetuity. Such a projection would hit the 1958 level of Market Value right on the nose at 455.

The only trouble with this projection is that the pleasant concurrence is the result of a deliberate juggling of the numbers of years during which certain arbitrarily selected rates of growth are expected to prevail. Undoubtedly, a convincing piece of rationalization could be built up to defend them. But the intellectual feat necessary to do so would be a transposition into economics of the ancient political

FIGURE 3



doctrine that the end justifies the means.

A Low Estimate

Statistically a more satisfying way would be to extend indefinitely into the future the short-term trend line culminating in 1958, as shown on Fig. 3, at an annual rate of 2%. Such a projection can be justified only by a frankly pessimistic outlook which this speaker personally is unable to share. It may be rationalized on the basis that while the new level of earnings of D J I A has to be accepted as an accomplished fact, their future trend will lose its dynamic drive and will slow down to an annual rate which is the secular historical average for all stocks. Such an assumption would result in an Intrinsic Value of 440 for the Dow average in 1958.

Recapitulation

The Intrinsic Values of D J I A for 1958 and beyond based on our three principal assumptions as confronted below in a comparative table.

INTRINSIC VALUES of D J I A For Different Rates of Earnings Growth

	2% Along Short-Term Trend		4% Along Long-Term Trend		3% Along Short-Term Trend	
	Earnings Trend	Intrinsic Value	Earnings Trend	Intrinsic Value	Earnings Trend	Intrinsic Value
1958	$32.00	440	$24.00	530	$32.00	540
1959	32.65	450	25.00	550	33.00	560
1960	33.30	470	26.00	575	34.00	575
1965	36.75	500	31.50	700	39.25	665
1970	40.60	550	38.50	850	45.50	770
1975	44.30	600	46.75	1050	53.00	890

The Appraisal

Valuation is a difficult task. I cannot hope to exhaust all its aspects nor present my analysis with a perfection I would have liked to achieve. But perhaps by now we have cleared sufficient ground to attempt an appraisal.

The simple indefinite extension of the old basic long-term trend line is the most natural of all projections. It does not call for any guesswork or rationalization. And as indicated by Fig. 3, it is not unduly optimistic, leaving room, as it does, for repeated and severe declines of current earnings. This analyst is willing to adopt it as his own appraisal of the value of the Dow average in 1958 and subsequent years.

In selecting as our estimate of Intrinsic Value for 1958, a level of 530, which lies near the center of the most recent price range of the D J I A, we should not be forgetful that it is well above the estimated Market Value.

On Fig. 1, the 1958 Market Value of D J I A stands at 455. During the early phase of the 1957-1958 bull market, this level was an insuperable barrier for any further progress of the D J I A. It repulsed with ease all attacks. But as the assaults were gathering momentum, its defense began to weaken.

Culminations of Advance of D J I A and Its Rise Above Market Value

	High	Close
Dec. 2	452.16	446.91
Jan. 16	453.25	445.23
Feb. 4	459.77	458.65
" 5	458.39	454.89
" 6	455.30	453.13
" 7	453.07	448.76
Mar. 11	457.27	455.92
" 12	456.83	454.60
" 13	456.80	454.10
" 14	454.75	453.04
" 17	453.25	448.23
April 30	457.39	453.86
May 1	460.21	457.01
" 2	460.56	459.56
" 5	462.38	461.12
" 6	465.32	463.67

It is significant that the breakthrough of such a strongly held position occurred soon after the business recession itself had reached and passed its trough. This fact was not yet unanimously acknowledged at that time. But optimism was already mounting in many quarters. As early as June 16, the Standard and Poor's *Outlook*, in its section of *Trends and Projections*, had the following opening sentence:

"Available evidence suggests that the economy . . . hit its low in the first quarter and that the production low . . . was scored in April."

The ensuing recovery has been amazingly swift. In its Oct. 13 issue, the same publication foresees a further sharp rise in the last quarter of 1958. Combined with the evidence that factory efficiency is rising at a rapid rate and that profit margins are widening, the prospects are excellent for a substantial recovery of corporate earnings in the near future.

A comparison of the earning power line on Fig. 1 with the short-term trend of earnings on Fig. 3 will make it clear how conservatively and almost timorously investors have been appraising the level of earning power of the D J I A since the end of the World War. Fig. 1 reveals how slowly, and at what respectful distance, the curve of earning power follows in the wake of the upsurge of actual earnings. Not until the 1957-1958 recession does the earning power line cross that of current profits. And even then this crossing takes place nearer to the low point representing the poor earnings of 1958 than to the high point plotting the better earnings of 1957.

Having behind them now the multiple test of three cyclical recessions encountered during the postwar period, investors may well adopt a more optimistic view. Seen in this light, the breakthrough by the D J I A above the level of its Market Value based on a concept of earnings that may have proved too timid, looks more like a basic reappraisal of underlying values than a speculative adventure.

Still, the gap between an estimated 1958 Market Value of 455 and a corresponding Intrinsic Value of 530 is quite wide. It may not yet have been securely bridged by recent price advances. Investors do seem to be in the process of raising their estimate of earning power and of applying to it a higher capitalizer. This should serve to lift the Market Value of the D J I A nearer to the level of Intrinsic Value. But human minds are sensitive to doubts. From time to time, the present euphoria of confidence will yield to fears, bringing about reactions of stock prices. One of such corrective phases may be already at hand.

Postword: Price and Value

The main point of this paper was to say that the valuation of common stocks is not a hopeless task. It proved possible to compute a range of definite values for the most popular average of the stock market. By using the same principles of valuation, appraisals can be made for any other average, or index, or any individual stock.

The practical significance of an appraisal of value lies primarily in its application to long-term trends. Many other factors and their interrelations, some of them of an intangible and psychological nature, also exercise their influence on stock prices.

Some of the early 1958 buying had probably little relation to value. Much of it came from the institutional compulsion to invest. A great French writer was fond of saying that "necessity is the mistress of men and gods." And a lot of private buying done while the recession was still in progress had no other discernible cause than the sheer "power of positive thinking." Still the influence of value was also there. A growing contingent of investors is being educated to look at long-term trends without becoming upset by the vicissitudes of the moment.

From the point of view of investment policy to follow, the conclusions of this report are optimistic. Yet projections of value should not be confused with stock market forecasts. Price reversals can come without warning. But investors can afford to be patient in the knowledge that value shall prevail.

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Unemployment, the Cold War And Election Year Claims

union movement has made to the American way of life, that there would still be people in this country who feel that the nation would be better off if there were no trade unions.

Well, it may sound ridiculous but we still have that type of people. We still have people who would like to weaken the trade union movement, hamper it in every possible way with repressive legislation, and if possible destroy the movement itself, because that is the real reason back of this so-called "right-to-work" legislation.

We are facing in six states this year an attempt to amend the Constitution of those states to provide for right-to-work legislation, to provide legislation which is designed to hamper the unions, to restrict union security and to cut out the union shop or the closed shop entirely.

That fight is on, and, of course, we are engaged in that fight.

Recalls 1920's Anti-Unionism

Locals throughout the entire country are making their contributions, especially in the States where this thing is on the ballot this year, and we are going to continue to fight just the same as we have fought in the past, just the same as we have fought against the so-called American plan back in the 1920's, against the "conspiracy doctrine," against the anti-labor injunction, the company and the labor spy, and everything else.

The trade union movement has made a record of achievement in this country that cannot be compared with any other record in the world. There is no trade union movement in the world that has made the progress, that has delivered the goods, at it were, to its membership, as has the American trade union movement.

And still we find people here in America who have made up their minds and who are pouring in their money in an effort to destroy this movement.

Well, suppose they were successful—what would it mean?

Well, it is quite obvious that if you weaken the trade union movement to the point where it is not effective, then it is going to have an effect on the wage structure in this country.

It is going to mean weak unions.

It is going to mean that the purchasing power is going to go down, and if that happens, it means more and more unemployment.

To me, it is rather ridiculous, but there it is. We boast of the American standard of life, we boast of the American way of life, and we point out that the American citizen, America's children, its workers, have better standards than any other place on earth; and we should know that those standards did not come as a gift, that they came from the trade union movement.

They came because the trade union movement was able to stand up and fight, fight against the open shop, company unions, company guards and every other device that they could use.

And I say we'll take this particular political battle that we face in the same way as we have overcome the other obstacles.

Now, this doesn't mean that labor is going to start a political party or labor is going to go into politics as such.

No Direct Political Action

The reason we are active politically is because those that toy with the idea of destroying the movement have chosen the political battleground. They have shown us very, very clearly that they can set us back, they can hamstring us, they can impede our progress by legislation.

They did that through the Taft-Hartley Act, and they have done it through right-to-work laws and they are continuing to try to give us more and more right-to-work laws until they have the entire nation covered.

So just as we fought against the other methods they used, so we must fight in the political field, and I am quite sure when the chips are down that we will do as good in the political field as we have done on the picket line or any other place.

Now, in connection with this, we have another subject that comes up to mind.

Part of this anti-labor campaign is predicated on the idea that labor must be curbed, that unions must be restricted because there are some corrupt people in the trade union movement.

AFL-CIO Has Not Ducked Corruption Issue

Well, this is a subject that the AFL-CIO has had before it for some time. This is a subject that the AFL-CIO did not duck. We didn't duck away from it. We didn't try to pretend that it didn't exist.

We met it head on, and we are going to continue to fight to keep our trade union movement clean. We are going to continue to try to raise the standards of the trade union movement, to try to see to it that those who serve the trade union movement serve it for its original purpose, for the very simple purpose of building up the standards of those who work for wages in this country.

So this is our problem and we are going to continue to work on it, and I am quite sure that we are making some progress, but we are not going to buy or be persuaded to the idea that punitive restrictive legislation is the answer to this problem, that the entire trade union movement should be punished, as it were, because of the sins of a few.

We took our position on this question some months ago. We took a position that we would cooperate with Congress or with any of the committees of Congress in drawing up legislation that would help us eliminate corruption from the movement, that would help us to erect barriers that would prevent some of the things that have been exposed, but that under no circumstances would we accept punitive legislation that restricted the trade union movement in carrying out its legitimate activities.

So insofar as this is concerned, the policy of the AFL-CIO is not going to change. We will be ready in January when Congress meets to cooperate with Congress, to cooperate with the committees of Congress, to draw up legislation that can be helpful, legislation that is designed to protect the trade union movement.

But under no circumstances will we accept punitive or restrictive legislation which would have the effect of punishing the entire trade union movement because of a few sinners.

That is the road that we are going to follow.

Now, after all, the trade union movement is a large segment of the American people. We can no longer take the position that we are just a tiny, small minority fighting to improve the conditions for those who work for wages.

Organization of workers in this country has reached something like 17½ or 18 million. These people with their families constitute a responsible segment of the American people, and we have the same interest in our country's welfare as has any other citizen.

We know full well that in the democratic way of life no one segment of the economy can make progress at the expense of the rest.

So we have come to the conclusion that the things that we advocate for the good of the country must in the final analysis be for the good of all the citizens of the country and our members in particular.

So that is why we are going to continue to try to make America stronger. We are going to continue to try to make democracy work a little better.

We are going to continue to try to raise the standards of life of the American worker, and we are going to continue to try to do something about unemployment which is a threat not only to the trade union movement but to the nation itself.

That is the policy of the AFL-CIO, and I am sure that this International Union which has made such a tremendous contribution under the leadership of Harry Bates and others who preceded him to the advancement of trade unionism in the country—it has made an effective contribution to the welfare of the nation itself—that this International Union will be in the forefront along with the other organizations of the AFL-CIO fighting for a better America.

With Gage-Wiley

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — James W. Knight has been added to the staff of Gage-Wiley & Co., Inc., Third National Bank Building.

McKendrick, Haseltine Add

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Andrew Warhol is now with McKendrick, Haseltine & Wilson, Inc., 114 South Ninth Street.

State Bond & Mtg. Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Eugene J. Gross is now with State Bond & Mortgage Co., 28 North Minnesota Street.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Forrest E. Heacock is now affiliated with Merrill Lynch, Pierce, Fenner & Smith, 305 South Seventeenth St.

With Ball, Burge

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William G. Pollock is now with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges.

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Financing the Replacement Fleet And the Investment Banker's Role

bonds at an interest rate of 4.40% after postponing its financing in June when it was unhappy with a rate of approximately 3.75% which the investment bankers felt would be necessary to sell the same security at that time. Since the financing of the replacement fleet will be spread out over 10 to 15 years, a company should obtain a fairly average cross section of available interest rates if it does the financing for each ship as it comes along at various intervals during the 15 year period rather than trying to outguess money rates.

A chart, based on information furnished by Moody's Investors' Service, shows the variations in the yields on Aaa corporate bonds and U. S. Government Bonds over the last several years and the fact that newly issued corporate bonds generally carry an interest rate of ½ of 1% over comparable corporate bonds that have been outstanding for some time. The Government Bond selected for comparison is the 3¼% issue due 1983-78 which is the closest maturity comparable to the recent Grace issue of Title XI Bonds. The new issue premium is also true in the case of newly issued Government Bonds as witness the recent spread of almost 1% on new short-term Government Notes issued Oct. 8. In periods of rising interest rates and declining bond prices, it is often necessary to price a new issue substantially above the then going rate of traded securities of similar quality. This is due in part to the fact that a new issue doesn't enjoy what is known as a seasoned market and in part to the scarcity of money which means that some investors must be induced to sell an old bond to pay for the new one carrying the higher rate.

Public and Private Placements

Public offerings and private placements each have a number of advantages which should be weighed by the prospective borrower in consultation with his investment banker in the light of the particular business situation. Among the advantages of a public offering are:

(1) Lower Interest Rate Obtainable

The recent Grace financing carried a rate of 4¼% compared with the historic rate of 5% (in a few cases, 4¾%) for the over $235,000,000 of Title XI Insured Mortgages placed privately up to this time. A major reason for the differential of ¾ of 1% is the well known Grace name and its long established operating record for a large fleet with regular trade routes compared to the unestablished single ship operators that have previously sought Title XI financing. The other reason for the differential is the lower rate of approximately ¼ to ⅜ths of 1% normally commanded by a public offering. The principal reasons that a public offering normally commands a lower interest rate are the broader offering and the resulting broader marketability factor which permit the investor to resell his bonds at any time.

A trading market in the Grace bonds was established on the first day by one of the large Government bond houses and they were traded today at 101 which means a yield of 4.17%. I am advised that the volume of trading was over 100 bonds on Oct. 15 which indicates a very active interest in view of the relatively small size of the original issue. The initial interest rate of 4¼% was about 4/10ths of 1% above the comparable Government maturity which is in line with the new issue premium shown on Moody's chart.

An interest saving of ¼ of 1% on a public issue of $10,000,000 20-year bonds which has a sinking fund resulting in an average life of about 12 years, would amount to approximately $300,000. This saving is offset in part by the substantially higher cost of selling the public issue. The expenses of a public issue of $10,000,000 would probably run about $200,000 but may well be reduced as the precedents are established and the large legal expenses incurred in connection with clearing the various documents with the Maritime Administration and other agencies for the first time are minimized. A private offering in the example given would have cost approximately $125,000 less.

(2) Greater Source of Funds

Generally speaking, the public market provides a larger source of capital than the private placement market. It draws on both large and small investors who are unable or unwilling to participate in private placements. While a complete analysis of the purchasers of the Grace bonds is not yet available a preliminary count indicates that there were over 400 purchasers and that the amounts ranged from $2,000 to $500,000. They included individuals, small insurance companies, small trust accounts, small banks, pension funds, college funds and at least one State fund.

The bonds were given the highest rating, Aaa, by Moody's and at least one leading investment advisory service suggested the purchase of the bonds to several of its accounts. This indicated public acceptance should lead to a broader distribution on later issues. It is anticipated that the State funds and others who are required by law or policy to invest a substantial portion of their funds in Government obligations will be substantial buyers once this class of security becomes better known and the necessary opinions are obtained from each State's Attorney General. The U. S. Attorney General gave an opinion last May that the Government Insurance was the equivalent of the Government's obligation on its interest bearing securities. The Comptroller of the Currency also issued an opinion in August that bonds insured under Title XI are eligible for unlimited investment by National banks which in effect gave the Title XI Bonds the same status as direct U. S. Government obligations.

It is hoped that Title XI Bonds will compete successfully with certain other types of guaranteed Government obligations which have been marketed for a number of years such as Public Housing Authority Bonds and FHA Guaranteed Mortgages.

The only substantial difference between a Public Housing Authority Bond and a Title XI Bond is that in case of default on the latter, the Government is obligated to pay the entire principal and interest to the lender in cash at the time of default, whereas, in the event of the local Public Housing Authority's inability to pay principal and interest the Government is obligated to continue to pay to maturity. In case of a default on an FHA Mortgage the Government substitutes a 3⅜% Debenture for the Mortgage rather than pay the mortgagee in cash. Thus, in periods of high interest races the lender might be in the position of having to accept the 3⅜% Government Debenture for a defaulted FHA bearing a higher interest rate.

(3) Public Interest

Public interest is created in the product and services of the borrower by a public offering. The recent Grace offering received substantial publicity in the newspapers and magazines and established a class of buyers who may also use Grace's facilities. One of the objectives of Title XI Insurance as distinguished from straight Government loans has been to create public interest in the U. S. Merchant Marine.

Some of the Advantages of a Private Placement

A private placement generally involves from 1 to 15 institutional purchasers whose participations may range from $100,000 to $10,000,000. Generally, this class of investor intends to hold the bonds until maturity and is willing to sacrifice marketability for a higher interest rate. Our experience has been that very few purchasers of private placements have resold them at a later date.

(1) Covering Forward Commitments Well in Advance

It is possible in the case of a private placement to obtain a firm commitment at the time a construction contract is entered into for the purchase of the bonds upon delivery of the ship. This assures the ship operator that the money will be available when he needs it and permits him to forecast accurately the actual money costs. Commercial banks have made many construction loans in this field. Most of these banks require that the borrower have a take-out commitment at the time of delivery of the ship which will enable the company to pay off the construction loan. We have seen enough of the tightening of credit in 1956 and early 1957 and again at the present time to indicate that one is not always sure of the actual availability of the money, at realistic rates, when he needs it, let alone the terms on which is can be obtained.

(2) Different Classes of Investors

While the recent public issue of the Grace Line has indicated a source of money in the public market for a class of security which many investors consider the equal of a Government Bond, the public market may not be adequate to meet all the requirements of the shipping industry. In addition, not all borrowers are as well known as the major subsidized operators. An institutional investor is able to make the necessary investigations of the less known operators to determine whether the ship can be operated profitably until the mortgage is paid off or whether it is relying solely on the Government guarantee. A loan that may not run to maturity or on which there is some risk that the lender must enforce the guaranty, is less attractive and, therefore, requires a higher interest rate. As indicated above the market to date has shown that the large institutional investors require a higher interest rate for the less known operators with single ship corporations and no record of established earnings.

Now that Grace has established a pattern below the 5% rate it may be that other well known operators with an established record of earnings will be able to obtain long-term Title XI financing in the private placement market at the conventional differential of ¼ to ⅜ths of 1% although the large institutional buyers that normally purchase private placements did not participate in the Grace offering because of the low rate.

(3) Confidential Treatment of Information

In a private placement a confidential memorandum is generally prepared by the investment banker for presentation solely to the institutional lenders giving the necessary background information on the company including a breakdown of its past and projected operating figures. Many companies object to a public offering because of the required disclosures and, therefore, prefer the private placement.

(4) Negotiated Terms

In a private placement, because of the limited number of purchasers, it is often possible to negotiate special terms to meet the peculiar operating problems of the borrower. Investment bankers who have had experience with the requirements of the Maritime Administration and the various situations that have been dealt with in other private placements, have often been able to work out terms that would not have been possible in a public issue because of the complexity and the large number of bondholders involved. If it becomes necessary to seek amendments at a later date it is easier and less expensive to negotiate with a few sophisticated bondholders than it is to secure consents from the sometimes widely scattered public bondholders.

Role of Investment Banker

Many people have asked about the functions and uses of investment bankers in corporate financial planning. Some think of bringing in an investment banker only after the decisions have been made, whether for private placement or public offering. Naturally, as an investment banker who has participated actively in this field, my viewpoint may be somewhat conditioned. Nevertheless, there are many definite advantages to taking investment bankers into one's confidence at an early stage of financial planning.

If the bankers are experienced in the field of ship financing, they can give you the benefit of their background and knowledge of what other companies have done in similar situations, what the Maritime Administration or other top Government agencies have approved in particular instances and help set up a pattern and program especially tailored to suit a specific situation. They can also give you the benefit of their experience in other types of financing, the principles of which may be applied to a particular problem. They are in close touch with the money market. Investment bankers are confidential, experienced sounding boards against which one can throw the many questions that arise in working out plans, in broad outline and in detail.

The investment banking firm has an experienced staff which will prepare with the borrower the necessary background memorandum to form the basis for a financial decision. This memorandum can be reshaped for use either as a confidential memorandum for presentation to institutional lenders, if management decides on a private placement, or for preparation of a public offering circular if it decides to go the public route. Investment bankers work closely with the firm's commercial bankers and in many instances have worked out combination financing programs involving both short-term loans by the commercial banks and long-term loans by institutional or public investors.

Our experience prompts me to encourage, first, covering forward commitments well in advance and before necessity forces the issue, and second, to do the financial planning early, taking advantage of the cooperative and confidential advice available through commercial banks and experienced investment bankers.

Continued from first page

Today's Investment Problem

dogmatic statement raises two timely questions: (1) What does the record actually show? and (2) has there been such a fundamental change in the investment situation from those years in which the record was compiled that the lessons derived from it no longer apply?

For a variety of reasons, I have chosen to measure the rate of return provided by a representative list of common stocks (in this case the Standard & Poor's 90-Stock Composite Index) against the rate of return provided by my own index of high-quality non-callable industrial preferred stocks.[1] This provides a direct comparison of the price investors have paid over the years for a dollar of variable dividends with the price paid for a dollar of fixed dividend income. Obviously, if they feel that the variations are going to be in an upward direction, investors will pay as much as, or more than, the price for well-assured, regular dividends. That is to say, common stocks will yield the same as, or less than, preferred stocks. When this kind of confidence or optimism does not prevail, the reverse situation will be true and investors will demand a bonus in dividend return for incurring the risks associated with variable common stock payments.

To study this relationship between the valuation of fixed and variable dividends, I have taken the period from Jan. 1, 1922, down to date, with more precise observations from the beginning of 1926. In the middle 1920's, common stocks typically provided a return equal to about 90% of the return on the group of high-grade preferred stocks. This reflected, presumably, confidence in common equities as long-term investments, but not the extravagant appraisal of the "new era" of the later 1920's. There may be no magic in the 90% ratio, but there is considerable logic to the notion that investors will not long treat as a virtual certainty a future growth in dividends which, in each case, is only a reasonable expectation of a potential realizable at an indeterminate future date.

Since extravagant discounting of the future requires the support of irrational investor behavior or excessive speculative participation in the market, its duration is almost bound to be relatively short.[2] It is not surprising that in the last 36 years, the return on common stocks was 90% or more of the return on preferred stocks 78% of the time. There were only four occasions, totaling 99 months, in which the ratio was less than 90%. We are now in the fourth of these periods, with the today's ratio of common to preferred

1 See the author's article "What Yield Do You Use?" in *The Analysts Journal*, August, 1955, pp. 15-16 for some of the reasons behind this choice.

2 For a stimulating discussion of speculative influences in the present market, see Benjamin Graham's "The New Speculation in Common Stocks", *The Analysts Journal*, June, 1958, pp 17-21.

stock returns just under 80%. It behooves us to look at what happened after the previous three such periods:

Period	Duration	Decline in Stock Prices From	To	Extent
(1) Sep., 1927 to Nov., 1929 and Jan., 1930 to June, 1930	31 months	Sep., 1929	Jun., 1932	84.7%
(2) May, 1933 to Dec., 1934	19 months	Feb., 1934	Mar., 1935	25.7
(3) Jun., 1935 to May, 1937	23 months	Feb., 1937	Mar., 1938	45.4
(4) Jun., 1957 to Sep., 1957 and Aug., 1958 to the present	6 months (to date)	?	?	?

Such is the record. Whether the motive power was the "new era" madness of 1928-1929, the monetary inflation fears of 1933-1934, or the "planned" recovery of 1935-1937, the results of extravagant discounting of the future were the same. Will it be the same this time? Or is the situation so different in 1957-1958 that we need not be intimidated by the dusty records of the dimming past? The answer to this question can materially aid in the solution of today's investment problem.

A reasonable approach to finding the answer would appear to be an examination of the principal arguments or reasons for believing that "this time it's different." These seem to revolve around three principal explanations for the generally recognized fact that corporate earning power is being valued today at a very generous price:

(1) The favorable long-term outlook for corporate profits.

(2) The supply of and demand for funds situation in the stock market.

(3) Fear of inflation.

Outlook for Profits

An optimistic view of the outlook for profits can be supported by the breadth and vigor of the current business recovery and by the prospects for growth inherent in our dynamic economy. The outlook is definitely favorable, yet even the optimists expect that 1959 profits may not exceed the 1957 level. Adequate coverage of current dividends, rather than significant increases, seems to be the reasonable expectation for next year. Validation of the present level of stock prices would depend upon the assumption that the 1960's will be a very prosperous decade indeed.

This phenomenon of projecting objectives and hopes into the distant future as though they were realities is neither new nor different from previous periods of extravagant discounting of the future. In this respect, the present bears a striking resemblance to all previous periods of confidence and optimism. The unusual aspect of the present sentiment is that it was generated in the fourth month of recovery from the trough of the recession, instead of in the late stages of a protracted boom. Furthermore, this has happened just after corporate earning power proved about as vulnerable as ever to an average swing of the business cycle.

The argument that present prices are justified by the favorable business outlook so that we can ignore the lessons of experience seem unimpressive. We can argue much more effectively that the market is already liberally discounting about all the improvement that can reasonably be expected in the next several years. Surely, we must find other grounds if we are to ignore past experience with present yield relationships.

The Supply and Demand Situation

At one time or another in every bull market, there is talk of the scarcity of good stocks. Certainly the situation has changed drastically since the early postwar years, during which there was a serious shortage of equity money because only a trickle of institutional funds went to stocks. With pension funds and investment companies steadily enlarging the scope of their participation, the market for equity capital has a plethora of funds at its disposal. Profit-sharing, stock purchase, and savings plans are also swelling the total of funds available. A potential future source would be the writing of variable annuity contracts by leading life insurance companies.

Financial intermediaries hold not much more than 25% of all common stocks outstanding, but their share is gradually increasing. Trusteed pension funds, for example, owned about 2.15% of the common stocks outstanding at the end of 1957, but by 1965 they could readily own 5% of the total. In the same period of time, mutual funds could increase their ownership from just over 3% to 6% or 7%. The continuity of this kind of buying provides an underlying strength to the market which may well tend to narrow the range of fluctuations during recessions of the 1957-1958 variety. Such evidences of greater stability will, of course, tend to attract even more funds to the equity markets.

In contrast to this burgeoning supply of equity money is the sluggish demand for it. Net new issues of stocks and securities convertible into stocks have increased only moderately despite the urgent demand for long-term capital. The most common explanation is obviously not the whole story. It is usually said that the deductibility of interest payments for corporate income tax purposes makes debt forms of financing so much less expensive than equity. Sinking fund payments are not deductible and other covenants may be restrictive on the flexibility of financial management. High personal income tax rates encourage equity financing through retained earnings, but the new institutional holders have no such objection to liberal payout policies. Likewise, capital gains taxes must be of decreasing importance as mutual funds and pension trusts become more active in the field of equity investment.

Perhaps the principal reason for the reluctance of corporate managements to sell equity securities is the "dilution" problem. In this period of persistent pressure on profit margins, it has been difficult to maintain the rate of return earned on the equity without liberal use of the leverage provided by borrowing. Widespread confidence in the outlook for business has calmed the fears regarding debt which existed in former periods. Company attitudes have been similar to investor sentiment in reflecting the belief that common stocks will sell substantially higher over the years. Why should management dampen this bright prospect with a shower of new common shares?

But there is a point at which, all things considered, equity money is not high in price. Are we not close to that point? If the growth in earnings is anything like the estimates of the optimists, the "dilution" will be only temporary. It may well be, therefore, that we shall see a gradual shift in corporate financing toward a somewhat higher proportion of equity. Even a modest change could completely accommodate the generous supply of equity money. Thus, while the present supply and demand situation favors firm and rising prices, we are at or close to the point where the attractions of equity financing are such as to induce a more active demand for funds.

If this is a reasonable conclusion, we can logically expect an end to the process of the upward revaluation of corporate earning power which started in late 1953. The current return on common stocks might again come close to rates on fixed-income securities. On the other hand, if corporate management is still not convinced that equity money is reasonably priced, all things considered, there could persist a new and different yield relationship reflecting the generous supply of equity money relative to the modest demand.

Fear of Inflation

Many qualified observers believe that present yield relationships no longer have their former significance because of the fact that we live in an age of inflation. Even though stocks provide far from perfect protection against erosion of the purchasing power of the dollar, it is believed that they are the best available hedge. Accordingly, one may not seriously object to the necessity for paying a premium in the form of a lower immediate return for protection from a hazard of indeterminate seriousness. Stated another way, one may observe that if the fixed dividend return is adjusted for loss in purchasing power over the next decade, it proves to be quite inadequate in real terms.

There is probably no more complicated problem than this question of whether current fears of inflation are well grounded or grossly exaggerated. Without attempting to review all of the factors here, it is my opinion that the preponderance of the evidence suggests that we have in store for us a rise in living costs which is unlikely to exceed 1% or 2% per annum.[3] This would allow for some years of comparatively stable prices as well as years in which the rate of increase could be substantially higher. Considering the profits squeeze that this kind of a cost-push inflation produces, even this moderate pace of inflation may test the ability of corporate managements to improve real earnings. Certainly the record of the last few years is not reassuring on this point.

A sober, realistic view of the facts does not support enthusiasm for stocks at current prices as protection against the kind of inflation we have been having. But this is not conclusive. As a practical matter, stocks remain the only large area of investment available to a wide range of investors for possible capital growth and hedging against the unknown extent of the inflationary threat. No doubt, this fact of life contributes importantly to the supply of funds in the equity markets.

Thus far we have not had widespread public participation in the preference for equities as a hedge against inflation. The savings statistics clearly show that fixed dollar thrift arrangements are experiencing vigorous growth. The fear of inflation is obviously not uppermost in the minds of most families, judging by their current attitudes about incurring debt. Rather the inflation psychosis has been localized in the numerically small investor group and in some corporate managements. Will it spread? Is the threat so real it will become recognized widely by savers? Only time will tell, but there are good grounds for believing that the current wave of inflation fears will subside in the investor group without being widely communicated to others.

This Time It's Different?

What, then, can we conclude on the question of whether this time it's different? In facing today's investment problem should we respect or ignore the warnings which have been reliable in the past? What is new and different about today's investment environment? The preceding discussion may be summarized in these terms:

In the first place, the supply and demand situation in the stock market has changed. The greater availability of funds from genuine investors, not dependent on bank credit, is undeniably a new factor. Unless business organizations increase the equity portion of their financing programs, we have the basis for a new alignment of yields. While I believe that some increase in equity financing lies ahead, I cannot demonstrate that either the immediacy or the size of such a change is going to enlarge greatly the demand for funds in the near future.

Secondly, the expectation of inflation in the minds of investors is probably more widespread and deepseated than ever before. There may be an unwarranted assumption as to the ability of corporate managements to increase profits under these conditions, yet stocks are the only practical hedge for most investors. The motivation to buy and hold equities is likely to remain very strong.

On the other hand, there is nothing new or different about the liberal discounting of the longer future. This is a familiar characteristic of all bull markets and unlikely to persist for long periods of time. The plain fact that a dollar of income today is worth appreciably more than a dollar several years hence may be overlooked at times but not ignored indefinitely.

What May Happen?

At this point, it is useful to return to the starting point of the yield relationships because they provide a tangible, specific yardstick for measuring the market's appraisal of corporate earning power. For the relatively short period of six months out of the last seventeen, the price of variable dividends has been materially (i.e., more than 10%) above the price paid for fixed dividends. The differential has not existed for long, nor is it extreme. We have recognized that both the supply of funds and the fear of inflation are operating to continue this relationship.

Under the circumstances, however, one interprets past experience in the light of present conditions, there is no adequate basis for concluding that stock prices are bound to collapse in the near future. In point of fact, one may well argue that we are only at the beginning of a protracted period of high valuations for good stocks. We could be in the early stages of a major bull market which could last for several years and even include an explosive phase before it runs its course.

The less dramatic alternative possibility is that the market will be characterized by greater sobriety in the months ahead. This would be the result of several possible influences:

(1) A greater volume of new equity financing.

(2) Increased recognition of the sluggish trend of corporate profits.

(3) A subsidence of the more irrational components of the present inflation fears.

I happen to believe that this shift to greater sobriety is the most likely outcome but obviously I do not know what will happen and my guess is no better than yours.

Implications for Portfolio Management

Whatever you may conclude as to the outlook, there are some fairly specific implications for today's portfolio management policies. Common stocks are neither attractively priced nor grossly overvalued. They are probably fully valued as best we can judge with our imperfect measuring devices. In a growing fund, such as a pension trust in which orderly accumulation is possible, there would appear to be no reason to hesitate about continuing a long-range purchase program. In an individual personal trust, also, it would seem reasonable to buy stocks, along with fixed income securities, in proportions appropriate to the fund.

This sounds like "business as usual," a simple reaffirmation of the policies widely advocated during recent years. So it is, except that the warning flag is flying. The enthusiasm of this observer has been materially dampened and hopefully his awareness has been increased of the greater risks now incurred in an aggressive stock acquisition program. In the appraisal of individual securities, too, there should be a greater consciousness of the fact that favorable prospects are already recognized in current prices. The realization of these prospects will not be so much a reward for the decision to purchase as it will be a mere validation to the price paid.

[3] For a good brief discussion of this subject, see "Some Observations on Inflation", memorandum prepared by the Economics Department of Bankers Trust Company, Aug. 4, 1958.

Chock Full O'Nuts Offer Oversubscribed

The first public distribution of common stock of the Chock Full O'Nuts Corp., a restaurant chain and coffee company, was made on Oct. 23 through the offering of 400,000 shares by an underwriting group headed by F. Eberstadt & Co. It was quickly oversubscribed and the books closed.

The stock, which was sold for the account of William Black, President and founder of Chock Full O'Nuts Corp., was priced at $15 per share. None of the proceeds of the sale will go to the company. An additional offering was made by Mr. Black to employees and officers of the company.

The company roasts, packs and distributes the Chock Full O'Nuts brand of coffee and operates a chain of 26 counter-service restaurants located principally in New York City. Two additional restaurants are scheduled for opening within the next month or two.

The company's coffee is distributed in the New York City metropolitan area and in 12 states along the Eastern Seaboard. Chock Full O'Nuts has become the third largest-selling brand of coffee (excluding grocery chain brands) in the five years since its inception.

The growth of the company has been financed out of retained earnings and up to now, no dividends have been paid on the common stock. The directors intend to establish a policy of paying quarterly dividends and to declare an initial dividend on the common stock of 25 cents per share, payable December, 1958.

For the year ended July 31, 1958, total net sales of the company were $24,634,177. Net income after taxes for this period was $1,313,076, equal to $1.64 per share on the common stock. The net sales for the previous fiscal year were $22,135,849.

Named Director

Geoffrey R. Mellor, a general partner in the investment firm of W. C. Langley & Co., members of the New York Stock Exchange, has been elected a director of the Western Development Co. of Delaware, it has been announced.

Mr. Mellor also has been a director of Missouri Kansas Pipeline Company since 1937.

Joins Herman Rousseau

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Albert Pare has joined the staff of Herman Rousseau, 8 Flagg Street.

With Jamieson & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Bruce E. Petterson has become connected with Jamieson & Company, First National Bank Building.

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Free World Progress and American Responsibilities

as we decide to reduce government expenditures, to balance the budget, and to stop further monetizing of government debt.

Our country has already become a high cost and high living country which may well undermine progressively our competitive ability in international trade. Until now most of the countries in the free world have inflated their currency systems to about the same degress as ours. However, I believe that henceforth most of these countries will be compelled to manage their monetary affairs with greater discipline for the following reasons: To avoid balance of payment difficulties, and because their peoples have become weary of inflation. Should the European countries decide to stop further monetizing of government debt, our gold and currency are bound to be put in jeopardy if we continue to mismanage our monetary affairs.

Inflation Means No Protection

It is unworthy of a great country like ours, which has made such invaluable contributions to human progress and civilization, to behave all of a sudden as if our people were blind or castrated. The lack of will-power to reinstate the dollar on a sound basis is a disgrace to our great nation. You and I read every day under the pen of responsible individuals that inflation has become unavoidable, and that we should protect the value of our savings and the purchasing power of our income by taking inflation as a fact of life.

The truth is that we are playing with fire. The question is not whether you and I can protect ourselves against the consequences of inflation. There is no way of protecting everyone against the consequences of inflation for the simple reason that inflation consists precisely of cheating some people for the benefit of others.

The truth is that we have to choose between inflation or freedom. We shall have a sound currency or we shall cease being free men. The distrust in our government bonds has attained a disquieting stage. Secretary of the Treasury Anderson appealed the other day to the patriotism of the managers of trusts, pension funds, etc. to buy bonds. With all due respect to him, because I like him, I submit that this is not the right remedy for our present predicament. The duty of the trustees of monies belonging to others is to manage them as well as they possibly know how, to preserve their purchasing power. The duty of the government is to manage its affairs in such a manner as to make the purchasing and holding of government bonds a good and sound investment.

Let me repeat again that it has become a sacred duty of ours to put the dollar on a sound basis because the international currency system of the free world has come to depend on the soundness of the dollar. Whether human freedom and the free enterprise system survive depends to a very large extent on how we shall solve the monetary problems confronting us.

The second condition for the successful operation of a free society is the free play of market forces. A free market economy and competition are the secret of economic progress and prosperity for all. Monopolies, either by business or by labor, are a considerable deterrent of economic progress and a great danger to our social and economic system. We have anti-monopoly laws against business, but unions have a strangle-hold on our economy because of bad labor laws. The worst monopoly exercised with immunity in our country is presently that of labor unions. Besides, the labor unions do not hesitate to have recourse to intimidation, violence, blackmail to obtain their goals.

Berates Business and Labor

The responsibility of our big businesses in this field is considerable. They set the pattern for the wages in the entire country. It is shameful to see at times big business and big labor unions agreeing on increases in wages followed immediately by increases in prices. This is a conspiracy against the welfare of our nation. The recent contracts between the automobile industry and the United Auto Workers are hailed as non-inflationary, while immediately after the signing of the contracts it was stated in Detroit that consumer prices on medium and low priced cars would increase approximately $50 due to higher costs.

The annual automatic increases in wages and the cost of living escalators are especially pernicious to the welfare of our society because they protect a large segment of our population against the consequences of inflation. Farmers in their turn are also protected against the evils of inflation by the parity formula. Those who are hurt in the process are the nation as a whole, and many segments of our population, including old persons, and people who save and make fixed interest investments like government bonds. Unfortunately those who are hurt instantly by the consequences of inflation have not enough political power.

The idea that there must be an annual increase in wages commensurate with the national average increase in productivity is bad economics and dangerous in the extreme. It should particularly concern people interested in the distribution of goods for the following reasons:

Only highly mechanized industries benefit from dramatic increases in productivity. If workers in such industries receive wage increases fully consonant with increases in productivity, inflationary pressures will still be released, since wage patterns will have been set for employees in industries where possible productivity increases are smaller or non-existent. As you know, for the first time, this year witnessed a majority of the nation's workers employed in service industries; therefore the problem has become even more acute.

The increases in wages to workers in industries enjoying technological progress creates for the retail field the tough problem of how to reduce its cost of distribution. It may well push our distribution system by the sheer force of necessity into more and more self-service, which is based on pre-selling by advertising. The economic and social consequences of such marketing policies will be very far-reaching for our society. We have departed from a fundamental policy of our industry adopted by our country before 1929 which consisted of giving the largest part of the benefit of increases in productivity to all the consumers, while the smaller part went to increases in wages and profits. We have adopted a policy of abnormal increases in wages, followed by increased prices, which are breeding inflation and are detrimental to our country as a whole.

The Gulf Oil Corporation in a recent letter to its employees and shareholders had this to say about organized labor: "If our free, competitive institutions are to be preserved from destruction by the unholy combination of predatory gangsterism and crackpot socialism that is thriving and expanding under labor's Congressional benevolence, then business has no choice. It must do likewise (participate actively in politics), or throw in the towel."

Controlling Cyclical Amplitudes

The third condition for economic progress in the free society if that we should prevent abnormal or exaggerated swings of the business cycle. I belong to those who believe that business cycles are inherent to the operation of a free enterprise system. I will not go into the causes of business cycles, but I feel confident enough to assert that the amplitudes of the ups and downs of the cycle can be controlled.

I entirely agree with the Chairman of the Federal Reserve Board, Bill Martin, one of the most able men in our country, that the best way to prevent a slump is to prevent a boom artificially over-stimulated. For instance, it is inexcusable that we should have superimposed a credit inflation right on the heels of a money inflation due to the monetizing of debt to finance the war. While it is true that the amplitude of the business cycle depends a great deal on circumstances and fiscal and monetary policies of the government, it is nonetheless true that the businessmen themselves can make a valuable contribution towards the operation of a steady economy. It would be for the best of our country if at times we showed restraint.

For instance, I for one can find no excuse for a policy which makes it necessary to produce seven and a half million automobiles one year, and four million the next year. Neither is it wise to over-stimulate the appetite of the consumers by low down payments and too easy credit terms over a long time period. I am not in principle against instalment sales, provided they are made with moderation in good times, and provided we increase our efforts for instalment sales in times of recession.

Dangerous Swings Affect the World

Too large swings of the business cycle are also dangerous for the countries with which we trade, and particularly for the countries producing raw commodities. The recent American recession has strongly affected those countries. It has created unsolvable problems, and as always, demands for aid from America, leaving aside the ill-will towards our country. I mean simply to say that the mismanagement of our economic affairs has considerable impact on the rest of the world which we cannot disregard. It is to the interest of our own country and that of our good international relations that we manage our economic and monetary affairs with restraint and wisdom. It can be done, but not with bad government and not with the powerful monopolistic labor unions we have at present in our country.

Now, the fourth condition for the furthering of economic progress in a free society is that we should liberalize trade between nations.

It can never be stressed enough how important international trade is for economic progress and for the increase of the standard of living. It is most regrettable that in discussions on foreign trade policy the consumer is practically always the forgotten man.

Postwar Trade Record

We can, however, be reasonably proud of our postwar record in Congressional policy. The free world is still seriously divided by trade barriers, and we still often pursue independent and occasionally conflicting trade policies. Our recent enactment of quotas on the imports of lead and zinc are a good example of our inconsistent actions. Yet we have made great advances from the pre-war regime of stagnation and trade warfare. I believe that the largest number of American businessment have finally accepted the idea that we can export only if we import. Unfortunately it took many tragic years to reach this point of view. The recent four year extension of the Trade Agreements Act by the U. S. Congress was a welcome sign of continued U. S. leadership in this critical matter. However, we should never forget how even this year the small minority representing high tariff interests almost succeeded in destroying our trade program. Tariffs are a difficult question for many businessmen to take a bold stand on, but if a large group of businessmen had not fought vigorously for the trade bill this year our nation and the free world would have suffered an almost unthinkable blow to their unity and prosperity.

Be it said in passing, I am not opposed to a certain amount of aid to countries in need, and some assistance to speed economic development in the so-called underdeveloped countries. The process of economic growth in an underdeveloped country is a very complex problem. It is very easy to squander money in useless and uneconomic projects. Dollar aid is not a good and sound substitute for intelligence, experience and wisdom. But the best way for us to help under-developed countries is to liberalize international trade and to prevent abnormal swings in our business cycles. The soundest and most effective way of spreading well-being in the world and the benefits of technological progress occurring in the industrialized countries is freedom of international trade.

Summary

Having outlined the four main necessary conditions for economic progress in a free society, I wish to stress once more that among these conditions none is more important than that of a sound dollar. Fundamentally the issue of sound currency is one of morality. There was a time when the big countries of the western world were giving the small countries an example of good behavior. Unfortunately we can't say as much for the policies of our governments nowadays. We have foregone discipline in monetary matters, just as we have become accustomed to the use of expediency in tackling most of our problems. We need to deal with the issues confronting us—not piecemeal—but comprehensively, with all the earnestness they deserve and require. It is late, but not too late. It is still my hope that our great country and nation will live up to its responsibilities.

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The State of Trade and Industry

goal of 488,000 units, "Ward's Automotive Reports," stated on Friday last.

Month-long labor difficulties and subsequent shortages of key parts will hold output of automobiles for October to the 250,000 to 300,000-unit area, reported the statistical publication. However, "Ward's" predicted an enthusiastic burst of production in November and December and possibly January, accompanied by almost industry-wide overtime operations. Increased schedules are dictated by the current dearth of 1959 models in dealer showrooms at a time when public interest in autos is at its peak.

This trade weekly observed that with General Motors plants seeing only limited activity, United States production the past week would total an estimated 69,599 cars contrasted to 45,387 in the preceding week and 104,987 in the corresponding week a year ago. With General Motors at full strength, output would be well over the 100,000 mark, "Ward's" added.

However, boosting schedules during the week were Ford Motor Co., Chrysler Corp., Studebaker-Packard and American Motors. Most of Ford's plants functioned on Saturday, as did American Motors, Detroit Dodge, Plymouth in Evansville, Ind. and Plymouth-Dodge in Newark, Del.

"Ward's" estimated truck output the past week at 16,288 units against 14,209 last week and 21,543 in the corresponding week last year. In addition to Chevrolet's closedowns, Mack plants in New Jersey, Pennsylvania and New York were idle. Mack and the United Auto Workers are bargaining for a new contract.

Although building permit values in September fell moderately from the prior month, they exceeded those of a year ago for the ninth conseeutive month, Dun & Bradstreet, Inc., states. At $585,381,293, the total for 217 cities, including New York, was the highest for any September on record. This represented a decline of 7.9% from the revised $635,323,289 of August, but was up 11.6% over the $524,374,748 of September, 1957.

Permits issued in New York City fell sharply in September. They were valued at $53,445,172, a drop of 48.6% from the $103,987,432 of August, but up 19.6% over the $44,690,851 of September a year ago.

Steel Output Scheduled to Dip to 74.4% of Ingot Capacity This Week

Mills will produce more steel this week than they did in the comparable week a year ago, "Steel" magazine predicted on Monday last.

Steelmaking operations, pacing a rapid industrial upturn, will continue to increase for at least the next few weeks as automakers build up steel inventories to take care of needs caused by double shift operations and overtime work. As automotive output increases, steelmakers will probably get more orders, but not necessarily bigger ones.

The metalworking weekly stated that steelmaking operations are expected to reach a peak of 85% of capacity during the fourth quarter.

Last week, steel was produced at 75% of capacity, a new high for the year. Operations advanced 1 point above the previous week's level. Production was about 2,024,000 net tons of steel. During the corresponding week last year, output was 2,052,000 tons. Rates were up in six out of 12 steelmaking districts as follows: St. Louis at 96%, down 2.5 points; Chicago at 85, up 0.5 point; Cincinnati at 83, up 3.5 points; Wheeling at 83, up 1 point; Detroit at 82, no change; Cleveland at 80, up 0.5 point; Buffalo at 78, no change; Western district at 75, no change; Eastern district at 71, up 1 point; Pittsburgh at 69.5, up 2.5 points; Youngstown at 64, no change, and Birmingham at 63.5, down 2.5 points.

Steel consumers are starting to look ahead as mills extend delivery promises. Cold-rolled steel buyers are giving suppliers 45 days' notice of requirements instead of 30. They know that steel is going to get tighter as automakers, appliance manufacturers and other users come into the market for bigger tonnages.

Steel imports are rising the magazine noted. "Steel's" estimate for this year is 1,235,000 net tons against 1,153,702 tons in 1957. The outlook is for shipments to be up still more in 1959 as foreign producers cash in on low costs.

A broader range of products is being imported into a wider section of the country. More than half of the supply of barbed wire in the United States came from abroad last year. Nearly a quarter of the supply of nails and staples and 13% of woven wire fence were shipped in last year.

Tonnagewise, important imports in 1957 were: Reinforcing bars, 340,000 tons; pipe and tubing, 150,000; round and flat wire, 140,000 and structural shapes, 80,000 tons.

"Steel's" composite on prime grades of steelmaking scrap held unchanged last week at $42.33 a gross ton for the third straight week. Dealers are banking on higher steel operations to stimulate buying soon.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *125.1% of steel capacity for the week beginning Oct. 27, 1958, equivalent to 2,009,000 tons of ingot and steel castings (based on averaged weekly production for 1947-49) as compared with an actual rate of *126.1% of capacity, and 2,026,000 tons a week ago.

Output for the week beginning Oct. 27, 1958 is equal to about 74.4% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 75.1% the week before.

For the like week a month ago the rate was *118.3% and production 1,901,000 tons. A year ago, the actual weekly production was placed at 2,041,000 tons, or 127.1%.

*Index of production is based on average weekly production for 1947-1949.

Electric Output Showed Moderate Improvement In the Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Oct. 25, 1958 was estimated at 12,174,000,000 kwh., according to the Edison Electric Institute. Output increased moderately the past week.

For the week ended Oct. 25, 1958 output increased by 126,000,000 kwh. above that of the previous week and was 337,000,000 kwh. above that of the comparable 1957 week and 783,000,000 kwh. above that of the week ended Oct. 27, 1956.

Car Loadings Rose Slightly in the Week Ended Oct. 18

Loadings of revenue freight in the week ended Oct. 18, 1958 were 9,630 cars, or 1.4% above the preceding week.

Loadings for the week ended Oct. 18, 1958 totaled 695,763 cars, a decrease of 31,044 cars, or 4.3% below the corresponding 1957 week, and a decrease of 132,973 cars, or 16% below the corresponding week in 1956.

Automotive Output Improved Further Last Week but Car Makers Will Fall Far Short of October's Goal

Passenger car production for the week ended Oct. 24, 1958, according to "Ward's Automotive Reports," showed further improvement, but car makers will fall far short of their October goal of 488,000 units. Labor difficulties and subsequent shortages of key parts will hold output of cars for October to the 250,000 to 300,000-unit area, it added.

Last week's car output totaled 69,599 units and compared with 45,387 (revised) in the previous week. The past week's production total of cars and trucks amounted to 85,887 units, or an increase of 26,291 units above that of the previous week's output, states "Ward's."

Last week's car output rose above that of the previous week by 24,212 units, while truck output increased by 2,079 vehicles during the week. In the corresponding week last year 104,987 cars and 21,543 trucks were assembled.

Last week the agency reported there were 16,288 trucks made in the United States. This compared with 14,209 in the previous week and 21,543 a year ago.

Lumber Shipments Fell 0.9% Below Output of the Week Ended Oct. 18, 1958

Lumber shipments of 467 reporting mills in the week ended Oct. 18, 1958 were 0.9% below production, according to the "National Lumber Trade Barometer." In the same period new orders were 17.8% below production. Unfilled orders amounted to 37% of stocks. Production was 7.2% above; shipments 5.4% above and new orders were 1.4% above the previous week and 6.7% below the like week in 1957.

Business Failures Declined Mildly the Past Week and Below the Like Period in 1957

Commercial and industrial failures declined slightly to 275 in the week ended Oct. 23 from 288 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties dipped lower than in the comparable week of last year when 281 occurred but they remained above the 267 in 1956. For the first time in six weeks, failures fell below their prewar level; the total was down 8% from the 300 recorded in 1939.

Casualties involving liabilities of $5,000 or more dipped to 226 from 233 last week and 239 a year ago. A mild decline also occurred among small failures, those with liabilities under $5,000, which were off to 49 from 55 in the previous week but remained slightly above the 42 of this size last year. Nineteen of the week's casualties had liabilities in excess of $100,000 as against 17 in the preceding week.

Wholesale Food Price Index Moved Fractionally Higher the Past Week

Following three consecutive weeks of declines, the Dun & Bradstreet wholesale food price index moved up fractionally last week from the 1958 low of a week earlier. On Oct 21 it stood at $6.25, up 0.3% from the $6.23 of the prior week and 1.8% higher than the $6.14 of a year ago.

Moving higher in wholesale cost the past week were oats, barley, hams, bellies, cheese, sugar, milk, tea, cocoa and hogs. On the down side were flour, corn, rye, butter, cottonseed oil, eggs and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Registered Noticeable Declines in Latest Week

The general commodity price level declined noticeably in the latest week, with the most significant decreases in some livestock, grains, steel scrap, flour and lard. The daily wholesale commodity price index fell to 276.71 on Oct. 22 from 278.00 a week earlier and compared with 278.25 on the comparable date last year.

Record harvests and reports of favorable crop weather helped lower most grain prices during the week. The corn crop was estimated to be 2% above the record of 1948 and prices dipped sharply. Corn trading was close to that of the prior week. Although commercial buying of wheat moved up at the beginning of the week, transactions lagged at the end of the period, accompanied by a weakening in prices. Export demand for wheat is expected to climb substantially in the coming weeks.

As farmers harvested a record crop, soybean trading slackened and prices dipped moderately. Purchases of rye declined appreciably and prices turned moderately lower. Steady trading in rye held prices close to those of the preceding week.

There was a moderate decline in flour trading during the week and a noticeable dip in prices. The buying of rice was sustained at a high level with prices unchanged. Purchases of sugar were steady holding prices even with those of the prior week.

Although buyers appreciably stepped up their purchases, coffee prices remained close to those of the previous week. Cocoa prices moved up slightly at the end of the week as transactions expanded.

Cotton prices on the New York Cotton Exchange moved down last week, reflecting reports of favorable weather conditions in the Cotton Belt. Consumption of cotton by domestic mills during September amounted to about 648,000 bales, somewhat higher than anticipated. Exports during the week ended last Tuesday were estimated at 50,000 bales, compared with 64,000 in the prior week and 117,000 in the comparable period last year. For the current season through Oct. 14, exports came to 660,000 bales as against 888,000 during the same time last season.

Trade Volume in Latest Week Recorded a Slight Gain Over Similar Period a Year Ago

Although consumer buying faltered somewhat last week from the prior period, which included Columbus Day, total retail volume was up slightly from the comparable period last year. Some year-to-year gains in women's apparel and furniture offset declines in appliances and men's apparel. Spot checks indicated that volume in new passenger cars moved up again, but remained below a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was unchanged to 4% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc., reveal. Regional estimates varied from the comparable 1957 levels by the following percentages: Middle Atlantic States +2 to +6%; East North Central +1 to +5%; West North Central, East South Central and West South Central 0 to +4%; South Atlantic, Mountain and Pacific Coast —1 to +3% and New England States —2 to +2%.

Buyers stepped up their purchases of men's Winter suits, sportswear and furnishings the past week, boosting over-all men's apparel moderately over a year ago. Reflecting the high level of retail activity, volume in women's coats, dresses and sportswear moved up substantially. Demand for women's suits and most fashion accessories matched that of a week earlier. In preparation for Christmas, retailers increased their buying of women's blouses and sweaters. Interest in children's merchandise was sustained at a high level.

Textile mills reported another appreciable rise in trading in industrial fabrics and man-made fibers during the week. The volume exceeded that of last year. Increased transactions in sateens and broadcloths offset slight declines in print cloths holding volume in cotton gray goods at the level of a week earlier. While interest in woolens and worsteds picked up in Philadelphia, sales lagged in Boston.

The buying of food products at wholesale remained at the high level of earlier weeks. There were some outstanding increases in the call for canned fish and fruit. Vegetables and interest in fresh produce and frozen foods were somewhat better during the week. The call for poultry, meat and dairy products continued close to that of the prior week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Oct. 18, 1958 advanced 6% above the like period last year. In the preceding week, Oct. 11, 1958 an increase of 4% was reported. For the four weeks ended Oct 18, 1958, a gain of 3% was registered. For the period Jan. 1, 1958 to Oct. 18, 1958 no change was recorded from that of the 1957 period.

Retail trade sales volume in New York City a week ago, according to estimates by trade observers, would show an increase of 4 to 8% above the like period of 1957.

Increases for the week were noted in women's apparel as well as shoes and accessories. Men's wear and domestic goods and housewares also showed strength during the week.

According to the Federal Reserve Board's index, department store sales in New York City for the week ended Oct. 18, 1958 showed an increase of 14% from that of the like period last year. In the preceding week, Oct. 11, 1958 an increase of 5% was reported. For the four weeks ended Oct. 18, 1958, an increase of 8% was noted. For the period Jan. 1, 1958 to Oct. 18, 1958 an increase was registered above that of the corresponding period in 1957.

Haydu Electronic Debentures Offered

Berry & Co. of Plainfield, N. J., and New York, N. Y., are offering $300,000 of 6% convertible subordinated debentures of Haydu Electronic Products, Inc. at par ($100 per debenture).

The debentures dated Oct. 1, 1958 and due Dec. 31, 1968, are convertible into shares of common stock of the company at a price of $5 per share through Dec. 30, 1968.

The company was incorporated in New Jersey on June 26, 1956 under the name Haydu Products, Inc. for the purpose of acquiring the principal assets of a business known as Haydu Brothers of New Jersey, a subsidiary of the Burroughs Corp. In August 1956 the company's name was changed to Haydu Electronic Products, Inc. The company's executive offices, engineering and principal manufacturing facilities are located at 1426 West Front Street, Plainfield, N. J. The company also maintains production facilities at Middletown, Pa., in close proximity to the Olmstead Air Force Base which is an Air Material Command post of the United States Air Force.

The company is engaged in the business of engineering, designing and manufacturing aircraft and missile accessories, including linear and rotary actuating units and systems, hoists, gear boxes, clutches, electro-mechanical and hydraulic units of various types, cargo and rescue winches, and in the manufacture of precision components and industrial gas burners. In addition, a division of the company engages in the overhaul and repair of airborne and electronic instruments.

The net proceeds from the sale of the above issue will be used for the purpose of new tools, dies and special fixtures for the manufacture of new products and to increase production of present products; to modernize and air condition portions of the plant in order to facilitate the maintenance of necessary precision tolerances required by the aircraft industry; and to increase working capital.

Forest Laboratories Stock $2.50 a Share

Greenfield & Co., Inc., New York, are publicly offering an issue of 150,000 shares of capital stock (par 10 cents) of Forest Laboratories, Inc. at $2.50 per share.

The net proceeds from the financing will be used to pay outstanding notes, to expand sales force and promote company's products and for working capital and other corporate purposes.

Giving effect to the sale of the new stock, there will be outstanding 326,000 shares out of an authorized issue of 500,000 shares.

Forest Laboratories, Inc., incorporated in Delaware on April 11, 1956, is engaged primarily in the business of developing, manufacturing and selling various drug and pharmaceutical products. It also imports cosmetic compounds and preparations from a foreign manufacturer for sale in this country.

The company's principal office and plant is located at 838 Sterling Place, Brooklyn, N. Y. It also maintains a sales office at 527 Madison Avenue, New York, N. Y.

John Muir to Admit

On Nov. 7 Richard D. Foer will acquire a membership in the New York Stock Exchange and will be admitted to partnership in John Muir & Co., 39 Broadway, New York City, members of the New York Stock Exchange.

Manhattan Bond Fund to Be Absorbed by Diversified

The board of directors of Manhattan Bond Fund, Inc. announced that the fund's plan of reorganization, recently submitted to shareholders, received a tremendous vote of approval at shareholders' meeting.

The plan, involving the purchase of the fund's assets by Diversified Investment Fund, Inc., a balanced fund in exchange for shares of the latter fund, was approved by holders of more than 85% of the outstanding shares. "Such a large vote," according to Wm. Gage Brady, Jr., Chairman of both funds, "is exceedingly rare in any kind of corporate balloting."

The reasons for the exchange had been explained in a special letter to shareholders, signed by Mr. Brady and Hugh W. Long, President. They included: the loss of the purchasing power of bond income as a result of inflation; the fact that dividends from a bond fund do not qualify for the usual dividend exclusions or dividends received credit under the Federal tax laws. Reflecting these factors which are beyond the control of the fund's management, there had been a declining trend in the number of Manhattan Bond Fund's shareholders and its total assets, which threatened economical administration of the fund in the future.

Manhattan Bond Fund shareholders will be informed next week as to how to exchange their share certificates for certificates of Diversified Investment Fund, Inc. The net asset value of the shares of both funds at the close of business on Oct. 23 will be the basis for the exchange. These values were $8.98 per share for Diversified Investment Fund and $6.42 per share for Manhattan Bond Fund. Cash will be paid in lieu of fractional shares.

Form Click Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

PENSACOLA, Fla. — Click Investment Co., Inc. has been formed with offices at 1206 North Palafox Street to engage in a securities business.

With Norris & Hirshberg

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—James T. Sisk, Jr., is now with Norris & Hirshberg, Inc., C. & S. National Bank Building, members of the Midwest Stock Exchange.

Lathrop, Herrick & Smith

WICHITA, Kans. — The firm name of Lathrop, Herrick & Clinger, Inc., Beacon Building, has been changed to Lathrop, Herrick & Smith, Inc.

Mutual Funds

By ROBERT R. RICH

Full-Fledged Business Recovery Cited by E. Rubin

Selected American Shares, a mutual fund, reports total net assets of $80,075,398 on Sept. 30, an increase of 33.9% over assets of $59,805,980 at Dec. 31, 1957. Outstanding shares at Sept. 30 of 8,748,095 compare with 8,001,847 at Dec. 31. After a distribution of 26 cents a share from net capital gains in January, net asset value per share was $9.15 compared with $7.47 at Dec. 31, 1957. With adjustment for reinvestment of this capital gain distribution, the asset value per share rose 26.9% in the nine months.

At Sept. 30 common stock represented 95.3% of assets, corporate bonds and notes 2%, U. S. Governments and cash 2.7%. The five largest industry holdings in common stocks were steel 11.7%, oil 11.2%, electric utility 7.4%, electrical & electronics 6.8%, metal (non-ferrous) 6.4%.

Edward P. Rubin, President, reports to shareholders: "The numerous encouraging economic straws' we reported to you in midsummer appear now to have turned into fullfledged business recovery. As it became evident the third postwar recession might prove as short and mild as its two predecessors, common stock prices worked upward. . . . High grade bond prices fell . . . due in part, perhaps, to more general recognition of inflationary risks. Moreover, as business began to recover, the Federal Reserve Board quickly resumed credit policies designed to defeat inflationary tendencies. "These attempts to fight inflation and preserve a sound dollar are highly important . . . but with the experience of the past 25 years or so, one can sympathize with those who are skeptical of avoiding still further price advances. . . . With many stock prices at new highs and earnings lower . . . some observers say stock prices are 'high.' . . . Studies this management has conducted point to the probability that earnings of large, well-managed American corporations in the past 10 years or longer have tended to improve in quality. . . . Judged on 5 or 10 year average earnings, or on strength of long-term earnings trend, this management is convinced such representative stocks are not now over-priced . . . believes that these longer term forces will continue to favor the diversified common stock program . . ."

In the most recent quarter, Selected American added 16 and eliminated 14 common stocks. New stock include shares of American Cyanamid; Chicago Rock Island; General Portland Cement; Pennsalt Chemical; Standard Oil (Ind.); Standard Packaging; Sylvania Electric; Burroughs; Firestone Tire; International Harvester; Marshall Field; National Lead; Neptune Meter; Republic Steel; G. D. Searle; and Stauffer Chemical. Increases in prior stock holdings were made in Anaconda; Bendix Aviation; Container Corp.; Deere; and General Electric.

Stocks eliminated from the portfolio were Associates Investment; Bethlehem Steel; Bristol-Myers; Continental Illinois National Bank; Dresser; General Foods; General Public Utilities; Lily Tulip Cup; May Department Stores; Minnesota Mining; Ohio Edison; Republic Natural Gas; Royal Dutch; and Sunray-Mid-continent Oil. Reductions were made in holdings of American Natural Gas; Central Illinois Public Service; Commonwealth Edison; National Dairy; Socony Mobil; and Standard Oil (N. J.).

Towers Chairman Of Bullock's Two Canadian Funds

Graham F. Towers, C.M.G., has been elected Chairman of the Board of Directors of Canadian Fund, Inc. and Canadian Investment Fund, Ltd., two mutual funds managed by Calvin Bullock Ltd., New York and Montreal.

Combined assets of the two funds exceed $150,000,000.

Mr. Towers is President of British Petroleum (Canada) Ltd., and is a director of General Motors Corporation. He headed the Bank of Canada for the first 20 years of its existence.

He succeeds the Hon. Charles A. Dunning, P.C., who died recently.

With J. I. Ferrell Inv.

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION—Harry B. Ferrell has joined the staff of Jane I. Ferrell Investments, 1129 Colorado Avenue.

Madison Fund's Rights Offering Oversubscribed

Over 91% of the 1,286,619 additional shares offered Madison Fund stockholders was subscribed for under primary rights, with the balance "substantially oversubscribed" through oversubscription privileges, according to Edward A. Merkle, President of the closed-end investment trust which changed its name from Pennroad Corporation on Oct. 15.

1,173,743 shares were subscribed on the primary rights basis. 372,047 additional shares were requested through the oversubscription privilege, with only 112,876 shares available.

"Transfer of rights by smaller stockholders will increase our number of owners slightly," Mr. Merkle said, "but in the main, the offering accomplished its purpose of increasing the average holdings of our present owners."

After deducting offering expenses, the additional shares will net the Madison Fund slightly over $20,000,000 for general investment and corporate purposes.

On the new basis of 6,433,095 shares, net asset value of Madison Fund stock was approximately $19.40 per share as of Sept. 30, 1958.

"Despite the high level of the general securities market we anticipate no difficulty investing the new funds profitably," Mr. Merkle said. "There are always undervalued situations with unrecognized potential, even in the most advanced bull markets."

T. Rowe Price Sh. Value Gains 24%

T. Rowe Price Growth Stock Fund, Inc. reported that total assets increased to $14,121,737 on Sept. 30, 1958 from $9,436,114 on Dec. 31, 1957. During the first nine months of 1958, net asset value per share increased 24.2% from $27.67 to $34.38. During this period 893 new stockholders subscribed to Fund shares.

In his report, Mr. Price noted the business recovery which has taken place since April of 1958. "Since then industrial production as measured by the Federal Reserve Board Index has recovered from 126 to 137, or more than half of the decline which had taken place from the previous high of 147. The sharp recovery to date, he said, has resulted from strong consumer demand, cessation of inventory liquidation, increase in manufacturer's new orders, higher government spending and especially a sharp increase in home building and public construction. The outlook for the fourth quarter appears bright. With regard to the automobile industry which has been the chief drag on recovery, however, it's still too soon to tell how well the public will accept the 1959 models.

The prevailing confidence that business will recover to new highs in 1959, and the inflationary-minded public have forced common stock averages to a new all-time high. Representative stock indices are now over 18 times estimated 1958 earnings—the highest price/earnings ratio since 1929. They are selling at 14 to 15 times previous peak earnings. The popularity of growth stocks has forced prices of many favorite issues to excessive heights, he added.

Under the circumstances, prices seem to be discounting an optimistic projection of earnings several years hence. Consequently, we consider it prudent to continue the conservative investment policy of keeping a substantial portion of the portfolio in higher yielding bonds and other dollar obligations."

Fundamental Absorbs Private Fd.

Assets of a $12 million private investment company are being acquired by one of the nation's largest common stock funds, Fundamental Investors, Inc., a $470 million mutual fund.

According to a joint announcement by Hugh W. Long, President of Fundamental Investors, Inc., and Austin D. Barney, Vice-President of D. N. Barney Company, Inc., of Hartford, Conn., an agreement has been approved by the directors of each company and by the shareholders of the D. N. Barney Company, under which Fundamental will purchase the assets of Barney in exchange for shares of its own capital stock.

An application for exemption from Section 22 (d) of the Investment Company Act of 1940 has been filed with the Securities and Exchange Commission, and it is expected that, subject to appropriate action by the Securities and Exchange Commission, the transfer of assets will be effective in November. At that time, shareholders of the D. N. Barney Company will become shareholders of Fundamental Investors and the Barney Company will be dissolved.

The investments of Fundamental Investors, Inc. are supervised by Investors Management Company, Inc., one of the oldest investment supervisory organizations in the mutual fund field, whose business was established in 1924.

Tri-Continental Reports 21% Gain In Net Asset Value

Investment assets of Tri-Continental Corporation, the nation's largest diversified closed-end investment company, increased to a record $361,879,396 at Sept. 30, it was announced by Francis F. Randolph, Chairman and President.

This figure represented a gain of $20,313,439 in the three months just ended and was $58,466,254 greater than the $303,413,142 reported at the start of the year. "Appreciation in the market value of investment holdings was the primary factor in the sharp rise in investment assets," according to Mr. Randolph. New funds resulting from the exercise of warrants declined to a nominal $128,880 in the third quarter. There were 6,857,549 shares of Tri-Continental common stock outstanding at Sept. 30; the remaining warrants were reduced to 1,158,298.

Assets per common share stood at $44.22 at Sept. 30, up from $41.30 three months earlier and $36.42 at the start of the year. The gain for the first nine months of 1958 was about 21%. Assets per common share, assuming the exercise of all warrants, rose to $39.55 at Sept. 30 from $37.12 at June 30 and $32.82 at Dec. 31, 1957.

Tri-Continental's Sept. 30 quarterly report reveals that common stockholdings made up 82.8% of investment assets at the end of the first nine months as compared with 75.1% at the beginning of the year. Mr. Randolph brought out that while this increase reflected gain in the market value of common stock investments, it also resulted from purchases of common stocks on balance, using proceeds from the sale of fixed-income securities. He added that third quarter changes in common stock investments favored equities of companies which seemed likely to participate in cyclical business recovery and that consideration also was given to common stocks which seemed to be reasonably priced in relation to long-term prospects.

New common stock holdings added in the third quarter were shares of Peabody Coal Co., Texas Pacific Coal & Oil Co., General

Motors Corp.; Lockheed Aircraft Corp.; Westinghouse Electric Corp.; Granite City Steel Co.; Allied Chemical Corp. and Dresser Industries, Inc.

Investment positions were eliminated by the sale of shares of Aluminium, Ltd.; United States Rubber Co.; Chemical Corn Exchange Bank; Chase Manhattan Bank; First National City Bank; Hanover Bank; B. F. Goodrich Co. and Columbus & Southern Ohio Electric Co. Principal decreases in holdings were in shares of Iowa-Illinois Gas & Electric Co.; Rochester Gas & Electric Corp.; Illinois Power Co.; San Diego Gas & Electric Co.; Minneapolis-Honeywell Regulator Co.; Schering Corp.; Guaranty Trust Co. and National Fuel Gas Co.

U. S. and Foreign Share Values to $34.86 from $31.25

United States and Foreign Securities Corp., closed-end investment company, reports an indicated net asset value on Sept. 30, 1958 of $121,362,554, equivalent to $36.66 per share on the outstanding 3,310,815 shares of common stock.

This compares with a net asset value on Dec. 31, 1957 of $103,456,893, equal to $31.25 per share and net asset value of $115,410,679 or $34.86 per share on Sept. 30, 1957.

During the first three quarters of the current year dividends amounting to $1.20 per share were paid, of which 75 cents per share represented payments from net realized capital gain. On Dec. 27, 1957 a dividend of $1.15 per share was paid from which 88.9 cents came from capital gain.

The corporation's common stock holdings at Sept. 30, 1958 represented total invested assets in the following approximate percentages: oil, 43%; chemical and drug, 17%; metal and mining, 12%; manufacturing and miscellaneous, 7.50%; electric utility, 2.25%; natural gas, 1.50%; and merchandising, 1.50%. U. S. Government obligations amounted to 14.37%; cash and receivables, .88% and other investments, .15%.

G. P. S. Share Value Rises To $6.09

General Public Service Corporation, closed-end investment company, reports that its net assets at market value on Sept. 30, 1958, were $30,182,661, equivalent to $6.09 per share on 4,956,528 shares of common stock outstanding. The report states that on Sept. 30 a year ago the asset value was $5.03 and points out that a comparison of these two asset values should include the year-end distribution of 14 cents per share from realized net gain on investments. At Sept. 30, 1957, the net assets were $24,917,066.

The report also compares the Sept. 30, 1958 value of $6.09 per share with that of $4.92 at Dec. 31, 1957 and $5.61 at June 30, 1958.

Principal purchases for the quarter included initial investments of shares of Joy Manufacturing; Republic Steel and addition to investments of shares of Houston Lighting & Power; Idaho Power; Tampa Electric; Transcontinental Gas Pipe Line; and U. S. Steel. Eliminated from the portfolio was the corporation's investments in Aluminium Ltd.; Arkansas Louisiana Gas and Standard Packaging.

At Sept. 30, 1958, holdings of utility common stocks represented 50% of total net assets; natural gas transmission and distribution 12%; oil and natural gas production 11%; miscellaneous industrial 19%; and cash and other current assets 8%.

Warns Against Inflation Theory in Stock Purchases

A review of general economic and market conditions through the third quarter of 1958 is given in the "Values in Industries" study of Distributors Group, Inc., national sponsor of the 21 mutual funds comprising Group Securities, Inc.

It notes that The Federal Reserve Board index of over-all production has risen to a point only 7% below its all-time peak, but finds many basic industries lagging behind this average rate of recovery.

A similar disparity exists in securities markets, according to the report. The rise of market "averages" conceals "hundreds of good quality stocks, especially in the long depressed industries, that are far below their high prices of recent years."

Recalling its warning earlier in the year against over-pessimism, the study suggests that current "inflation sentiment" in the stock market occasions a warning against over-optimism. It urges that "extreme care" now be used in selecting investment securities. Because of the wide range of industries in which the 21 Group Securities mutual funds invest, the report comments on their prospects. In the group of industries generally identified with growth, it finds petroleum stocks offering excellent quality and value. In the group noted for their relative stability of principal and income, both food and utilities stocks are expected to advance more modestly than in the recent past while tobaccos continue in an established upward trend and merchandising stocks still offer attractive values that prompted an earlier study's calling attention to them several months ago.

Concerning securities in industries noted for their cyclical price actions, the report finds "excellent values and generous yields" in railroad bonds at price levels relatively deflated in comparison with rail stocks.

Whitehall's Net Assets Record High

Net assets of Whitehall Fund, the balanced fund of the Broad Street Group of Mutual Funds, reached a record $9,683,849 at Sept. 30. Francis F. Randolph, chairman and president, reported that this was a gain of almost 20% from the 8,072,964 at Dec. 31 and compared with $9,045,386 three months ago.

Per share asset value stood at $12.52 at Sept. 30, up from $10.79 at the start of 1958 and $12.04 at June 30. "During the past three months," the chairman noted, "values of common stock investments improved markedly, but this gain was offset to some extent by lower bond and preferred stock prices."

Common stocks made up 54.8% of the Fund's net assets at Sept. 30. This was up from 52.1% three months earlier and 48.7% at the beginning of the year. Mr. Randolph said that "the common stock content of the portfolio has increased primarily as a consequence of the rise in common stock prices and the decline in prices for fixed-income securities which have taken place. There has been no basic change," he stated, "in Whitehall Fund's policy of operating with a portfolio balanced about evenly between fixed-income securities and common stocks."

Within the common stock category of investments, new positions were established by the purchase of shares of Standard Oil (Ohio) and Allied Chemical. Common stock investment positions were eliminated in Arizona Public Service, Brooklyn Union Gas, and U. S. Rubber.

FIF Confident on Drug Industry

The Twenty-third Annual Report of Financial Industrial Fund, Inc., shows that on Aug. 31, 1958, FIF assets exceeded $101 million. This one-year increase of more than $26 million alone exceeds the total assets reported by FIF only four years ago.

In commenting on the long-term outlook for our economy in the 1958 Annual Report, the Fund's management estimates gross national product will increase by 48% during the next ten years to $634 billion and our population will grow by more than 30 million (eight times as many people as there are now in our average state).

During the recent quarter, FIF (with 60,000 shareholders) expressed its confidence in the long-term growth potential of the drug industry by making initial purchases of Bristol-Myers Co.; Eli Lilly & Co.; McKesson & Robbins Co.; Merck & Co.; Norwich Pharmacal Co.; Parke, Davis & Co.; and Pfizer & Co. As of Aug. 31, 1958, investments in the drug industry accounted for 4.4% of the total FIF assets. Major industry investments included chemicals, 13.3%; electronics, 7.1%; and utilities, 9.1%.

In his letter to FIF shareholders, President Charles F. Smith comments, "The investor—our financial planner of today—realizes that his destiny is not wrapped up in the events of a few months, but, instead, rides the tide of the full number of years with which he has to work in carving out his own success. No course of action guarantees his ultimate estate. He weighs on the one hand the risks of 'less-valuable' dollars against the risks of fluctuating values and income characteristic of his common stock investments. Yet, he realizes that wealth in the form of soundly diversified ownership interests—such as those acquired through Financial Industrial Fund, Inc. and other mutual funds—characteristically keeps pace with the future progress of the well-known business enterprises which serve our growing requirements for new and better products and services—all of which combine to enrich our material progress."

Axe Fund's Assets Rise by $30 Million

The five mutual funds sponsored by Axe Securities Corporation report an increase of more than $30 million or 23.5% in total net assets during the first three quarters of 1958.

According to preliminary figures, the total was $158,680,285 on September 30 as against $128,513,978 last December 31. All five funds participated in the advance.

Each of the funds also reports an increase in the asset value of its shares, as follows: Axe-Houghton Fund A, from $4.78 to $5.36; Axe-Houghton Fund B, from $6.73 to $7.74; Axe-Houghton Stock Fund, $3.28 to $3.88; Axe Science & Electronics Corporation, $9.06 to $10.52; Axe-Templeton Growth Fund of Canada, $18.91 to $25.24.

The total and share values of Axe-Houghton Fund B for September 30 do not include a distribution of 29 cents a share from net profits and a dividend of 6 cents a share from income which were paid October 24 to shareholders of record September 26.

The number of shareholders for the five funds rose more than 9% in the nine-month period—from 89,163 to 97,462.

Norman Roberts Branch

OCEANSIDE, Calif.—Norman C. Roberts Company has opened a branch office at 607 Third Street under the management of John E. Lucas.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The monetary authorities continued to keep the pressure on interest notes and the supply of credit when they authorized the Federal Reserve Banks to increase the discount rate last week from 2% to 2½%. This move to bring the discount rate in line with the other open market money rates was taken in advance of some $3,000,000,000 of new money raising by the Treasury early next month, and a $12,000,000,000 refunding operation the end of November. Nevertheless, a rising Central Bank rate, whether ahead or behind the other money rates, does not forecast lower interest rates.

The action last week in raising the Central Bank rate from 2% to 2½% will probably not bring about an immediate increase in other borrowing rates, unless the money market is further tightened by the powers that be, and a sharp and more than seasonal demand for loanable funds develops. The credit limiting measures of the monetary authorities appear to be in a neutral area, for the time being.

Following a Pattern

The Federal Reserve Board in allowing the Federal Reserve Banks to increase the discount rate from 2% to 2½% followed pretty much the same procedure it used when margin requirements were raised from 50% to 70%. It was only a short time after the increase in cost of carrying equities (from 50% to 70%) was put in effect that the Central Bank rate was upped. When margins recently went from 70% to 90%, it was likewise followed in about a week's time by the current increase in the discount rate. The raising of margin requirements and the discount rate is part of a pattern which the monetary authorities are using in their efforts to contain, if not retard, the inflation psychology which has developed, because of the fear of the future purchasing power of the monetary unit.

A "Technical Correction"

The latest discount rate increase, according to spokesmen in Washington, was a technical correction aimed at bringing the Central Bank rate more in line with rates in general in the money market. The discount rate usually does not remain below the bill rate for long, yet this recent upping of the Central Bank rate still leaves it below the yield which is available in the 91-day Treasury obligation. However, the 2½% discount rate is relatively close to the return which is available in the shortest Government security. Therefore, it is not expected that there will be any appreciable pick-up in discounts and advances with the Federal Reserve Banks.

Borrowings from the Central Banks have been on the increase, but in spite of this they are still not large. Nonetheless, with the discount rate at the low level of 2%, the temptation to borrow money at the Federal Reserve Banks at the depressed Central Bank rate and invest these funds at higher rates of return was very great. And in time the member banks would most likely have taken full advantage of the privilege.

Prelude to Treasury Borrowing

The bringing into line of the discount rate with the other money rates last week was done to help clear the decks for the coming financing of the Treasury. It was evident that the Central Bank rate had to be raised before the Government went in the open market to obtain new money and to take care of its year-end maturities, or to be held off until sometime in the future. The Central Bank rate could not be raised in the middle of a financing operation by the Treasury, unless it was the desire on the part of the monetary authorities to make it a colossal flop.

Warning From the Central Bank

The increase in the discount rate to 2½% does not make it a high Central Bank rate, and it is still not a penalty rate in the sense that most other Central Bank rates are. It is, however, the symbol or sign of what the monetary authorities think about the trend of interest rates, and what they are trying to do in the battle with inflation. It is evident that if the forces of inflation continue to gain strength, there will be higher interest rates and tighter credit conditions. For the moment, at least, it seems as though the inflation psychology is not gaining in momentum and if this turns out to be true over a period of time, then the policy of "comfortable restraint" will no doubt be continued. Also, the impending Treasury financing will most likely mean that the money market will be supplied wtih funds so that the Government operation will be carried out successfully.

Income Foundation Fund Reports

The unrealized appreciation in the value of Income Foundation Fund's portfolio securities over their cost was $600,425 as of Aug. 29, 1958. There were 2,927,690 shares of the Fund outstanding, with total net assets of $6,932,016.

Common stock changes in the portfolio during the period May 20-Aug. 29 were as follows:

Additions: American Airlines; American Tobacco; Consumers Power; Island Creek Coal; Motorola; Ohio Edison; Reynolds Tobacco and Southern Co.

Eliminations: Aluminum Co. of America; American Home Products; Commonwealth Gas; Commonwealth Life Ins.; Dow Chemical; Ford Motor; General Crude Oil; General Motors; Gulf Oil; Jefferson Standard Life Ins.; Kaiser Aluminum & Chemical; Maine Public Service; Mass. Bonding & Insurance; Mead Johnson & Co; Merck & Co; Minneapolis-Honeywell Regulator; National Cash Register; National Life & Accident Ins. Co. of Louisville; Peoples First National Bank & Trust; (Chas.) Pfizer and Southwest Gas Producing.

First California Branch

PASADENA, Calif.—First California Company has opened a branch office at 595 East Colorado Street under the management of George R. Liddle.

Atlas Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James W. Odom and Lawrence Pleener have been added to the staff of Atlas Securities Inc., 6505 Wilshire Boulevard.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Acme United Life Insurance Co., Atlanta, Ga.
June 30 filed 315,000 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of three new shares for each two shares held of record June 30, 1958; rights expire on Nov. 17. **Price**—$6.25 per share to shareholders, and $7.50 for any unsubscribed shares. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

★ **American International Bowling Corp.**
Oct. 28 filed 770,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To acquire and manage bowling alleys. **Underwriter**—Netherlands Securities Co., Inc., New York.

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 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. **Change in Name**—Formerly United States Telemail Service, Inc.

● **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. Statement effective Oct. 21.

Angelica Uniform Co., St. Louis, Mo.
Oct. 6 filed 150,000 shares of outstanding common stock. **Price**—To be supplied by amendment (expected at $10 per share). **Proceeds** — To selling stockholders. **Underwriters**—Scherck, Richter Co., and Dempsey-Tegeler & Co., both of St. Louis, Mo. **Offering** — Expected this week.

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.

Arvida Corp., Miami, Fla. (11/18-21)
Oct. 28 filed 2,500,000 shares of class A common stock (par $1). **Price**—To be supplied by amendment (expected to be approximately $11 per share). **Proceeds**—Together with other funds, will be used for development of the company's properties and for working capital. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Dominick & Dominick, both of New York.

Automation Instruments, Inc.
Oct. 7 (letter of notification) $250,000 of 6% 15-year convertible sinking fund debentures to be offered for subscription by stockholders of record Oct. 1, 1958. Unsubscribed shares to public. **Price**—90% of face amount (in denominations of $100, $500 and $1,000 each). **Proceeds**—To retire notes payable to bank and others and for working capital. **Office**—401 E. Green Street, Pasadena, Calif. **Underwriter**—None.

Autosurance Co. of America
Oct. 16 filed 250,000 shares of common stock (par $2.50). **Price**—$5 per share. **Proceeds**—To increase capital and surplus. **Office**—Atlanta, Ga. **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. (11/14)
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

● **Bowling Corp. of America (11/3-7)**
Sept. 11 filed 450,000 units, each consisting of one share of common stock (par 10 cents) and two common stock purchase warrants, one warrant to expire 18 months from the date thereof, exercisable at $3.25 per share, and one warrant to expire 30 months from the date thereof, exercisable at $3.50 per share. **Price**—$3 per unit. **Proceeds**—For working capital. **Underwriter**—Charles Plohn & Co., New York.

★ **Bridgehampton Road Races Corp.**
Oct. 23 (letter of notification) 15,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Nov. 1, 1958 on the basis of one new share for each four shares held; unsubscribed shares will be offered to current creditors in payment of all or part of claims, at the rate of one share for each $4 of claims discharged; rights to expire about two weeks after mailing of offer. **Price**—$4 per share. **Proceeds**—To pay current creditors. **Address** — P. O. Box-506, Bridgehampton Road, L. I., N. Y. **Underwriter**—None.

★ **Bullock Fund, Ltd., New York**
Oct. 24 filed (by amendment) an additional 750,000 shares of capital stock (par $1). **Price** — At market. **Proceeds**—For investment.

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.

★ **Cedco Electronics, Inc., Erie, Pa.**
Oct. 16 (letter of notification) 99,900 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Herbert Perry & Co., 70 Wall St., New York, N. Y.

★ **Central Electric & Gas Co., Lincoln, Neb.**
Oct. 28 filed $2,000,000 of convertible subordinated debentures due 1973 and 20,000 shares of cumulative preferred stock ($50 stated value per share). **Price**—For preferred stock, $50 per share; and for debentures, to be supplied by amendment. **Proceeds**—To repay bank loans, for investments and for construction program. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

Charles Town 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.

● **Chemirad Corp., East Brunswick, N. J. (11/5)**
Sept. 25 filed 165,830 shares of common stock (par 10 cents) to be offered for subscription by holders of common stock of Cary Chemicals Inc. of record Oct. 31, 1958 at the rate of one share for every four shares of Cary Chemicals common stock held; (with an oversubscription privilege); rights to expire on Nov. 25, 1958. **Price**—$2 per share. **Proceeds**—For expansion program. **Underwriters** — Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York.

Cinemark II Productions, Inc.
June 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 937 Acequia Madre Rd., Santa Fe, N. M. **Underwriter**—Watson & Co., Santa Fe N. M.

● **Clary Corp.**
Aug. 27 (letter of notification) 75,000 shares of common stock (par $1) being offered for subscription by common stockholders of record Oct. 15, 1958 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on Nov. 7. **Price**—$4 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.

★ **Coleman Engineering Co., Inc.**
Oct. 27 filed $1,000,000 of 6% sinking fund debentures due 1973, with warrants (a warrant to purchase 30 common shares will be attached to each $500 principal amount of debentures or a total of 60,000 shares, and will be issued without the payment of additional consideration therefor). **Price**—100% of principal amount. **Proceeds**—To retire short-term borrowings; for anticipated increases in inventory; and for additions to working capital for general corporate purposes. **Underwriters**—Wilson, Johnson & Higgins, San Francisco, Calif. and Lester, Ryons & Co., Los Angeles, Calif.

● **Colonial Aircraft Corp., Sanford, Me. (11/10-14)**
Oct. 8 filed 346,492 shares of common stock (par 10 cents). **Price**—75 cents per share. **Proceeds**—To reduce loans, make certain capital improvements and for working capital. **Underwriter**—Mallory Securities, Inc., New York.

Columbia Gas System, Inc. (11/6)
Oct. 10 filed $25,000,000 of debentures, series K, due 1983. **Proceeds**—For acquisition of Gulf Interstate Gas Co. and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received by company up to noon (EST) on Nov. 6.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

★ **Consolidated Foods Corp., Chicago, Ill. (11/10-14)**
Oct. 23 filed 111,489 shares of common stock (par $1.33⅓). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Kuhn, Loeb & Co., New York, and A. C. Allyn & Co., Inc., Chicago, Ill.

Consumers Power Co.
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. **Offering**—Postponed indefinitely.

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.

Cryogenic Engineering Co.
Sept. 22 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds** — For repayment of loan; purchase of plant and office equipment; raw materials and supplies; and for working capital, etc. **Office**—U. W. National Bank Bldg., 1740 Broadway, Denver, Colo. **Underwriter**—L. A. Huey, Denver, Colo.

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.

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.

Dow Chemical Co., Midland, Mich.
Sept. 11 filed 175,000 shares of common stock (par $5) being offered to employees of the company, its subsidiaries, and certain associated companies at $55.75 per share; subscriptions will be accepted from Oct. 13 through Oct. 31. By a separate registration statement the company plans to offer 12,500 additional shares of the said stock to employees of Dow Corning Corp., a 50% owned subsidiary of the corporation.

● **Eastern Stainless Steel Corp.**
Oct. 6 filed $5,123,600 of 5% convertible subordinated debentures due Nov. 15, 1973, being offered initially to stockholders on the basis of $100 principal amount of debentures for each 14 shares of common stock held on Oct. 28, 1958; rights to expire on Nov. 12. **Price**—At 100% of principal amount (flat). **Proceeds** — Together with other funds, will be used to retire approximately $4,000,000 of 4½% notes, to increase plant facilities, and to finance additional inventories. **Underwriter**—Hornblower & Weeks, New York.

★ **Electronics Communications, Inc. (11/17-21)**
Oct. 24 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Office**—St. Petersburg, Fla. **Underwriter**—Laird & Co., Corp., New York.

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.

Federal Pacific Electric Co.
Oct. 10 filed 70,000 shares of common stock (par $1). These shares are a portion of the 111,910 shares previously issued or set aside for issue in connection with recent acquisitions. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

★ Fluorspar Corp. of America
Oct. 14 (letter of notification) 133,333 shares of common stock (par 25 cents). **Price**—$2.25 per share. **Proceeds**—For mining expenses. **Office**—4334 S. E. 74th Ave., Portland 6, Ore. **Underwriter** — Ross Securities Inc., New York, N. Y.

Fremont Valley Inn
Aug. 6 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To erect and operate an activities building, comprising a restaurant, cocktail lounge and coffee shop. **Office**—3938 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—Oscar G. Werner & Co., Pasadena, Calif.

General Aero & Electronics Corp.
Sept. 29 filed 500,000 shares of common stock (par 10 cents), of which 100,000 shares are to be sold for the account of selling stockholders. **Price**—$2.25 per share. **Proceeds**—For acquisition of stock of National Missile & Electronics Corp., additional working capital and other corporate purposes. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 420,988 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, 161 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

● General Public Utilities Corp. (11/3)
Oct. 1 filed a maximum 530,000 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each 20 shares held on Oct. 31, 1958; rights to expire on Nov. 21, 1958. **Price** — To be supplied by amendment. **Proceeds**—To pay short-term bank loans and for additional investments in domestic subsidiaries. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York.

★ Gibraltor Amusements, Ltd.
Oct. 23 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For reduction of notes. **Office**—65 Albany Ave., Freeport, L. I., N. Y. **Underwriter**—None.

★ G-L Electronics Co., Inc., Camden, N. J. (11/18)
Oct. 24 filed 75,000 shares of common stock (par 20 cents). **Price**—To be supplied by amendment. **Proceeds**—To purchase additional equipment and tooling for the company's magnetic laminations program; to discharge short-term bank loans; and for working capital; expansion of operations and other purposes. **Underwriters**—Woodcock, Hess, Moyer & Co., Inc., Stroud & Co., Inc., and Butcher & Sherrerd, all of Philadelphia, Pa., and four other firms.

★ Grand Union Co.
Oct. 29 filed 187,534 shares of common stock (par $5) to be offered in exchange for outstanding common stock of Sunrise Supermarkets Corp. at the rate of one share of Grand Union stock for each 2.409 shares of Sunrise stock. The offer is subject to acceptance by at least 80% of the outstanding Sunrise shares.

Great American Realty Corp., N. Y.
Aug. 18 filed 484,000 shares of class A stock (par 10 cents). Of this stock, the company proposes to offer 400,000 shares and certain selling stockholders 40,000 shares, the remaining 44,000 shares being subject to option to be offered for the account of the underwriters. **Price**—To be supplied by amendment. **Proceeds**—For working capital and other corporate purposes. **Underwriters**—Joseph Mandell Co. and Louis L. Rogers Co., both of New York, on a best efforts basis.

★ Gray Manufacturing Co., Hartford, Conn.
Oct. 28 filed 90,218 shares of capital stock (par $5) to be offered for subscription by common stockholders of record Nov. 25, 1958 at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **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.

★ Hamilton Oil & Gas Corp.
Oct. 22 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—To acquire funds to test drill, explore, and develop oil and gas properties. **Underwriter**—None. [The registration includes an additional 588,000 common shares issuable upon exercise of 1,176,000 options rights previously offered (Oct. 19, 1957), which rights entitle the original purchaser thereof to purchase one-half share of stock at 50 cents per share at the expiration of 13 months after commencement of such offering.]

Hanna Mining Co., Cleveland, Ohio (11/7)
Oct. 17 filed 313,038 shares of common stock to be offered for subscription by company's shareholders (other than the M. A. Hanna Co., the parent), and by the stockholders of the latter. Of the total, 181,606 shares are to be offered to shareholders of the parent at the rate of one share for each 16 shares of the parent's stock held. The remaining 131,432 shares are to be offered to the minority shareholders of the mining company at the rate of one share for each 3.45 shares held. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank indebtedness. **Underwriter**—None. **Present Name**—Company is now known as Hanna Coal & Ore Corp.

● Hartford Electric Light Co.
Oct. 9 filed 149,633 shares of common stock (par $25) being offered for subscription by common stockholders of record Oct. 21, 1958 at the rate of one new share for each 10 shares held; rights to expire on Nov. 17, 1958. **Price**—$56 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and The First Boston Corp., New York.

● Hawaiian Electric Co., Ltd.
Oct. 8 filed 84,700 shares of common stock (par $20) being offered for subscription by holders of its outstanding common stock of record Oct. 15, 1958, at the rate of one new share for each 10 shares then held; rights will expire on Nov. 21. **Price**—$42.50 per share. **Proceeds**—To become part of the general funds of the company and will be applied toward the cost of the company's construction program. **Underwriter**—None.

★ Heartland Development Corp. (11/1)
Oct. 23 (letter of notification) 22,820 shares of non-voting convertible preference stock (par $12) to be offered for subscription by stockholders on the basis of one share of convertible preference stock for each 10 shares of common stock held on or about Nov. 1, 1958. Stockholders will have 45 days in which to exercise the rights. **Price** — At par. **Proceeds** — To repay debts, acquisition of investments, and for general purposes. **Address**—P. O. Box-348, Albany, N. Y. **Underwriter**—None.

★ Heli-Coil Corp., Danbury, Conn. (11/18)
Oct. 24 filed $1,300,000 of convertible debentures due Nov. 1, 1973 and 180,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital and other corporate purposes. **Business**—Manufacturer of tools. **Underwriter**—W. C. Langley & Co., New York.

★ Heliogen Products, Inc.
Oct. 22 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office** — 35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., Suite 1512, 11 Broadway, New York 4, 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.

Indiana & Michigan Electric Co. (11/6)
Sept. 26 filed $20,000,000 of first mortgage bonds due Nov. 1, 1988. **Proceeds**—To retire bank loans used for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 6.

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NEW ISSUE CALENDAR

October 30 (Thursday)
Chicago & North Western Ry.____Equip. Trust Ctfs.
(Bids noon CDT) $1,875,000

October 31 (Friday)
Grace Line Inc._____Bonds
(Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; White, Weld & Co. and F. Eberstadt & Co.) $9,000,000

November 3 (Monday)
Bowling Corp. of America_____Common
(Charles Plohn & Co.) $1,350,000
General Public Utilities Corp._____Common
(Offering to stockholders—clearing agent is Merrill Lynch, Pierce, Fenner & Smith) 530,000 shares
Kentucky Jockey Club, Inc._____Bonds & Common
(The Kentucky Co. and Scherck, Richter Co.) $2,587,500
Tenney Engineering, Inc._____Debentures
(Milton D. Blauner & Co., Inc.) $500,000
Tenney Engineering, Inc._____Common
(Milton D. Blauner & Co., Inc.) 25,000 shares
Valley National Bank_____Common
(Offering to stockholders—underwritten by William R. Staats & Co.) 101,933 shares

November 4 (Tuesday)
U. S. Polymeric Chemicals, Inc._____Common
(Offering to stockholders—underwritten by Dominick & Dominick) $289,135

November 5 (Wednesday)
Chemirad Corp._____Common
(Offering to stockholders of Cary Chemicals Inc.—underwritten by Lee Higginson Corp. and P. W. Brooks & Co., Inc.) $331,660

November 6 (Thursday)
Columbia Gas System, Inc._____Debentures
(Bids noon EST) $25,000,000
Indiana & Michigan Electric Co._____Bonds
(Bids 11 a.m. EST) $20,000,000

November 7 (Friday)
Hanna Mining Co._____Common
(Offering to stockholders—not underwritten) 313,038 shares
Natural Gas Pipeline Co. of America_____Bonds
(Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.) $30,000,000

November 10 (Monday)
Colonial Aircraft Corp._____Common
(Mallory Securities, Inc.) $259,869
Consolidated Foods Corp._____Common
(Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc.) 111,489 shares.
Tishman Realty & Construction Co., Inc._____Common
(Kuhn, Loeb & Co.) 100,000 shares

November 12 (Wednesday)
Illinois Central RR._____Equip. Trust Ctfs.
(Bids noon CST) $2,610,000

November 13 (Thursday)
Norfolk & Western Ry._____Equip. Trust Ctfs.
(Bids to be received) $5,310,000

November 14 (Friday)
Bankers Management Corp._____Common
(McDonald, Holman & Co., Inc.) $400,000

November 17 (Monday)
Electronics Communications, Inc._____Common
(Laird & Co., Corp) 100,000 shares

November 18 (Tuesday)
Arvida Corp._____Class A Common
(Carl M. Loeb, Rhoades & Co. and Dominick & Dominick) $27,500,000
G-L Electronics Co., Inc._____Common
(Woodcock, Hess, Moyer & Co., Inc.; Stroud & Co., Inc.; and Butcher & Sherrerd) 75,000 shares
General Public Service Co._____Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) $2,478,264
Heli-Coil Corp._____Debentures
(W. C. Langley & Co.) $1,300,000
Heli-Coil Corp._____Common
(W. C. Langley & Co.) 180,000 shares
Pacific Telephone & Telegraph Co._____Debentures
(Bids to be invited) $80,000,000
State Loan & Finance Corp._____Debentures
(Johnston, Lemon & Co. and Eastman Dillon, Union Securities & Co.) $10,000,000

November 24 (Monday)
Kentucky Utilities Co._____Common
(Offering to stockholders—underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Son) 206,446 shares

November 25 (Tuesday)
Chicago & North Western Ry._____Equip. Trust Ctfs.
(Bids to be invited) $1,875,000
Tucson Gas, Electric Light & Power Co._____Common
(Offering to stockholders—underwritten by Blyth & Co., Inc. and The First Boston Corp.) 110,000 shares

December 2 (Tuesday)
Pacific Gas & Electric Co._____Bonds
(Bids to be invited) $50,000,000
Public Service Electric & Gas Co._____Common
(May be Merrill Lynch, Pierce, Fenner & Smith) 700,000 shares
T. I. M. E., Inc._____Common
(Blyth & Co., Inc.) 260,000 shares

December 9 (Tuesday)
Southern Bell Telephone & Telegraph Co._____Debens.
(Bids to be received) $70,000,000

December 10 (Wednesday)
Philadelphia Electric Co._____Bonds
(Bids to be invited) $50,000,000

December 16 (Tuesday)
Texas Power & Light Co._____Bonds
(Bids to be invited) $12,500,000

December 18 (Thursday)
Norfolk & Western Ry._____Equip. Trust Ctfs.
(Bids to be received) $6,450,000

Postponed Financing

Consumers Power Co._____Preferred
(Morgan Stanley & Co.) $15,000,000
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
Panama (Republic of)_____Bonds
(Lehman Brothers) $16,700,000
Pennsylvania Power Co._____Bonds
(Bids to be invited) $8,000,000
Southwestern Bell Telephone Co._____Debentures
(Bids to be invited) $110,000,000
Utah Power & Light Co._____Bonds
(Bids to be invited) $20,000,000

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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.

Investment Corp. of Florida
Oct. 9 (letter of notification) 55,555 shares of common stock (par two cents). **Price**—$4.50 per share. **Proceeds**—For capital account and paid-in surplus. **Office**—Atlantic Federal Building, 1750 E. Sunrise Boulevard, Ft. Lauderdale, Fla. **Underwriter**—None.

Itek Corp.
Sept. 15 (letter of notification) 9,340 shares of common stock (par $1) to be offered for subscription by common stockholders on basis of one share for each 12 shares held. Unsubscribed shares to be sold to certain stockholders. The offering will be made sometime in October. **Price**—$30 per share. **Proceeds** — For working capital and acquisition of a plant site. **Office**—1605 Trapelo Rd., Waltham, Mass. **Underwriter**—None.

● **Kentucky Jockey Club, Inc. (11/3-7)**
Sept. 26 filed $2,300,000 of 6% first mortgage bonds due 1972, and 230,000 shares of common stock (par $1) to be offered in units of $100 of bonds and 10 common shares (5 of which will not be separately transferable from the bonds to which they pertain prior to Dec. 1, 1959). **Price**—To be supplied by amendment (reported to be about $112.50 per unit). **Proceeds** — For completion of the Latonia plant, and for general corporate purposes. **Underwriters** — The Kentucky Co., Louisville, Ky., and Scherck, Richter Co., St. Louis, Mo.

★ **Kern County Land Co.**
Oct. 24 filed $100,000 of Interests of Members in the company's Employee Investment and Profit-Sharing Plan, together with 4,000 shares of common stock, being the estimated maximum number of presently outstanding shares which may be purchased under the plan. Memberships in the plan are to be offered to eligible employees of Kern County Land Co., Kern County Canal & Water Co., Victoria Land & Cattle Co. and Bequillas Cattle Co.

★ **Keystone Custodian Funds, Inc.**
Oct. 27 filed (by amendment) an additional 1,000,000 shares of Keystone Custodian Fund Certificates of Participation, series K-1 (par $1). **Price**—At market. **Proceeds**—For investment.

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.

★ **Libbey-Owens-Ford Glass Co.**
Oct. 24 filed 21,858 shares of common stock (par $10) for sale to employees holding series N options granted pursuant to the company's Employee Stock Option Plan.

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.

★ **Ling Electronics, Inc.**
Oct. 28 filed $922,500 of 5¾% subordinated convertible debentures due Dec. 1, 1970, to be offered in exchange on the basis of equal principal amounts for the outstanding 3% convertible subordinated income notes due 1967 of the Calidyne Co., Inc., a subsidiary. The company will offer to purchase at face value Calidyne notes from those stockholders who desire to sell their notes for cash, at a price equal to 100% of their principal amount.

Long Island Casualty Insurance Co.
Sept. 29 filed 100,000 shares of capital stock (par $2.50) to be offered for subscription by holders of the company's presently outstanding 55,975 shares. **Price**—$6 per share. **Proceeds**—To be added to capital funds. **Office**—Garden City, L. I., N. Y. **Underwriter**—None.

Los Angeles Drug Co.
Oct. 3 filed 50,000 shares of capital stock, to be offered for subscription by holders of outstanding stock, on a pro rata basis. Any shares not so sold will be offered on an exchange basis to holders of outstanding 5% sinking fund debentures. **Price**—$10.50 per share to stockholders; $11.50 to public. **Proceeds**—$328,300 to redeem outstanding 5% sinking fund debentures and $189,200 to reduce short term bank loans. **Office**—Los Angeles, Calif. **Underwriter**—Quincy Cass Associates, Los Angeles, Calif.

LuHoc Mining Corp.
Sept. 29 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds** — For the acquisition of properties under option and for various geological expenses, test drilling, purchase of equipment, and other similar purposes. **Offices**—Wilmington, Del., and Emporium, Pa. **Underwriter**—None.

M. C. A. Credit Co., Inc., Miami, Fla.
Oct. 6 filed 100,000 shares of common stock. **Price**—$5 per share. **Proceeds**—To reduce current indebtedness to Walter E. Heller & Co. **Underwriter**—Plymouth Bond & Share Corp., Miami, Fla.

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.

★ **Mercantile Acceptance Corp.**
Oct. 14 (letter of notification) $29,000 of 12-year 5½% capital debentures. **Price**—90% of face amount. **Proceeds** — For working capital. **Office** — 333 Montgomery St., San Francisco, Calif. **Underwriter**—None.

Merchants Petroleum Co.
Oct. 8 (letter of notification) 159,395 shares of common stock (par 25 cents) to be offered for subscription by stockholders of record Oct. 15, 1958 on the basis of one new share for each five shares held; rights to expire Dec. 15, 1958. Unsubscribed shares may be offered to one or more persons selected by the board of directors. **Price**—$1.40 per share. **Proceeds**—To reduce bank loan; to increase working capital and for general corporate purposes. **Office**—617 W. 7th Street, Los Angeles, Calif. **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. Stop order proceedings instituted by SEC on Oct. 6.

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. **Offering**—Expected this Fall.

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.

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.

Natural Gas Pipeline Co. of America (11/7)
Oct. 16 filed $30,000,000 of first mortgage pipeline bonds, due Nov. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, incurred for the company's expansion program. **Underwriters**—Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif.

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.

★ **Northeast Telecommunications, Inc.**
Oct. 20 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To complete a two-way telecommunication mobile unit; for test equipment and for working capital. **Office**—122 E. 42nd St., New York, N. Y. **Underwriters** — Pearson, Murphy & Co., Inc. and Reilly, Hoffman & Co., Inc., both of New York.

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.

★ **Northeast Investors Trust, Boston, Mass.**
Oct. 27 filed (by amendment) an additional 100,000 shares of beneficial interest (par $1). **Price** — At market. **Proceeds**—For investment.

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., 11 Flamingo Plaza, Hialeah, Fla.

★ **Oil Shale Corp., Beverly Hills, Calif.**
Oct. 24 filed (1) 593,920 shares of common stock to be issued upon exercise of stock purchase warrants evidencing options to purchase common shares, which warrants are exercisable at 88 cents per share (estimated proceeds, $522,650); (2) 297,177 shares, to be offered to holders of outstanding 5½% convertible debentures due Oct. 31, 1964 at the conversion price of 66⅔ cents per share (no cash proceeds to the company); (3) 351,363 common shares, issuable upon conversion of outstanding 4½% convertible debentures at the conversion price of $2 per share (no cash proceeds to the company); (4) $59,155 of 4½% convertible debentures to be offered to certain stockholders of the company of record May 23, 1958, which were not held on that date by persons who were stockholders on March 16, 1957 and which were not "eligible shares" in connection with an offer made to stockholders in May, 1958; (5) 29,577 common shares into which the latter debentures are convertible; and 25,000 common shares, to be issued to Linden & Co. **Proceeds**—For general corporate purposes, including payments to Denver Research Institute, for the testing of the company's process for the production of shale oil. **Underwriter**—None.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

★ **Pacific Telephone & Telegraph Co. (11/18)**
Oct. 24 filed $80,000,000 of 32-year debentures due Nov. 1, 1990. **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent. **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.**
Oct. 24 filed 1,594,604 shares of common stock to be offered for subscription by holders of outstanding common and preferred 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 from American Telephone & Telegraph Co. **Underwriter**—None. **Control**—Of the 832,000 shares of 6% preferred stock (par $100) and 11,936,835 shares of common stock (par $100) outstanding as of Oct. 24, 1958, there were owned by the American Telephone & Telegraph Co. 640,957 preferred shares and 10,790,943 common shares.

● **Panama (Republic of)**
Oct. 9 filed $16,700,000 of external secured bonds of 1958 to mature April 1, 1988. **Price** — To be supplied by amendment. **Proceeds** — To retire certain outstanding debt and for Panama's feeder road program. **Underwriter**—Lehman Brothers, New York. **Offering**—Temporarily postponed.

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.

Peninsular Metal Products Corp.
Oct. 6 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (not to exceed an aggregate of $100,000). **Proceeds**—To a selling stockholder. **Office**—1365 Jarvis, Ferndale, Mich. **Underwriter**—Wm. C. Roney & Co., Detroit, Mich.

Penn-Texas Corp.
Sept. 25 filed 1,488,438 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each three shares held as of Oct. 15, 1958; rights to expire on Oct. 31, 1958. **Price**—$5 per share. **Proceeds**—To be used to buy from Robert H. Morse, Sr., 297,231 common shares of Fairbanks, Morse & Co. **Underwriter**—Bear, Stearns & Co., New York.

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.

★ Perkin-Elmer Corp.
Oct. 22 (letter of notification) 8,115 shares of common stock (par $1) to be offered to employees pursuant to Employee Stock Purchase Plan, through payroll deductions. **Price**—$20.19 per share. **Proceeds**—For working capital. **Office** — Main Ave., Norwalk, Conn. **Underwriter**—None.

● Plainview Country Club, Inc. (10/31-11/4)
Sept. 29 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire land and for construction of swimming pools and lockers and other uses. **Office**—Plainview, Long Island, New York. **Underwriter**—Sano & Co., New York, N. Y.

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.

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. **Offering**—Expected late this year.

● Relur Corp.
Oct. 16 (letter of notification) 150,000 shares of common stock (par five cents). **Price** — $2 per sare. **Proceeds** — For inventories and working capital. **Office**—1007 South 21st Avenue, Hollywood, Fla. **Underwriter**—Name to be supplied by amendment.

Remo Corp., Orlando, Fla.
Sept. 22 filed 100,000 shares of class A common stock. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter** — Citrus Securities Co., Orlando, Fla.

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.

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.

★ Ross Mortgage & Investment Co., Inc.
Oct. 16 (letter of notification) $218,525 repurchase guarantee agreements with mortgage or deed of trust notes. **Proceeds**—For general funds of the company to be used for continued purchase and sale of real estate and mortgage and deed of trust notes. **Office**—Investment Bldg., 1511 K. St., N. W., Washington, D. C. **Underwriter**—None.

Routh Robbins Investment Corp.
Sept. 22 filed $1,000,000 of 10-year 6% cumulative convertible debentures and 99,998 shares of common stock. **Price**—Of debentures, at par (in units of $100 each) and of stock, $1 per share. **Proceeds** — For investments and working capital. **Office**—Alexandria, Va. **Underwriter**—None.

Rural Telephone Co., Knox, Pa.
Sept. 29 (letter of notification) 3,000 shares of common stock (par $10) to be offered to stockholders on the basis of one new share for each three shares held; rights will expire on Oct. 31, 1958. **Price**—$20 per share. **Proceeds**—For installation, construction and working capital. **Underwriter**—None.

Scientific-Atlanta, Inc.
Sept. 11 (letter of notification) 6,500 shares of common stock (par 50 cents) being offered for subscription by common stockholders of record Sept. 10, 1958 on the basis of one new share for each 20 shares held; rights to expire Nov. 14, 1958. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—2162 Piedmont Road, N. E., Atlanta 9, Ga. **Underwriter**—None.

Service Life Insurance Co.
Sept. 26 (letter of notification) 3,567 shares of common stock (par $1). **Price**—$18.75 per share. **Proceeds**—To go to a selling stockholder. **Office**—400 W. Vickery Blvd., Fort Worth, Tex. **Underwriter**—Kay & Co., Inc., Houston, Tex.

★ Sheraton Corp. of America
Oct. 24 filed $26,500,000 of 7½% capital income sinking fund debentures. The company proposes to offer $8,000,000 of the debentures in exchange for outstanding common shares and an additional $4,000,000 in exchange for outstanding 4¾% convertible debentures due March 1, 1967, and 5% debentures due March 1, 1967 (the terms of the exchange offers are to be supplied by amendment). An additional $1,000,000 of the new debentures are to be offered to company employees at an offering price equal to 95% of principal amount. The remaining $12,000,000 of debentures, plus any part of the $12,000,000 not taken pursuant to the exchange offers will be offered for public sale at 100% of principal amount. **Proceeds** — For general corporate purposes, including the financing of the cost of any acquisitions and new construction. **Underwriter**—Sheraton Securities Corp., Boston, Mass. on a best efforts basis.

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.

● Shop Rite Foods, Inc., Albuquerque, N. Mex.
Sept. 25 filed 35,383 shares of common stock (par $5) being offered for subscription by stockholders at the rate of one new share for each four shares held of record Oct. 21, 1958, rights to expire on Nov. 10. **Price**—$11.50 per share. **Proceeds**—For equipment, merchandise and general corporate purposes. **Underwriters**—First Southwest Co., Dallas, Texas; and Miner, Mee & Co., Albuquerque, New Mexico.

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.

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.

★ State Loan & Finance Corp., Washington, D. C. (11/18)
Oct. 27 filed $10,000,000 of sinking fund subordinated debentures due 1978, with 1958 series warrants to purchase class A common stock. **Price**—To be supplied by amendment. **Proceeds**—To redeem and retire all of the outstanding 5% 10-year sinking fund subordinated debentures, due April 1, 1960 and all of the outstanding 5% seven-year sinking fund subordinated debentures, due April 1, 1960; the balance will be added to the company's general funds to be used to reduce bank loans and short-term notes of the company. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; and Eastman Dillon, Union Securities & Co., New York.

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.

Super Food Services, Inc., Chicago, Ill.
Oct. 28 filed 110,000 shares of preferred stock, first series, and 110,000 warrants, first series, to purchase a like number of common shares to be offered in units of one preferred share and one warrant (warrants are exercisable at $2.50 per common share). **Price**—$20 per unit. **Proceeds**—To purchase outstanding shares of F. N. Johnson Co. **Underwriter**—W. H. Tegtmeyer & Co., Chicago, Ill. [In addition, the company is offering warrants to purchase 6,347 common shares to holders of class A capital stock, if converted to common shares on or before Dec. 31, 1958; and warrants to purchase 6,000 shares are being given to Central Illinois Securities Corp., which has subscribed to 25,000 of the units being offered. A total of 42,356 common shares are being offered to class A capital shareholders in exchange for said class A shares on a share for share basis.]

● Tenney Engineering, Inc., New York (11/3)
Oct. 2 filed 25,000 shares of common stock (par 10 cents) and $500,000 of 6% convertible subordinated debentures due Nov. 1, 1968. **Price**—To be supplied by amendment. **Proceeds** — To retire outstanding bank loans, to cancel notes and for general corporate purposes. **Underwriter**—Milton D. Blauner & Co., Inc., 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.

Tishman Realty & Construction Co., Inc. (11/10-14)
Oct. 17 filed 100,000 presently outstanding shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Kuhn, Loeb & Co., New York.

Trans Caribbean Airways, Inc. (N. Y.)
Oct. 6 filed $1,100,000 of 5½% convertible subordinated debentures, due Oct. 1, 1968. **Price**—100% of principal amount. **Proceeds**—To be added to the general funds of the company to replenish working capital expended in the acquisition of aircraft. **Underwriter**—None.

★ Trice Oil & Gas Co., Longview, Texas
Oct. 24 filed $4,400,000 of Participations in the company's 1959 Oil & Gas Exploration Programs 5901, 5902, 5903 and 5904, to be offered in minimum units of $5,000. **Proceeds**—To be used for acquisition and exploration of undeveloped oil and gas properties. **Underwriter**—None.

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.

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.

Union Finance Corp., Tampa, Fla.
Sept. 26 filed $500,000 of 6% 20-year sinking fund convertible capital debentures due Oct. 15, 1978. **Price** — 100% and accrued interest. **Proceeds**—To be added to the general funds of the company and initially used to reduce bank loans and short term notes. **Underwriter**—Beil & Hough, Inc., St. Petersburg, Fla. **Offering**—Expected this week.

● United Cities Gas Co.
Sept. 26 (letter of notification) 30,000 shares of 6% cumulative convertible preferred stock, 1958 series. **Price**—At par ($10 per share). **Proceeds**—To pay redemption price of outstanding preferred stock and for expansion and working capital. **Office** — Room 938, Merchandise Mart, Chicago 54, Ill. **Underwriter** — Eastman Dillon, Union Securities & Co., Inc., Chicago, Ill. **Offering**—Expected this week.

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 Merchants & Manufacturers, Inc., New York
Oct. 24 filed $500,000 of interests in the company's Employees Stock Purchase Plan for 1959, together with 75,000 common shares which may be issued under said plan. The registration statement also includes an additional 119,335 common shares, which may be optioned or are available for purchase on options issued heretofore under the company's' Executive Employees Restricted Stock Option Plan.

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. Polymeric Chemicals, Inc. (11/4)
Oct. 22 (letter of notification) 26,285 shares of common stock (par 50 cents) to be offered for subscription by stockholders of record Nov. 3, 1958 on the basis of four new shares for each 13 shares held; rights will expire on Nov. 24, 1958. **Price**—$11 per share. **Proceeds**—For equipment, bank loan and for working capital. **Office**—P. O. Box 546, Canal & Ludlow Sts., Stamford, Conn. **Underwriter**—Dominick & Dominick, New York.

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 (ex-

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pected 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. Bids will now be received on such day subsequent to Sept. 22, 1958 but not later than Nov. 25, 1958 as shall be designated by company.

● **Weingarten Markets Realty Co.**
Sept. 19 filed $1,600,000 of 6% sinking fund debentures, due Nov. 1, 1978, and 50,000 shares of common stock (par $1). The offering of the common stock is subject to the right of certain stockholders of record Oct. 20, 1958 to subscribe on or before Oct. 30, 1958 for a total of 7,042 shares at the rate of one new share for each four shares held. [Stockholders who have right to subscribe for remaining 42,958 shares have waived such right.] **Price**—100% and accrued interest for debentures and $8 per share for stock. **Proceeds**—To discharge bank loans and other indebtedness, and the balance will be used for further property acquisitions and development and other regular corporate purposes. **Underwriter** — Moroney, Beissner & Co., Houston, Texas. **Offering**—Made on Oct. 20.

Western Carolina Telephone Co.
June 6 filed 89,391 shares of common stock being offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held on Sept. 26; rights to expire on Oct. 31. **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 Statement effective Sept. 26.

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.

★ **Wilmington Country Club, Wilmington, Del.**
Oct. 27 filed $500,000 of debentures due 1991 (non interest bearing) and 800 shares of common stock (par $25) to be offered to members of this club and of Concord Ltd. **Price**—$375 per common share and $1,000 per debenture. **Proceeds** — To develop property and build certain facilities. **Underwriter**—None.

★ **World Wide Helicopters Ltd.**
Oct. 28 filed American depositary receipts for 212,158 shares of ordinary (common) stock (together with a like number of the shares). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Blair & Co., Incorporated, New York. **Office** — Nassau, Bahamas.

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.

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
Oct. 21 stockholders of record that date were given the right to subscribe on or before Nov. 14 for 30,000 shares of $100 par capital stock in the ratio of one new share for each eight shares held. **Price**—$225 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Morgan Stanley & Co., New York.

Chicago & North Western Ry. (10/30)
Bids will be received by the company at 400 West Madisin St., Chicago 6, Ill., up to noon (CDT) on Oct. 30 for the purchase from it of $1,875,000 equipment trust certificates, dated Oct. 15, 1958, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Chicago & North Western Ry. (11/25)**
Bids are expected to be received on Nov. 25 by the company for the purchase from it of $1,875,000 additional equipment trust certificates to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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.

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.

First City National Bank
Sept. 19 it was announced Bank plans to offer to its stockholders of record Oct. 2, 1958 the right to subscribe for 125,000 additional shares of capital stock (par $20) on the basis of one new share for each 10 shares held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Office**—931 Main St., Houston 1, Tex.

★ **First National Bank in Dallas, Texas (12/2)**
Oct. 27 it was announced stockholders will vote on Dec. 2 to approve a plan to offer 290,000 shares of additional common stock (par $10) to stockholders of record Dec. 2, 1958 on a one-for-eight basis. **Price**—$27 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Equitable Securities Corp., Dallas, Texas, and Merrill Lynch, Pierce, Fenner & Smith, Fort Worth, Texas.

★ **General Public Service Corp. (11/18)**
Oct. 28 the directors approved a proposal to file a registration statement with the SEC covering an offer of 2,478,264 additional shares of common stock for subscription to common stockholders of record on or about Nov. 18, 1958 on the basis of one new share for each two shares held (with an oversubscription privilege). **Underwriter**—Stone & Webster Securities Corp., New York.

● **Grace Line Inc. (10/31)**
Company plans to issue $9,000,000 of government insured bonds secured by first preferred ship mortgages on the new "Santa Paula." **Underwriters** — Merrill Lynch, Pierce, Fenner & Smith; Pane, Webber, Jackson & Curtis; Smith Barney & Co.; White, Weld & Co., and F. Eberstadt & Co., all of New York.

Great Atlantic & Pacific Tea Co.
Feb. 19 it was reported a secondary offering of common voting stock is expected this year. **Underwriters** — May include: Blyth & Co., Inc.; Lehman Brothers and Smith, Barney & Co.

Haverhill Gas Co.
Oct. 20 stockholders were to vote on proposal to increase authorized capital by an additional 12,285 shares of capital stock (par $10) which would be offered for subscription by stockholders on a pro rata basis, with an additional subscription privilege. Stockholders will also vote on authorizing issuance and sale of $900,000 5¼% first mortgage bonds, due Oct. 1, 1983. **Proceeds**—Together with other funds, will be used to pay bank debt, and for expansion purposes. **Underwriter** — Stone & Webster Securities Corp., New York.

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 November.

★ **Illinois Central RR. (11/12)**
Bids will be received by the company up to noon (CST) on Nov. 12 for the purchase from it of $2,610,000 equipment trust certificates maturing semi-annually from June 1, 1959 to Dec. 1, 1973, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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. The proposed sale was subsequently 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. (11/24)**
Oct. 27 it was reported that the company plans an offering of 206,446 additional shares of common stock (par $10) to stockholders of record about Nov. 21 on the basis of one new share for each 10 shares held; rights to expire on Dec. 8. **Underwriters**—Blyth & Co., Inc., New York and J. J. B. Hilliard & Son, Louisville, Ky.

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.

Lorillard (P.) Co.
Sept. 17 company announced it plans to offer its stockholders the right to subscribe for approximately 363,000 additional shares of common stock on the basis of one new share for each eight shares held. **Proceeds** — For general corporate purposes. **Underwriters** — Lehman Brothers and Smith, Barney & Co., both of New York. **Registration**—Expected about Nov. 5.

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.

Merchants Bank of New York
Oct. 14 stockholders approved, among other things, an offering of 6,000 shares of additional capital stock (par $12.50) to stockholders of record Oct. 15 on the basis of one new share for each eight shares held; rights to expire on Nov. 10. **Price**—$41 per share. **Proceeds**—To increase capital and surplus.

Michigan Bell Telephone Co.
Aug. 12 directors approved plans to sell $40,000,000 of 34-year debentures. **Proceeds**—To redeem a like amount of 4¾% debentures due November, 1992. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Had been tentatively scheduled to be received on Sept. 16, but on Aug. 26 it was voted to postpone this refunding program because of present market conditions.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Montana-Dakota Utilities Co.
March 24 it was announced the company plans to issue and sell an undetermined amount of first mortgage bonds (about $10,000,000) in the latter part of this year or in early 1959. **Proceeds** — To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering** — Postponed because of uncertain market conditions.

Narda Ultrasonics Corp., N. Y.
Sept. 8 it was reported that the company plans a registered secondary offering of 60,000 shares of common stock (par 10 cents). **Proceeds** — To selling stockholder. **Business**—Manufacture of ultrasonic equipment. **Control**—The company is controlled by Narda Microwave Corp., N. Y. **Underwriter**—To be named at a later date (may be Milton D. Blauner & Co. and Michael G. Kletz & Co.).

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. (11/13) (12/18)
Bids will be received this Fall by the company for the purchase from it of $11,760,000 equipment trust certificates due from 1-to-15 years, viz: 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 but on Sept. 12 it was stated that immediate financing will not be necessary. **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. (12/2)
Oct. 20 it was announced that the company plans the sale of $50,000,000 first refunding mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and The First Boston Corp. (jointly); Blyth & Co., Inc. **Bids**—Expected to be received on Dec. 2.

Philadelphia Electric Co. (12/10)
Oct. 21 it was announced that company plans early registration of $50,000,000 28-year bonds. **Proceeds**—To be used to finance construction program and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.; White, Weld & Co. **Bids**—Expected to be received on Dec. 10.

★ Polaroid Corp.
Oct. 27 corporation announced that directors are considering a proposed offering to common stockholders of an additional 173,616 shares of common stock at rate of one new share for each 21 shares held. **Proceeds**—For general corporate purposes. **Underwriter** — Kuhn, Loeb & Co., New York. **Registration**—Expected early in November.

Public Service Electric & Gas Co. (12/2)
Sept. 22 it was reported that the company plans offering 700,000 additional shares of common stock, and plans to apply to the State Public Utility Commission seeking exemption from competitive bidding. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Smith.

★ South Coast Corp.
Oct. 27 it was reported that the company is planning some long-term financing. **Proceeds** — To replace an interim loan obtained in connection with the purchase of properties from Gulf States Land & Industries, and to retire approximately $1,200,000 of first mortgage 4¼% bonds due 1960. **Underwriter** — May be Hornblower & Weeks, 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 Bell Telephone & Telegraph Co. (12/9)
Sept. 22 directors authorized the issuance of $70,000,000 of 35-year debentures to be dated Dec. 1, 1958. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received on or about Dec. 9. **Registration**—Expected in mid-November.

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.

★ Texas Power & Light Co. (12/16)
Oct. 20 it was reported that the company plans to issue and sell $12,500,000 of first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); White, Weld & Co.; Lehman Brothers. **Registration** — Tentatively planned for Nov. 21. **Bids**—Expected to be received on Dec. 16.

T. I. M. E. Inc. (12/2)
Oct. 27 it was reported that an offering of 260,000 shares of common stock is planned. **Business**—Trucking concern. **Underwriter**—Blyth & Co., Inc., New York and San Francisco, Calif.

★ Tucson Gas, Electric Light & Power Co. (11/25)
Oct. 29, J. R. Snider, President and Chairman of the Board, announced that the directors have authorized a rights offering of 110,000 shares of common stock to stockholders through subscription warrants on the basis of one share of common stock for each 10 shares held of record on or about Nov. 25, 1958. **Proceeds**—To be used for construction program. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp. [At the same time, an offering of not in excess of 11,000 shares of common stock will be made to employees of the company pursuant to an employees' instalment purchase plan.]

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, but this financing may be put off until June, 1959. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Shields & Co. (jointly); Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith.

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 November.

★ Upjohn Co., Kalamazoo, Mich.
Oct. 28 it was announced that a public offering of stock of this company will be made following reincorporation in State of Delaware and 25-for-1 stock split. **Proceeds**—To selling stockholders. **Underwriter**—Morgan Stanley & Co., New York.

● Valley National Bank, Phoenix, Ariz. (11/3)
Oct. 28 it was announced that stockholders will vote on Oct. 30 on a proposal to offer an additional 101,933 shares of common stock (par $5) for subscription by common stockholders at the rate of one new share for each 15 shares held of record Oct. 30, 1958; rights to expire on Nov. 21. **Price**—$35 per share. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

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.

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.

Worcester Gas Light Co.
Aug. 18 it was reported that the company plans the sale of $5,000,000 first mortgage bonds. **Proceeds**—For construction program. **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.

Our Reporter's Report

Things are looking somewhat better in the seasoned investment market at the moment and emphasis appears to be on the side of resistance for a change. True the market, including U. S. Government securities, suffers recurring periods of nervousness.

But the big difference at this time is found in the fact that these spells are less frequent and less severe than was the case a brief time back. In short, there appears to be underlying demand for securities which fit well into institutional portfolios.

And at the same time, it is noted that new issues coming to market are being accorded considerably better reception, what with prices and yields more to the liking of investment interests.

The market has taken the latest development in the field of money rates without a whimper. Presumably the latest move in marking up center bank rediscount rates to 2½% at several Federal Reserve banks has been recognized as little more than an adjustment of such rates to short-term money rates as a whole.

The spread between such rates is now about the accepted ¼ of 1% at the banks which marked up their charge to members for the privilege of borrowing. There has not been any disposition on the part of member banks to take advantage of the larger spread that had been in force, but the latest adjustment naturally will remove the temptation.

The Treasury's Task

Keen market observers are somewhat more sanguine just now about the forthcoming Treasury operations than they were a fortnight ago. It had been feared the raising of some $3 billion of new money, plus the refinancing of about $12 billion of maturing debts, might prove burdensome.

But on a recapitulation of factors involved, it develops that since the Federal Reserve System owns about $8 billion of the $12 billion maturing debt, the task of rolling over the balance will be eased accordingly.

Meanwhile it is felt that the raising of the new cash can likewise be handled without undue strain. The disposition now is to look for the money managers to try for a maturity of five to seven years on this operation.

Holiday Cuts Offerings

Presumably the Election Day holiday, on Tuesday, has served to cut into the roster of new corporate offerings on tap for next week. Only three issues of consequence are in the cards.

Largest of these is Natural Gas Pipeline Co. of America's $30 million of new bonds, due to reach market on Friday via the negotiated route.

Thursday, unless there is a change in present plans, will find Columbia Gas Systems opening bids for $25 million of debentures while Indiana & Michigan Electric Co. looks over banking tenders for its issue of $20 million of bonds.

Real Busy Day

Underwriting bankers and their distributor associates had a busy day yesterday what with some seven issues involving upward of $170 million reaching market.

And, it was observed, investor interest was of a nature to cheer the sponsoring groups, particularly where the issues had been worked up via negotiation between the company and its bankers.

Largest of the day's offerings, and a negotiated deal, was International Harvester Credit Corp.'s $50 million of 21-year, 4⅝%, series A debentures marketed at a price of 99½ for a yield of around 4.68%. This one was reported especially well spoken for in advance of the opening of the books.

Joins Thomson, McKinnon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James W. Fitzgerald has joined the staff of Thomson & McKinnon, 231 South La Salle Street. He was formerly with Paul H. Davis & Co.

Corlies & Booker to Admit

On Nov. 1, John Fraser Horn, member of the New York Stock Exchange, will become a partner in the Exchange member firm of Corlies & Booker, 11 Wall Street, New York City.

Joins Fulton Reid

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Betty J. Jackson has joined the staff of Fulton Reid & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Join R. J. Le Vesque

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Herbert H. Howey, Jr., Thomas J. James and Robert M. Kealhofer are now connected with Russell J. LeVesque & Associates, 321 South Beverly Drive.

Four With Columbine

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—George K. Bluh, Lloyd Dahnke, Jack P. Dusapin and Delray O. Petersen are now affiliated with Columbine Securities Corporation, 621 Seventeenth Street.

Join Ideal Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Rupert J. Hernandez and George L. Simons have joined the staff of Ideal Securities Company, 2185 Broadway.

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)	Nov. 2	§74.4	*75.1	70.4	79.7
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 2	§2,009,000	*2,026,000	1,901,000	2,041,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 17	6,892,585	6,873,785	7,087,085	6,746,815
Crude runs to stills—daily average (bbls.)	Oct. 17	¶7,613,000	7,723,000	7,604,000	7,861,000
Gasoline output (bbls.)	Oct. 17	25,991,000	27,636,000	28,010,000	27,736,000
Kerosene output (bbls.)	Oct. 17	2,452,000	2,262,000	2,001,000	1,794,000
Distillate fuel oil output (bbls.)	Oct. 17	12,704,000	12,292,000	12,310,000	12,101,000
Residual fuel oil output (bbls.)	Oct. 17	6,838,000	6,613,000	6,896,000	7,513,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 17	170,361,000	172,914,000	173,158,000	179,263,000
Kerosene (bbls.) at	Oct. 17	31,520,000	13,364,000	30,011,000	35,012,000
Distillate fuel oil (bbls.) at	Oct. 17	161,341,000	158,742,000	149,461,000	173,785,000
Residual fuel oil (bbls.) at	Oct. 17	68,020,000	68,996,000	68,893,000	58,823,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 18	695,768	686,138	667,277	726,812
Revenue freight received from connections (no. of cars)	Oct. 18	563,777	569,817	557,921	606,672
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 23	$251,425,000	$248,110,000	$370,670,000	$359,558,000
Private construction	Oct. 23	103,812,000	112,155,000	123,894,000	213,612,000
Public construction	Oct. 23	147,613,000	135,955,000	246,776,000	145,946,000
State and municipal	Oct. 23	120,849,000	119,197,000	216,180,000	129,548,000
Federal	Oct. 23	26,764,000	16,758,000	30,596,000	16,398,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 18	8,530,000	*8,715,000	8,425,000	9,862,000
Pennsylvania anthracite (tons)	Oct. 18	472,000	457,000	499,000	519,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 18	146	147	136	138
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 25	12,174,000	12,048,000	12,342,000	11,787,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 23	275	288	268	281
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 21	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Oct. 21	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Oct. 21	$42.83	$42.50	$43.17	$35.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 22	27.375c	27.300c	26.100c	26.400c
Export refinery at	Oct. 22	29.950c	28.975c	25.800c	22.375c
Lead (New York) at	Oct. 22	13.000c	13.000c	11.000c	13.500c
Lead (St. Louis) at	Oct. 22	12.800c	12.800c	10.800c	13.300c
‡Zinc (delivered) at	Oct. 22	11.500c	11.500c	10.500c	10.500c
Zinc (East St. Louis) at	Oct. 22	11.000c	11.000c	10.000c	10.000c
Aluminum (primary pig. 99%) at	Oct. 22	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Oct. 22	96.375c	96.125c	92.500c	91.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 28	88.11	87.94	88.46	86.25
Average corporate	Oct. 28	89.92	90.06	98.78	89.23
Aaa	Oct. 28	94.41	94.71	94.26	94.26
Aa	Oct. 28	93.08	93.08	92.64	91.91
A	Oct. 28	89.64	89.78	89.92	89.23
Baa	Oct. 28	83.40	83.53	83.15	82.15
Railroad Group	Oct. 28	87.99	88.13	88.27	87.72
Public Utilities Group	Oct. 28	89.78	89.64	89.37	88.81
Industrials Group	Oct. 28	92.35	92.64	92.06	91.05
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 28	3.60	3.62	3.57	3.72
Average corporate	Oct. 28	4.42	4.41	4.43	4.47
Aaa	Oct. 28	4.11	4.09	4.12	4.12
Aa	Oct. 28	4.20	4.20	4.23	4.28
A	Oct. 28	4.44	4.43	4.42	4.47
Baa	Oct. 28	4.91	4.90	4.93	5.01
Railroad Group	Oct. 28	4.56	4.55	4.54	4.58
Public Utilities Group	Oct. 28	4.43	4.44	4.46	4.50
Industrials Group	Oct. 28	4.25	4.23	4.27	4.34
MOODY'S COMMODITY INDEX	Oct. 28	389.4	390.2	392.5	384.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 18	283,024	296,458	260,256	254,914
Production (tons)	Oct. 18	314,445	308,795	311,174	308,059
Percentage of activity	Oct. 18	95	95	95	98
Unfilled orders (tons) at end of period	Oct. 18	433,785	466,878	446,577	467,232
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 24	108.60	108.69	108.69	109.66
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 4	2,535,860	2,469,550	1,509,410	1,079,850
Short sales	Oct. 4	564,930	493,150	293,390	250,190
Other sales	Oct. 4	2,077,360	1,913,470	1,201,980	860,450
Total sales	Oct. 4	2,642,290	2,406,620	1,495,370	1,110,640
Other transactions initiated on the floor—					
Total purchases	Oct. 4	765,790	675,880	398,530	202,890
Short sales	Oct. 4	38,300	64,000	43,100	42,400
Other sales	Oct. 4	661,200	622,190	346,400	202,490
Total sales	Oct. 4	699,500	686,190	389,500	244,890
Other transactions initiated off the floor—					
Total purchases	Oct. 4	872,145	786,759	517,270	345,490
Short sales	Oct. 4	167,950	129,770	83,860	59,750
Other sales	Oct. 4	922,007	875,004	575,570	367,950
Total sales	Oct. 4	1,089,957	1,004,774	659,430	427,700
Total round-lot transactions for account of members—					
Total purchases	Oct. 4	4,173,795	3,932,189	2,425,210	1,628,230
Short sales	Oct. 4	771,180	686,920	420,350	352,340
Other sales	Oct. 4	3,660,567	3,410,664	2,123,950	1,430,890
Total sales	Oct. 4	4,431,747	4,097,584	2,544,300	1,783,230
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	Oct. 4	1,604,009	1,530,617	1,024,107	1,169,208
Dollar value	Oct. 4	$76,923,218	$72,642,126	$46,827,523	$51,682,100
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 4	1,639,940	1,624,854	1,038,465	771,129
Customers' short sales	Oct. 4	6,105	6,252	5,334	10,159
Customers' other sales	Oct. 4	1,633,835	1,618,602	1,033,131	760,970
Dollar value	Oct. 4	$75,079,964	$75,586,968	$45,813,508	$34,748,451
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 4	546,710	543,880	336,310	153,070
Short sales	Oct. 4	------	------	------	------
Other sales	Oct. 4	546,710	543,880	336,310	153,070
Round-lot purchases by dealers—					
Number of shares	Oct. 4	505,310	445,170	325,190	545,380
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	Oct. 4	905,900	858,740	554,170	535,110
Other sales	Oct. 4	19,330,320	18,799,540	11,766,890	8,002,150
Total sales	Oct. 4	20,236,220	19,658,280	12,321,060	8,537,260
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 21	118.6	118.8	118.9	117.7
Farm products	Oct. 21	91.3	92.1	92.3	91.7
Processed foods	Oct. 21	109.9	110.1	111.4	105.0
Meats	Oct. 21	105.1	104.9	110.0	89.8
All commodities other than farm and foods	Oct. 21	126.0	126.1	126.0	125.6

*Revised figure. ¶Includes 835,000 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 September (in millions):			
Total new construction	$4,835	$4,803	$4,682
Private construction	3,229	3,215	3,185
Residential buildings (nonfarm)	1,742	1,718	1,611
New dwelling units	1,320	1,280	1,190
Additions and alterations	371	387	374
Nonhousekeeping	51	51	47
Nonresidential buildings	742	743	840
Industrial	174	179	293
Commercial	316	316	322
Office buildings and warehouses	168	169	173
Stores, restaurants, and garages	148	147	149
Other nonresidential buildings	252	248	225
Religious	80	79	81
Educational	53	52	48
Hospital and institutional	52	53	51
Social and recreational	43	42	29
Miscellaneous	24	22	16
Farm construction	162	175	159
Public utilities	565	562	556
Railroad	36	34	37
Telephone and telegraph	74	77	87
Other public utilities	455	451	432
All other private	18	17	19
Public construction	1,606	1,588	1,497
Residential buildings	73	71	52
Nonresidential buildings	425	422	416
Industrial	33	34	36
Educational	258	257	261
Hospital and institutional	35	34	30
Administrative and service	56	54	46
Other nonresidential buildings	43	43	43
Military facilities	125	120	138
Highways	685	675	607
Sewer and water systems	130	131	126
Sewer	79	79	76
Water	51	52	50
Public service enterprises	50	51	44
Conservation and development	102	103	103
All other public	16	15	11
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of August:			
New England	$22,667,711	$25,783,464	$33,990,357
Middle Atlantic	164,793,868	160,066,771	120,681,539
South Atlantic	39,559,602	64,178,226	43,205,835
East Central	122,034,982	123,215,009	122,054,015
South Central	110,880,048	118,323.349	79,381,380
West Central	40,918,850	37,250,830	42,129,864
Mountain	32,254,320	35,202,075	17,683,379
Pacific	118,482,908	160,215,945	104,331,109
Total United States	$651,592,289	$724,235,669	$563,457,478
New York City	103,987,432	104,770,856	72,289,031
Outside New York City	547,604,857	619,464,813	491,168,447
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD — Month of September (000's omitted):			
Total U. S. construction	$1,348,121	$1,621,675	$1,247,096
Private construction	409,106	721,439	644,028
Public construction	939,015	900,236	603,068
State and municipal	809,160	733,023	526,609
Federal	129,855	167,213	76,459
METAL OUTPUT (BUREAU OF MINES)—Month of June:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	130,943	130,498	145,608
Silver (in fine ounces)	2,835,681	2,809,287	3,220,216
Copper (in short tons)	68,618	78,391	90,132
Lead (in short tons)	22,637	24,225	27,271
Zinc (in short tons)	33,595	35,834	45,490
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of September:			
Total number of vehicles	179,585	230,046	341,407
Number of passenger cars	131,945	180,313	282,372
Number of motor trucks	47,425	49,478	58,820
Number of motor coaches	215	255	215
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of August (in billions):			
Total personal income	$355.6	$358.8	$352.1
Wage and salary receipts, total	238.4	*232.2	240.8
Commodity producing industries	97.4	97.1	103.1
Distributing industries	63.6	63.5	64.0
Service industries	33.8	33.7	32.9
Government	43.6	48.0	40.6
Other labor income	9.1	9.0	9.1
Proprietors and rental income	56.4	56.3	31.8
Personal interest income and dividends	31.9	*31.8	31.8
Total transfer payments	26.7	26.5	21.5
Less employees' contribution for special insurance	6.8	7.0	6.7
Total nonagricultural income	338.9	*342.0	336.6
PORTLAND CEMENT (BUREAU OF MINES)—Month of August:			
Production (barrels)	31,675,000	29,833,000	31,406,000
Shipments from mills (barrels)	34,189,000	32,281,000	35,365,000
Stocks (at end of month—barrels)	27,889,000	30,647,000	20,018,000
Capacity used (per cent)	95	90	104
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of August:			
Total operating revenues	$834,789,583	$779,494,514	$931,117,006
Total operating expenses	629,886,592	627,385,091	702,265,956
Taxes	86,877,897	74,753,448	108,801,411
Net railway operating income before charges	93,036,746	51,639,492	66,434,686
Net income after charges (estimated)	77,000,000	34,000,000	80,000,000
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of August:			
Passenger Tires (Number of)—			
Shipments	6,711,484	8,317,705	8,626,747
Production	6,752,679	6,367,899	7,800,709
Inventory	15,535,224	*15,500,667	16,348,234
Truck and Bus Tires (Number of)—			
Shipments	1,136,645	1,255,497	1,205,980
Production	1,008,884	919,921	1,116,750
Inventory	2,985,658	3,114,255	3,128,949
Tractor-Implement Tires (Number of)—			
Shipments	266,113	274,947	244,209
Production	279,907	275,961	246,099
Inventory	663,123	652,631	640,504
Passenger Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,331,264	3,465,795	3,682,817
Production	3,305,328	2,889,695	3,134,192
Inventory	7,664,168	7,680,282	5,965,804
Tread Rubber (Camelback)—			
Shipments (pounds)	41,622,000	39,154,000	44,456,000
Production (pounds)	43,621,000	*38,569,000	41,055,000
Inventory (pounds)	31,988,000	*30,372,000	25,115,000
ZINC OXIDE (BUREAU OF MINES) — Month of August:			
Production (short tons)	14,427	13,043	15,442
Shipments (short tons)	14,038	14,830	15,389
Stocks at end of month (short tons)	21,606	21,217	28,727

Railroad Securities

Dividends and Merger Prospects

The past few weeks have seen some interesting developments in the declarations of dividends by railroads. Probably one of the most important actions taken was that by the Pennsylvania Railroad. This road preserved its unbroken record of having paid a dividend for each year since 1848, or 111 years. This is the longest dividend paying record of any company listed on the New York Stock Exchange.

It is interesting to note the comment made with the official announcement of the declaration. It was stated that many depend on the income from this source and have held the stock over a number of years. This is particularly true of holders along the line of the railroad. Many have been stockholders for years and in fact the stock has been held within a "family" and passed on from generation to generation. This payment was declared even though earnings for the full year probably will not be sufficient to cover the payment. Indications are that for the full year the road will show only a small net income on the common stock.

It was pointed out, however, that the road continues its program of debt retirement, despite deficits during most of the months this year. For the full year, total amount of debt to be retired is expected to approximate some $29,000,000. Even with low earnings, Pennsylvania is likely to continue its debt reduction program. In the long run, this will be of benefit to the stockholders.

On the other hand New York Central, second only to the Pennsylvania, is not expected to pay any dividends this year. Earnings have been down sharply and the cash position at the present time does not seem to justify any dividend payment. This brings into focus the current talks between the two roads of a possible merger. It is thought in financial circles that there is a strong possibility of some coordination of duplicate facilities but not of a financial consolidation due to the difference of earning power and financial condition. Further moves in the direction of eliminating facilities such as recently announced for New York Harbor, are anticipated. This could result in substantial savings in a number of the major cities served by both roads. It is agreed that terminal costs, especially for the Eastern carriers, is a heavy burden on earnings because of switching and handling of traffic. Coordination of activities would go a long way in bringing down operating costs, particularly in view of the increase in wages of seven cents an hour scheduled for Nov. 1.

Another declaration of great interest was the action by the Board of Directors of the Northern Pacific in making a 20% stock dividend, subject to Interstate Commerce Commission approval, plus the regular quarterly dividend. This could have the significance of bringing closer the merger of Northern Pacific and Great Northern which has been under consideration for some time. With a larger number of shares outstanding, Northern Pacific would be in a better position on an exchange of stock for a new company, without having to demand more than one share for each share of any new proposed company. In this manner, its stockholders would be in a better position to capitalize on its large land holding with its production of oil and natural gas. As a counter, of course, Great Northern has the better operating results. In any event, it appears that the roads will be on a better basis to consolidate some of the operations, which in railroad circles, it is thought, will further improve the operating efficiency of the Great Northern.

The Pennsylvania-New York Central and Northern Pacific-Great Northern situations are being closely watched in financial as well as railroad circles as a probable indication of future rail mergers, many of which now are under consideration. One big question which is not shown on the surface in negotiations, and which might come as a block, is which management and company will come up as the control.

Walston Miami Branch

MIAMI, Fla. — Walston & Co., Inc. has opened a branch office at 245 Southeast First Street, under the management of F. X. James O'Brien.

V. L. Norwood to Admit

V. Lee Norwood & Co., 20 Exchange Place, New York City, members of the New York Stock Exchange, on Nov. 17 will admit Walter V. Cook to partnership.

Joins Liberty Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John F. Peverley has become connected with Liberty Investment Company, 511 16th Street.

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BRADENTON, Fla.—Donald W. Heaton has become affiliated with Goodbody & Co., 419 12th Street, West.

Goodbody Adds to Staff

ST. PETERSBURG, Fla.—William R. Chase is now affiliated with Goodbody & Co., 218 Beach Drive, North.

Robert L. Ferman Adds

MIAMI, Fla.—Jack Buchsbaum has become connected with Robert L. Ferman & Company, Ainsley Building.

With Deringer & Stautz

(Special to THE FINANCIAL CHRONICLE)

CLEARWATER, Fla. — Francis J. Battles is now with Deringer & Stautz, Inc., 1442 Gulf-to-Bay Boulevard.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — It probably will take several more years of "education," and a greater threat to the free enterprise system, to get businessmen to start politicking at the precinct level, but a step is being made in that direction in the Nov. 4 general election. Many people representing business and management are working for the first time.

However, the number from a percentage standpoint is negligible. Yet, more and more are trying to elect the best qualified candidate, regardless of the political label he may be wearing.

Labor leaders are maintaining that labor is supporting candidates of both major parties. That is certainly correct as far as it goes, but the facts are labor is probably supporting 200 Democratic members of the House, while the number of Republican candidates probably could be counted on two hands, if not one.

Business and management are discovering belatedly that they are suffering because of their failure in the past to get out, roll up their sleeves and do a little doorbell ringing of their own. There are many people in this country unsold on the profit system.

Licking for GOP?

Right or wrong, there appears to be no doubt that a great majority of the "experts" are convinced that the Republicans are going to take a licking Nov. 4. For instance the predictions are that the Democrats will capture a majority of from 8 to 12 Senate seats, and up to as many as 40 seats in the House.

Perhaps the paramount question of the hour is: What kind of Democrats and what kind of Republicans are going to fill the Governorship seats and the Senate and House seats in Washington and the various state Legislatures.

Not All Alike

There are Democrats who are miles apart from each other in their political philosophy, just as there is a wide chasm in the Republican ranks. For instance, Senator Harry F. Byrd of Virginia and Senator Hubert H. Humphrey of Minnesota wear the Democratic label and sit on the same side of the aisle, but they have little in common in their political philosophy. In the Republican camp, for instance, Senator Jacob K. Javits of New York is as far removed from Senator George W. Malone of Nevada as the East is from the West.

For all practical purposes Senator Humphrey and Senator Javits belong in the same political camp, just as Senator Byrd and Senator Malone should belong to the same party.

Boiled down to the hard, cold facts is a great need for realignment of the two major parties. How that can be done with success, is an unanswered question.

Treasury's Headaches

Traditionally, the Democrats are the free spenders in Congress. The records of the last Congress which they controlled help to support that argument but they had a great amount of Republican support. It is because of the big spending, that the Treasury Department is just full of headaches these autumn days. The Department is fighting to keep money in the Treasury to pay the bills of Uncle Sam. At this time of year, not too much tax flows into the Treasury.

For this reason, the Treasury officials have been working overtime in preparation of the big refunding and new financing operations that are coming up.

The Democrats — many of them are New Dealers and a good many of them are of the Senator Byrd and Senator Richard B. Russell-type—probably will continue control of Congress, with bigger working majorities than they had before. But it will not be easy sailing for them. The party is badly divided on the national level, and the breach may widen.

Northern Wing Controls

The Southern Democrats and the Republicans are probably closer together in Congress than the Southern Democrats and the Democrats (Northern Wing). From a national standpoint, the Northern Democrats are completely in control and will name the next party nominees for President and Vice-President.

Paul Butler, Chairman of the Democratic National Committee, who comes from Indiana, in his speeches and statements, speaks only for Northern wing of the party, although theoretically he is supposed to be talking for the whole party.

Even before the Nov. 4 general election, when interest is keen over the big stakes from New York to California, the question arises in the Nation's Capital: Will there be a "third party" in the 1960 Presidential election? No one can say at this time whether there will be a third party with any substantial following, or whether there will be any third party movement? It is entirely too early.

"Sleeper" State

There are a whole series of important Republican questions immediately at stake. One is will the Republicans lose their traditional state of Vermont to the Democrats next week. Some Democrats, and Chairman Butler in particular, believe that the Green Mountain State will be the "sleeper" state for the party of Jefferson and Jackson.

If the Republicans take a sound licking, perhaps the big Republican story that will emerge from it will be the fact that for all practical purposes hard-hitting Vice-President Richard M. Nixon will become the spokesman for the Republican party.

Mr. Nixon, who is not afraid to speak out, is probably responsible for President Eisenhower taking the stump and lashing out at "radical" Democrats in the closing days of this campaign. It has been Mr. Nixon who has sparked the Republicans, and it is going to be the Vice-President that Republicans everywhere will be looking to for guidance.

The higherups in the Democratic party do not like the Vice-President. One reason is that Mr. Nixon has hurt the Democrats, not only in the current campaign, but in past campaigns.

Nixon to Lead

Even if Nelson B. Rockefeller should win the New York governorship, or William F. Knowland should capture the California governorship, Mr. Nixon will be the quarterback for the Republicans until the 1960 Republican National Convention. President Eisenhower will have substantial influence, of course, but from here on out he is a "lame duck" chief executive.

He will probably have a role in naming the Republican nominee. Although he probably will say over and over again that it will be up to the delegates to the convention to decide whom they want for their candidate for President, Mr. Eisenhower's personal choice, while he would not say so publicly, is Mr. Nixon.

Between now and 1960 apparently the most important domestic issues facing Congress and the country are uncontrolled labor monopoly, deficit spending and perhaps inflation.

Meantime, Philip M. Talbot, Chairman of tthe Board of the Chamber of Commerce of the United States, and some other business men are concurring publicly in Vice-President Nixon's recent speech when he told business men:

"You achieve nothing by standing on the sidelines wringing your hands and wondering why someone doesn't do something about a problem that directly affects you. Nowadays, almost every problem of government affects you."

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"I can't understand the drop in this stock—my hairdresser assured me it was going up!"

Business Man's Bookshelf

Airline Traffic and Financial Data — Quarterly Review — Air Transport Association of America, 1000 Connecticut Avenue, N. W., Washington 6, D. C. (paper).

Bank Credits and Acceptances—Fourth Edition—Wilbert Ward and Henry Harfield — The Ronald Press Company, 15 East 26th Street, New York 10, N. Y. (cloth), $7.00.

Compendium of Public Employment — U. S. Department of Commerce, Bureau of the Census—U. S. Government Printing Office, Washington 25, D. C., $5.

Defense We Can Afford—James F. Brownlee—Committee for Economic Development 711 Fifth Avenue, New York 22, N. Y. (paper), 50¢.

Digest of Distinguished Resorts, 1958-1959 (including rates, services, etc.)—Robert F. Warner, Incorporated, 17 East 45th St., New York 17, N. Y. (paper).

Due Process on the Railroads—Revised Edition — Joseph Lazar —Institute of Industrial Relations, 100 Business Administration-Economics Building, University of California, Los Angeles 24, Calif., $1.25.

Finnish Economic Review—Kansallis-Osake-Pankki, Helsinki, Finland — paper — including articles on Development of Finland's Foreign Trade after the Devaluation; Butter as an Agricultural Problem in Finland; Bank Merger, etc.

French Economic and Technical Bulletin—Including articles on the French Pavilion at the Brussels World Exposition; Submarine Telephone Cable Marseilles-Algiers; and Vitality of the French Coal Mining Industry—Economic Section of the French Embassy in the U. S., 610 Fifth Avenue, New York 20, N. Y. (paper).

Journal of Political Economy, October, 1958, containing articles on Monetary Reforms and Monetary Equilibrium; Economies of Scale in Financial Enterprises; A Theory of Foreign-Exchange Speculation under a Floating Exchange System; Research Costs and Social Returns; Economic Analysis of Contributions under the Income Tax Laws; etc. — University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill., $1.75 (one year's subscription $6.00).

North Carolina—Survey of Industrial Development—North Carolina Department of Conservation and Development, Raleigh, N. C. (paper), on request.

Nuclear Energy Projects — Fact sheets on all major projects undertaken by power companies or groups of utilities—Electric Companies Public Information Program, 2 West 45th Street, New York 36, N. Y.—Available in quantities of 10 at $2.50 for 10.

Right to Work Laws: A Study in Conflict—Paul Sultan—Institute of Industrial Relations, University of California, Business Administration-Economics Bldg., Los Angeles 24, Calif., $1.75.

Russian Economic Threat — J. Walter Leason — Gregory & Sons, 72 Wall Street, New York 5, N. Y. (paper), $10.00.

Selection, Training and Compensation of Overseas Managers—Business International, 200 Fourth Avenue, New York 3, N. Y. (paper), $36.00.

This Is Japan 1959 — Lavishly illustrated annual on Japan containing articles, color photographs and black and white photographs on Japanese art, industry politics, etc., $6.50 per copy; in special cedarwood box, $7.25 — Asahi Shimbun, Tokyo, Japan — Foreign Subscription Agency: Japan Publications Trading Co., Ltd., Central P. O. Box 722, Tokyo, Japan.

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