ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 188 Number 5792 New York 7, N. Y., Thursday, November 6, 1958 Price 50 Cents a Copy

EDITORIAL

As We See It

The votes have all been cast and counted. The prophets of gloom who never tired of telling the public about the terrible things that would happen to the country were their opponents elected to office are no longer heard. Silent for the most part also are those campaign orators who painted glorious pictures of the future if only they and their party were entrusted with the management of governmental affairs. Time will tell whether either group had anything more than partisan enthusiasm to support their claims and counter-claims. There are, however, certain truths about the future of this country which are clear and demonstrable. Their validity does not stem from the elections now just completed, and is not damaged by the promises or threats of partisan politicians. These verities far transcend in importance what the politicians have been saying. The American people would be well advised to bear them carefully and continuously in mind.

We may, for example, be quite confident that a relatively small minority of the people of this country will always possess the energy, the drive, the ingenuity, and the ambition to achieve mightily, as their counterparts in the past did—provided, of course, that the natural incentives which drive them on are not in too large a degree taken away. It has always been these less numerous individuals who have got the work of the country's business done. The cooperation of the great rank and file was essential, of course, but it was the minority of exceptional individuals

Continued on page 22

Achieving Difficult Goal of Prosperity Without Inflation

By ARTHUR F. BURNS*

Professor of Economics at Columbia University
President of the National Bureau of Economic Research
Former Chairman, Council of Economic Advisers

Distinguished economists' economist fears the momentum of creeping inflation may accelerate into galloping inflation so long as an increasing number of Americans believe in the inevitableness of long run inflation, and we avoid multi-frontally attacking inflation as we have attacked recessions. Noting the growth of money-substitutes and non-banking financial intermediaries beyond monetary control, unique behavior of prices and wages during recessions, and scale and political character of Federal spending and financing, Dr. Burns advocates making price stability a national objective, via an amendment to the Employment Act of 1946.

The recession, from which our economy is now recovering, is a convenient point to begin an examination of our future prospects. The improvement in the economic situation has many lessons for us. One that is particularly important is that economic recovery has resulted from the constructive actions of many groups in our economy, not only from the policies and measures pursued by the Federal Government.

Dr. Arthur F. Burns

Business firms made a determined effort to reduce waste and inefficiency in their operations. They sought customers energetically. They also maintained the flow of dividends to their stockholders at a practically unchanged rate in spite of the sharp reduction in profits. State and local governments played their part by continuing with the long-range programs of improvement for their communities. Many trade

Continued on page 27

*An address by Dr. Burns before the 14th American Assembly on United States Monetary Policy, Arden House, Harriman, N. Y., Oct. 18, 1958.

Upsurging Bull Market and The Economic Outlook

By EDWIN G. NOURSE*

Former Chairman, Council of Economic Advisers
Economic Consultant, Washington, D. C.

Dr. Nourse disagrees with expectations of a pronounced upturn in fourth quarter of 1958 and an accelerating boom in 1959. Analyzing 1946-57 boom, author finds no basis for current upsurging bull market's acceptance of the argument that the present high and even yet higher stock prices will be justified by greatly expanded profits over the next 12 to 18 months. Explains why he expects 1959 will be a year of good prosperity rather than a fabulous boom; and warns that to invite forced-draft prosperity all the time—or chronic boom—invites destructive depression rather than beneficially mild, corrective recessions.

The country has just been experiencing some kind of cyclical swing from the boom of 1955-56 to the recession of 1957-58. That recession was only moderately greater than those of 1949 and 1953 and has been as promptly "contained." We are now some eight weeks away from Labor Day, which is the traditional starting point for the fall upturn of business. This is the very moment when we should be able to read the signs and portents that presage a glowing or a disappointing fourth quarter boom, stable prosperity, or something else in 1959. But the evidence is so confused or contradictory that the admitted "experts" stand hesitant or in articulate disagreement.

Edwin G. Nourse

Three riddles are wrapped in the enigma of 1959 business for the United States. (a) Are we going to bounce back to a 6.5 million-car automobile market or settle toward a trend line at 5-something? (b) Will the

Continued on page 33

*An address by Dr. Nourse before the 8th Annual Management Conference, Michigan State University, Oct. 18, 1958.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities area fforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

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

Arkansas Louisiana Gas Co.—Albert H. Deuble, President, Yorkville Exchange Co., New York City. (Page 2)

Gardner-Denver Company — William J. Lawlor, Jr., General Partner, Hornblower & Weeks, Chicago, Ill. (Page2)

ALBERT H. DEUBLE
President: Yorkville Exchange Co., Inc., New York City
Members of N. A. S. D.

Arkansas Louisiana Gas

We like to write today about a hybrid! This mongrel is half utility and half industry. **Arkansas Louisiana Gas** is, by no means, an original "Security which I like best." More qualified analysts have spoken and written about it. But a different version about something good can do no harm. Every cook knows there are many different ways to bake a cake or prepare a good dish. Let us hope that we also can give new flavor or color to an old idea.

Albert H. Deuble

Arkansas Louisiana Gas (low of the year 26, high 39¾, at present around 39) listed on the American Stock Exchange, derives almost half of its earnings from utility operations. It is a completely integrated natural gas unit serving a population of about 1,000,000 in 174 communities in Arkansas, northern Louisiana, and east Texas. The business acumen of the management is best proven by a little stunt which turned out, as expected, to be a good deal and fine publicity. Poorly illuminated sections of Little Rock were offered free gas installations. In the near future there will be about 50,000 gas lamps in operation which burn 24 hours a day due to the cheapness of the fuel. The city pays only for the gas. This shows that electricity does not always have to be the winner. Earnings from utility operations in 1958 are estimated at about $1.30 a share. In due time the company might earn from this source alone between $2.40 and $2.70 a share. This could lead to rate problems but it must be emphasized that the rates of ARKLA are among the lowest in the whole country.

But the better half of the profits are now derived from industrial endeavors. It is important that the Arkansas Public Service Commission does not consider these earnings in its valuations which is of considerable help to this growing, prosperous organization. The industrial subsidiaries are not a hodge podge, put together without rhyme or reason. Every one of these companies fits into the picture. We have for instance a cement plant operating with its own cheap natural gas, turning out 1,400,000 barrels a year and netting 30 cents a share. Another subsidiary, Pitts & Bryant, produces the required pipelines. ARKLA is the company which bought the air conditioning division of Servel, so bringing an additional 11 cents a share in the near future. A new chemical plant should earn at least 10% on the invested capital. We have a well organized homogeneous company which stays clear from unrelated activities. The industrial branch could show this year about $1.40 a share, making a grand total of $2.70. Conservative estimates for 1959 are around $3.30 a share.

In 1954 Arkansas Louisiana Gas was selling at 12 and making 43 cents a share. In that year the W. R. Stephens group bought control of the company from Cities Service. The past was bad and the present not any better. Service was poor, the public disliked the company. Only 4½% was earned on the invested capital. Today the figure is close to 12%. Chairman Stephens claimed in a speech to the New York Society of Security Analysts some time ago that the ever expanding oil and gas reserves were worth $200 million, or almost $44 a share. This shows real progress and growing strength.

The capitalization is simple: $42,500,000 long-term debt and about 4.6 million shares outstanding. The capital needs of this young growing company are substantial so that an increase in the present dividend of $1.20 a share is not in sight but the basis for future substantial handouts is here. This is only a question of time. In any case the stock could easily sell on 15 times earnings basis which might mean $50 a share in 1959. The big gas reserves give a certain inflation hedge and the record of new management is the best assurance that ARKLA will grow with the country as a whole and might even steal a march on some bigger competitors in its general territory. A company which can make gas lights popular in 1958 needs watching and deserves attention!

WILLIAM J. LAWLOR, JR.
General Partner Hornblower & Weeks
Chicago, Ill.
Members of the N. Y. Stock Exchange and other principal exchanges

Gardner-Denver Company

Although it operates in the supposedly cylical industrial machinery industry, Gardner-Denver Company has compiled an impressive record of consistent and growing earning power over a period of years. The company makes air compressors, rock drills, air tools and pumps. Last year 32% of dollar volume of these products was sold to makers or users of industrial equipment, 30% went into the construction field, 21% to the oil industry and 17% to the mining business.

William J. Lawlor, Jr.

A very long list could be recited showing the variety of applications of Gardner-Denver products. When you see streets being repaired or torn up for public utility, water or sewer work—in the building of skyscrapers, highways, dams, waterways — in mining activities of all kinds—you are likely to find Gardner-Denver air compressors and rock drills. In the oil industry, the company's huge pumps force mud into the oil well to lubricate the drill bit and remove cuttings from the hole. They are also used in well cementing and waterflooding. In mass production factories, "Airfeedrills" and other portable pneumatic tools of the Keller Division speed up production and reduce costs by drilling many holes at once, driving screws, setting nuts, etc., at high speed.

One of the most promising among the company's newer products is the line of "WireWrap" tools. They look like some special type of automatic pistol or Buck Rogers "space gun" and they perform solderless wire connections fast (about three seconds per connection), resulting in lower production and labor costs. Numerous actual and potential applications exist in the expanding electrical equipment and electronics industries. The electric computer field has interesting possibilities for this line.

The company was formed in 1927 by a merger of Gardner Governor Company, Quincy, Ill., and Denver Rock Drill Manufacturing Company, Denver, Colo. Gardner Governor goes back to 1859, and the Denver business to 1905. In 1955 Keller Tool Company, Grand Haven, Mich., maker of portable pneumatic tools, was acquired. Headquarters are at Quincy, Ill., with plants at Quincy; Denver; Grand Haven; La Grange; Missouri; Dallas, Texas; Reed City, Mich.; Woodstock, Ontario; Johannesburg, South Africa, and Rio de Janeiro, Brazil. Last year domestic and Canadian business accounted for 80% of sales and foreign 20%.

The June 30 balance sheet showed long-term debt of $14,299,000 (including $9,499,000 debentures convertible into common stock at 37⅛), $1,948,500 4% preferred stock and common stock equity of $37,955,859 (representing book value of $20.85 per share). Current assets were $45,593,485 and current liabilities $5,426,770, making working capital of $40,166,715 and a current ratio of more than 8 to 1.

But let's go back to the performance record mentioned at the outset. First, sales have increased faster than those of other leaders in the industry. In 1957, volume was 243% above the 1947-49 level well ahead of half a dozen best known names in the field. The company has reported a profit in every year since 1928 except 1932. Growth has accelerated in recent years. Net income (and, equally important, earnings per share) increased each year from 1948 to 1957, except for a slight dip in 1953. And each year from 1952 to 1957 saw a new high for the common stock on the New York Stock Exchange (adjusted for the 100% stock dividend in 1956).

The company's 98th annual report announced 1957 sales of $72.8 million and net income of $8.0 million ($4.41 per share common), both record figures. Note the 11.1% profit ratio after taxes (the third straight year it was over 10%). Net income represented earnings of 24.5% on the common stock book value at the start of the year. These are fine results for stockholders to contemplate.

As might be expected, the company experienced a decline in sales and profits for the first six months of 1958, earnings being reported as $1.20 compared with $2.20 for the first half of 1957. Recovery in the oil field, general industrial and construction lines should contribute to better results in the final half of this year, although the full year will undoubtedly fall below the record performance of 1957.

The company has paid cash dividends in each year since 1934. Policy in this respect is conservative, payments in the 10 years ended 1957 having averaged 43% of annual earnings. The current indicated annual rate of $2, which

Continued on page 14

Income Tax Pointers for The Present Security Market

By J. S. SEIDMAN, C.P.A.
Seidman & Seidman, New York City

Mr. Seidman's autumnal income tax pointer provides succinct reminders for the individual and corporate "investor." Topics covered in this exposition include many "hows" on the treatment of: 25% rule on profits, losses, six-month line, spacing between years, short and wash sales, dividend and interest conversion into capital gain, and commissions and expenses. The accounting tax expert delineates the case for selling stock before the dividend date for individuals as against opposite policy for the corporation.

Though 1958 has seen some sweeping changes in the Federal income tax laws, *Capital-Gain* is still a magic word in Federal income taxes. The reason is simple. Individual tax rates can go to 91%. Corporate rates can go to 52%. But with a capital gain, Uncle Sam's maximum take is 25%. Hence, the big push is for capital gains.


J. S. Seidman

What is a capital gain? By and large, it is the profit on the sale of securities or anything else other than the merchandise of a business. Everything here will be described in terms of securities, but what is said will also apply to commodities, foreign exchange, real estate, etc. Furthermore, in trying to keep this brief and simple, the many refinements and exceptions in the tax law will be omitted.

The rules for the security "investor" are different from the rules for those who do enough buying and selling to be a "trader" or "dealer." Only the investor will be considered here—first the individual investor, and then the corporate investor.

THE INDIVIDUAL INVESTOR

How the 25% Rule Works on Security Profits.

Security profits and losses go in one of two baskets, based on the length of time the securities are owned. Six months is the dividing line. Profits and losses on securities held for more than six months (here called over-six-month profits) go in one basket. Profits and losses on securities held six months or less (here called under-six-month profits) go into the second basket.

Each basket is taxed differently. If there is a net profit in one basket and a net loss in the other, the two are netted. If this leaves a net profit in the under-six-month basket, that profit is reportable in full, in the regular way. If it leaves a net profit in the over-six-month basket, there is a two-way play, whichever gives the lower tax: (1) a flat tax of 25% of the profit, or (2) reporting half the profit in the regular way.

The 25% limit on the tax becomes meaningful to the individuals with regular income of more than $18,000. That figure becomes $36,000 if husband and wife are involved, and they file a combined return. People with lower incomes pay less than 25% on over six-month profits. In fact, the tax on those profits can get as low as 10% since only half the profits need be reported, which means half the lowest tax bracket of 20%.

How Security Losses Are Treated.

If the net results of the under-six-month basket and the over-six-month basket taken together show a loss, then regardless of what basket it comes from, the loss is deductible, within certain limits.

To illustrate: Suppose the net of all trades for 1958 is a $10,000 loss. Only $1,000 of this loss can be deducted in the 1958 return. The other $9,000 goes in the under-six-month basket for the five years 1959 to 1963, to apply against the first $9,000 of any net security profits in those years.

If there are no net security profits in those years, $1,000 can be taken as a regular deduction from other income in each for the five years. That absorbs $5,000. Nothing can be done about the other $4,000. Security losses of any year can be carried forward only, not backward.

As this rule about carrying forward losses for five years has been in effect for some time, it means that losses as far back as 1953 can be used in 1958 returns, if not previously absorbed by profits.

Losses are always figured in full whether under-six-month or over. The tax savings from losses can run as high as 91%. Suppose, for example, Jones is in the 91% bracket, and that in 1958 he takes a $1,000 under-six-month profit. His tax on that $1,000 will be $910. However, if he also takes a $1,000 loss on securities, whether over-six-month or under, that will exactly offset the $1,000 profit, and wipe out the $910 tax. In other words, the $1,000 loss saves Jones $910, or 91% in tax.

How Watching the Six-Month Line Saves Taxes.

There is an obvious advantage in taking profits after a six-month holding. The tax rate then ranges from as little as 10% to a maximum of 25%. Before six months, the range is from 20% to 91%.

The six-month line also needs watching on losses, to make sure they offset the heaviest taxed

Continued on page 26

INDEX

Articles and News Page

Regular Features

*Column not available this week.

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, November 6, 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 advertisement must be made in New York funds

Firstamerica Corporation—Biggest Bank Holding Company

By DR. IRA U. COBLEIGH
Enterprise Economist

A panoramic bank stock, banking or continued growth in a lively geographical section comprising 40% of the land area of the United States.

The "spin-off" has become a most fashionable financial device delivering tax free shares in a related enterprise, to stockholders in a larger and better known one. Some of these corporate moltings are voluntary; some are made necessary by statute. The public appearance of Firstamerica Corporation is of the latter variety. Under the Bank Holding Company Act of 1956, control by a bank holding company of both banking and non-banking interests was made illegal. Many thought this legislation was aimed directly at Transamerica Corp. However that may be, this renowned holding company, in conformance with this Act, distributed to its stockholders one share of Firstamerica Corporation for each share of Transamerica then held. As a result, there are now in public hands, and listed on the NYSE, 11,372,000 shares of Firstamerica Corp. The trading ticker symbol is FSA.


Ira U. Cobleigh

With such an inclusive corporate title, what is Firstamerica Corporation? It is the largest bank holding company in America, owning (on July 1, 1958) a majority of shares in 23 independent banks doing a large and thriving business in 11 Western states—Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming. The service area is roughly ⅔ths of the United States (not counting Alaska) with a present population of 25 million. As this huge area is increasing at twice the rate of the rest of the country, population is expected to increase 80% by 1975. The controlled institutions have 329 offices. Total deposits are about $3 billion. (There are only five banking institutions in America with larger deposits.) The economic climate is most favorable due to rapid industrial, commercial and agricultural growth in this region, and the fact that seven of the states served have no restrictions on branch banking, and only two states (Colorado and Wyoming) prohibit it. The home office is in San Francisco.

The largest subsidiary of FSA is the First Western Bank and Trust Co. (73% owned) with 99 offices in California, having $68 million in capital and $897 million in deposits at the 1957 year end; and ranking, at that time, 23rd in size among the nation's banks. The First National Bank of Portland (58% owned), at Dec. 31, 1957 had 76 branches throughout Oregon, $68 million in capital, $788 million in deposits, and ranked 25th nationally, and largest in its own state. The First National Bank of Arizona (58% owned), again as of Dec. 31, 1957, operated on a capital of $20 million, with $255 million on deposit and 50 branches in the State of Arizona. We didn't mean to bore you with a lot of figures but did want to emphasize the magnitude of some of the FSA operating units.

On the horizon is another major addition. FSA is planning to acquire at least 80% of the stock of California Bank of Los Angeles, with over $1 billion in deposits. Before this can go through, the acquisition must be approved by the Federal Reserve Board. The plan is to merge California Bank with First Western Bank and Trust. Assuming completion of plans, Firstamerica will emerge as a $4 billion banking group, ranking fourth in respect to total deposits among the banking institutions of America.

Firstamerica took over from Transamerica book assets of $148.5 million. Actual pro forma equity in the capital surplus and undivided profits of controlled banks, however, was (at Dec. 31, 1957) $160.2 million. This figure, plus the $20 million in cash turned over to FSA, created a book value of $15.85 per share. The $20 million, incidentally, has been kept at work in a portfolio of utility, railroad and industrial stocks which have not only been yielding a return of around 5%, but have shown a pleasing gain in market value as well.

About earnings, the equity of FSA in net profits of these banks for 1957 was $1.22 per share. Earnings have been in a rising trend and for the first three months of independent operation (ending Sept. 30, 1958) the consolidated per share net amounted to 34c. Mr. Oscar H. Keller, President, has predicted a net of at least $1.36 a share for the full fiscal year. This earnings trend is pleasing to the some 118,000 shareholders in Firstamerica and provides sound coverage for the indicated dividend rate of 80c per share. At 19½ the yield is 4.10%.

To the bank stock buyer, FSA presents a somewhat unfamiliar picture, since this corporation is quite different in structure from the traditional elegant and sizable big-city banks such as Chase Manhattan (New York), Mellon National Bank (Pittsburgh) or Northern Trust Co. (Chicago). The holding company relationship, the broad swath of geography covered, the chain store type branch banking and the fact that time deposits account for around 44% of total deposits — all of these things set apart FSA as a rather unique financial institution.

Another point of interest, in considering FSA, is the very breadth of its operations, and its unusual facilities for handling and encouraging interstate banking business. Within its own organization, it can assemble and cross check credit information on a very broad basis, and encourage and assist business enterprises expanding in the West and Southwest. For example, if a manufacturing company, a depositor in First National Bank of Arizona, has in mind opening a new plant, or branch, in, say, Portland, Oreg., its new banking accommodations can be swiftly, pleasantly and helpfully made. The First National of Portland can immediately, and without the necessity of extensive investigation, start supplying the same type of banking service and credit accommodations as did the bank in Arizona.

This "cross reference" type of bank service is of great value to companies doing business in several states and, for FSA, is a fine way to acquire new business and retain the old.

Management of the FSA group has been consistently aggressive and progressive; and operational efficiency is well evidenced by the fact that on the older banks in the system, earnings have been running at about 12% on capital funds.

The shares of FSA at current levels make a quite logical appeal to the conservative investor concerned with durability of dividends, visible elements for long-term growth and expanding earning power and the stable market characteristics of bank shares generally. At 14 times current earnings, FSA does not appear overpriced either in relation to book value or by comparison with other banking equities of quality. The big attraction in this banking package, however, is the geographic panorama it presents and the surging economic development within the 11 state terrain serviced with checks, cash, credit, interest, and custody.

Mercer Management Formed in New York

The Mercer Management Corporation has been formed with offices at 15 Broad Street, New York City. Officers are Sidney L. Weedon, President; Walker W. Stevenson, Jr., Treasurer; John E. Reilly, Secretary; and C. M. Fischer, Assistant Secretary.

Pension Planning Seminars Announced

The Pension Planning Company of New York will hold a free seminar on pension and profit sharing plans on Nov. 20 in Philadelphia, and on Dec. 5 in New York City.

The Great Politically Permeated Trade Offensive

By A. WILFRED MAY

Mr. May shows how the Communists are mixing political considerations with trade activities, with non-commercial motivations determining the current marked extension of Red China's economic penetration throughout the Far East.

SINGAPORE — Throughout Southeast Asia one is faced with countless manifestations of the Communists' promotion of trade following political rather than essentially commercial motivations. These may take the form of gaining a country's political sympathy, perhaps through its Chinese population; breaking down government political opposition; knocking a country off its base economically; or of bringing about the customer country's economic dependence. The techniques fall into two main categories: political pressuring of one kind or another; and material competitive warfare, including price-cutting and dumping, with subsidization of price and credit benefits—all facilitated by taking place under the aegis of the Communists' state trading organizations.


A Wilfred May

Communist China gains a hard currency, namely the pound sterling, from sales of its products to only two Asia communities, Hong Kong and Singapore. In other countries, their trade is done through barter agreements of one kind or another, although the terms are usually expressed as a currency price. This barter-with-currency-price system, by affording discretion in calculating the value of deliveries, facilitates Communist China's "short-changing" on their side of the deal, makes possible the illusory payment of a high price; and abets country-by-country trade manipulation for political reasons. This has been notably manifested in Burma, North Vietnam and Indonesia. The Chinese Communists' barter short-comings have been particularly highlighted in their dealings with Ceylon. That country has fully lived up to its obligations to deliver rubber; but China has fallen down in both quality and price, on their corresponding undertaking to deliver rice; effecting a growing imbalance of the barter arrangement, with Peking persisting defaulting on their delivery of either rice or foreign exchange.

Political Trading

But whether tied to an all-cash or a barter settlement arrangement, Communists' activities are consistently pervaded by *political trading*. The Peking authorities work on the basic principle that economic and political influence go hand in hand. Accordingly they have their commercial representatives press for increased business at all cost, frequently buying goods she doesn't need while supplying commodities at give-away prices. Flexible strategy, including pricing moves, is facilitated by concentrating their dealings through their state trading organizations or as in Hong Kong, where they have no political recognition, through their agents. In this connection, the Bank of China (the "Communist Bank"), with its eight branches, plays an important role, both trade- and credit-wise.

In Hong Kong I found that they tie distributors' rights, including favorable credit terms, on desirable goods, as paper, oil seeds, cement, and sugar to those local businessmen who go along with them with political sympathy. Sometimes these politically-stemmed efforts have, as in Burma, Cambodia, and Thailand, been devoted to the attempted boycotting of Japanese goods. Sometimes their agents are reimbursed for their expenses and remuneration through the remission of part of their represented selling price. In Thailand, for example, the communist goods in the first instance undercuts the competitive price; with a further diversion of a slice from that price for the agent. No problem about the power to do this where there is no disciplinary cost of production curb! These funds may be issued for a variety of subversive activities, which have included press influence. In fact, abetting this, newsprint from the China mainland is being made available on favorable terms to politically sympathetic customers-publishers. In Hong Kong it is reported that some consumer goods, including fountain pens, containers, and glass frames are smuggled into the Philippines for the support of Communist infiltraters. In Japan, too, it is reported that Communist China has been giving special favorable terms for the sale of foodstuffs to local merchants who have followed "the" political line — with some illicit trade, including opium, also employed.

The Tactic of Uncertainty

A chief way in which Red China's price-cutting, with "dumping," reveals itself as political, is through the strategically sporadic timing of its applications. Fishing in troubled waters, in Malaya and Thailand, they have come in to try to show that they are needed to remedy matters. In Malaya actually, cutting into imports of Indian and Malayan goods, they have kept the market uncertain. When they find a vulnerable market, they step in despite a shortage, or complete absence, of the same product at home. By "turning it (the pressure) off and on," along with price manipulation from sale to sale, they gain a country's political and economic dependence. They have recurrently dumped rice in Hong Kong to impress the people that China is a generous supplier. They manipulate selling prices with a slashing to establish their stake in a new market, thereafter raising the price or lowering the quality. Prices they change not only within a specific area, but perhaps from market to market simultaneously — via the barter technique. Household utensils they have sold cheaper in Bangkok than concurrently in Hong Kong. They thus have been the direct cause of drastically reducing Thailand's exports of rice to Malaya, Hong Kong, and Singapore.

They always seize on coming into marginal markets, as in following the Japanese around in toys, Christmas decorations, rubber shoes, textiles and rayons.

Politics With a Bang

Following "the incident" at the Nagasaki trade exhibition last May where the Communist China flag was torn down, they launched a violent political attack on Japan's Prime Minister Kishi. Shortly before the Japanese elections of May 22, partly to influence its outcome, the Chinese

broke off trade relations, and have been waging economic warfare ever since. This warfare has been both aimed at direct trade with Japan and at stimulating their own competitive export drive throughout Southeast Asia. Keeping up a steady barrage of abuse against the Prime Minister as the "goat" motivating the economic warfare, the Communists have been frankly stating that their economic policies are directly aimed at combatting Kishi's pro-Western political alignment. They have been quite open in their attempts to wring political concessions from him by economic pressures, via both refusals to trade directly and by intensifying competition for markets in South East Asia. This has put great pressure on Japanese textile manufacturers in Osaka, who have already been in a depressed condition; to whom it is being intimated that they must make concessions in opposing Kishi, or lose the business—neat blackmail. Meanwhile Communist China is actively on the economic offensive, with their dumping of textiles and cement as effective weapons, to achieve political coercion. Already they have eliminated Japan, along with India, as a source of textiles for Indonesia; also hitting Japan an existing source for bicycles, tires, sewing machines, radios, and fountain pens.

Political-Economic Offensive Against Burma

In Burma Communist China has been using its embassy for likewise engaging in trade activity to gain political ends, not monetary reserves; and in line with Peking's resentment against the Kremlin's aid to India. The Communists' dual pressure in Burma is also geared to exploiting the country's internal political differences, which have been temporarily quieted by the advent of the military regime.

Soviet trade with Malaya has grown spectacularly during the past few months; with her purchases of rubber at a historical high — almost quadrupling last year's volume. It is generally believed in Singapore that the USSR's aiming at the establishment of a trade mission there, is a wedge toward diplomatic representation, or at least the dispatching there of Russian technicians.

Also likewise Communist China is coming into Indonesia, increasing their economic independence on them as a kind of blackmail working through pro-Communist agents. For exports the Chinese are paying bonus prices of about ten percent. They are assumed also to be thus side-swiping Malaya to make way for diplomatic representation.

(Additional avenues of political trading by Communist China in their large-scale economic offensive, via prestige furtherance and dumping will be described in subsequent articles.)

The State of Trade and Industry

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

Business and industry the past week continued for the most part to show gains, but according to pronouncements emanating from the Fifth Pitt Conference on Business Prospects, better business but no boom is in store for a broad range of major industries in 1959. The conference was held in Pittsburgh, Pa., and was sponsored by the University of Pittsburgh's Bureau of Business Research and School of Business Administration.

Gains of varying amounts were forecast for the steel, aluminum, soft coal, construction, farm machinery and transportation equipment industries by economists from those fields who addressed the Conference.

The steel industry was marked for the biggest increase in volume, but the Republic Steel economist, F. Russell Widmer, cautioned that the present "intensely competitive market" in steel will continue and that there's "no probability" of shortages in the coming year.

Reporting on the business upturn, the National Association of Purchasing Agents in their October survey of business stated that despite continued improvement in production, they do not expect a quick return to capacity operation in all industries. Neither do they foresee a fast return to full employment, nor rapid inflation.

Rather, the association added, the people who do the buying for the nation's major industrial concerns expect a gradual and continuing advance in general business over the months ahead.

"This is borne out by the fact that, despite slightly higher prices, there is no rush to buy now—and there seems to be even less desire to add to stocks on hand," the association declared.

With respect to the nation's working force, unemployment fell 300,000 to 3,300,000 between mid-September and mid-October, the Government reported in an earlier-than-usual release of its monthly job census.

Employment rose 700,000 to 65,300,000 by mid-October, the report stated. Both figures showed more improvement than Federal statisticians ordinarily expect in October.

The report was based on a Census Bureau survey taken in the week ended Oct. 18.

Secretary Weeks of the United States Department of Commerce declared that the jobless report showed unemployment had dropped 1,500,000 since July — "the greatest decline for these three months for any peacetime year since World War II."

A year ago, however, employment totaled 700,000 more and unemployment stood at 2,500,000.

In a separate report covering the same week as the census survey, the United States Department of Labor said the number of workers drawing unemployment compensation edged down by 500 to 1,724,100. This was the lowest volume reported since the last week in November, 1957, and marked the fourteenth consecutive weekly decline.

The number of new claims, however, increased by 11,400 in the week ended Oct. 25, to 277,100, the agency noted. This report is for a later week because a new claim for jobless benefits is not actually paid until a week later. The department said new claims ordinarily rise at this time of the year because of cutbacks in seasonal industries, including resort and outdoor activities. In the like week a year ago, new claims rose by 14,600 to 261,200.

The number of workers drawing payments from temporary unemployment compensation programs dropped by 41,700 to 468,500 in the week ended Oct. 18, the agency concluded.

In the steel industry this week the steel market floundered around in a "no-man's land," but a "big push" into higher ground could be in the making, "The Iron Age," national metalworking weekly, stated yesterday.

It declared that the market trend is still up despite some weak spots and the after effects of scattered automotive strikes.

The metalworking magazine giving an estimate of the market outlook pointed out that scattered auto strikes, which have about run their course, have sapped some of the strength in sheet, strip and hot-rolled bars. Demand for these products is still good, due to an upsurge in appliances, farm equipment and some inventory

Continued on page 31

Discouraging the False Notion Of Inflation's Inevitableness

By J. L. ROBERTSON*

Member of the Board of Governors of the Federal Reserve System

Acceptance of inflation's inevitableness as the factor responsible for the stock market rise, rather than the factor of discounting of future profits, can make that market, or any other market, and the economy vulnerable to potentially destructive forces. In stating this, the Federal Reserve Governor explains the effective scope of monetary policy and what the Fed is trying to do, and then goes on to add we must discourage "the innocent and the unwary from accepting the plausible but false doctrine of creeping inflation." Mr. Robertson agrees runaway inflation can be stopped dead in its tracks but prefers present policy to sudden future full application of powers which he likens to stopping a runaway train by putting an immovable barrier across the rails.

Now, generally, the term dynamic is used in a favorable sense. We seldom apply the adjective to anything we disapprove or deplore. A dynamic economy is one that is growing rapidly, adopting new techniques, and adapting its products and its ways of doing business to changing needs, tastes and circumstances. The dynamic nature of the American economy was illustrated by de Tocqueville more than 100 years ago in this way: "I accost an American sailor," he said, "and inquire why the ships of his country are built so as to last for only a short time; he answers without hesitation that the art of navigation is every day making such rapid progress that the finest vessel would become almost useless if it lasted beyond a few years. In these words, which fell accidentally, and on a particular subject, from an uninstructed man, I recognize the general and systematic idea upon which a great people direct all their concerns."

James L. Robertson

We need to recognize, however, that the process of rapid change is accompanied by many difficulties. By its very nature, a dynamic economy cannot be a problem-free economy. Being a central banker, it is my task not just to praise the workings of our economy but to be aware of its problems — particularly those that the central bank can help to solve.

In order to properly place the central bank in the picture, one must understand the basis for its interference in the monetary system. It is found in the simple proposition that "money does not manage itself." Although bankers may manage their own affairs with the utmost prudence and wisdom, and each business may conduct itself sensibly in accordance with its own best interests, as may each farmer and each consumer, nevertheless, the sum total of these simultaneous activities may produce undesirable effects. Specifically, inflation or depression may occur even when each unit in the economy is acting sensibly, according to its own best interests as it sees them. Because of this we have learned over the years, sometimes very painfully, that there is a fundamental need for monetary policy and for other public policy in the economic field.

Both monetary policy and other public policies can and do influence economic activity and economic values, including prices of commodities, wages of labor, capital assets such as farm and urban land and structures, and stocks and bonds. Governmental economic policy, if wisely formulated and executed, serves to support and strengthen the capacity of free men dealing in free markets to provide more of the good things of life for themselves — and for future generations as well.

Monetary policy is only one aspect, although a strategic one, of general public policy which is directed toward the twin goals of vigorous economic progress and economic stability. (At times that seems like trying to carry the ball simultaneously to the two goals on a football field.) It has its influence on economic activity and values mainly by means of its effect on bank reserves and thereby on bank credit and the money supply. Sometimes we achieve this effect by changing reserve requirements of member banks, but for day-to-day and week-to-week operations we rely on open-market transactions and the discount functions, which complement each other as credit-control instruments.

In employing these instruments, we do not attempt to determine the specific channels into which bank credit flows. That is left to the multitude of decisions of lenders and borrowers. But in determining the total volume of bank reserves, the Federal Reserve does exert a major influence on general economic values because it affects the extent to which the banking system is in a position to finance expenditures

Continued on page 22

*An address by Mr. Robertson before the Iowa Bankers Association, Des Moines, Iowa, Oct. 21, 1958.

Quentin B. Sickels With Manley, Bennett & Co.

DETROIT, Mich.—Manley, Bennett & Company, Buhl Building, members of the New York and Detroit Stock Exchanges, have announced the association of Quentin B. Sickels with them as a registered representative. A graduate of University of Michigan, a veteran of the U. S. Coast Guard and formerly Vice-President-General Manager of Corporate Service, Inc., Mr. Sickels brings to the investment business a well rounded educational and business background. He has been assigned to the investment firm's main office.

With Goodbody & Co.

ATLANTA, Ga. — Thomas F. Chalker is with Goodbody & Co., 59 Marietta Street, Northwest.

Monetary Politics

By HON. PRESCOTT BUSH*

Senator of the United States (Rep., Conn.)

Partner, Brown Brothers Harriman & Co., New York City

Senator Bush comes directly to the point in stating that responsible political leadership's greatest task today is to arouse in the American people a sense of urgency about sound fiscal policy and knowledge of the tragic consequences of inflation. The former investment banker deplores Congressional willingness to follow public apathy and, thereby, seriously endanger our credit which affects our economy and, in turn, the economy of the free world. The Senator avers we must face the major realities confronting us and he recommends six courses of action in which he particularly calls for a full scale, scholarly review of our long range fiscal problems and the inclusion of price stability among our economic goals. Besides outlining the unpleasant realities facing us, he dwells on the full magnitude of our necessary defense expenditures, and warns we must dispense with monetary politics in preparing for a cold war of at least another decade's duration.

In dealing with monetary policy, I propose to discuss largely the practical problems involved rather than pure theory. In short, I shall speak about monetary politics.

Prescott Bush

We should, of course, agree that ideally in a matter of this great importance, partisan politics should be prohibited. But, unfortunately, the practice of partisan politics is so constant in Congress, and the striving for partisan advantage is so great, that one cannot ignore their effects upon monetary policy and the objectives it seeks to attain.

You will note that I have laid stress upon the qualifying adjective, "partisan", for it is obvious that monetary policy in the broad sense that I use the term involves great political questions which should be debated in the public arena.

But, if the American people are to form wise judgments on the issues which are presented, debate should be responsible and free of demagoguery and should be confined, so far as possible, to the presentation of facts upon which intelligent decisions may be made.

Unfortunately, debate about monetary policy is rarely so conducted, partly because the subject is difficult of comprehension in its more technical aspects, and partly because it is so easy to discuss it in terms which appeal to emotion and immediate selfish interest rather than to the intellect and objective judgment.

Some businessmen who feel the pinch of higher interest rates, for example, are far more readily moved by a demagogic speech on the Senate Floor — and I have heard many of them—a speech denouncing the Federal Reserve Board, the Administration, and the bankers, all pictured as linked together in a sinister conspiracy —than by a sober presentation of the need for monetary restraints as a curb upon inflation.

I have said that I will discuss monetary policy in the broad sense of the term, rather than in the narrow technical sense, and I am borrowing my definition from that given by Dr. Jacoby in his introduction to the Symposium of papers prepared as background for consideration of the subject by this national session of the American Assembly.

Dr. Jacoby says that the term embraces "all measures undertaken by government to affect the expenditure or use of money by the public," including governmental actions "with respect to public expenditures, tax receipts, and the management of the public debt." These are the actions with which I am primarily concerned in this discussion, and they are the actions of the Federal Government of which I speak, although I am fully aware that actions of local and state governments, or their failures to act in some fields, are also of some importance. These are the actions which can have great effect upon our national economy, and which are the responsibilities of the Executive and the Congress, as distinguished from the responsibility of the Federal Reserve Board which implements monetary policy in the more technical sense.

Monetary policy, in the broad as well as the narrow sense, has been chosen as the subject of this session of the American Assembly because it is a major weapon with which government can combat inflation, which we all recognize as the most dangerous economic problem facing the people of the United States at the present time. Failure to solve it could mean the decline of America as a world power, and the destruction of our freedoms.

Examines Unpleasant Facts

As background to my discussion, let us look at some unpleasant facts in the face:

Fact No. 1 — The Sino-Soviet Bloc is at war with the United States and her allied free nations. It is an undeclared war, in which our enemies fight with propaganda, subversion, and the promise of generous economic assistance to the uncommitted, neutral nations, and threaten with hydrogen bombs, ballistic missiles and other terrible weapons of modern arsenals.

Fact No. 2 — There is danger that this so-called "cold war" may erupt into hot war, limited or global, as a consequence of the conduct by our enemies of military probings at the peripheries of our defenses.

Fact No. 3 — The United States' ability to retaliate, swiftly and terribly, in the event of attack has been and remains the major deterrent to total war.

Fact No. 4 — The maintenance of our retaliatory capacity, and the uneasy "peace" it secures, is enormously expensive and becomes increasingly costly as the armaments race continues, accelerated by the development of ballistic missiles and other fantastic new weapons of destruction.

Fact No. 5 — The mortal struggle between Communist imperialism and the Free Nations probably will continue for many years to come, almost certainly for another decade, possibly for another half-century.

Fact No. 6—The enormous costs of defense have imposed severe strains upon the Federal budget, and these pressures are more likely to increase rather than to diminish.

Fact No. 7 — There are great pressures in the Congress for increased Federal spending on domestic programs, pressures which show no present signs of abating in the years ahead and which, if not successfully resisted, would force the Federal expense budget well above the current $80 billion level. For example, the business recession from which the economy is now emerging stimulated demands for large-scale Federal spending programs, as well as massive tax cuts, although these would have had little immediate effects in creating employment. When Congress adjourned $5 billion had been added to the President's budget, much of it unrelated to effective anti-recession measures or to defense, and an additional $5½ billion was involved in proposals which the President vetoed or which were blocked only with great difficulty after they had passed either the Senate or the House.

These are some of the major realities of life which we must face up to as we consider what should be the role of responsible political leadership in combatting the inflationary trend which, since the beginning of World War II, has cut the value of the dollar by more than half.

We may take it for granted that the Federal Government will spend whatever is necessary for our defense against aggression. No administration would propose, nor would the American people tolerate, a weakening of our military forces to the point where surrender to Communism would become probable.

Future Defense Costs

What is the probable future magnitude of defense expenditures?

At the present time, the costs of present national security (military, atomic energy, and mutual security programs), plus past wars (interest and veterans' benefits), amount to $61 billion—77% of the current budget.

The budget for equipping and maintaining the Armed Forces of the United States represents approximately two-thirds of that total — $40 billion. The present Secretary of Defense, Neil McElroy, has indicated that the military budget may increase by $30 billion in the next 10 years, an increase which by itself would raise the total Federal expense budget to $110 billion.

We dare not presume that such an increase is improbable, for many experts on military costs have testified before the Senate Committee on Armed Services concerning the necessity of increased defense expenditures to meet the threat of Soviet Union's increasing capability in modern weapons, and to produce the weapons of the future.

Barring the unlikely event of a drastic change in the policies of the rulers of the Soviet Union and Communist China which would rule out aggression as their national policies, we may face a total Federal budget, defense and civilian, of the order of $110 to $150 billion by 1968 if present trends continue.

Meeting Our Bills

How can we pay the bills?

Two permissible alternatives or more accurately a combination of them, appear. Both are politically unpalatable in the present climate of opinion. Most politicians would advocate them only with great reluctance. They are:

(1) Retrench in expenditures on non-essential domestic spending programs, and hold the line against Federal participation in the costs of new domestic programs, no matter how desirable and appealing they may appear to be.

(2) Raise by taxation increased revenues for defense and essential Federal services. This may mean maintenance of the present high Federal tax rates which can provide rising revenues as and if the economy expands. It may mean increases in present taxes, or the tapping of new sources of tax income, such as a broadly based production tax. Or it may mean all of these things unpleasant to contemplate.

A third alternative is to pay a part of our national bills by the unjust, hidden taxation imposed by inflation. This alternative is unacceptable, for inflation crucifies the weaker groups in our society. It is a cruel, deceptive and dishonest form of taxation which bears most heavily on those least able to afford it. If allowed to continue, it will undermine our economy and the social fabric of our country.

Moreover, financing by inflation is self-defeating. A 5% increase in prices would add $4 billion to the current $80 billion Federal budget. We have already reached a point, in the military budget, at which a 5% annual increase in the cost of procurement of major items has taken place. In other words, according to expert testimony before the Senate Appropriations Committee, it costs 5% more in dollars each year just to maintain the status quo.

The difficulties encountered by the Treasury in managing the National Debt, as investors shy away from U. S. bonds in anticipation of continued inflation, further emphasize the self-defeating nature of deficit financing.

Yet, before and since World War II, with exceptions in a very few years, we have paid our bills in part by the hidden tax of inflation.

Why do we find ourselves in such a predicament?

Bernard M. Baruch, in an excellent statement before the Senate Finance Committee last April, gave the answer in a nutshell:

"The inflation of our time," he said, "flows from the selfish struggle for special advantage among pressure groups. Each seeks tax cuts or price increases, or wage increases for itself while urging the others to make the sacrifices, and with little regard for the national interest."

As a people, we have been too much concerned with "business as usual" and "politics as usual" to permit monetary and fiscal policy to be effective in fighting inflation.

It is time to halt this trend, and a part of the job of halting it must be done in the political arena, and primarily in the Congress where the pressures from the selfish groups of which Mr. Baruch spoke focus most intently. So, I am convinced that it is essential that the Administration and the next Congress come to grips with the problems of regaining control of the financial affairs of the United States, and of putting our fiscal house in order so as to be in readiness for the tests we face in the years ahead.

Recommends Eight Steps

At a minimum, I believe the following steps should be taken promptly in the next Congress:

(1) Establish a Commission to review the entire Federal tax structure and the long-range fiscal problems of the United States. Its responsibilities would be to examine, study and report on:

(a) The capacity of the economy to provide the resources necessary for national security and essential governmental services; and

(b) Methods of raising required governmental revenues which will distribute the burdens of taxation most effectively and equitably, contribute to the maintenance of a currency with stable purchasing power, and foster the growth of the economy.

(2) Amend the Employment Act of 1946 to make price stability an explicit goal of Federal economic policy.

(3) Provide for the item veto of appropriation bills and of bills calling for expenditures by a borrowing "pipeline" to the Treasury.

(4) Substitute a single appropriation bill for the individual bills which made it almost impossible for the average member of Congress to determine, before the closing days of a session, what the total spending level will be.

(5) Consider the advisability of consumer credit controls, particularly for instalment credit, at least on a standby basis.

(6) Examine the cause of wage increases in excess of productivity, and review existing laws to determine whether they permit too great concentrations of power, contrary to the public interest, in labor unions as well as in industry.

Toward the close of the last session of Congress, I introduced bills to accomplish all of the above objectives so that they might be carefully studied by the appropriate Committee staffs and Federal agencies this Fall and Winter. I intend to reintroduce them promptly when the 86th Congress convenes.

Study of Long Range Fiscal Problems

Time will not permit me to submit my reasoning on all these proposals. However, I will elaborate, for a moment, on the first two points of this program, namely: the creation of a non-partisan Commission to review the long-range fiscal problems of the United States, including the Federal tax structure, and amendment of the Employment Act to make reasonably stable prices an explicit goal of Federal economic policy.

A Commission on the fiscal aspects of monetary policy appears necessary because in modern times the actions of the Federal Government in taxing and spending, and in deficit financing have such major effects upon the national economy.

A Federal spending program of $80 billion a year cannot fail to affect profoundly an economy with a Gross National Product of $440 billion. What the executive and Congress do, or fail to do, in

Continued on page 20

*An address by Sen. Bush before the 14th American Assembly at Arden House, Harriman, N. Y., Oct. 16, 1958.

The Business Outlook

By DWIGHT W. MICHENER*
Economist, the Chase Manhattan Bank

A blunt business outlook appraisal discerns our major problem to be not whether a complete business recovery is forthcoming shortly but, rather, whether we can still afford to continue policies and practices that lead to trouble. The Chase Manhattan Bank economist examines salient factors influencing the current outlook and concludes they are reaching a crucial stage affecting the value of the dollar. He finds the cures popularly suggested are exactly those which cause the dollar to decline. Recommends we cease the impossible task of relying upon too liberal credit to make unpleasant adjustments unnecessary, take up the slack between capital investments and savings, improve our tax system and stop using the government as an economic crutch.

The business setback of the past year may be described by the use of many superlatives. It was the *largest* reversal since the war; it came on the *fastest*; it showed the *sharpest* drop, the *quickest* turn and the *most pronounced* recovery; it brought the *greatest* shifts in credit policy yet experienced; and to top off the superlatives, it might be suggested that the forecasts made by experts have been the *poorest* ever!


D. W. Michener

Also, in some respects, the current setback in business has been the *luckiest*. The situation was on the verge of panic in February and March. Some were running for cover, building plans were being cancelled or delayed and some dire predictions were being made. However, consumers did not stop buying, Europe did not react to unfavorable developments on this side and the stock market, early in the year, began a rise which provided encouragement. These favorable developments were more or less "windfalls"—it was more a matter of luck than of planning.

The current outlook is now profoundly influenced by certain policies and practices which have great influence on the movement of business. I should like to mention four of these.

Four Influencing Factors

The first relates to the matter of making economic adjustments. The business reversal of the past 12 months, along with similar earlier periods, has been referred to as a "period of adjustment"—a time when mistakes are rectified, over-optimism is toned down, output is fitted to actual needs, costs are adjusted to lower selling prices, etc. In the current period, it is true that we had certain adjustments in inventories, in plant and equipment expenditures and in some prices. On the other hand, prices generally were not reduced, wages were not adjusted, building costs moved up rather than down and reduction in production costs were few and far between. Farm prices have tended downward because of larger crops, but this development seems to suggest no basic change in the fundamental price situation. Even in the case of automobiles where demand was decidedly reduced, prices did not go down; rather, they have been moving upward. The same is true of other consumer durables.

In contrast to the lack of adjustment in costs and prices, credit policy has become *increasingly* "flexible." Indeed, it is now, in reality, a major area of adjustment. This is made clear by reference to the trend of short-term interest rates in the three postwar periods of business reversal. In 1949, short-term interest rates showed very little general change. In the 1953-54 period, the shifting of credit policy was greater, with more pronounced influence on short-term money rates. During the past 12 months, however, changes in credit policy have been so great that short-term rates have experienced the sharpest fluctuations in history.

While credit policy has become increasingly "flexible" during these three periods, adjustments in other important areas of the economy were growing less pronounced. For example, the adjustment in wholesale prices in the 1949 period of recession was substantial. In the 1953-54 period, there was less price adjustment, and in the current period there has been no price adjustment at all insofar as the general index is concerned.

Thus, the question arises, are we depending too much on credit policy? Are we trying to use it to make unpleasant adjustments unnecessary? If credit policy, alone, could accomplish these things, it would indeed be the most wonderful of our "wonder drugs." It would produce a kind of magic that would enable the magician to take more from the hat than he puts in. Workers could take more out in wages than they put in in productivity. Borrowers could take more in the use of funds than they put in in interest payments. Farmers, and others, could take more in subsidies than they put in in taxes. We could have more capital goods than we put in in savings, and so on. However, our credit authorities are among the first to emphasixe that credit cannot serve in this extraordinary capacity and that attempts to use credit in this way only cause trouble later on.

Lag Between Capital Goods And Savings

A second policy and practice relates to the accumulation of capital funds. Since 1870, the output of goods and services per person in this country has been multiplied by five. This means that, on the average, the worker now produces in one day as much as his grandfather produced in five days. The reason is not that the present worker has greater mental ability, greater physical stamina, greater dexterity, or increased willingness to work. The explanation, of course, lies in the excellent equipment the present worker has at his disposal. In the grandfather's household, floors were probably swept with a handmade broom; the modern housekeeper uses the high-powered vacuum cleaner. The hand shovel was the chief means of moving earth three generations ago; now the earth mover, hauling many tons, does the job. But such changes did not come about automatically. Saving was required.

Today, the indications are that saving is not keeping pace with the demands made upon it. For example, in recent months, new construction has moved to an all-time high point, with dollar expenditures amounting to 100% more than they were in 1948. On the other hand, personal savings were estimated to be $18 billion in 1951 and at an annual rate of about $19 billion today. Undivided corporate profits were about $13 billion in 1948, an amount not surpassed since that time. The point is that economic growth comes mainly from the growth of savings and the expansion of real capital goods. With capital goods increasingly important, larger proportions of income should be saved.

Pressures on Government Spending

A third area deserving attention is the position of the Treasury. Pressure here comes from three sides. In the first place, our representatives in Congress are very generous in their appropriations. There has been a tendency for aids, supports, subsidies, relief, special projects, etc., etc., to continue to expand. This is a policy and practice open to serious question. As the nation grows richer, there should be less need for the Government crutch. Actually, we are making more use of Government crutches today than ever before. Nonmilitary expenditures have been multiplied by two since 1946. Fiscal 1959 presents a telling combination—it being a year of rising business and, at the same time, a year in which the Federal deficit is at a record peacetime high point. President Eisenhower reminded us last week that it is "too bad we are forgetting such words as thrift and economy in this country."

A second side from which pressure comes to the Treasury is the tax situation. There can be little doubt but that our tax system needs study and that there is need for reform. In any case, it is clear that our present tax system, with all its present severity, is not providing enough income to cover Federal expenditures.

The third side from which pressure comes to the Treasury is the fact that the market for Treasury securities is encountering difficulties. The sharp changes in interest rates coming as a result of an increasingly flexible credit policy, complicates the Treasury's problem. With savings proportionately smaller, competition for available funds is stronger. Also, as the dollar declines in value, long-term Government securities may become less attractive.

Should the difficulties in selling Treasury securities become too great, the basis on which they are sold might become subject to change. Instead of being sold competitively in a free market, they might have to be sold more on a basis of "patriotic duty," "civic responsibility," or, as a last resort, as the Institute of International Finance has recently suggested, legislation might have to be enacted to require institutional investors to maintain certain percentages of their assets in Government securities. Such "allocation" would run counter to principles basic to our free economy, and it would appear that such practice would not inspire tidy financial practices on the part of the Treasury.

Thus, the pressure on the Treasury comes from the three sides—big Congressional appropriations, the difficulty in getting enough income by taxes and the difficulty in borrowing. This points up the need for reducing expenditures in order to maintain the good credit of the United States.

Untidy Economics Hurt the Dollar

The area in which current policy and practice is coming nearer to a crucial stage is that of the value of the dollar. The dollar has been declining for some 25 years as a result of many untidy economic practices. The cause is sometimes an abnormal increase in the money supply — but not always. It sometimes displays rising prices—but not always. The cause is sometimes the result of forced wage increases—but not always. The cause is sometimes the result of Federal deficits — but not always. When such a combination of off-again-on-again causes work month after month and year after year, they produce the decline in the dollar. Because of the diversity and irregularity of the causes, neither an understanding of the problem nor its solution is easy.

Furthermore, the cures popularly suggested for many of our recent and current economic ills are exactly those which caused the dollar to decline. Across-the-board tax cuts, easy credit, higher support prices and Federal spending are some of the "cures" which make the dollar problem what it is.

Unemployment is a popular reason for using some of these "cures." It is interesting to note that the Employment Act of 1946 does not mention the importance of preserving the value of the dollar. The thinking at the time apparently was that "employment comes first," and this view has been widely held and amply demonstrated since 1946. But it is still a question if this is the correct view. At the Arden House Monetary Conference last spring, Dr. Vocke, a retired German banker, questioned this view. He told us, "The German people fear money depreciation more than unemployment." These people, he felt, have learned by experience. To them, monetary discipline is an easy price to pay for economic stability.

In summary, it appears now that major problems before the economy do not relate to the lack of business strength in the next six or eight months. Rather, it would seem that they lie in the policies and practices now popular which may lead to trouble later on. The dangers are that we may use credit too liberally in an effort to do too many things, that too little saving takes place, that Government spending holds too high a level and that the decline in the dollar may not even yet be taken seriously and adequate remedies brought forward.

*From a talk by Mr. Michener before the New York Chapter of American Statistical Association, New York City, Oct. 27, 1958.

Rouse, Brewer, Becker & Bryant Forming

WASHINGTON, D. C. — J. C. Herbert Bryant, member of the New York Stock Exchange, on Nov. 13 will become a partner in Rouse, Brewer & Becker, 734 Fifteenth Street, N. W., members of the Philadelphia-Baltimore Stock Exchange, and the firm name will be changed to Rouse, Brewer, Becker & Bryant. With Mr. Bryant's admission to the firm, it will acquire a membership in the New York Stock Exchange. Mr. Bryant is a partner in Bryant & Co. which will be dissolved.

Other partners in the new firm will be Edgar B. Rouse, J. Newton Brewer, Jr., Edward Becker, and Richard L. Bruce.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter No. 42—With reports on Geneva Atomic Conference, the nuclear navy, **Philips Lamps** and **Cenco 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.

Income Tax Pointers on Securities—Booklet Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

Kentucky Securities—Bulletin—The Bankers Bond Co., Incorporated, Kentucky Home Life Building, Louisville 2, Ky.

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

Market Appraisal—Review—C. F. Childs and Company, 1 Wall Street, New York 5, N. Y.

Market Outlook—Analysis—In November Investment Letter—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

Mid Western Rails — Bulletin—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Natural Gas Stocks—Bulletin—Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are data on **El Paso Natural Gas Company, American Electric Power Company, Boeing Airplane Company** and **Sylvania Electric Products, Inc.**

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

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

Philadelphia Bank Stocks—Quarterly comparison of 11 Philadelphia Banks as of Sept. 30—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

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

Real Estate Prices—Index of bonds and stocks—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Selections for Dollar Average Programs—Brief discussions of **Johns-Manville Corp., Phillips Petroleum Co.,** and **Radio Corporation of America,** in the current issue of "Comments for Investors"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of **Candidates for Year End Dividends.**

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

This Is Blaw Knox—Brochure describing company and its products—Blaw-Knox Company, 1231 Blaw-Knox Building, Pittsburgh 22, Pa.

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

Yields in the Indian Stock Market — Bulletin — Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India.

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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.**

Allied Chemical Corp.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

American Motors—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. In the same circular are also Analyses of **Consolidation Coal** and **Sharon Steel.**

American Viscose Co.—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y. Also available is a review of **Hertz Corporation.**

Amphenol Electronics Corporation—Analysis—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

Arkansas Louisiana Gas — Analysis — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Arrowhead & Puritas Waters Inc.—Memorandum—Walston & Co., Inc., 74 Wall Street, New York 5, N. Y. Also available is a memorandum on **Emporium Capwell Co.**

Baltimore & Ohio—Review—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also in the same review is a reappraisal of current business conditions, an analysis of **Koppers Company** and selected lists of securities.

Consumers Gas Company—Analysis—C. M. Oliver & Company Limited, 321 West Hastings Street, Vancouver 1, B. C., Canada.

Continental Oil Co.—Memorandum—Emanuel Deetjen & Co., 120 Broadway, New York 5, N. Y.

Cooper Bessemer Corporation — Review — Schweickart & Co., 29 Broadway, New York 6, N. Y.

Corn Products Company—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Alleghany Corporation.**

Crescent Petroleum Corp. — Memorandum — Winslow, Cohu & Stetson, 26 Broadway, New York 5, N. Y.

Electric Storage Battery Co.—Memorandum—Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

First Bank Stock Corp.—Memorandum—Piper, Jaffray & Hopwood, 115 South Seventh Street, Minneapolis 2, Minn. Also available are memoranda on **Investors Diversified Services, Inc., Minneapolis Gas Co., Munsingwear, Inc., Super Valu Stores Inc. and Thermo King Corp.**

Food Mart, Inc.—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

General Dynamics—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Imperial Tobacco Company of Canada Limited — Analysis — McLeod, Young, Weir & Company Limited, 50 King Street, West, Toronto, Ont., Canada.

Lake Ontario Portland Cement Company — Analysis — Ross, Lyon & Co., Inc., 41 East 42nd Street, New York 17, N. Y.

Ling Electronics Inc.—Analysis—R. G. Worth & Co., Inc., 160 Broadway, New York 38, N. Y. Also available is an analysis of **Dilbert's Quality Supermarkets.**

National Pool Equipment Co. — Memorandum — Clark, Landstreet & Kirkpatrick, Inc., Life & Casualty Tower, Nashville 3, Tenn.

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.

Pabst Brewing Co.—Memorandum—Bear, Stearns & Co., 135 South La Salle Street, Chicago 3, Ill.

Pan American World Airways, Inc.—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Pet Milk—Analysis—Stearns & Co., 72 Wall Street, New York 5, N. Y.

Revlon, Inc. — Analysis — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on the **Copper Market.**

Sealed Power Corporation — Analysis — A. G. Becker & Co. Incorporated, 60 Broadway, New York 4, N. Y.

Union Oil Company of California—Report—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

United Aircraft—Data in November Investment letter—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. In the same letter are data on **American Seating, United Merchants and Manufacturers** and **Northwest Airlines.** Also available is a study of **Southern Railway Company.**

United States Freight Co.—Memorandum—Newburger & Co., 1401 Walnut Street, Philadelphia 2, Pa.

Valley Explorations, Ltd.—Report—Teden and Company, Inc., 149 Broadway, New York 6, N. Y.

Western Union — Study — Available to professional organizations — Basic Economic Appraisals, Inc., 610 Fifth Avenue, New York 20, N. Y.

Western Union — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of the **Grocery Chains** and a list of **Portfolio Selections for Income.**

Two With Westheimer

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Arthur L. Eilerman and George C. Noble have become affiliated with Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Fairman Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George Darakjy has been added to the staff of Fairman & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange.

Ohio Co. Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — John H. Jenny has been added to the staff of the Ohio Company, 51 North High Street, members of the Midwest Stock Exchange.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Lucile K. Titus is now affiliated with Shearson, Hammill & Co., 9608 Santa Monica Boulevard.

Join Toboco Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Irving L. Friedman and Lawrence G. Rubin have become connected with Toboco & Co., Inc., 9235 Wilshire Boulevard. Mr. Rubin was formerly with James L. Fallon Co. and M. J. Ross & Co., Inc.

With Smith, Ramsay

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Bernard A. Simons is with Smith, Ramsay & Co., Inc., 207 State Street.

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.

Form Cushman, McLane In Phoenix, Arizona

PHOENIX, Ariz. — Cushman, McLane & Co. has been formed with offices in the Security Bldg. to engage in a securities business. Partners are Allerton Cushman and William L. McLane, Jr. Mr. Cushman was formerly Vice-President of Rowles, Winston & Co., Houston.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Norman H. Green has become connected with First California Company, Incorporated, 647 South Spring Street. He was formerly with Aronson & Co. and Holton Hull & Co.

With Harbison, Henderson

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Douglass M. Hodson is now associated with Harbison & Henderson, 210 West Seventh Street, members of the Pacific Coast Stock Exchange. Mr. Hodson who has been in the investment business for many years, was formerly with Edward T. Cronin & Co. and Aronson & Co.

Two With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas N. Aitken and Kenneth N. Moore are now with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Moore was formerly with J. A. Hogle & Co.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Mrs. Loraine R. Davis has joined the staff of Merrill Lynch, Pierce, Fenner & Smith, Dixie Terminal Building.

Joins E. T. Andrews

(Special to THE FINANCIAL CHRONICLE)

WEST HARTFORD, Conn. — Alexander C. George has joined the staff of E. T. Andrews & Co., 1000 Farmington Avenue.

With Brainard, Judd

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Warren D. Fuller is now affiliated with Brainard, Judd & Co., 75 Pearl Street.

An Investment Officer Looks At His Problems—A. D. 1958

By VICTOR B. GERARD*
Commonwealth Life Insurance Company, Louisville, Ky.

Kentucky insurance investment officer offers several critical observations about generally overlooked deteriorating terms in top name bond issues and preferred stock; failure of SEC to appreciate the importance of equitable redemption features; tendency of investment bankers to shift from impartial intermediary to agent of sellers of securities with investor left to his own protection; and Governmental improvidence causing dollar depreciation and housing policies debauching the mortgage market. Mr. Gerard finds real opportunities do exist in financing lesser known credits, and are adequate substitutes for long-term bonds of well known names, providing the enterprise has capable management and indenture terms are carefully drawn up with short maturities or substantial sinking funds for longer maturities.

The financial scene is intensely interesting at this particular juncture. The increasing competition for yield—the failure to insist on strong indenture terms both in direct placements and in public issues—the relationship of the investment officer to his Finance Committee—the inadequacy of information on revenue bonds—the developing weaknesses in our mortgage lending—and finally our relationship to the problems currently confronting the United States Treasury—all these seem to be subjects worthy of our attention.


Victor B. Gerard

The investment officers in all our companies are feeling the goad of competition. Our agency officers, for a variety of reasons, are finding the market for life insurance exceedingly more competitive than it was only a few years ago. They are demanding better merchandise to sell. Our actuaries, in turn, are stirring their stumps, as they never have before, to develop new policies to meet the changing market conditions. While improving mortality continues to be their close ally, they are demanding a greater rate of return from the investment department to provide them with an additional tool to improve their premium rate structures.

The investment officers—particularly if their company's rate of return is behind the industry average—are hurrying to catch up. The record of a small group of companies which over the past couple of decades have taken long investment risks and have enjoyed a consequent high rate of return with great benefit to policyholders (and none of the dire consequences that many anticipated) beckons them on like a siren's call. And now the life insurance industry's long-awaited study on the Quality and Investment Performance of Corporate Bonds provides an additional argument, albeit a somewhat unconvincing one, that low-grade investments yield a higher over-all rate of return after absorbing losses than can be secured from a portfolio of high-grade securities.

While investment officers are not always attired in high button shoes, rubbers and celluloid collars, they are usually by training, and frequently by sad experience, fairly conservative fellows. They appreciate that the mission of investment officers in the life insurance business is to maximize return consistent with ultimate safety of principal. They know their job is definitely not the assumption of speculative risks in the hope of abnormal gains.

Competition is the spice of life and it should be encouraged, but I confess to some misgivings when competition becomes too rampant in the investment area. A life insurance company should meet the market on the type of assets it should own. It should not attempt to increase its return by avoiding securities and mortgages it ought to buy, and acquiring instead assets which carry real risks of loss under moderately poor economic conditions. The analogy between high premiums for substandard mortality and high yields on low-grade securities and mortgages contains a fallacy. The death rate of substandard risks will be high, but the deaths will be spread out in point of time; on the other hand, defaults on low-grade investment will not be spread out, but will probably occur almost simultaneously should depression conditions develop. With surplus and other unassigned protective funds representing only 8% of the industry's resources, the risks are too great to have a preponderance of assets in low-grade securities and mortgages. We should not ignore the historical fact that most insurance companies which have become involved in difficulties in recent times have had unsatisfactory investments to blame.

The life insurance business is certainly undergoing some change in the character of its investments, and perhaps some deterioration in quality. This has become an age of "gimmicks," and the financial field has not been ignored. We have junior subordinated convertible debentures — purchase leasebacks — revenue bonds on swimming pools and industrial plants — oil production loans—and now package units of debentures and stocks together.

If we want to "keep up with the Joneses" in our business, we must embrace some of these new styles in finance. If we purchase bonds issued by corporations with top credits, we compete with a new and rapidly growing group of investors in high-grade bonds (of which pension funds and state accounts are good examples), who regard non-criticizable names as essential and who by the sheer volume and concentration of their purchases have brought about relatively lower yields for these credits. The life insurance business, since its continued asset growth permits it always to be a buyer of investments on balance, has little need for the liquidity provided by these high-grade credits and even less need for prominent names that pay little "board." Life insurance investments, therefore, can be spread over a broader spectrum.

But what might be termed "off beat" financing presents real problems. In the first place the investment officer has to sell himself on the security and, secondly, he has to convince his associates on the Finance Committee.

Substitutional Investment Area

In the area of direct placement finance, it becomes of utmost importance to give detailed and earnest consideration not only to management but to indenture terms as well. While I guess it is impossible to make a "silk purse from a sow's ear," I'm quite convinced that a "sow's ear" properly handled can become a pig's skin purse and substitute quite well for the proverbial silk purse. I am also convinced that it is possible to lend money safely and at satisfactory rates to a company of rather mediocre investment stature by carefully tailoring maturity and indenture provisions to suit the circumstances. We should appreciate that a debenture of a medium-grade company with a relatively short maturity and proper indenture terms can have as much real investment stamina as a very long-term bond of a high quality corporation. Maturity and indenture terms can frequently be made an adequate substitute for so-called quality.

The very large life insurance companies, I believe, have a creditable record of protecting their investments through carefully phrased indenture terms. The smaller companies, because they have had less experience in the direct placement field and perhaps because they lack adequate staff, have at times, I fear, been less rigid in their requirements. Ultimately this may be unfortunate because it is quite possible that the credits which the smaller companies have elected to acquire may be the less strong corporations which especially need tightly drawn indenture terms to protect the borrower.

Working Capital Indenture

The importance of strengthening lesser quality direct placements by earmarking a high proportion of existing net working capital should never be overlooked. All the working capital which the borrower and lender agree is needed to operate the business properly should be frozen. This is one of the principal provisions of sound indenture draftsmanship. It is frequently thought sufficient to have net working capital maintained at 1½ or 2 times the amount of outstanding debt. When such a ratio permits a company to dissipate large amounts of its working capital through operating losses or to divert such liquid resources into unwise expansion of fixed assets or the purchase of other corporations before a default is created that will give the bondholder a voice in corporate affairs, I maintain that that indenture is not a good one from the bondholder's point of view.

Another problem confronts investment officers in handling financing of lesser-known credits. Having sold themselves on the investment, they must next sell their associates on the Finance Committee. Obviously investment officers are not, as a general rule, masters of their own fate. They have, superimposed on their judgments, the consolidated opinions of their Finance Committee. Judgments by committees are not only necessary but highly desirable in institutional investing. Everyone of us will go berserk sometime, and proper safeguards must obviously be set up to prevent the poor decisions of an individual from causing any serious harm to an institution.

Finance Committee's Unfamiliarity

But there is one problem which I fear investment officers sometimes have with their associates on the Finance Committee which is worthy of comment. Most Finance Committee members are prominent businessmen who have achieved a good measure of their success by investing in high quality common stocks. It is difficult for such men to orient their thinking to the wisdom of investing a portion of insurance company funds in the senior securities of second-rate enterprises—the kind of companies in which equity ownership in hardly inviting. It is as difficult for these men to approve this kind of commitment as it is for the Mortgage Loan Officer to realize he

Continued on page 30

*An address by Mr. Gerard before the American Life Convention, Chicago, Ill., Oct. 10, 1958.

Taxation of Death Benefits Under Pension and Profit Sharing Plans

By DAVID STOCK*

Ehrich Stock Valincenti Leighton & Holland, N. Y. City

New York tax expert furnishes the tax framework to achieve realizable income and estate tax savings on employees' pension and profit sharing plans. Mr. Stock makes clear that proper precautionary steps suggested must be taken, however, while the employee is actively employed. In outlining some of the important considerations involved in planning the projection of benefits under qualified plans, the author favors the use of inter-vivos to testamentary trusts in avoiding the enlargement of taxable estate of the beneficiary. He also reviews the advantages of trust administration of death benefits as compared with direct payments, and notes that the former focuses attention on the dangers of lack of planning.

It is probably safe to say that the receipt and disposition of employee benefits under qualified pension and profit sharing plans are treated more favorably under the various Federal tax laws than the realization and devolution of any other form of economic wealth. However, in certain respects, this favorable tax treatment inheres in available opportunities, which must be understood and availed of if an advantageous result is to be obtained or a disadvantageous outcome is to be avoided.

David Stock

Under present conditions, which severely limit the accumulation of funds from earnings, the benefits under such employee plans will constitute a substantial or major portion of the retirement and post-death resources of a large proportion of employees participating in such plans. Nevertheless, it is evident that, in general, little or no thought is being given to planning the receipt and disposition of such benefits. Even more than desirable tax objectives, such planning will involve a thoughtful response to family purposes and requirements and the integration of such benefits in an over-all plan. However, this paper will be concerned primarily with the tax aspects.

To begin with, let us see what the essential tax features are:

Income Tax

(1) **Long Term Capital Gain**—If the total of the amounts distributable to an employee under a qualified plan is paid within one taxable year to the payee, by reason of separation from the service of the employer (including death) or by reason of death after separation from service, such distribution is taxable as long term capital gain to the recipient, whether such recipient be the employee or his estate or a designated beneficiary, to the extent that such distribution exceeds the amount, if any, contributed by the employee.[1] If the distribution includes securities of the employer which have appreciated, they are valued, for income tax purposes, at their cost to the trustee under the plan, rather than their value at the time of distribution.† Distributions which do not qualify for such capital gains treatment, such as annuity payments, are taxable as ordinary income, to the extent that they exceed the employee's cost as represented by his own contributions.[2] Provision is made in the Internal Revenue Code for prorating the employee's cost over the period of distribution in order to ascertain the annual income element in each payment, with the use of life expectancy in the case of lifetime distributions.[3] However, a lump sum payment, even on a capital gains basis, may involve more income tax than a distribution over a number of years at ordinary income tax rates, unless the lump sum payment is to be divided between a number of recipients, such as various members of the employee's family or a number of trusts—to which further reference will be made below.

To the extent that the death benefit under a qualified plan is provided by the reserve under a life insurance contract, such benefit constitutes income to the beneficiary only to the the extent of the cash surrender value of the contract immediately prior to the death of the employee, which is capital gain if distributed as part of a lump sum or ordinary income if distributed otherwise; and the excess of the death benefit over the cash surrender value is exempt from income tax as life insurance proceeds.[4] As in the case of any distribution of a death benefit, the contributions by the employee go to reduce the amount of taxable income or capital gain, and, for this purpose, the amount of premiums on insurance contracts previously taxed to the employee are regarded as contributions by the employee.[5]

(2) **The $5,000 Exemption** — $5,000 of the amounts received under a qualified plan, by reason of the death of an employee and attributable to the contributions by the employer, is exempt from income tax, regardless of whether or not the distribution constitutes a capital gain.[6] However, if the employee had a non-forfeitable (vested) interest in the amount distributed, immediately prior to his death, the entire amount payable must be distributed within one taxable year of the distributee.[7]

(3) **Gift Tax**—The irrevocable designation of a beneficiary by an employee, to receive the benefit under a plan, such as a survivor annuity or other benefit, constitutes a gift.[8] However, the Internal Revenue Code has recently been amended so as to exempt from gift tax such designations under qualified plans, except to the extent that such designated benefits are attributable to the employee's own contributions.[9]

Estate Tax

The death benefit under a qualified plan is exempt from estate tax if payable to a beneficiary **other than the estate of the employee**, except to the extent that it is attributable to contributions by the employee.[10] Thus, if the employer contributed two-thirds of the cost and the employee one-third thereof, two-thirds of the death benefit is free of estate tax. And this exemption applies as well to the proceeds of life insurance.[11] As life insurance proceeds at death are also exempt from income tax and gift tax, they are thus accorded the exceptional treatment of freedom from all Federal taxes.

In the light of the tax framework outlined above, let us now go on to some of the important considerations involved in planning the projection of benefits under qualified plans.

Estate Tax Disadvantage of Capital Gain Distribution at Retirement—The attraction of capital gains treatment of lump sum distributions at retirement is inducing many employees, especially executives in relatively high income tax brackets, to elect to take such distribution. Before making such an election, the employee should realize that the amount so received will, to the extent that it is possessed by him at his subsequent death, be subject to estate tax—as it will no longer, after a lifetime distribution, constitute an exempt death benefit under a qualified plan. From the standpoint of estate tax economy, it will be better for such an employee to elect an option, if available, to receive his retirement benefit over a protracted period, such as life and 20 years certain, so that any balance distributable at his death will be entitled to estate tax exemption. Such balance, if payable in a lump sum at death, will still be entitled to capital gains treatment.‡ Leaving the retirement fund at interest, which would leave the principal sum intact, will not serve this purpose, because the election of such an interest option will be regarded as constructive receipt of the retirement fund by the employee at his retirement.[12] With the same objective in mind, an employee who continues in employment after his normal retirement date should consider postponement of any pension payments, otherwise payable, until his actual retirement or prior death.[13]

Death Beneficiary Should Not Be Estate—A death benefit will not be entitled to exemption from estate tax if it is payable to the estate of the employee.[14] Furthermore, even if a beneficiary other than the estate is designated, such as the employee's wife, her death before his will result in payment to his estate unless a contingent beneficiary has been designated. Unfortunately, this slight detail of proper beneficiary designation is being neglected by many employees.

Avoiding Enlargement of Taxable Estate of Beneficiary. While a death benefit under a qualified plan will be exempt from estate tax to the extent that it is attributable to employer contributions and if it is payable to a beneficiary other than the employee's estate, it will, insofar as it serves to enlarge the estate of the beneficiary, be included in the taxable estate of the beneficiary. And, so much of the death benefit as is payable to the employee's estate or is attributable to the employee's contributions will have to pass the gamut of more than one estate tax.[15]

Such augmentation of the taxable estate of the beneficiary can be avoided by the interposition of an appropriate trust or trusts, to receive the death benefit. Such trusts can be either testamentary or inter-vivos. The latter have the advantage of being free of probate and administration expenses and, in most jurisdictions, free from the claims of creditors which attach to estate assets. There is considerable danger that a payment to a testamentary trustee will be subject to claims of creditors and that it will not qualify for estate tax exemption.

Advantageous Use of Inter-Vivos Trust

Accordingly, the trust administration of employee death benefits may be best effectuated by an inter-vivos trust or trusts. Such trusts, which can be created with a nominal corpus, will be authorized, among other things, to receive death benefits or other property that may be designated by the settlor and will contain the necessary and desirable provisions for the administration and disposition of the trust.

Income tax, as well as other considerations, may indicate the desirability of using more than one inter-vivos trust. Income tax economies may thereby be effected both with respect to the receipt of the death benefit payments and the income thereafter earned by the trusts. Thus, if there is more than one trust, and the trustees of each trust are designated to receive a portion of the death benefits, the resulting aggregate income tax to the several trusts will be smaller than if received entirely by one trust, in every case where the receipt of the payment is subject to ordinary income tax rates. Even in the case of a lump sum payment subject to capital gains rates, the tax will be smaller if the inclusion in income of one-half of the amount received by the respective trusts will result in an aggregate increase in income tax of less than the maximum 25% alternative capital gains rate.

In addition, accumulation of trust income, where the law of the jurisdiction permits it, will result in income tax savings. Where there is only one accumulation trust, the resulting income tax will ordinarily be lower than if the widow had directly received the death benefit and invested it; and accumulation by several trusts will further reduce the income tax. The use of inter-vivos trusts may be illustrated simply as follows:

An employee, who is a member of a qualified employee plan, has a wife and three infant children. He creates three inter-vivos trusts. The death benefit under the employee plan is designated to be paid to the three trusts in equal shares. The income of one trust is to go to his wife, and, after her death, to child A, either for life or with such distributions of principal to child A as may be desired. The wife will also be the primary income beneficiary of each of the other two trusts, with remainder interests therein to child B and child C, respectively. The wife may be given a limited and non-taxable testamentary power of appointment. Discretionary powers to accumulate income and invade principal can be provided, and, of course, the various contingencies with respect to premature deaths and alternative beneficiaries will be covered. The separate trusts can be created in separate trust instruments or in one. Where separate trusts for members of an indeterminate class are desired, such as the children surviving the settlor, one trust instrument will be required, providing for an equal division of the corpus into separate trusts, at the death of the settlor, for such survivors.

Direct Payment Versus Trust Administration

Equally as important as tax saving is a consideration of the possible advantages of trust administration of death benefits as compared with direct payment thereof. The use of the trust vehicle, whether or not it is indicated for tax reasons, may be advisable or essential to provide those functions traditionally thought of in connection with other types of assets. A lump sum payment of the death benefit carries with it the risk of dissipation or poor investment management by the widow or other beneficiary. And, payment of the death benefit as an annuity or in installments does not provide the flexibility and response to varying and uncertain family requirements.

On the other hand, a trust of the death proceeds can serve to husband resources during periods when they may not be needed, and to provide availability of funds to meet expected or emergency needs. Such dispositive powers, with respect to the principal and income of the trust, and such trustee investment and other powers can be used as will be calculated to carry out the settlor's purposes. Adequate provisions for trust remainders can be made, including if desired, non-taxable powers of appointment to the widow.

In this connection, the serious contingency of the death of the widow before the children have grown up can be met, at least in its most critical phases, by a trustee endowed with adequate powers. Thus, by the use of a trust, we can substitute for the unplanned payment of an employee's death benefit a rational program for management, use and disposition thereof.

Perhaps the most important aspect of bringing up the question of trust administration of death benefits is that it will often call attention to the lack of any planning with respect to a substantial or major portion of the employee's resources and serve as the focal point of a planned program. The planning with respect to such death benefits should be undertaken while the employee is still actively employed, because the change of status at retirement or retirement age, or death prior thereto, will usually be accompanied by certain inevitable tax consequences and a serious loss of freedom of action.[16]

*An address by Mr. Stock before the Annual Tax Conference of the National Tax Assn., Philadelphia, Pa., Oct. 28, 1958.

1 I.R.C. Sec. 402(a)(2). Sec. 403(a)(2)
† I.R.C. Sec. 402(a)(2). Sec. 403(a)(2)
2 I.R.C. Sec. 402(a)(1). Sec. 72
I.R.C. Sec. 403(a)(1). Sec. 72
3 I.R.C. Sec. 72
4 Reg. 1.402 (a)-(a) (4) (ii) (b)
I.R.C. Sec. 101 (a)
5 Reg. 1.402 (a)-1 (a) (4) (iii)
6 I.R.C. Sec. 101 (b)
7 I.R.C. Sec. 101 (b) (2) (B)
8 I.R.C. Sec. 2511 (a)
9 I.R.C. Sec. 2517, as added by Sec. 68 of Technical Amendments Act of 1958
10 I.R.C. Sec. 2039 (c)
11 Reg. 20.2039-2 (b). Example (3)
‡ I.R.C. Sec. 402(a)(2). Sec. 403(a)(2)
12 Reg. 20.2039-2 (b). Example (4)
13 Revenue Ruling 57-260
14 I.R.C. Sec. 2039 (c)

15 The credit for any tax on prior transfers, if the beneficiary dies within ten years after the employee, under Section 2013 of the Internal Revenue Code, is a reducing credit with the passing of time, and is not available if the prior transfer qualified for the marital deduction.

If the death benefit is subject to income tax in the hands of the recipient, as will be true of payments other than life insurance proceeds, the deduction of the estate tax attributable to such death benefit, under section 691 (c), will serve at best to recover only that portion of estate tax represented by the top income tax bracket of the recipient—and where the income is subject to capital gains rates, under Section 402(a), will result in recovery of a maximum of 25% of the estate tax.

With respect to life insurance proceeds, which are subject to estate tax but not income tax, there will of course be no deduction for estate tax.

16 For example, a lump sum payment at retirement, rather than an annuity, may be inadvisable for an executive with a substantial estate, because of the unnecessary augmentation of his taxable estate by the receipt thereof while living—even though such payment is subject only to capital gains rates. Similarly, an executive who continues in employment after his normal retirement date should consider postponement of any pension payments, otherwise payable, until his actual retirement or prior death. Revenue Ruling 57-260.

New Nielsen Branch

NORTH HOLLYWOOD, Calif.—W. G. Nielsen Co. has opened a branch office at 11141 McCormick Street under the management of Lawrence T. Montmeny.

Tegtmeyer Opens Branch

POWELL, Wyo.—Wm. H. Tegtmeyer & Co. has opened a branch office at 130 North Bent, under the management of Ivan M. Jenkins.

Triangle Office

BROOKLYN, N. Y. — Triangle Investors Corporation has opened a branch office at 26 Court Street under the management of Bernard Gorson.

"Toward Point of No Return"

By ROBERT C. TYSON*
Chairman, Finance Committee, United States Steel Corp.

Not unaware that the "American Golden Goose" is a tougher bird than most people realize, Mr. Tyson goes into current economic facts of life to reveal pressures that must be corrected so that the economy does not go past the "point of no return." The steel industrialist makes clear we are in the shadow of the most vicious inflationary spiral known to economic science in discussing harmfulness of labor-prompted-cost-push inflation and steeply progressive income tax rates on superior individual performance. Warns that entry into peacetime wage-price controls, followed by allocation and ration controls, would signal the "point of no return." Describes three forces that can push us over this precipice which he terms: "give-away spiral," "rob Peter-pay-Paul nostrum," and "institutionalized inflation." Asks whether we have relaxed our economic motivations so far that we cannot function in the absence of a boom or artificial stimulus.

There are some problems that are common to all our industries and to all our individuals.

One way of thinking about such problems is in terms of a "point of no return." I was once a passenger aboard an airliner flying across the ocean. It actually happened to be a speedy and quite uneventful trip. Nevertheless when someone said we had passed the point of no return, it gave me a bit of a pause. It meant we were committed to continue onward, for good or ill. To turn back had become impractical, if not impossible.


R. C. Tyson

There was time for conjecture as we flew on and on and the words, "point of no return," kept coming back into my mind. It could be that the phase had applicability and significance to the affairs of individuals, of nations, and indeed of the civilizations that have come and gone across the pages of history. All of us as individuals can recall certain decisions we made—perhaps long ago—but which, once made, irrevocably and inexorably dictated much of our individual destinies. And nations, too, can make fateful decisions as one once, for example, was made at Munich. Are we in this land of ours perchance also marching toward a point of no return? It can be a disquieting thought.

It is hard to view in dispassionate perspective the panorama of events in one's own lifetime. The trees hide the forest. It is equally hard to envision the future consequences of today's national decisions and so give those future consequences a safeguarding weight in the today's decision-making process. I guess it was hard, also, for the citizens of ancient Rome, and so for them a point of no return—all unnoticed—was reached and passed. Yet we live in a period of tremendous transformation in our national attitudes and institutions, as well as in a world in which two powerfully armed ideologies stand so bitterly opposed to each other that surely one of them will eventually perish either by conquest from without or by transformation from within.

In just our own life spans there have been profound changes in the political, the economic and the social institutions and attitudes of America. I shed no nostalgic tears at the passing of the so-called "good old days" as such. I seek, instead, for the central theme of this evolution. Its outward manifestation is perhaps the ever-growing power and costliness of our central government, with corresponding subordination of the authority and dignity of state and local governments and of individuals. But even deeper than that is perhaps the increasing public acceptance of the notion that it is proper for the majestic power of government to be employed, either directly or indirectly, to compel vast redistribution of our incomes or, as Kipling once said, "by robbing selected Peter to pay for collective Paul."

This represents a far greater change in what we might call the politically acceptable than most people realize. You of Texas, where the traditions of individual independence and self-reliance run stronger than in many other places, will for that reason the more readily recognize its magnitude. In your hearts there must be an uneasy feeling that something is wrong about having the minimum you must pay to, say, an office building janitor dictated in faraway Washington. There is something grimly humorous, too, about describing the taking of up to about 90% of an individual's honestly earned income as a fair tax. There is something both saddening and disquieting in the fact that, in the midst of the biggest peacetime boom with the highest peacetime tax rates ever experienced, no significant progress could be made in reducing an enormous Federal debt, and we are now confronted with the prospect of inflationary deficits measured in the billions. Perhaps you are concerned that the social and legal frameworks seem to compel the leaders of our labor unions to seek dominating political power; that superior individual and corporate performance are tax punished, while inefficiency is sheltered and idleness subsidized; that increasing numbers seek and get government subsidy or special privilege at taxpayers' or consumers' expense.

I could give further instances of the wholesale resort of the American people to the political means of getting something for nothing from each other. But rather I want to uncover, if I can, the underlying processes of this evolution. I think there are at least three of them that interact with each other and have potentiality of becoming self-stimulating spirals to spin us toward some point of no return.

One of them I am compelled to describe, however impolite it may be, as the "give-away spiral." The second process I have already noted as the "rob-Peter-pay-Paul nostrum." The third process I think of as "institutionalized inflation."

The Give-away Spiral

The give-away spiral, once it is initiated, is nurtured by ordinary human nature. Once a moral principle is broken to gain the favor of any group, then other groups enviously and competitively seek similar privilege on threat of withholding political favor. The grantor of privilege, having sacrificed the moral defense previously acceptable to all, automatically becomes self-entrapped. He cannot or dare not withdraw the privilege, for privilege once granted is soon regarded as vested right by its recipient; and resentment of its withdrawal outweighs prior gratitude for its receipt.

This is well illustrated in the story of an officeholder that comes to mind. The officeholder, seeking reelection, was walking down the street when he met Joe, one of his constituents. After a greeting, he said, "Joe, I know you are going to vote for me next week." Joe replied, "No, I don't guess I will." The officeholder said, "That would really be ingratitude. Don't you remember two years ago when I got you on the special relief roll, and don't you remember last year when I got that son of yours a job in the Post Office?" Joe answered, "Yes, I remember you done those things, but what have you done for me lately?"

The point is that the grantor of privilege is condemned to go on and on giving more and more to politically significant groups merely to retain favor previously acquired. But each new grant diminishes the relative value of all prior grants, thus calling for their renewal and enlargement all over again. As an example, in every one of the past five Congressional election years Congress has increased social security benefits. This is not to condemn those benefits, but to show how the spiral, once initiated, increasingly becomes self-stimulating.

The Rob-Peter-Pay-Paul Process

Once the give-away spiral has been embraced it inevitably invokes the rob-Peter-pay-Paul process. For there is no way for some to gain from government giving except that others suffer from government taking. Government is society's armed and organized power to defend the nation and to control the behavior of the populace, but it has no power of itself to produce that which it donates to people at home or abroad. Swords are not plowshares; prisons are not factories; courts are not voluntary and competitive markets; expansive bureaucracy is not productive management. Government is necessary, but is nevertheless a net burden on, not a net support to, the economy. All of you, I am sure, understand this very well and so I will not press the point. Nor am I, for the moment, concerned with whether compulsory redistribution of income rests on true Golden Rule ethics or on misguided Robin Hood romanticism.

What does concern me is how the practice modifies the historic motivations of the American people. The system of economic incentives established in our land is an integral part of individual liberty and neither can exist without the other. That it has worked beyond the dreams of other times and places is witnessed by the historic rise in American living scales. The extent to which we tamper with those motivations is thus worth a minute's meditative consideration by everyone.

I submit to you that the material essence of individual freedom is that no one shall resort to compulsion or intimidation in his dealings with others—that is, no man may take another's property or physically injure or confine him without his consent; and not even government may do these things except to punish those who attempt them. People are only free when their acts are voluntary; and their acts can only be voluntary when the government's own majestic power of coercion is limited in its exercise to cancelling out coercion, fraud and theft in the dealings of people with each other; and when, above all, that government power is never utilized to implement intergroup despoliation. That is why our Constitution and Bill of Rights bristle with prohibitions on the exercise of government's power. That is why too much government is a potential enemy of freedom and why eternal vigilance is the price of liberty.

Consider now the economic incentives arising in a voluntary society. The system says to each one living under it that he can have for himself whatever he produces, or its equivalent, in voluntary exchanges; but he is permitted no power to take for himself what another has produced except that it be voluntarily bestowed. The maximum incentive that is possible without undermining a similar incentive to others is thereby applied to each individual or family unit. And the corollary is that since no one may despoil another, then no man can escape the need to exert himself productively and so help to meet the inescapable survival requirement of humanity on earth. The system is one of maximum possible incentives and spurs applied to each and every individual living under it. It also is one of maximum possible opportunity for no man can employ coercion to prevent another from entering an occupation similar to his own.

Free Competitive Market

Out of this come automatically what we know as free competitive markets. And inbedded in competitive markets are many of the features that explain the extraordinary rise of the American civilization. Here are some of those features:

Competitive markets, as you know, are our only guarantee of productive efficiency. They are also our only mechanism for the continuous and impersonal dispensing of economic justice. Under competitive markets the seller of anything is free to seek out whoever in the entire land will pay him the most in the light of what must be paid to others for the same thing. Similarly the buyer is free to seek out whoever will sell at the lowest price in the light of what others are charging. Whatever the resulting price, it represents the voluntary decision of the interested parties, all of whom have the recourse of refraining from purchase or sale if they deem it unsatisfactory. The fairness of a wage, price, profit or of a loss is never to be determined from its arithmetic magnitude, but only in terms of whether it was achieved in the absence of fraud or coercion from any source—that is, in truly competitive markets.

Competitive markets continuously direct production to yield the maximum consumer satisfaction. I suppose that you have been, as have I, amazed at the great sensitivity and responsiveness of our competitive system to the changing demands of King Customer. Let some new item please the public, be it television or even hula hoops, and through beckoning profit prospect a new industry is born almost overnight. Let some industry or product lose customer favor and it quietly and impersonally disappears, its manpower and resources being diverted to other more valuable pursuits. Remember the long list of automobiles that exist now only as memories! We know also how swiftly, even frighteningly, our competitive system responds to the alternating inflationary and deflationary influences imposed upon it. Such responsiveness has led many mistakenly to suppose that boom and bust are inherent in the competitive system itself rather than in the abuse it accurately reflects. In our competitive system we have, indeed, a most wondrous invention of mankind. It is stimulator, guider and governor of economic effort, provider of opportunity, dispenser of justice, guardian of efficiency, promoter of progress.

I mention just one more of the many important features of competitive markets because it is a less recognized but nevertheless a happy and gratifying feature. In every human being, I am convinced, there is somewhere some bit of genius or special talent. In totalitarian states it can never be fully released. But through our competitive markets every one can and is both searching for and encouraging it in others and is allowed freely to develop it in himself. Thus we have a precious device for finding, releasing and rewarding all the genius of all the people, and so long as we preserve it I have no fear of limited evil genius rampant elsewhere in this world.

Here then is the secret of the extraordinary rise of the American civilization, and please note that it has all rested on the sys-

Continued on page 25

*An address by Mr. Tyson before The Texas Mid-Continental Oil and Gas Association, Dallas, Texas, Oct. 7, 1958.

Reflections on Transport Policies

By KENNETH H. TUGGLE*
Member of the Interstate Commerce Commission
Washington, D. C.

Railroads' reluctance to apply for recently allowed guaranteed loans for capital improvements and to take advantage of rail consolidation permitted since 1940 — with the blessings of Congress and the ICC — mystify Federal rail commissioner. Now that carloadings new 1958 high indicate a substantial upward trend, Mr. Tuggle hopes railroads will do something about alarming freight car situation which, with freight yard modernization, could cut operating costs up to 50%. The Commissioner expects the transportation study authorized by Senate Resolution 303 will start this January with an examination of the railroad passenger deficit — the heart of the railroad financial problems.

The principle of competitive private ownership of transportation must be the constant concern of every American, whatever his personal interest. Congress has just recently concluded the first step, and I repeat, first step, in a searching investigation and reappraisal of present transportation problems. As a result we now have the Transportation Act of 1958 containing measures designed for both immediate and long-range relief for the transportation industry, particularly the railroads.


Kenneth H. Tuggle

In my opinion early benefits should flow from the provisions in the new Act for Government guarantee of loans to the railroads, greater Federal authority over state rates and the discontinuance of passenger trains which impose a burden on interstate commerce. Other helpful provisions include of course legislative approval of a definite test for determining the legality of private trucking operations in doubtful situations, and some urgently needed clarification of the exemptions from Federal regulations of certain agricultural products moving by highway. There has not been a sufficient lapse of time for the Commission to gain experience under the new Act and I will not comment on its provisions at this time, except in one particular later.

Many are concerned just now with the authorization by the 85th Congress, in S. Res. 303, of a special transportation policy study by the Senate Commerce Committee which is scheduled to get under way this coming January. This study is concerned with a number of long-range policy matters which, according to the report on the resolution, "need extensive study and recommendations to the end that appropriate legislation be enacted to insure a sound national transportation system."

Study Areas

The resolution outlines seven specific areas of study. It calls for an investigation of the need for regulation of transportation under present-day conditions and, if there is need for regulation, the type and character of that regulation; also a comprehensive study of Government assistance provided the various forms of transportation, consolidations and mergers within the industry, railroad passenger service necessary for the public and national defense, mass transportation and commuter service, and additional matters concerning Federal regulations and policies in regard to transportation. In my remarks I couldn't tackle all of these tough transportation perplexities if I tried, but I will examine two or three of them in the hope of spading up something useful for more detailed consideration.

I feel confident that Congressional study will help put transportation in proper focus with respect to all modes of carriage and the relationship as between transportation and the production industry. It should be obvious, too, that sound policy demands equal treatment for all modes of transport in law and in its administration; and that any preferences, for obvious reasons, constitute material drags on the development and maintenance of a sound national transport system.

The national transportation policy declared in the Act was not disturbed by the Transportation Act of 1958; instead, that policy was affirmed in all respects, particularly in the new amendment to section 15a which accords specific legislative approval of the Commission's established practice of giving due consideration to the objectives of the policy in competitive rate cases. All of these objectives clearly are in the public interest.

Actually there has been very little, if any, serious question as to the soundness of the stated objectives of the present national policy. But there have been wide and material differences as between qualified authorities as to just how those objectives can best be achieved. In short, the main division in thinking occurs on questions concerning the kind of transport law that will encourage and promote the kind of national transportation system that is called for by the policy clause.

These thorny questions constitute a serious challenge to both transportation and production statesmen of our time. They will meet this challenge successfully. Of this I am sure. Following American traditions, satisfactory solutions of these complicated economic problems, I believe, will come mainly from associations such as the TAA whose cooperative procedures are designed to reach sound judgments, giving due consideration to the material needs of divergent interests and of the nation as a whole. In our society the importance of judgments reached by judicious compromise, on problems affecting the public particularly, cannot be over-emphasized. Such procedures are entirely consistent with the basic principles of democracy upon which this great republic is founded.

Healthy Competition Without Waste

The public generally, and transportation people especially, are now seriously concerned about railroad deficit problems, and with sound reason. Promising self-help measures here include the obvious need, in the interest of economy and efficiency, for consolidations and mergers and the joint use of facilities including terminals and yards particularly, where unnecessary duplications exist; and the pressing need for a more favorable attitude by the railroads towards joining in through routes and joint arrangements with other modes of transport. These are salient examples of situations in which material improvements can be made with substantial benefits to the public. And I am not here suggesting "regional systems" which would eliminate healthy competition between railroads where such competition is needed.

Unquestionably, there are many situations throughout the country where consolidations of railroads would produce substantial economies and thereby contribute greatly to the financial needs of the railroad industry. In most large cities there is an unnecessary and wasteful duplication of expensive railroad terminal facilities, both freight and passenger, highly taxed. This duplication not only results in uneconomical operations but it accounts for delays in through freight hauls. Today, for competitive reasons, the success of railroad operations depends more than ever upon speed, efficient freight movements and dependable 24-hour-a-day performance.

Certainly there are many instances in which the public interest does not require several sets of tracks, with all the attending facilities that go with them, owned and operated by different railroads, between the same terminal areas. This is especially true as to parallel competing rail lines which serve substantially the same intermediate territory.

It is a monumental contradiction that while many, if not most people, have an emotional repugnance to mergers and consolidations, historically, Congress has encouraged them for the solution for recurring railroad problems. From 1920 to 1940 Congress, as you know, gave the Commission the job of formulating a plan for the consolidation of the railroads into a limited number of systems, but the program depended upon voluntary action of the carriers and very little was accomplished. Then, in 1940 the law was amended to provide that the Commission may authorize mergers proposed by railroads when the Commission finds them to be "consistent with the public interest." Under the present provision, no extensive consolidations have occurred, and since World War II few significant merger proposals have been presented to the Commission.

It is encouraging to notice however that recently railroad management has shown greater interest in mergers and consolidations. This I suspect is due in large part to economic pressures resulting from competition particularly by public and private carriage on the highways. This economic pressure, at long last, seems to have started a definite trend among railroads toward consolidations, mergers and joint use of rail facilities in the interest of improving the competitive position of the railroad industry by reducing costs and increasing efficiency. And these are effective tools in any competitive field.

Notes Merger Studies

I refer for example to the merger studies now under way involving four western railroads, The Northern Pacific, Great Northern, Chicago, Burlington & Quincy, and the Spokane, Portland and Seattle; the merger of the Pennsylvania and the New York Central Railroads now under consideration by those carriers; and the very recent press announcements that studies are to begin immediately concerning the possible merger of the Coast Line and the Seaboard Railroads.

The Commission, of course, stands ready to give thorough and sympathetic consideration to any merger proposals under Section 5. The general statutory test is that such proposals be "consistent with the public interest." It is well established by decisions of the courts[1] and the Commission that the term **public interest** in the statute has direct relation to adequacy of transportation service, to its essential conditions of economy and efficiency, and to appropriate provision and best use of transport facilities.

It is significant that merger proposals are not measured by the standards of the antitrust laws. For obvious reasons there can be no rule of thumb for general application, particularly as to the public interest element. Based upon the facts in each individual case it is the Commission's duty to estimate the scope and appraise the effects of the curtailment of competition which will result from the proposed consolidation and consider them along with the advantages of improved service, lower costs, etc., to determine whether the consolidation will assist in effectuating the over-all national transportation policy in the Act.

From the history of Section 5 it is abundantly clear that the policy of Congress was, and is, not only to authorize but to encourage consolidations and mergers of rail properties when such mergers strengthen the national rail system and otherwise conform to the public interest. Here, then, is an area in which the railroads can do much for themselves with the blessing of Congress and the Commission.

Passenger Deficit Study

It may well be that the railroad passenger deficit was one object of primary concern in ordering the S. Res. 303 study. Certainly it lies at the very heart of railroad financial problems in recent years. As you know, Examiner Hosmer's comprehensive proposed report[2] in the Commission's investigation of the passenger deficit problem was just issued on Sept. 18. That investigation was assigned to Division 3 for administrative handling, and as Chairman of that Division I have kept in touch with the development of the record with deep interest.

The proposed report has received widespread publicity largely because the examiner has pointed out that, unless there is a reversal of present trends, first-class rail passenger service, other than commutation, will have disappeared in 1965 and coach service will have ended in 1970. This conclusion regarded as startling was simply based on arithmetic applied to figures published by our Bureau of Transport Economics and Statistics a few months before in a routine monthly publication which probably is little noticed by the general public.

The well documented observations and conclusions in the proposed report spotlight the basic, complex difficulties confronting the railroads in their passenger operations. It is shown, for example, that the average revenue per passenger gross ton-mile increased 22% during 1947-1957 while the average operating costs increased 48%. The decline in railroad passenger travel has resulted mainly from the public's preference for travel by private automobile which accounts for 90% of all intercity travel. As the result of this preference all public carriers now perform only about 10% of total travel, of which the railroads handle less than one-third—less than 3%.

Let me emphasize these additional staggering facts, evinced by the present record. In 1930 for the first time an operating deficit from passenger service was shown and except during World War II (1942-45) recorded expenses of performing this service have regularly exceeded the revenue therefrom—25 out of the last 29 years. And, that is not all: the number of passengers (including commutation) carried by Class I railroads in 1957 was 411 million, the smallest number ever recorded in a period dating from 1890; and the number for the first six months in 1958 was lower than in the corresponding months of 1957.

Ascribes Cause

An important conclusion in the report is that the railroads have good reason to believe that the principle underlying cause of their serious loss of passenger traffic has been the governmental promotion of other modes of transportation by financial outlay and other means. This refers to what is described as aid extended by Federal, State, and local governments to forms of passenger transportation other than railroad, as well as to the aid received by the various government agencies from the railroads as taxpayers. The examiner did not say, and I do not say, that governmental aid has not been in the public interest, but the effect on rail passenger business has been devastating.

Public Airports, Autos and Bus

For illustration, according to authoritative estimates the total investment in civilian airports was $4 billion in 1955 and no doubt this figure has since increased considerably. More than a billion was contributed by the Federal Government towards construction and the remainder by cities and other municipal agencies. Apparently, almost none of these public airports earns enough revenue to cover the cost of doing business which a privately owned enterprise would have to take into account for profitable operation.

Another striking illustration concerns travel by railroad-owned ferries on the Hudson River. Between the years 1930 and 1956 the total number of people traveling by railroad ferries to and from New York City dropped from 93.8 million to only 19.2 million, annually. During that same period corresponding travel by automobile and bus increased from about 52.5 million people in 1930 to more than 206 million in 1956. According to the record, the latter movement by automobile and bus was made possible by the tunnels and bridges built and operated by the New York Port Authority. Is it any wonder that railroad ferry operations are now highly unprofitable in the New York-New Jersey metropolitan region?

In at least one state, and probably others, state taxing authorities assess railroad property at 100% of value and recognize a lower base for other taxpayers. In short, the record strongly indicates that antiquated and complex local tax systems have imposed inequitable and uneconomic burdens on the railroads. Neither the Transportation Act of 1958 nor any legislation that may result from the S. Res. 303 investigation will solve all of the problems involved in railroad passenger service.

It is encouraging that "serious study" is being given by New York City authorities to the New York Central's offer to turn over all of its passenger facilities within the city limits to the municipality. According to press announcements the railroad would continue to use the tracks for its long-haul passenger and out-of-town commuter business, but maintenance and operation of the tracks and other facilities would be the responsibility of the city.

One immediate result of such a plan would be a tax saving of $6,500,000 annually for the New York Central. The suggestion is made that the city tie its subway system to the New York Central's tracks, thereby according direct commuter service to lower Man-

*An address by Mr. Tuggle before the Board of Directors of the Transportation Association of America, Ponte Vedra Beach, Fla., Oct. 9, 1958.

1 New York Central Securities Corp. v. The United States, 287 U. S. 12, 25, cited with approval in McLean Trucking Co. v. U. S., 321 U. S. 67, 81.

2 Following usual procedure, interested persons are invited to file criticisms or exceptions to the examiner's report which will be considered by the Commission in later formulating its own report.

hattan. This is the kind of advanced thinking that is needed—the kind that will save the railroad passenger business if local authorities are sufficiently interested in seeing that the nation is provided with adequate rail service. This general approach, I believe, merits serious study and consideration by the TAA in its evaluation of the railroad passenger problem.

There are both social and economic implications that profoundly affect the local community but the Federal Government also is concerned because of the impact, of commuter deficits particularly, on freight rates of shippers throughout the country, and the ability of rail carriers to perform interstate service. The important problems resulting from antiquated and complex local tax systems that create economic inequities can only be solved at the community level.

Relates Problem to National Defense

The relation of passenger service to the national defense constitutes the most important phase of the passenger deficit problem. In this connection, the Senate Subcommittee said:

"The subcommittee believes, however, that the railroads should retain a certain amount of passenger service, whether profitable or not, as part of the railroads' obligation to serve the public and to provide for the national defense."

This raises the question: What is the "certain amount of passenger service" which must be retained in the public interest, particularly from the standpoint of national defense, and how much unprofitability resulting from that service can the railroads—or perhaps the freight shippers — be fairly required to bear? I commend this question as worthy of the most serious consideration by you gentlemen from the standpoint of your specialized interest and experience in the field of transportation.

Another question pertaining to railroad passenger service may soon be of more immediate concern to the ICC. As you know, some of the more important passenger - carrying railroads have stated that they intend to increase their fares as a means of dealing with the passenger deficit. The announcement has already brought forth comments that such action would further reduce traffic and increase the deficit rather than reduce it. Should the ICC take the position that managerial discretion should be controlling here, or on the other hand, be guided by its own judgment, based on full hearing, of course, as to what the financial effect might be? I, of course, simply pose the question and do not answer it.

Government Guaranteed Loans

I would like to say just a word on the provisions of the new 1958 Act for Government guarantee of loans to the railroads up to a total of $500 million for maintenance and capital expenditures. Within two or three days after the Act became effective on Aug. 12, the Commission adopted regulations to facilitate the processing of applications for loans under the new Act. There are about 660 railroads eligible to apply, and although considerable interest has been indicated through inquiries to the Commission, when these comments were formulated no applications had been received.

It is common knowledge that some of our large railroads have deferred many capital improvements in recent years—improvements which would strengthen their competitive position and substantially reduce expenses. The freight car situation as an illustration is alarming. The overall average of bad order cars now exceeds 8% of total ownership. As to some specific types, the figures are 11.7% on gondolas, and 10% on hoppers. The Commission's field reports indicate, too, that a large number of box cars carried as serviceable are not suitable for even rough freight loading. As a matter of fact there is today a shortage of cars for several types of loading.

In this connection, it should be emphasized that car loadings have now reached a new high for 1958, the trend of freight car surpluses is materially downward, and a substantial upward trend in carloadings appears firmly established. The deteriorating freight car situation, then, should be of vital concern not only to the railroads but to the production industry as well. Concerning transportation costs, it has been estimated that a combination of new freight cars and modern freight yard equipment could reduce railroad operating costs up to as much as 50%.

In face of these facts it is indeed difficult to understand the railroads' reluctance to apply for the guaranteed loans provided for in the new legislation. Certainly, the situation calls for some pioneering leadership in breaking through the psychological barrier of this "time lag." I feel confident that the need exists, that the benefits would be material, and that the first application will be followed by many others.

Conclusion

And now, in conclusion: It's too bad we don't have a few bulldozer principles with which to crash through the hedge of complexities to sound solutions of these and other thorny problems. But, contrary to some casual diagnoses, this simply is not a suitable field for bulldozer thinking or action. The economic casualties would be far too high. Good transport law should be designed to encourage—not restrain—sound managerial discretion in both the transportation and production industries. To put it differently, ways and means must be sought to tap more fully the ingenuity and resourcefulness of American business. Unnecessary economic restraints on the free flow of commerce throughout the land, in whatever form, are highly objectionable. Any such approach, in legislation or administration, puts the proverbial horse and cart out of proper sequence.

This freedom approach in the study of transport law and administration, among other things, should fully explore and emphasize long-range measures that are available within the transportation industry itself, and between that industry and the production industry. Crutches in the form of temporary relief are not enough. I am confident that sound solutions for some long standing problems will be found through the collective wisdom and concerted action of responsible leaders in transportation, the production industry, and government. After all, finding solutions for stubborn problems is an established American custom of long standing, particularly when, as here, the issue is so vital to the welfare of the nation.

William T. Wendt Joines Jones, Cosgrove & Miller

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—William T. Wendt has become associated with Jones, Cosgrove & Miller, 81South Euclid Avenue, members of the Pacific Coast Stock Exchange. Mr. Wendt was formerly with Shearson, Hammill & Co. and prior thereto was an officer of George R. Miller & Co.

Edward J. Roe

Edward Jedd Roe, proprietor of Roe & Company, San Antonio, Texas, passed away Oct. 29.

The Copper Situation: From Africa to U.S.A.

By ROGER W. BABSON

Certain that over the next decade or so copper prices will be considerably higher than today's and Africa will be a gainer, Mr. Babson prefers for the present to invest in American firms so long as war is a possibility. The Boston financial writer names various African copper stocks now listed on the NYSE and cites Phelps Dodge, however, as his preference for early profit. Depicts Africa as a vast storehouse of raw materials that will be invaluable in the economic war with Russia.

Let me first discuss the copper industry of Africa, which is now its most stable activity. The world copper industry is currently in the doldrums. This fact, plus the red metal's economic importance to the United States, impels me to make a study of the situation. Here are the highlights.

Roger W. Babson

The U. S. has long been the world's leading copper producer, although its percentage of the world total has declined in recent years. The production pattern, however, has been quite irregular. Output topped 1,000,000 tons for the first time in 1929. The depression low of 225,000 tons was set in 1933. A record high of 1,117,580 tons was turned out in 1956; last year's total was 1,081,000 tons.

World smelter production, over a long period, has trended fairly steadily upward, and at a rapid pace in recent years—from 3,076,730 tons in 1950 to 4,111,934 tons in 1956. Africa is the free world's second-largest producer, with the bulk of output concentrated in Rhodesia and the Belgian Congo. I have great faith in the African producers. Africa is a vast storehouse of raw materials that will be invaluable is the economic war we are engaged in with Russia. Chile ranks third in copper production; Canada fourth.

Copper's Shifting Supply-Demand Ratio

For many years the United States was more than self-sufficient in copper. World War II changed that situation. Zooming consumption, which hit a high of 1,641,550 tons in 1941, necessitated heavy imports to fill the deficit arising from wartime demand. Our U. S. copper needs have held at high levels in most of the postwar years, reflecting pentup consumer demand for goods of all kinds, outbreak of the Korean War in June 1950, and a high level of industrial activity. The red metal was in stringent supply practically from the beginning of World War II until early 1956. Since then, U. S. supplies from domestic, African and other foreign sources have exceeded requirements.

The current copper surplus reflects the recent rapid expansion in world production of the metal and the decline in business and industrial activity, particularly in the United States. I see little at the moment pointing to a major recovery in U. S. copper demand unless a naval war develops with China over the Formosa situation. I am bullish, however, about the longer-term prospects. World industrialization seems destined to expand at an accelerating pace in the years ahead. Copper needs abroad will follow suit. As I look into the future, I am more concerned about too little copper than too much. Much more could be mined in Africa. The following three African coppers are listed on the New York Stock Exchange: American Metal Climax, Rhodesian Selection Trust, Roan Antelope. For early profit, however, I now prefer our own Phelps Dodge.

A Glance at Prices

Copper, like many world commodities, is extremely sensitive price-wise. A depression low of 5 cents a pound for electrolytic copper at New York was made in 1933. In February, 1956, the metal hit a 90-year high of 46 cents a pound. The average yearly price in 1954 was 29.82 cents; in 1955, 37.39 cents; in 1956, 41.87 cents; and in 1957, 29.99 cents. The recent U. S. price of 29 cents would seem to discount the bearish factors, especially since the value of the dollar has been more than halved since 1939.

Although I do not expect copper prices to go soaring soon, I do look for them to strengthen further as the supply-demand imbalance undergoes additional correction. This may take a little more time. The recent upping of the U. S. import duty will act as a bulwark, and a resumption of government stockpiling cannot be entirely ruled out. Of one thing I am certain: Over the next decade or so, copper prices will be considerably higher than they are today and Africa will be a gainer. Threats of war should help all copper stocks; but the African mines would be handicapped by the costs of long and dangerous freight transport. Gold, uranium, and diamonds can be swiftly transported by airplane. Copper cannot be, and this is one reason why I prefer now to invest in companies which secure their raw materials on the American continent.

Russell Le Vesque Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Peter Ythier has been added to the staff of Russell J. Le Vesque and Associates, 321 South Beverly Drive.

Two With Leo MacLaughlin

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Jerry Martin and Alvin H. Terrill are now connected with Leo G. MacLaughlin Securities Company, 65 South Euclid Avenue.

Joins Powell Johnson

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — J. Hamilton Millar has joined the staff of Powell, Johnson & Powell, Inc., Security Building.

British Stock Exchange Prospects

By PAUL EINZIG

Dr. Einzig reports, contrary to the Government's expectations, that the British stock market is alert to improved business outlook—though there may be some increase in unemployment in the coming months. He also reports that equities are preferred because of the conviction held regarding inflation as a long run phenomenon. Further, whether American auto industry will succeed or not this year is of widespread concern because of probable impact on the British economy even though a poor U. S. auto year would mean more British car exports.

LONDON, England—The rising trend on the London Stock Exchange which was proceeding, minor interruptions apart, throughout the late spring and summer, gave way to a more hesitant tone in the early autumn. The basic tendency is still upward, but the markets have become more sensitive to the influence of any unfavorable news. In particular, the rise in Government Loans appears to have come more or less to a halt, while equities continue to rise to new records for the year.

Dr. Paul Einzig

The main determining consideration is the view taken on prospects of inflation and deflation, primarily in the United Kingdom, but also in the United States and in world markets in general. As far as the United Kingdom is concerned, the official view is that inflation has been conquered and that, in spite of the various reflationary measures, unemployment is ikely to increase during the winter.

Judging by the trend of equities and of government loans, this view is not shared by the majority of market operators. If the balance of opinion supported the government's officially stated views, the gilt-edged market would be firm in anticipation of further bank rate reductions and easier credit conditions in general. There would be a switching of investment demand from equities to fixed interest bearing securities. In fact there is no evidence of any such tendency. Government loans, after their rise earlier this year barely hold the ground they have gained. Investors and speculators definitely prefer equities, which means that they wish to hedge not against deflation but against inflation. If they anticipated any noteworthy deterioration in business conditions they would want to reduce their commitments in equities. Judging by the trend in equities the markets are moderately optimistic about the industrial outlook.

Prefer to Hold Equities

An alternative explanation of the relative firmness of equities is that institutional investors, and also many private investors, have acquired the habit of allowing themselves to be influenced by the view they take about prospects in the long run. They are convinced that whatever may be the situation in six months' time, inflation is bound to proceed over a period of years. On the basis of that assumption they are prepared to disregard prospects of temporary fluctuations and are prepared to buy and hold firmly good class industrial equities which at present yield something like between 4½ and 5% and whose present dividends are covered by their current profits something like between 2 and 2½ times. They feel that in possession of such securities they can well afford to forget about temporary ups and downs on the Stock Exchange.

Even those who are concerned with prospects over the next six months are inclined on balance to take the view that by the end of that period, if not before, inflation will have resumed its course. The encouragement given by the government to consumer demand through removing restrictions on instalment buying, and the increase of consumer credit facilities, foreshadow a noteworthy increase in consumer demand in the near future. The ease with which trade unions have secured wage increases lately points in the same direction. There are also indications of a revival in capital expenditure. Finally, world commodity markets show signs of recovery. Taking all these influences into consideration it does appear probable that even in the short run inflation will outweigh deflation.

Moderate Unemployment May Be Ahead

This does not necessarily rule out the possibility of a moderate increase of unemployment during the coming months. The textile industry is in for a lean period, and local unemployment may develop in a few other industries. It is also conceivable that the increase in congestion on the roads and the growing scarcity of parking facilities might call a halt to the boom in the automobile industry. In this latter respect, however, export prospects are believed to be favorable. The British view is that while British car exporters may have to face growing competition on the part of German, French and Italian rivals, for the next 12 months at any rate they have very little to fear from American competition.

Rightly or wrongly the view is taken in the motor trade that the 1959 models of American automobiles are not likely to be popular abroad or even in the United States. There is believed to be a strong reaction from the consumer preference for bigger and wider cars that has been so prominent until recently.

American Auto Industry's Importance

While the British motor industry is, naturally enough, pleased with the prospect of gaining ground at the expense of its American competitors, from a broader economic point of view the possibility that the 1959 models of American cars may prove to be a "flop" is causing grave uneasiness among British students of the American economy. It is widely realized that the prosperity of automobile industry is of fundamental importance from the point of view of the prosperity of the United States. Should the forecast about the attitude of consumers to the 1959 models prove to be correct, there would be a strong likelihood of a business recession in the United States which could not easily be corrected by reflationary monetary policy. And some time is bound to elapse between the realization by American automobile manufacturers that this time they miscalculated the public taste, and the appearance of more popular models on the market. Meanwhile, it is feared that large scale unemployment in the American motor industry would affect the American economy in general and also the world economy. In the long run even the British car exporters might feel the unfavorable reactions. For this reason everybody in Britain who is capable of seeing ahead hopes that the pessimism about the U. S. car industry will prove to have been mistaken.

Walston Installs Direct Teletype to Honolulu

A direct teletype circuit has been installed linking the Honolulu, Hawaii, office of Walston & Co. and with its Wall Street headquarters, permitting almost instantaneous transmission of buy and sell orders over a distance of some 5,000 miles.

With the opening of the service, commercial teletypewriter communications began moving over the Hawaiian telephone cable for the first time. The service is provided by the Long Lines Department of American Telephone and Telegraph Co.

In addition to the New York connection, the Honolulu office of Walston has direct contact for the first time with mainland markets in other cities such as Chicago. Messages move at 75 words per minute over the circuit, which is immune to atmospheric disturbances affecting radio.

The new cable circuit brings the total Walston private line teletypewriter mileage to 31,600. The firm has 58 offices, including two in Europe.

Howard J. Speer With Municipal Securities

DALLAS, Texas — Howard J. Speer is now associated with Municipal Securities Co., First National Bank Building, in the trading department, where he will specialize in trading corporate securities. Mr. Speer was formerly with Underwood, Neuhaus & Co., Inc., in Houston.

Now With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John H. Sickel is now connected with Walston & Co., Inc., 550 South Spring Street. He was formerly with Shearson, Hammill & Co. and Sutro & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

What happened and why did it happen? I would like to say that the voters went crazy. But did they? I have voted in Maryland as a Republican ever since Roosevelt came in. And I reluctantly voted Republican this year. But I would have given anything if Governor McKelden had been running for reelection. I would have taken delight in driving a spike through him. He put across a tax increase last year. Blithely and gaily he did this, without any compunctions whatsoever. Not only an increase in income taxes, but in sales taxes.

Carlisle Bargeron

The Republicans have had Mr. Eisenhower for six years. In that time he has been a Republican only a small percentage of the time. He has been surrounded by a little clique who sold him on being a modern Republican. He ran in 1956 on the issue of prosperity, of stabilizing prices, a balanced budget and keeping us out of war.

We had a recession which threw more than 5,000,000 people out of work and a good 3,000,000 of them have not returned to work yet. Prices have only been stabilized in the last couple of months. As regards the budget a $12 billion deficit is expected for fiscal 1959. We have stayed out of war but Secretary Dulles has been on our front pages almost every day with a new crisis.

On the question of corruption in government, there have been no clear instances of that. But there have been a lot of unethical practices and in at least one instance it was a man who ranked well up in the social register, one of the most snobbish men Eisenhower brought to Washington. I am not talking about Sherman Adams' indiscretions.

Of the six years of Eisenhower's tenure, the Republicans have been in control of Congress only two, and that was by a very slender majority, although Eisenhower each time won by overwhelming majorities. For that reason it will be contended that the election was no repudiation of him but simply of the Republicans, especially the old guard Republicans.

The fighting campaign that Eisenhower put on towards the last was well intentioned but it was a ridiculous spectacle. In three instances the managers could not fill the hall for him. He would make a charge of radicalism against the Democrats which would bring applause and then he would grin. A well known cartoonist seemed to catch the spirit when he portrayed Eisenhower walking along with Alcorn, Chairman of the Republican National Committee, and saying: "Gee, this is fun."

Nixon did't think it was fun. He was indignant as he expressed the charges.

With the New Deal in control of the government for more than 12 years, and Trumanism for nearly eight, with the Republicans coming back for only two, it is apparent that they have got to start at the bottom and reorganize their party. They have got to start at the ground roots and elect some governors. Leaders of organized labor should be their target. There is no need of trying to placate these bosses. They are definitely Democrat and it is my opinion they will go to such extremes in the next few years that there will be a general revulsion. The Republicans should also tighten up on the welfare racket. Of course, we should take care of people in distress but the business of having millions receiving unemployment compensation who never do any kind of work should be stopped. There is also the practice of paying strikers.

One thing the Republicans have got to look after is the personality of their candidates. There are many Republicans in Congress whom it is a pleasure to meet but all too often you run into a man who is so pompous that you wonder how he could be elected dog catcher. It is going to be a long road to travel back but if you keep in mind the goal to be attained it will be worth the trip.

Continued from page 2

The Security I Like Best

should be comfortably covered by 1958 results, provides a return of 4.5% at the recent price level of around 45 on the New York Stock Exchange.

Well-managed Gardner-Denver serves a diversified group of markets, a number of which appear to have definite likelihood of further expansion in the next few years. With the 1957-1958 business recession out of the way, and with new types of its basic products being introduced at frequent intervals, the company appears to be headed for a resumption of its pattern of increasing sales. Its excellent profit margin and strong financial condition should enable the company to reap the fullest benefits of the next period of growth.

With Taiyo

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Shinji Dote has become associated with Taiyo Securities Company of Los Angeles.

Witherspoon Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Glenn S. Millice, Jr. is now affiliated with Witherspoon & Company, Inc., 215 West Seventh Street.

With Lichtman, Mong

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif. — Frederick E. Johnstone is now connected with Lichtman, Mong & Co., 1139 Chestnut Street.

Oscar Werner Adds Two

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Edith M. Howell and Max Vincent have been added to the staff of Oscar G. Werner & Co., 3870 East Colorado Street.

Two With Lloyd Arnold

(Special to THE FINANCIAL CHRONICLE)

BEVERLY MILLS, Calif.—John M. Ayala and Harold B. Wright have become affiliated with Lloyd Arnold & Co., 364 North Camden Drive.

The Financial Outlook

By DeWITT A. FORWARD*
Senior Vice-President, First National City Bank of New York
New York City

What may be expected by way of investment opportunities and turn of events in the coming year is explored by Mr. Forward. The distinguished New York banker ponders whether the upturn will become self sustaining; anticipates upturn in capital spending to emphasize cost-cutting replacement and modernization equipment; states it is the government's responsibility to hold down its expenditures to avoid overloading the market; and doubts rise in discount rate will result in higher prime rate at this time. Explains why there may be long term financing commencing in December, and opportunity to invest in governments and mortgages at more attractive rates.

The recovery, in its sixth month, is off to a good start and has developed momentum to carry it through the Christmas season if not on and through 1959. The upturn has been sustained by inventory changes, rising government spending, consumer buying of nondurables and services, and home building.


DeWitt A. Forward

The big question now is whether the upturn, tripped off in large part by government spending, can become self-sustaining. To assure full recovery, a revival in both consumer and business demand for durable goods is essential. Consumer durables are facing a test with the introduction of new auto models. On the capital goods side, there is no expectation that the boom in capital spending of 1955-57 will be repeated in the immediate future; but some upturn may develop next year. As in 1958, the emphasis will continue to be on replacement and modernization, particularly where labor-saving or other cost-cutting equipment is involved.

The attainment of a continuing strong economy can be better assured if the annual improvement in productivity resulting from research and capital expenditures is used in part to broaden markets for the products involved through price reductions and to share these savings in part through increased dividends to shareholders, who provide the funds for the capital improvements, as well as with labor. The tendency to add the annual improvement factor more or less automatically to labor rates with corresponding price increases in the product manufactured, along with government deficits, is inclined to create an almost continuous inflationary spiral. Savings bankers, among others, have an interest and responsibility to use their influence and to conduct their affairs in a manner designed to protect the purchasing power of the savings entrusted to their care.

I know developments in the money and capital markets are of particular concern. The business upturn is not broad, so far at least, and there has been no strong rise as yet in loan demand from business. The pressure on bank reserve positions develops partly out of the natural and proper reluctance of the Federal Reserve authorities to supply more lending power and partly from the heavy needs of funds for the Federal Treasury. We have been disturbed by the weight of Treasury financing requirements which so far has fallen on the short-term side, though it is clear from recent speeches of Treasury officials that they eagerly desire to place additional securities in the investment market, not only with savings banks but also with life insurance companies, pension funds, and individuals. As I have indicated, I think the Federal Government has a responsibility to hold down its expenditures in order to avoid overloading the market.

Critical Weeks Ahead

The weeks ahead are critical ones. The Federal Reserve has been pausing not only to allow an orderly digestion of the $3½ billion 3¼% Treasury bills and 3½% notes sold earlier this month, but also to observe economic developments. In further advancing stock margin requirements from 70 to 90% effective Oct. 15, the authorities made it clear that they are disturbed by the inflationary psychology which seems to have taken command of the stock market. It is plain that the discount rate has been out of line in the general structure of short-term rates and stands in obvious need of readjustment to a more normal relationship. The increase in the discount rates to 2½% by five of the Federal Reserve District banks indicates a step in this direction and similar increases in rates by the remaining Reserve banks in the immediate future are a logical expectation. In my opinion this development does not constitute a basis for a further increase in the primate rate at this time.

In present circumstances the financing of the Treasury deficit poses a critical problem. So far the Treasury and Federal Reserve authorities have succeeded in finding markets for additional securities outside the banks but, unfortunately, the new securities sold since June are short-term securities which will mature during the 1959 calendar year and will simply add to refinancing problems then. The improvement of business, of course, will add to business profits and tax liabilities and hence can be helpful in increasing revenues, but it would seem that the help of a closer control over expenditures would be necessary to narrow the prospective deficit in any dramatic way.

This is the line of policy the President is taking and it is to be hoped that the new Congress will join in an effort to redevelop the prospect of a balanced budget and give the bond market an opportunity to see something ahead besides endless increase in the supply of Federal securities.

Opportunities for Banks

The recovery in the bond market earlier this month seems to have reflected an appearance of buying interest at a time when some of the dealers were in a short position. It is possible that, with some lull in new corporate issues, a basis might be formed for some financing at long term in December. At the same time it is clear that there is, and presumably will be, very little demand for long-term governments until the budget has been reduced to more manageable proportions. Thus, the banking fraternity will have many opportunities to participate in underwriting new Treasury security offerings in the winter to come, as well as to add to holdings so far as buying capacity exists. I do not need to point out, considering what we have been through since June, that there will be risks in entering subscriptions for new issues. But there will be solace in the fact that the prospective rates will be far more attractive than those offered earlier in the year and better calculated to support bank earning power.

With private housing starts currently at the annual rate of 1,220,000, it is regrettable this strong sustaining support to the over-all economy may be hampered by the prospect of an inadequate volume of funds for mortgage investment. This may be brought about by the heavy demands of the United States Treasury for new money and refundings, as well as the competition of business and industry for capital funds, if the business recovery continues at an accelerating pace.

It would appear savings banks and other institutional lenders will have ample opportunity to invest in mortgages at present or increasing rates during the coming year. While the demand for loans for capital expenditures to expand productive facilities, in the light of excess capacity in some lines, may well remain at about the 1958 level, there is some indication that long-term funds to purchase machinery and equipment to reduce operating costs will be used in increasing volume. Public issues for this purpose should provide increasing opportunity for savings banks to make bond investments at attractive rates.

*An address by Mr. Forward before the Group Five Savings Banks Association of New York, Brooklyn, N. Y., Oct. 28, 1958.

McCarley Opens Greensboro Office

GREENSBORO, N. C. — McCarley & Company, Inc., members of the New York Stock Exchange and American Stock Exchange Associate, announces the opening of a new office in Greensboro, N. C. to be located in the Wachovia Bank Building. This office is to be managed by Archie B. Joyner, formerly with Bache & Co., who will have associated with him George G. Jones, formerly with First Securities Corporation. This is McCarley & Company's fourth office in North Carolina. They have other offices in Asheville, Raleigh and Charlotte.

NASD Dist. Nominating Committees Selected

In addition to election of national officers, the work of nominating members of NASD District Committees and Governors to represent Districts on the National Board is in process throughout the country. Following are the nominating committees whose job it is to submit slates to members in their Districts:

District #1 (Idaho, Montana, North Dakota, Oregon, South Dakota, and Washington) Chairman: Harper Joy, Pacific Northwest Co., Spokane. Members: William J. Collins, William J. Collins Co., Portland; Waldo Hemphill, Waldo Hemphill & Co., Seattle; L. Brooks Ragen, Foster & Marshall, Portland; and Al Hughbanks, Hughbanks, Inc., Seattle.

District #2 (California, Nevada, and Hawaii) Chairman: Harold P. Schlemmer, Schwabacher & Co., San Francisco; Members: Murray Ward, E. F. Hutton Co., Los Angeles; J. Robert Shuman, Shuman, Agnew & Co., San Francisco; Ralph E. Phillips, Dean Witter & Co., Los Angeles; James B. Green, James B. Green Co., Sacramento.

District #4 (Arizona, Colorado, New Mexico, Utah, and Wyoming) Chairman: George A. Newton, G. H. Walker Co., St. Louis; Members: Walter I. Cole, Beecroft, Cole & Co., Topeka; John Latshaw, E. F. Hutton & Co., Kansas City; Robert F. Bender, Jr., Wachob-Bender Corp., Omaha; John H. Edwards, R. J. Edwards, Inc., Oklahoma City.

District #5 (Alabama, Arkansas, Louisiana, Mississippi, and Western Tennessee) Chairman: G. Price Crane, Arnold & Crane, New Orleans; Members: John P. Labouisse, Howard, Weil, Labouisse, Friedrichs & Co., New Orleans; Rucker Agee, Sterne, Agee & Leach, Birmingham; Jack T. Stephens, Stephens, Inc., Little Rock; Francis D. Schas, Bullington-Schas & Co., Memphis.

District #6 (Texas) Chairman: Claude T. Crockett, Crockett & Co., Houston; Members: Robert M. Ayres, Jr., Russ & Company, Inc., San Antonio; William A. Jeffers, Dittmar & Company, Inc., San Antonio; Allen L. Oliver, Jr., Sanders & Company, Dallas; Edward T. Watkins, Watkins & Company, Houston.

District #7 (Florida, Georgia, South Carolina, Eastern Tennessee) Chairman: Clement A. Evans, Clement A. Evans & Co., Inc., Atlanta; Members: Einer Nielsen, J. C. Bradford & Co., Nashville; J. Robert Neal, Wyatt, Neal & Waggoner, Atlanta; Edward B. Wulbern, Pierce, Carrison, Wulbern, Inc., Jacksonville; Arthur C. McCall, Alester G. Furman Co., Greenville, S. C.

District #8 (Illinois, Indiana, Iowa, Michigan, Minnesota and Wisconsin) Chairman: Sampson Rogers, Jr., McMaster Hutchinson & Co., Chicago; Members: Frank L. Reissner, Indianapolis Bond & Share Corp., Indianapolis; William C. Roney, Wm. C. Roney & Co., Detroit; Lawrence B. Woodard, Woodard-Elwood & Co., Minneapolis; Joseph T. Johnson, The Milwaukee Co., Milwaukee.

District #9 (Kentucky and Ohio) Chairman: Fred W. Hudson, Ball, Burge & Kraus, Cleveland; Members: Ewing T. Boles, The Ohio Company, Columbus; Frederick M. Asbeck, Wm. J. Mericka & Co., Inc., Cleveland; Charles A. Richards, Field, Richards & Co., Cincinnati; Berwyn T. Moore, Berwyn T. Moore & Co., Inc., Louisville.

District #10 (District of Columbia, Maryland, North Carolina, Virginia) Chairman: J. Murrey Atkins, R. S. Dickson & Co., Charlotte; Members: F. Grainger Marburg, Alex. Brown & Sons, Baltimore; William D. Croom, First Securities Corp., Durham, N. C.; Harvey B. Gram, Jr., Johnson, Lemon & Co., Washington, D. C.; Edward C. Anderson, Anderson & Strudwick, Richmond.

District #11 (Delaware, Pennsylvania, West Virginia, Southern New Jersey) Chairman: Frank G. Hunter, McKelvy & Co., Pittsburgh; Members: James E. Crehan, Moore, Leonard & Lynch, Pittsburgh; Norbert W. Markus, Smith, Barney & Co., Philadelphia; Frederick T. Seving, Butcher & Sherrerd, Philadelphia; Robert V. H. Harned, Warren W. York & Co., Allentown.

District #12 (Connecticut, New York and Northern New Jersey) Chairman: Robert J. Lewis, Estabrook & Co., New York; Members: Earl K. Bassett, W. E. Hutton & Co., New York; Allen C. DuBois, Wertheim & Co., New York; Carl Stoile, G. A. Saxton & Co., Inc., New York; Robert E. Clark, Calvin Bullock & Co., New York.

District #13 (Maine, Massachusetts, New Hampshire, Rhode Island and Vermont) Chairman: Edmond E. Hammond, Paine, Webber, Jackson & Curtis, Boston; Members: Irving E. Gunn, Townsend, Dabney & Tyson, Boston; William F. Shelley, Vance, Sanders & Co., Boston; Gilbert M. Elliott, Jr., The State Investment Co., Portland; Carlisle F. Morrison, H. P. Wood Co., Inc., Boston.

THE MARKET . . . AND YOU

By WALLACE STREETE

With the election out of the way, producing little unexpected for the market, stocks got back on the recovery trail this week with the industrial average soaring to another record peak.

* * *

Inflation was the motivating force for renewed strength and there was nothing in the election results to show that any easing of the eroding pressure was in the cards.

* * *

Highly selective strength was still the general order, with a few of the textiles showing in favor which was something of a new note. American Viscose and Amerace were something of new faces for the long lists of new highs.

* * *

Some oils were able to stir, too, but the outstanding favorite was still Texas Co. after reporting good earnings. Many of the items in the section were patently neglected. Gulf Oil was quiet but was something of a regular on the new highs list.

Split Candidates?

There was again, as happens at times when the market is at a peak, much discussion centering on split candidates and this promoted some wide gains. However, Brunswick-Balke with a four-for-three division didn't come quite up to expectations and had a rough time of it momentarily.

* * *

One service's list of prospects includes the hardy perennial, American Telephone, plus Lorillard, which is also an active rumor item at the moment, and on to such as General Telephone, Florida Power Corp. and Jewel Tea. Normally a stock automatically becomes a split candidate when it reaches par—100. But in this list of eight candidates only three are actually over the line and others range down to less than 60 for General Telephone. While hopes are high, the actual splits voted in the first half of this year fell to a low for at least a dozen years, although with the market's advance such actions in September and October picked up noticeably.

* * *

Chemicals, which are normally the premiere split candidates because of their high price tags, weren't able to join in this game to any great extent, the continued unfavorable earnings comparisons of du Pont particularly helping curb investment interest.

Potent Market Factor

In any event the split hopes were far more potent in spurring good market action than the cash and small stock payments. Goodyear Tire, for instance, was heavy after maintaining the regular cash and 2% stock payment to match those of a year ago, while Firestone simultaneously was carving out a multi-point gain largely on split hopes but without anything specific available publicly. Moreover, the latter has just made a regular cash and 2% stock payment and on the surface would not be considering any further dividend action for a while. And its recent earnings reports were still comparing unfavorably with a year ago.

An "Odd Situation"

An odd situation arose in connection with Revlon with several houses digging out the pertinent facts in this issue simultaneously. Mostly it was a case of shares that are selling at a low price-earnings ratio that attracted attention.

* * *

Where in other cases of "growth" industries the price-times-earnings figures approach the fabulous, in Revlon's case the stock has been hovering around 11-times the estimated results for this year. The growth is attested by the fact that sales in the last decade jumped from around $17 million to $100 million and per share earnings spurted seven-fold. Revlon champions point out the company is an aggressive salesman and its expenditures for promoting its products currently run at a rate above what its total sales were a decade ago, so the growth isn't necessarily over.

* * *

Some of the reasons advanced for Revlon's low times-earnings market esteem revolved around the demise of its famous $64,000 Question television show which helped in part to boost the company's earnings so fast. But, as its followers have been quick to point out, this promotion reached its most effective level some three years ago, yet the company has continued to grow. In fact, sales for this year should be more than double those of 1955. Most of its good growth up to here has been developed internally but lately the company has started to look over promising acquisitions. One, the Esquire shoe polish, outfit was acquired late last year. An attempt to acquire Schering Corp. was unsuccessful. But the thinking is that there will be other efforts aimed at different lines in the future.

Foreign Income Fabulous

While the food stocks rested mostly after their recent popularity, a mundane item in this group is the H. J. Heinz Co. which for three years has held in a 44-60 bracket and only recently approached the old peak momentarily. This is a case where the company's growth hasn't been dependent on the operations of the American economic cycle.

* * *

As one recent analysis of Heinz indicated, its relatively stable domestic results have been far overshadowed by the growth of its foreign business. In its last fiscal year the overseas activities accounted for no less than $7.6 million out of the reported $9.3 million total. That represents a tripling of its income from the foreign operations in five years and they are continuing to expand with new facilities added in the United Kingdom and in Holland. At recent prices the indicated yield on this long-time dividend payer approached 4% which is thoroughly satisfactory and moreover was covered more than twice over despite the inroads of the recession both here and in Australia.

Paper Stocks Stirring

Paper shares have shown some momentary stirring, much of it supported by the upturn in demand as the general economy improved. Yet one well-known name in this field—St. Regis Paper — has been hovering some two dozen points under its peak of 1956 although it has shown itself expansion minded, has valuable timber holdings, and seems to have reached the turn in its earnings picture. It has been available at a 3% yield on the indicated dividend.

* * *

Crown Zellerbach also had its followers who regard it as a candidate for good action in the general upturn in paper business, plus its indicated yield of well into the 3% bracket and its rather lethargic market action when measured against some of the more popular paper stocks.

* * *

Also considered a badly neglected item is American Seating which has had a quiet life, at an area of around 10-times earnings, while all the talk of school construction skipped by the company which is a leading supplier of school equipment. Its recent price was at a level where the yield approached 5%.

[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.]

Inflation and Liberty

By JACQUES RUEFF*

Judge of the Court, European Iron and Steel Community
Formerly Undersecretary of the Treasury of France

French economist cites ways in which inflation, acting as a levy, undermines liberal societies. Details various kinds of inflation. Maintains only two means of avoiding inflation are possible through action on purchasing power, or the money stock; with no one obtaining purchasing power by the creation of new money. Calls on true liberals to increase factual knowledge of existing monetary systems, with abandonment of their paradoxically destructive policies.

There can be no liberal revival so long as inflation goes on. Inflation is a far greater threat to liberty throughout the world today than Marxism.

The essential feature of inflation—and one which is all too often passed over in silence—is that it imposes on the price mechanism the additional task of collecting a fiscal levy falling exclusively on the owners of money claims. It is a matter of indifference whether these claims are expressed in terms of money units once and for all or for a limited time; those hit by the levy are thus, in the main, rentiers and wage and salary earners.

It is a levy which entirely escapes the normal channels of parliamentary control, which is assessed blindly and inequitably, and which often reaches staggering amounts.

It can truly be said that inflation has undermined liberal societies. It does so in various ways:

(a) The effects of inflation on property profoundly modify the social structure.

(b) The purchasing power of the wage earners is reduced, and often considerably so, whenever the nominal wage level lags behind the price level, with the further consequences that—

The workers come to realize that they are not going to get a fair deal except by strike action;

The profit is disrupted from social utility;

The broad masses profoundly distrust the price mechanism.

(c) Governments are led to try and mitigate the most unpopular effects of inflation by a whole range of measures such as—

Rent control, the source of housing shortages which condemn people, and above all the workers, to live in the most miserable conditions and so turn them into implacable enemies of the established order;

Substitution of public for private investment, when the capital market dries up as the inevitable result of the punishment inflicted upon saving;

The creation of a myth of expansion, which is nothing but a way of attenuating, by public intervention, the serilizing effects of inflation due to the erosion of savings;

The formulation of modernization and development "plans" as an inevitable corollary of government investment;

For the same reason, an increase in public expenditure such that deficit financing and, indeed, structural budget deficits become inevitable.

(d) Once the rate of inflation accelerates, governments have the choice only between a system of price controls, extensive rationing and authoritarian planning (the Schacht-Hitler pattern) on the one hand, or devaluation on the other.

(e) The regulatory influence of the price mechanism on production is weakened, because prices adjust to inflation with unequal flexibility. The products which fare best are often the least useful, if not those least in demand.

(f) On the rebound, the downward rigidity of costs generates economic depression and—when, as in England, in the twenties and thirties, a wage stop accompanies the fall in the general price level—permanent unemployment.

Inflation has convinced the bulk of public opinion throughout the world that the price mechanism has lost its efficacy and that, even if it still worked, it has become unacceptable because of the inequitable hardships it inflicts.

There can be no hope of a liberal revival, nor of a return to the price mechanism, unless inflation is eradicated.

The Mechanism of Inflation

There is inflation when, in a given market period, aggregate demand in money terms exceeds the value of agregate supply, at market prices.

Such a situation is possible only if aggregate demand during the given period can draw not only on the counterpart of aggregate supply, but is swollen by the creation of additional purchasing power, either through a diminution of intended cash balances or an increase in actual ones, which means the existence of unintended cash balances. (Hayek and Milton Friedman once described this statement as the effect of behavior reaction. I accept their interpretation, but it detracts nothing from the importance of the relevant relationship.)

The purchasing power aspect and the monetary aspect are indissolubly linked like the obverse and reverse of one and the same coin. The underlying fact is that an economic unit is in deficit: if soneone's demand exceeds his supply, he must be able to pay out more than he gets. This fundamental complementarity of purchasing power aspect and monetary aspect is common to all economic phenomena.

Hence, inflation is possible only if, in a given market period, some economic units are able:

(1) Either to exercise demand in excess of their supply; or,

(2) To pay out more than they get.

Conversely, when an effective institutional order prevents all market parties from exercising in any period, demand in excess of their supply, or from paying out more than they receive, there can be no inflation in the society under consideration.

The Various Kinds of Inflation

Theoretically, an inflationary process can be set in motion either from the purchasing power side or the money side.

However, an *a priori* manufacture of new money is most unusual in practice. I can recall only one example of straight recourse to the printing press in my life time: During the twenties, a band of crooks in Portugal managed to make arrangements with the British printers of Portugese bank notes to the effect that any amount of notes which these people asked for should be delivered to them directly. This extra cash soon appeared on the demand side of the market, and in this case one could clearly say that inflation was due to the creation of cash.

In general, the source of inflation lies in excess purchasing

Continued on page 39

*A paper (translated from the French) by Dr. Rueff presented before Annual Meeting of the Mont Pelerin Society, Princeton, New Jersey, Sept. 3 to 8, 1958.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointment of Whitney Stone as a Director of **The Chase Manhattan Bank, New York,** was announced on Oct. 30 by John J. McCloy, Chairman of the Board.

* * *

Chemical Corn Exchange Bank, New York, has elected Edward M. Fuller and John P. Howland to its Thomas & Church Streets Advisory Board, it was announced on Oct. 31 by Harold H. Helm, Chairman.

* * *

The Chase Manhattan Bank, New York, has made three new assignments on its international department staff, according to an announcement today by George Champion, President.

William A. V. Cecil, formerly Assistant Treasurer at the head office in New York, has been assigned as the bank's representative in Washington, D. C., replacing James J. Thackara.

Mr. Thackara has been assigned as Continental European representative with headquarters at Chase Manhattan's branch in Paris. He replaces Lawrence C. Freer, Jr., who has been appointed Manager of the Paris branch.

* * *

The annual dinner of the Quarter Century Club of **The New York Trust Company, New York,** was held Nov. 3.

* * *

Stanley H. Grant, formerly a Vice-President of the **Lafayette National Bank, Brooklyn, N. Y.,** has been elected Vice-President of the Brooklyn office of **Colonial Trust Company, N. Y.**

* * *

Walter G. Barker, President of the **Hempstead Bank, N. Y.,** died Oct. 27, at the age of 47. Mr. Barker, elected President in 1946, at the age of 35, was one of the youngest Bank President's in the nation at the time. He became Secretary to the President of the **Bank of New Hyde Park, N. Y.,** at 18. In 1937 he was named Controller of the mortgage department of the Hempstead Bank.

* * *

S. J. Balassi, regional Vice-President of **The County Trust Company, White Plains, N. Y.,** marked 30 years of service with the Bank on Nov. 1.

Mr. Balassi joined **The Washington Irving Trust Company** in **Tarrytown, N. Y.,** as Assistant Treasurer in 1928, having been associated with New York City Banks for the previous 12 years. He became Director, Vice-President and Treasurer of the Washington Irving Bank and when it merged with The County Trust Company in 1947 he was placed in charge of the County Trust offices in Yonkers and Hastings. Since 1956 Mr. Balassi has been in charge of the Bank's branches in Ardsley, Dobbs Ferry, Irvington and Tarrytown as well.

* * *

Edgar W. Stearns, Jr., Executive Vice-President and a Director of the **Scarsdale National Bank and Trust Company, Scarsdale, N. Y.,** died Nov. 1. His age was 56. Mr. Stearns has been with the bank in various capacities since 1922. He was elected Executive Vice-President in 1957.

* * *

The National Union Bank of Dover, N. J., increased its common capital stock from $750,000 to $900,000 by a stock dividend, (number of shares outstanding—45,000 shares, par value $20), and from $625,000 to $750,000 by the sale of new stock, effective Oct. 23 (number of shares outstanding—37,000 shares, par value $20).

* * *

William E. Adams and Lawrence A. Wright have been appointed Assistant Cashiers in the Operating Department of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** Frank R. Denton, Vice-Chairman of the bank, announced.

Mr. Adams came to Mellon Bank in 1952 as an analyst in the Credit Division. In 1954 he was transferred to the Industry Division and in 1955 to the Management Training Program. After completing this program he was assigned to the Operating Department and later to the Methods Division of the bank.

Mr. Wright started his banking career with Mellon Bank in February 1952, as a bank teller. In March 1954, he was made supervisor of the Communications Division and in September 1956, administrative assistant in the Bookkeeping Division.

Also announced was the appointment of Martin G. Skavish as Vice-President at the Ambridge Office of Mellon National Bank.

Mr. Skavish started his banking career in 1922 with the **First National Bank in Latrobe, Pa.** In 1945 he was appointed Assistant Cashier, and joined Mellon Bank in October 1948, when the First National Bank became the Latrobe Office of Mellon National Bank. At that time he was appointed Assistant Manager of Mellon Bank's Latrobe Office. In August 1953, Mr. Skavish was transferred to the bank's Ambridge Office as Assistant Manager and in January 1954 was elected Manager of that office. In November of that year he was appointed Assistant Vice-President of Mellon National Bank and Trust Company.

Carl H. Droshar has been appointed Manager, and Clair G. Bradley, Assistant Manager of the McKnight Road Office of Mellon National Bank and Trust Company.

Mr. Droshar started his banking career in 1949 with **Peoples First National Bank and Trust Company, Pittsburgh, Pa.,** and in January 1954, went to the **Woodlawn Trust Company in Aliquippa, Pa.** In September 1954, he was made Assistant Manager of that bank's new Sheffield Branch and in 1956, Manager of their West Aliquippa Branch. He joined Mellon Bank in February 1958, when the Woodlawn Trust Company became an office of Mellon National Bank and Trust Company.

Mr. Bradley came to Mellon Bank's East Liberty Office in October 1954, as a loan adjuster. In July 1955, he was transferred to the Principal Office to the Management Training Program. After completion of that program in 1957, he was transferred to the Bellevue Office as an administrative assistant and later that year to the bank's McKnight Road Office.

* * *

By a stock dividend, the **Lafayette National Bank, Lafayette, Ind.** increased its common capital stock from $700,000 to $1,000,000, effective Oct. 20. (Number of shares outstanding — 50,000 shares, par value $20.)

* * *

By a stock dividend **The Mutual National Bank of Chicago, Ill.,** increased its common capital stock from $750,000 to $1,000,000, effective Oct. 21. (Number of shares outstanding — 100,000 shares, par value $10.)

* * *

At a press luncheon held Oct. 22 President Kenneth K. Du Vall of **Merchandise National Bank of Chicago, Ill.** reported on activities of the bank's new Business Counseling Department.

The department, which has completed six months of operation, is the only one of its kind functioning in the Middle West.

"While a number of other banking institutions have special departments designed to meet the credit needs of small business, we are alone in placing primary emphasis on guidance and expert advice in financial planning at no cost," Mr. Du Vall pointed out.

"We have discovered in our years of experience with customers in moderate size companies that financing is but one need of growing business and can seldom, if ever, be separated from other problems. That is why, in our approach, credit is secondary and not the primary consideration."

Vice-President E. H. Smith related that since its inception in March, this department has sought out managements of more than 270 firms — representing 41 different types of business—to offer help in operating more profitably.

* * *

Jarvis A. Shedd, 60, Senior Vice-President and a Director of **First National Bank and Trust Company of Evanston, Ill.,** died Oct. 29. Mr. Shedd had been with the bank since 1926.

* * *

H. Randall Wickes has been elected a member of the Board of Directors of **The Michigan Bank, Detroit, Mich.,** according to John C. Hay, President.

He is also a member of the Board of Directors of the **Michigan National Bank, Lansing, Mich.**

* * *

First National Bank of East Grand Forks, East Grand Forks, Minn., increased its common capital stock from $100,000 to $250,000 by a stock dividend, effective Oct. 24. (Number of shares outstanding—2,500 shares, par value $100.)

* * *

By a stock dividend, the common capital stock of **The National Bank of Sanford, N. C.,** was increased from $125,000 to $250,000, effective Oct. 24. (Number of shares outstanding—50,000 shares, par value $5.)

* * *

Valley National Bank shareholders approved a plan to increase capitalization by $3,500,000, making the bank's total capital funds more than $35,000,000.

This will be done by issuing 101,933 shares of common stock at $35 each.

Stockholders voted on a directors' proposal to increase common stock from 1,529,000 shares to 1,630,933 shares—on the basis of one new share for each 15 shares held of record Oct. 30.

Subscription warrants for the new stock will be mailed to shareholders on Nov. 3. Rights will expire Friday, Nov. 21.

Previous article appeared in the column on Oct. 23, page 1691.

* * *

As part of an expansion program which will culminate with the move next year to a new location, **The American National Bank, Denver, Colo.,** has announced two promotions and the addition to its staff of a well-known Denver mortgage loan and real estate man.

J. E. Montague, who has been with the American National Bank since 1946 and has had 30 years experience in the financial field, was named Executive Vice-President. He was elevated from Vice-President of the installment loan department.

Vice-President Harold Norblom was named Vice-President and Trust Officer. Mr. Norblom joined the bank in 1955.

J. Pete De Longchamps will be Vice-President in charge of a new mortgage loan department. American National President, Charles W. Wadell, said the expansion into extensive mortgage loan operations is part of the bank's preparations for the move next year to a new location.

* * *

On Nov. 3 all of **Crocker-Anglo National Bank, San Francisco, Calif.** investment activities will be consolidated in enlarged quarters on the third floor of the bank's building at 1 Montgomery Street in San Francisco, it was announced by Paul E. Hoover, President. The units affected are the investment department, currently located at the 1 Sansome Street office in San Francisco, the customers' securities division of that department, now on the mezzanine at the 1 Montgomery Street office, and the two now separate offices of the investment analysis department at 1 Sansome Street and 1 Montgomery Street.

The bank's investment portfolio, including all short-term money-rate matters and public deposits, will continue under the direction of Alger J. Jacobs, Vice-President, with Wallace Meyer and James Crittenden as Assistants.

The handling of customers' orders to buy and sell securities will continue to be directed by Vice-President Edward F. Kirchen, with Assistant Cashier E. T. Nelson and Patrick Kerins as aides. The cashier's section of the investment department will be under the supervision of Stewart Barker, Assistant Cashier.

The investment analysis department, which manages and reviews investments placed in trust with Crocker-Anglo, will continue to be headed by Vice-President and Manager Herbert B. Drake, aided by Philip G. Markwart and W. Edward Bell, Assistant Vice-Presidents and Assistant Managers.

Ardrey Appointed By Amer. Red Cross

Alex. H. Ardrey, President of the Bankers Trust Company, has been elected Treasurer of the New York Chapter, American Red Cross, at the organization's annual meeting. Mr. Ardrey succeeds S. Sloan Colt, who has been the Chapter's Treasurer since 1945.

Alex H. Ardrey

Bache Quarter Century Club Annual Meeting

More than 140 partners and employees of Bache & Co. from all sectors of the United States, and parts of Canada, gathered last night in the Hotel Pierre for the annual dinner meeting of the investment firm's Quarter Century Club. Walter Stratton, of the home office, 36 Wall Street, New York, President of the Club, served as Chairman of the meeting.

Harold L. Bache, senior partner, and Honorary President of the Club, reviewed the growth of the Bache organization over the years and told the members that their long and faithful service had played a vital role in the expansion of the firm.

Mrs. H. L. Bache, wife of the senior partner, played host to wives of the Club's members at a luncheon in the Wall Street Club, during which she spoke briefly on the growing opportunities for women in Wall Street.

KABC-TV Grows Up

A luncheon to commemorate the growth and progress of the Los Angeles television station, KABC, was held in the Sert room of the Waldorf-Astoria Hotel, New York, Thursday, Oct. 23.

Hundreds of invited guests and others identified with the television industry were present to view a screen preview of KABC's meteoric progress and its coverage of the Los Angeles field, entitled "Going Places."

The management has issued an interesting pictorial with financial data to record the unique station and future possibilities in the ABC network as compared with other stations in the NBC and CBS networks.

Some of the programs which KABC has successfully introduced on their station include "Day in Court," "Peter Lind Hayes," "Mother's Day," "Liberace Show," "Chance for Romance," and "Beat the Clock."

This ambitious station, it is announced, has big things in store for the fall season that will blanket the consumer market, trades and press by introducing such entries as "Disney Presents," "Naked City," "Rifleman," and "Bing Crosby Specials." The theme "Daytime, Nitetime, Bigtime" will be utilized.

Today, Los Angeles is the nation's second market in total retail sales, according to the Research Department of the Los Angeles Chamber of Commerce. Retail sales in metropolitan Los Angeles in 1957 reached an all-time high of $9,100,000,000, officially displacing its midwestern rival . . . Chicago.

In population, greater Los Angeles has grown from 4.2 million in 1950 to 6.1 million in 1958. This is 3.6% of the total population of the U. S. and a marketing area that can only be reached effectively by the use of broadcast media. This is mainly due to the tremendous size (4,866 square miles) and the importance of community centers . . . such as Long Beach, Whittier, Pasadena and the San Fernando Valley.

KABC-TV station is a station to watch because it is going places and will be in the forefront of other competing TV stations on either one of the other two networks. The company has assembled a free brochure of illuminating financial data which it will send on request to enquirers addressing Jack F. Brimbeck, KABC-TV, Los Angeles, Cal.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates offered on Oct. 31, $1,875,000 of Chicago & North Western Ry. 5½% equipment trust certificates, maturing annually Oct 15, 1959 to 1973 inclusive.

The certificates, second installment of an aggregate of not more than $5,625,000, are priced to yield from 4.50% to 5.50%, according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The entire issue of certificates is to be secured by 1,000 box cars estimated to cost $7,077,810.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co.; and McMaster Hutchinson & Co.

New Correspondent

Reynolds & Co., 120 Broadway, New York City, members of the New York Exchange, have announced that F. W. Schwerin & Co., 1 Great Neck Road, Great Neck, New York, members of the New York Stock Exchange, have become their correspondent effective Nov. 1.

Investment Bankers Association of America 47th Annual Convention Nov. 30-Dec. 5

The 1958 Annual Convention of the Association will be held at The Americana, Bal Harbour, Miami Beach, Florida, beginning on Sunday, Nov. 30, and ending on Friday, Dec. 5.


William D. Kerr


William M. Adams


Warren H. Crowell


Edward Glassmeyer


W. Carroll Mead


A. L. Wadsworth

The first business session of the Convention will be a Municipal Forum on Sunday afternoon. There will then be Convention sessions each morning from Monday through Thursday. In addition, there will be meetings of the Board of Governors and many of the National Committees of the Association will hold meetings during the Convention and will present their annual reports at that time. No business sessions are planned for Friday, nor, with the exception of the Municipal Forum on Sunday afternoon and a meeting of the incoming Board of Governors on Thursday afternoon, are any planned for the afternoons, which will be left free for recreation.

Regular Ticket

The Board of Governors will submit to the Convention the Regular Ticket for 1958-59, as follows:

For President

William D. Kerr	Bacon, Whipple & Co.	Chicago

For Vice-Presidents

William M. Adams	Braun, Bosworth & Co.	Detroit
Warren H. Crowell	Crowell, Weedon & Co.	Los Angeles
Edward Glassmeyer	Blyth & Co., Inc.	New York
W. Carroll Mead	Mead, Miller & Co.	Baltimore
Arthur L. Wadsworth	Dillon, Read & Co. Inc.	New York

The registration fee for the convention will be $50 per person, with certain exceptions. Checks covering registration fees should be made payable to the Association and forwarded to its office in Washington with the form for convention registration and hotel reservations. All reservations for rooms at the convention hotels should be made through the Association's office on the form for convention registration and hotel reservations.

The Americana will be the headquarters hotel. It will not, however, accommodate the entire convention group and it will be necessary to place a sizable number of persons at The Balmoral, which is immediately next door and connected with The Americana by a short bridge. Those staying at The Balmoral will go to The Americana for luncheon and dinner, but may have breakfast at either hotel.

The rooms at both hotels are double rooms and the number which can be assigned for single occupancy will be limited. It is important, therefore, that arrangements be made to share accommodations to as great an extent as possible. If single applications shoud be excessive, it will be necessary to assign roommates.

Rates will be on the American Plan—$40 per day for double occupancy and $25 per day for single occupancy. There will be a limited number of sitting rooms available, and requests for them will be filled to the extent possible. Rates will be $25, $30 and $35 per day, depending upon size and location.

A limited number of early arrivals can be accommodated beginning Nov. 23, and a limited number of reservations can be continued for a few days after the convention. It will not be necessary for those concerned to make separate reservations for the pre-convention or post-convention period, provided they indicate their arrival and departure plans on their reservation forms. It may, however, be necessary for them to change rooms at the opening or close of the convention. The rates quoted above will apply beginning with dinner on Nov. 23 through luncheon on December 7.

Representatives of The Americana will travel on the New York Special Train and Chicago-St. Louis Special Cars and will furnish passengers with slips indicating their hotel room numbers. Holders of such slips should preesnt them at the front desk of the hotel concerned, where they will be given their room keys without registering and may then proceed directly to their rooms. The hotel's representatives will also furnish passengers with baggage tags filled out with their names and hotel room numbers. One of these tags should be attached to each piece of hand baggage. Then, upon arrival in North Miami all such baggage will be transported immediately from the station by truck and distributed promptly to the proper hotel rooms.

Requests for cabanas at The Americana should be made through the Association's office. The rate will be $15 per day per cabana.

A number of the rooms and suites at The Americana face upon the cabana area and have direct access to it. Those assigned to such accommodations will not be assigned cabanas. As it will be necessary to complete room assignments before making cabana assignments, it will not be possible to confirm cabana reservations in advance.

There will be no advance reservations for cabanas at The Balmoral and those desiring same may make their arrangements after arrival.

CONVENTION TRANSPORTATION

New York Special Train

The route of the train in both directions will be Pennsylvania Railroad between New York and Washington, R. F. & P. Railroad between Washington and Richmond, Atlantic Coast Line between Richmond and Jacksonville, and Florida East Coast Railway between Jacksonville and North Miami. The schedules will be as follows:

Going Schedule

Lv. New York	*Saturday, Nov. 29*	10:45 A.M.
Lv. Newark	" " "	10:00 A.M.
Lv. North Philadelphia	" " "	12:13 P.M.
Lv. 30th St. Philadelphia	" " "	12:23 P.M.
Lv. Baltimore	" " "	1:53 P.M.
Lv. Washington	" " "	3:05 P.M.
Lv. Richmond	" " "	5:35 P.M.
Ar. North Miami	*Sunday, Nov. 30*	11:15 A.M.

The Atlantic Coast Line has cordially invited all passengers to a cocktail party in its dining cars from 5:00 P.M. to 6:30 P.M. on Saturday, Nov. 29.

Return Schedule

Lv. North Miami	*Friday, Dec. 5*	12:42 P.M.
Ar. Richmond	*Saturday, Dec. 6*	6:45 A.M.
Ar. Washington	" " "	9:10 A.M.
Ar. Baltimore	" " "	10:26 A.M.
Ar. 30th St. Philadelphia	" " "	11:56 A.M.
Ar. North Philadelphia	" " "	12:10 P.M.
Ar. Newark	" " "	1:25 P.M.
Ar. New York	" " "	1:40 P.M.

Pullman reservations for the going trip should be made through the New York Transportation Committee, of which Ralph Hornblower, Jr., Hornblower & Weeks, 40 Wall Street, New York 5, N. Y., is Chairman. One way Pullman fares (including Federal tax) to North Miami are as follows:

	D. Room 2 persons	Compt. 2 persons	Bedroom 2 persons	Bedroom 1 person	Roomette
New York	$58.58	$41.97	$38.45	$33.11	$24.42
Newark	58.58	41.97	38.45	33.11	24.42
Philadelphia	56.21	40.26	36.85	31.85	23.38
Baltimore	53.46	38.28	35.09	30.25	22.22
Washington	50.66	36.30	33.39	28.71	21.12
Richmond	46.31	33.17	30.42	26.24	19.42

Certificates covering Pullman space will be issued in lieu of regulation Pullman tickets. Certificates will be mailed if applications are received promptly. Otherwise they may be picked up at the office of Ralph Hornblower, Jr., prior to 5:00 P.M. on Friday, Nov. 28. Refunds cannot be made on cancellations which are not made prior to date of departure.

Pullman reservations for the return trip of the special train should be made through D. A. Kornhoff, Passenger Sales Representative, The Pennsylvania Railroad, Room 401, Pennsylvania Station, New York 1, N. Y., at the earliest possible date in order that satisfactory arrangements may be completed. If this is not possible, or if plans change, they may be made through the railroad representatives who will be present at The Americana during the convention.

RAILROAD TICKETS—Railroad tickets should be purchased from local agents. Those in charge of going Pullman reservations will not be able to supply them. Round-trip railroad fares (including Federal tax) to North Miami from points served by the special train are as follows:

New York	$125.07	Baltimore	$101.74
Newark	123.48	Washington	96.58
Philadelphia	113.29	Richmond	86.79

Pittsburgh Reservations

It is not planned to operate a special car from Pittsburgh this year, but Pittsburgh members wishing to travel to the convention by rail may make their reservations through A. Lowrie Applegate, Hulme, Applegate & Humphrey, Inc., Union Trust Building, Pittsburgh 19, Penna.

Chicago-St. Louis Special Cars

These cars will be operated on "The Seminole," the route of which is Illinois Central Railroad to Birmingham, Central of Georgia Railway to Albany, Atlantic Coast Line to Jacksonville, and Florida East Coast Railway to North Miami. The schedule will be as follows:

Lv. Chicago	*Friday, November 28*	5:10 P.M.
Lv. St. Louis	" " "	7:00 P.M.
Lv. Carbondale	" " "	10:58 P.M.
Lv Birmingham	*Saturday, November 29*	8.55 A.M.
Lv. Columbus	" " "	1:45 P.M.
Lv. Jacksonville	" " "	10:00 P.M.
Ar. North Miami	*Sunday, November 30*	8:00 A.M.

Persons wishing to board the cars at Chicago or Birmingham should make Pullman reservations with Matthew J. Hickey III, Hickey & Co., 135 S. LaSalle Street, Chicago 3, Ill. Those wishing to board at St. Louis should mail it to Harry Theis, Albert Theis & Sons, Inc., 314 N. Fourth Street, St. Louis 2, Mo. One-way Pullman fares (including Federal tax) to North Miami are as follows:

	D. Room 2 persons	Compt. 2 persons	Bedroom 2 persons	Bedroom 1 person
Chicago	$61.49	$44.06	$40.32	$34.82
St. Louis	57.20	40.98	37.68	32.50
Birmingham	37.68	26.95	24.75	21.40

It is not planned to operate special cars for the return trip and

Pullman reservations for that trip should be made through local ticket agents prior to departure for North Miami. If that is not possible, of if plans change, they may be made through the railroad representatives who will be present at The Americana during the convention.

RAILROAD TICKETS—Railroad tickets should be purchased from local agents. Those in charge of going Pullman reservations will not be able to supply them. Round-trip railroad fares (including Federal tax) to North Miami from points served by the special cars are as follows:

Chicago	$120.84
St. Louis	106.15
Birmingham	67.82

New Orleans Special Car

A special car or cars will leave New Orleans at 5:30 P.M. on Friday, Nov. 28, on the Louisville & Nashville "Gulf Wind," with arrival in North Miami at 4:00 P.M. on Saturday, Nov. 29, on the Seaboard "Silver Meteor." For the return trip (if demand is sufficient), departure from North Miami will be at 9:25 A.M. on Saturday, Dec. 6, on the "Silver Meteor," with arrival in New Orleans at 8:20 A.M. on Sunday, Dec. 7, on the "Gulf Wind." Drawing rooms, compartments, and bedrooms will be available. Reservations should be made through H. Wilson Arnold, Arnold & Crane, National Bank of Commerce Bldg., New Orleans 12, La. Space will be released to local agents.

Air Transportation

Special section flights, using the latest type Douglas "Golden Falcon" DC-7B equipment, have been arranged between New York and Miami via Eastern Air Lines. In addition, space has been reserved on the National Airlines flights indicated below. The schedules will be as follows:

GOING

Lv. New York*	*Friday, November 28*	2:00 P.M.
Ar. Miami	" " "	5.55 P.M.
(Eastern Air Lines, Special Section Flight (601)		
Lv. New York*	*Friday, November 28*	3:00 P.M.
Ar. Miami	" " "	6:55 P.M.
(National Airlines, Flight 401)		
Lv. New York*	*Saturday, November 29*	10:00 A.M.
Ar. Miami	" " "	1:55 P. M.
(National Airlines, Flight 405)		

RETURNING

Lv. Miami	*Sunday, December 7*	4:00 P.M.
Ar. New York*	" " "	7:55 P.M.
(Eastern Air Lines, Special Section Flight 604)		
Lv. Miami	*Sunday, December 7*	5:15 P.M.
Ar. New York*	" " "	9:10 P.M.
(National Airlines, Flight 408)		

*Idlewild Airport.

Reservations for the above flights should be made through Harold H. Sherburne, Bacon, Whipple & Co., 1 Wall Street, New York 5, N. Y. The round-trip fare (including Federal tax) between New York and Miami is $168.96. There is, however, a 16-day first-class excursion fare of $142.23 which is valid until Dec. 10. This excursion fare is applicable to both airlines but only if the same airline is utilized both going and returning. Provision can be made so that those desiring to return earlier or later than the flight scheduled above may go one way with a convention group and the other on a regular scheduled flight on either Eastern Air Lines or National Airlines.

For the special flight on Friday, Nov. 28, only, special limousine service will be provided from Miami Airport direct to the hotel at an additional cost of $2.50 per person. In addition, Drive-Yourself cars can be reserved in advance through the Transportation Committee and picked up on arrival at the Miami Airport.

Deficits in Government Trust Funds Analyzed

Two serious Federal fiscal problems now looming up are examined by Life Insurance Institute. One is the dwindling margin of Government trust fund's revenue over receipts—with deficits anticipated ahead—which adds to the burden of Treasury financing problems. The other problem is the mounting rise in Government spending being paced by payments from such trust funds as OASI and Federal Highway. These funds operate outside the Government's budget but within its revenue-raising power.

Federal trust funds, which are built into the Government's taxing power but which operate outside the Federal budget and its restrictions, have been setting the pace for the general rise in Government expenditures over recent years, the Institute of Life Insurance stated today citing data compiled by the U. S. Bureau of the Budget.

In today's highly inflationary atmosphere, this trend takes on added importance from the fact that the mounting cost of Government, and its impact on the people and on the economy, have become a major domestic problem, the Institute said.

"Bureau of the Budget figures show that total Government trust fund expenditures reached a record high of more than $16 billion in the 1958 fiscal year which ended last June, and were the equivalent of more than 22% of all Federal budget expenditures for the year," the Institute said. "The comparable figures in the previous fiscal year were $13 billion and less than 19%. As recently as the 1953 fiscal year, total trust fund expenditures were little more than $5¼ billion, and were then equivalent to only about 7% of Federal budget spending for that year.

"Thus in dollar totals and in proportion to Federal budget spending, trust fund outlays have more than tripled in the period since the 1953 fiscal year. Indicating that the trend is continuing, estimates for the current fiscal year place the total of trust fund expenditures at more than $18 billion, equal to nearly 23% of record peacetime budget expenditures of more than $79 billion anticipated for the 1959 fiscal period.

"A substantial increase in payments out of the unemployment fund has been a factor in the rise in trust fund expenditures in the past year. Over the longer term, however, the dominant expansionary element has been rapidly rising payments out of the OASI fund, reflecting a combination of a steady rise in the number of persons on the benefit rolls plus periodic liberalization of benefits.

"There are hundreds of separate Government trust and deposit accounts, the origins of which go back many years. The dominant type in terms of finances is the welfare program, symbolized by OASI which alone represents about half of all receipts and expenditures of the various trust funds put together. A development of recent years is the economic-type of trust fund, a major example of which is the highway fund for carrying out the planned 40,000-mile road-building program.

"Most of these trust funds, and the appropriations required for their operations, are embodied in permanent laws. Unilke the bulk of Federal budget outlays, they do not require annual action by Congress.

"Popular attention to Government spending is concentrated on the Federal budget totals, and these alone have reached a level for peactime which are attracting increasing concern in and out of Government. However, to measure the full impact of the flow of funds from the Government into the economy, trust fund operations must be included, as is done by the Budget Bureau in its data on Federal Government receipts from and payments to the public.

"Here the magnitude attained by trust fund operations becomes apparent. As against Federal budget expenditures of some $79 billion anticipated for the current fiscal year, total Government payments to the public after adjustment for duplications are estimated at $94 billion. Such a figure for overall Government spending was exceeded only once before in the nation's history, at the height of World War II expenditures, and then only by a margin of about a billion dollars.

"Up to the present, total Government trust fund operations have almost invariably shown an annual margin of receipts over expenditures. As a result, taking the accounts of the Federal establishment as a whole, these surpluses in trust fund operations have represented a cash 'cushion' to aid the Treasury in the financing of budget deficits or to provide funds for additional reduction of publicly-held debt in the few years in the last three decades in which the budget ran a surplus. Surpluses in trust funds are, by law, required to be invested in Government securities, and these funds currently hold about a fifth of the public debt.

"But this 'cushion' of surplus cash in the trust accounts, in recent years running as high as $4 billion as in the 1951 fiscal period, has practically disappeared. For the 1958 fiscal year, the margin of receipts over expenditures in trust fund operations was only a quarter of a billion dollars as against $1.4 billion the year before. For the current fiscal year, an $800 million deficit is anticipated in these accounts."

Join Atlas Securities

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Seymour Feerst, James R. Merritt, William M. Rader, Loren D. Saltzman, Eugene W. Ung, and Jacob A. Wiens are now affiliated with Atlas Securities Inc., 6505 Wilshire Boulevard.

Inflation's Bite Since 1954 Is $33 Billion

Life Insurance Institute's study shows that though price inflation may have been "creeping," nevertheless, it has succeeded in reducing the economy's standard of living since 1954 by about $33 billion. This figure does not take into account dollar's extensive purchasing power erosion in post World War II years before 1954.

"Creeping" though it may be called, the nation's latest inflationary push already bears a staggering price tag in its impact on the people and on the economy as a whole as a result of the virtually straight-line advance in prices and in living costs over the last two and one-half years, the Institute of Life Insurance stated today.

Taking just the period since 1954, the Institute said, this newest inflationary outbreak has tacked on more than $33 billion to the annual cost of all the goods and services bought by the public, business and industry, and government (Federal, State and local). That sum represents the factor of the post-1954 rise in prices in the gross national product of $440.3 billion reported by the U. S. Department of Commerce for 1957, according to the Institute. When adjusted to dollars of 1954 purchasing power, the Institute continued, last year's gross national product is brought down to $407 billion, a difference of $33.3 billion.

Figure Does Not Apply to Pre-1954

"This is the cost of inflation's impact on the nation's economic activity in just the most recent manifestation of rising prices and living costs," the Institute said. "It does not take into account the enormously greater sum involved in the erosion of the dollar's buying power in the decade and a half before 1954. Nor does it allow for the further rise in prices since the first of this year. As it is, the loss in purchasing power in a period of less than four years already represents close to 8% of the nation's entire economic activity at present prices, or the equivalent of around $1 out of every $13 of all current expenditures for goods and services.

Increases Government Costs Too

"The Department of Commerce figures showing inflation's impact in the period from 1954 to date have a significant application to another basic national problem—the increasing cost of government in the United States. For the facts are that rising prices have hit the government sector harder in the last few years than other major areas of economic activity. Since 1954, according to the Commerce Department, the factor of rising prices has represented more than 14% of total government expenditures for goods and services, as against less than 13% for capital expenditures and private construction, and little more than 5% in personal consumption expenditures.

"In dollars of current buying power, purchases of goods and services by Federal, State and local government in 1957 added up to $87.1 billion, third highest on record and exceeded only at the height of World War II spending. In dollars of 1954 purchasing power, however, these expenditures came to $76.2 billion, a difference of practically $11 billion. The Federal share of this inflationary surcharge came to just under $7 billion, an amount which would go a long way toward meeting the estimated Federal budget deficit of more than $12 billion for the current fiscal year.

"Outlays for capital expenditures and private construction (gross private domestic investment) in current dollars came to $65.3 billion in 1957, according to the Commerce Department. Adjustment for the rise in prices since 1954 brings this total down to $57.8 billion, a difference of $7½ billion as the cost of the recent inflation in this area. Rising construction costs and higher prices for producers' durable equipment were responsible for this trend."

Continued from page 6

Monetary Politics

the fields of taxation and debt management may have more potent and deep-felt effects upon the national economy than the Federal Reserve Board's actions affecting the supply of money and credit. Indeed, the actions of these two branches of government may often be in conflict with the actions of the Federal Reserve Board, as, for example, when resort is taken to deficit financing when the Board is seeking to impose monetary and credit restraints.

In the current fiscal year, a Federal deficit of $12 billion, which apparently must be financed largely through the commercial banking system and thus increase the potential supply of bank credit, makes infinitely more difficult the task of the Federal Reserve Board in seeking to control the dangerous inflation it foresees in the near future.

We have never had an objective, non-partisan, thorough and painstaking expert study to define the aims of Federal fiscal policy, and to recommend legislation to make possible the attainment of those goals.

The Aldrich Commission's inquiry into national monetary and credit conditions more than 50 years ago was the nearest approach to such a study, but it was largely confined to the banking system. And its recommendations, highly important as they were in that they led to the creation of the Federal Reserve Board and the Federal Reserve System in 1913, did not deal with such questions as tax policy and the future revenue needs of the United States.

President Eisenhower recommended in January, 1957, that a new study, similar to that of the Aldrich Commission, be undertaken by a National Monetary and Financial Commission, to be established by Congressional action. I was a sponsor of the bill to implement the President's recommendations, but here again the proposed Commission's inquiry would have been restricted to an examination of the adequacy of existing financial institutions and of monetary policy, in the narrow technical sense. The establishment of the President's Commission was blocked, as you know, by determined Congressional opposition, much of it flowing, I fear, from partisan motives. I believe that such a study should be made, and I am pleased that the Committee on Economic Development has appointed a Commission similar to that proposed by the President, although I regret it will not have the official status of a Congressionally-approved and Presidentially-appointed body.

However, I believe further that an examination of Federal fiscal policy also is long overdue and perhaps is even more needed than an inquiry focusing primarily on the nature, purpose and adequacy of lending institutions, private and public, and the functions of the Federal Reserve Board in regulating the supply of money and credit.

Consider the vast differences between our America before World War I and the America we know today after two World Wars have thrust upon a position of world leadership and world responsibilities never before imposed upon a free nation!

From 1911 to 1915, the annual expenditures of the government of the United States were $720,000,000 — less than 1% of what they are today.

In that more peaceful and fortunate era, the cost of equipping and maintaining the Army and Navy was about $300,000,000 — a sum which would be insufficient to buy a single modern aircraft carrier which, at today's prices, costs about $400,000,000.

There has been an enormous expansion of our population, from 99,000,000 in 1914 to 170,000,000 today, and in our productive capacity to meet the needs of our people. An $80 billion-a-year economy has grown to a $440 billion-a-year economy.

And while the population has not yet doubled and the economy has experienced a growth of a little more than five-fold, the Federal budget has been multiplied by more than 100!

Such vast changes surely emphasize the need of a study designed to lead to recommendations for the overhaul of a Federal tax system which has grown haphazardly, and for a new tax structure which will be adequate to provide the enormous revenues now needed for national defense and to provide essential Federal services for a modern, heavily-industrialized America.

Such a study must be kept objective, and removed from the pressures of the partisan political arena. This is impossible of achievement in the Congress, much as one regrets to admit it. One need only recall the hearings conducted in 1957 by the Senate Committee on Finance during which the then Secretary of the Treasury, George Humphrey, underwent an unmerciful grilling aimed more at producing headlines and partisan political ammunition than at eliciting facts.

So I believe that a non-partisan Commission, served by a staff of the ablest experts which can be assembled, should make a full-scale inquiry into this most important subject, and should submit its recommendations to the next Congress as promptly as possible.

Price Stability Goal

The second item of my proposals which I will discuss in a little more detail is an amendment to the Employment Act of 1946 to include price stability among the goals of Federal economic policy, along with maximum employment and production.

At the time the Employment Act was drafted, uppermost in congressional minds, and in the minds of economists and others who testified before committees, was the fear of widespread unemployment following World War II. Memories of the great depression of the 1930's were fresh; polticians lived in terror that there would be a recurrence when millions of veterans were demobilized. As a consequence, the problem of maintaining relative stability in prices was scarcely mentioned in the hearings on the bill, and price stability is not once mentioned in the Act. The entire emphasis is placed upon the maintenance of maximum employment.

Now, maximum employment is a highly desirable goal, and no one can fail to be conscious of the human tragedy which accompanies a lack of jobs in our industrial society. But I do not believe that there is an irreconcilable conflict between the maintenance of a high level of employment and a dollar of stable purchasing power. Indeed, the contrary is true. Stability of the currency, and of the level of prices, can help us avoid the "boom and bust" cycles we have experienced in the past and thus make possible the steady growth of America's productive capacity which must take place if jobs are to be created for an expanding population.

Thus, I am convinced that the goal of stable currency, price stability, is of such great importance to all Americans, and to the future of our society, that it should be made an explicit part of the Act.

I hope that my bill raising this issue will be given a high place on the agenda of the Senate Committee on Banking and Currency, and that hearings will be conducted early in the first session of the 86th Congress.

Even more important than legislation, in my judgment, is a change in public attitudes about Federal fiscal policy, and greater understanding of the issues it involves.

The American people now appear reluctant to make the sacrifices required in a pay-as-you-go policy in providing for the national defense and for the essential Federal services required in a growing America. I believe this is due to a lack of understanding, and that they need to be told frankly about the choices they face between honest, open taxation and the dishonest, hidden taxation of inflation. And I believe that when the people know the facts they will reject inflation as a way of paying our national bills because it is so cruelly unfair to the people who can least afford to lose anything — those trapped by fixed incomes in times of rapidly rising prices, such as retired people dependent upon social security and other pension systems, widows, teachers, preachers and civil servants.

Greater Task Ahead

The greatest task of responsible political leadership in the United States today is to arouse in the American people a sense of urgency — of the urgent need of sound fiscal policy in their national government, and a comprehension of the tragic consequences of continued inflation to the future of the United States.

It is a difficult task. Here in the United States, the erosion of the value of our dollar in the past 20-odd years has occurred with a minimum of protest. One fighting the evils of bad fiscal practices and inflationary policies has felt like a voice crying in the wilderness.

Why is this?

It is because inflation, particularly of the creeping variety which we are now experiencing, is insidious in its effects, and bears most heavily upon the unorganized groups in our society, the poor and the defenseless. And inflation is actually welcomed by speculators and others, including some union leaders, who feel that they gain advantages from a constantly rising price level.

I was interested in reading recently in a New York newspaper a series of interviews reflecting typical attitudes toward inflation. Here are some of the comments:

A Cleveland industrialist — "We're going to have more inflation in this country because Americans like to feel more money in their pockets regardless of whether they can buy any more with it."

An insurance salesman — "It's really just conversation. In the long run, everybody's standard of living is rising. Purchasing power is going up, while the value of the dollar is going down."

An appliance store owner — "I think we can stand quite a bit more inflation. People in debt need inflation to help them get back to normal."

A Boston investor — "It (inflation) gives you more opportunity to make money."

Congressional Acceptance of Apathy

In the face of public attitudes like this, members of Congress, for the most part, are reluctant to come to grips with the problem. Sound policies to curb inflation involve political risks; they are unpalatable to large and powerful pressure groups; they conflict with pet spending projects.

So, we proceed in typical American fashion, waiting for the crisis, the depression, the panic or the war to create public awareness of the problems we have ourselves created. It usually takes suffering and tragedy on a rather broad scale to bring us to our senses.

Now, unless we bring ourselves up sharply and soon, we will again face the boom and bust, the depression and the panic on a scale unprecedented in our history.

And because of our position of world leadership, not sought by us but thrust upon us by world events, the failure of the United States to come to its fiscal senses and avoid the awful consequences of the inflation which looms ahead would have repercussions of enormous significance.

To state it more plainly, the collapse of the credit of the United States could easily, and indeed almost surely, lead to the collapse of the free world, if the economy of the Communist nations does not collapse first, and one now sees only a few signs to encourage belief in the latter eventuality.

I do not think that students of history will feel that I exaggerate. History affords many lessons about the fate of governments and nations which have failed to maintain control of their fiscal affairs and have debased their currencies as a means of paying their bills.

The instability of governments in France, since World War I, is attributable in large part to an inflation which cut the value of the franc from 20 cents, in 1914, to about one-quarter of a cent at the present time.

The rise to power of Hitler in Germany, may be attributed in part to the terrible hardships inflicted upon the German people and the deep social upheavals created by the collapse of the mark resulting from floods of printing press money.

A more recent frightening example is the fall from power of the Chinese Nationalist government and the Communist conquest of the Chinese mainland.

The Chinese Lesson

In a speech on the Senate floor this year, I quoted a striking passage from a book by Chang Kia-Ngau, former Governor of the Bank of China, in which he traces the successive steps by which the government debased the currency until the value of the Chinese dollar, in relation to the United States dollar, fell to $8,683,000 — Chinese, to $1—United States.

I would like to repeat that passage for you now. Mr. Chang wrote:

"Not possessing the wisdom and courage to undertake unpopular measures, the government could of course have reduced the scale of its spending. But it persisted in its refusal to take any effective step to trim expenditures, and, over-emphasizing the importance of prestige and outward military power, it underwrote political and military expenditures regardless of their economic consequences. It was curiously blind to the fact that in the long run economic health is a prerequisite of political power. It sought an easy way out of its financial difficulties, only to court eventual disaster."

Are we in the United States courting eventual disaster by taking the easy way out of our own financial difficulties? I fear it may be so, unless we mend our ways in the very near future.

So, the stakes are very high. The importance of the issue cannot be exaggerated. And, to repeat, our first problem is to create greater understanding in the public generally, and especially in our thought leaders and opinion makers.

We must first help our people to realize that the world crisis, the so-called "cold war," is not just a transitory thing, but that we must prepare for it to last at least another decade, and possibly for decades to come.

We must stop assuming that without reducing expenses our present high Federal taxes are subject to early reductions, that tinkering with tax "gimmicks" can relieve various special groups of taxpayers without imposing burdens on others; that we can reduce tax income anywhere without replacing it elsewhere. And ordinary prudence suggests that a continuation of present spending trends may well require new sources of tax income.

In this task, the American Assembly can help enormously; indeed, has already helped by making monetary policy the subject of this current national session. I congratulate you for bringing monetary policy and inflation to public attention, and am confident that your efforts will be of enormous help in coming to grips with the dangerous problems we face in the coming years.

New NYSE Color Film Released

The New York Stock Exchange has released a new motion picture, "The Big Board"—the latest step in its information program aimed at describing for institutional investors the Exchange's facilities for making the best use of the auction market.

Keith Funston, President of the Exchange, introduced the film at a press preview in the Exchange's Exhibit Hall theatre.

The 13-minute color film employs footage taken on the trading floor as well as a stylized set depicting a trading post, and explains dramatically the work of the auction market and the special block procedures developed by the Exchange to meet the specific needs of institutional investors. The film describes these seven special procedures in detail.

"The Big Board" will be shown to investment managers of such institutions as banks, trust companies, insurance companies, investment companies, educational institutions, foundations, health-educational-welfare funds and religious organizations.

Ruddick C. Lawrence, Exchange Vice-President, said the Exchange's continuing information program for institutional investors involves the preparation of research and other material for this important audience, as well as conferences that have been conducted regularly at the Exchange since 1954 with investment managers representing 1,000 financial institutions. Starting in November, he said, similar conferences will be held in other cities in an effort to reach more investment managers, as well as partners and staffs of member firms in these cities. "The Big Board," plus other visual presentations, will be used by teams of Exchange executives and specialists for these presentations.

Peter C. Hunter Now With L. F. Rothschild

PHILADELPHIA, Pa.—Peter C. Hunter is now associated with the Institutional Sales Department of the Philadelphia office of the investment firm of L. F. Rothschild & Co., Philadelphia National Bank Building. Mr. Hunter is the son of Frank H. Hunter, formerly Chairman of the Board of Governors of the National Association of Security Dealers and presently Managing Partner of McKelvey & Co. of Pittsburgh.

With Bruns Nordeman

Robert G. Diee, Dr. H. Christoph Gauss, Alvin Katz and George Ysrael have become associated with Bruns, Nordeman & Co., 321 Broadway, New York City, members of the New York Stock Exchange, as registered representatives.

Harry F. Roggenburg

Harry F. Roggenburg, partner in Roggenburg & Co., New York City, passed away Oct. 29.

ABA Study Reviews Five Investment Plans

Bankers Committee on trust investments takes five different approaches to a hypothetical trust with the objective of maximizing principal 15 years hence. Concludes trust account should be tailored to meet the primary purpose of the trust.

It is axiomatic that an account should be tailored to meet the primary purpose of a trust, according to the Committee on Trust investments of the Trust Division of the American Bankers Association, which has just completed a review of a second case study undertaken in 1957 as a part of the committee's long range investment program. As contrasted with a case study, previously reported, of a trust established to provide income for a widow and her sons, the second problem reviews a hypothetical account of $75,000 established by a doctor to provide himself with income upon retirement about 15 years hence. Again as in the first problem, the committee has supplied actual figures which represent the individual views of committee members as to what investments would have been made and a summary of the results obtained, together with recommendations for future investments.

Committee Members

Members of the Committee on Trust Investments of the Trust Division of the American Bankers Association are: Edward T. Bartlett, Vice-President, The Cleveland Trust Company, Cleveland, Chairman; R. O. Kwapil, Vice-President and Senior Trust Officer, First National Bank of Nevada, Reno; Walter D. Mertz, Assistant Vice-President, Wilmington Trust Co., Wilmington, Del.; Thomas J. Moroney, Vice-President and Senior Trust Officer, Republic National Bank of Dallas; Louis J. Rice, Jr., Vice-President and Manager Investment Department, First National Trust and Savings Bank, San Diego; Philip B. Simonds, Jr., Vice-President, Rhode Island Hospital Trust Co., Providence; and Edward F. Swenson, Jr., Vice-President, First National Bank of Miami, Miami, Florida.

In this study, a doctor aged 50 has named a bank sole trustee of a $75,000 revocable trust set up in cash as the nucleus of a fund to provide income upon his retirement about 15 years hence. Upon his death, the net income from the account is to be paid to his wife for the balance of her life with provisions that the trustee may invade the principal to meet unusual expenses. The investment powers are very broad; and for the foreseeable future, income may be added to the principal and reinvested.

The End Goal

The five investment approaches applied to this trust by committee members all base their planning on the assumption that the principal concern of the doctor was to invest the fund in such a way as to produce the largest amount of principal 15 years hence, without incurring a risk of substantial loss.

In "Answer A," the "trustee" believed that a large part of the trust should be invested in well recognized growth stocks of which du Pont, Dow Chemical, and National Lead are examples. However, it was recognized that during the past 15 years the unprecedented inflation of the nation's money supply rendered performance of common stocks uncertain during the years ahead and was noted that a prudent trustee could not rely too heavily on the continued appreciation of value and earning power of profit on growth stocks. With such consideration in mind, the "trustee" turned his attention to bonds which at the time provided more attractive yields on new issues than had existed for many years. The "trustee" emphasized that this program assumes continued investment and management, and the portfolio was planned in the light of existing conditions in the bond and stock markets. As a result, $15,000 was placed in U. S. Treasury 4% bonds due Oct. 1, 1961; $10,000 in California Veterans 3½% bonds due in 1978; $10,000 in Port of New York Authority 3½% revenue bonds due in 1973; and $10,000 in New Jersey Turnpike 3¼% bonds due in 1985. The remainder of the $75,000 was invested in shares representing insurance, merchandising, chemicals, containers, and nonferrous metals. The anticipated yield was to be 3.76% amounting to $2,830 annually.

"Answer B" supplied by a second "trustee" anticipated that when the doctor retires 15 years hence, the maximum peak of the family's expenditures will be over, and the sole purpose of the fund will be to provide income for his retirement. Therefore, a fully invested program is proposed, with 13% in fixed-term obligations and 87% in shares in securities. In this solution, amounts of $5,000 were invested in U. S. Treasury Bonds and bonds of electronic manufacturing companies. Shares purchased were in aluminum, engineering, containers, utilities, electrical manufacturing, automobile manufacturing, fire insurance, building supplies, heavy equipment manufacturing, petroleum, and chemicals. The anticipated yield was 3.32% and the income $2,494.50 for the first year.

The third "trustee" providing "Answer C" believed that the main objective of his investment program should be to select situations with favorable potentials for growth in value over the next 15 years, and as a result the fund was divided into approximately half in common stocks with liquid reserves insured by short-term government and other bonds. Accordingly, $15,000 was held in U. S. Treasury Bonds and $5,000 each invested in bonds of utilities, a petroleum refiner, and diversified manufacturing companies. Shares totaling $34,750 included those of aluminum, insurance, petroleum, business machines, chemicals, electrical manufacturing, and utility companies. The anticipated yield was 3.55% for the year.

In "Answer D," the "trustee" took into consideration the "inherent growth of our national economy, the probability of continued wage inflation, and the efforts of the Federal Administration to maintain a depression-free way of life." As a result, emphasis was placed on equities leading to an investment plan of approximately half in fixed income and securities and half in common stocks, with an objective of increasing the stockholdings when favorable opportunities occurred. The fixed-income section of the fund contained $20,000 in bonds of a leading finance company and $17,000 in U. S. Treasury Bonds. The shares were divided among a petroleum refiner, electrical manufacturer, chemicals, aluminum, business machines, and an abrasives company. The anticipated yield was 3.3%.

The "trustee" providing "Answer E" recognized that the stock market as a whole was near an all-time peak and that there were some signs of declining profit margins, which made him loath to place too much of the fund in the high-priced growth category. Therefore, he sought to obtain a broadly diversified representation in various industries, even though the short-term outlook for some was relatively not too good. In order to obtain a liquid reserve, $20,000 was invested in Treasury Bonds and $5,000 each in state and municipal issues. The remainder was invested in companies including aluminum, glass, chemicals, electrical manufacturing, business machines, paper, petroleum, banks, utilities, foods, motors, merchandising, and insurance. The anticipated yield was 3.3% for the first year.

World Events Have Their Impact

In reviewing the five investment plans, the committee reports: "A change in the investment philosophy of many investors began to take shape before Lebanon and was accentuated by that incident as the stock market responded vigorously to this significant event of great importance to the western world and the related economy.

"It is perhaps significant that at this time the average yield on industrial common stocks is less than the yield on high grade bonds; but as stated before, the primary objective was for growth looking 15 years to the future, and current income was relatively unimportant.

"It should be remembered that the original solutions and these reviews were prepared some two months before publication."

The "trustee" providing "Answer A" concludes on the record of performance for the first year that he would make no change in the items selected or the proportions to be invested in each one of them. He says: "With business, earnings, and dividends not as good as they were a year ago, there is little incentive for a trustee to place a larger proportion of his funds in common stocks today than he would have 12 months ago."

The "trustee" supplying "Answer B" reports: "We are still of the opinion as indicated in our last year's analysis of this problem that the long range viewpoint is definitely inflationary. This is despite the near-term uncertainties that may adversely affect the market.

"We would, therefore, continue our heavy commitment in common stocks." In this case, the "trustee" recommended sale of a natural gas company which had not performed as contemplated and the purchase of refining shares with an excellent growth prospect.

In "Answer C," the "trustee" recommends reinvestment of the proceeds from the matured $15,000 government bonds in the Federal National Mortgage Association bonds, the sale of the machine corporation bonds, and the purchase of utility bonds.

The "trustee" supplying "Answer D" during the year purchased new stocks issued by an oil refining company to increasing holdings in accordance with rights and the purchase of additional shares in a business machine company to round out new shares acquired through a stock dividend. The income was invested in a paper stock. After a year of operation, the total value of the original $75,000 trust was appraised at $79,850. About $2,380 in income was reinvested in a paper stock.

The final "Answer E" supplied by the "trustee" notes that in a group of stocks generally considered to have growth possibilities there was a decline in value of about $1,000, while in the consumers' goods stocks an increase of $4,200 occurred. However, the events of the past year have indicated that the growth of the country will continue along with more inflation, and accordingly some of the funds were moved from consumers' goods to investments in the growth field. New stocks purchased were in paper, building supplies, lead, and steel, while additions were made in aluminum, electrical manufacturing, petroleum, chemicals, and general products. Short-term Treasury certificates amounting to $10,000 and convertible bonds of leading chemical and paper manufacturers were also purchased.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

If we attempt to determine the extent of stockholder gain in the fire-casualty list over a decade some interesting results are shown. The shareholder gain consists of a combination of the increase in his equity plus cash dividends in the period. What is particularly interesting in this connection is his current position with respect to the start of the period. In the accompanying tabulation there is set forth first the increase in the stockholder's equity for the 10 years ended with Dec. 31, 1957, plus his cash dividends in the period. Next, this total gain is related to a recent price (we have chosen Sept. 30, 1958) to give the number of years that would be required to obtain a return of that price figure based on the rate of gain in the 10 preceding calendar years; and finally is given ratios of the total gain to the price of the stock at the start of the decade (Dec. 31, 1947) and of the total gain to the stock's equity, or liquidating value at the same starting date.

	Gain to Stockholder	Ratios of— Annl. Avg. Gain to Curr. Price No. Years	Gain to —Dec. 31, 1937— Price	Liq. Value
Fire Stocks—				
Aetna Insurance	$65.80	10.0	139%	101%
Agricultural	32.75	9.0	131	89
American Insurance*	27.45	9.6	332	234
Bankers & Shippers	68.83	8.0	385	186
Boston Insurance	35.03	8.9	150	122
Continental Insurance†	66.99	7.5	650	460
Federal Insurance§	24.58	20.6	206	139
Fidelity Phenix	66.00	7.7	309	233
Fireman's Fund	44.87	10.9	167	132
Glens Falls	33.31	10.0	161	127
Great American Insurance	45.96	7.9	281	168
Hanover	40.50	9.4	151	98
Hartford	104.71	15.5	208	158
Home Insurance	55.53	7.7	241	156
Ins. Co. of North America	80.64	13.2	292	255
National Fire‡	76.60	11.7	185	90
National Union	32.51	11.2	106	75
New Hampshire	53.98	7.4	140	122
Northern Insurance	106.01	7.9	482	307
North River	40.20	9.1	179	134
Pacific Insurance	70.80	7.4	369	207
Phoenix Insurance	82.61	8.0	178	120
Providence-Washington	0.09	--	0.03	0.02
Reliance	44.03	9.9	166	106
St. Paul Fire & Marine	27.23	19.1	184	164
Security Insurance	24.01	11.9	105	57
Springfield Fire & Marine	59.82	5.5	143	107
United States	25.57	10.6	196	121
Westchester	32.99	8.9	198	142
Casualty Stocks—				
Aetna Casualty	126.73	11.4	381	259
American Re-Insurance	32.32	12.0	235	150
American Surety	9.18	17.9	71	39
Continental Casualty‡	55.66	16.9	445	307
Fidelity & Deposit	79.13	4.9	182	115
Massachusetts Bond	29.05	25.9	100	83
Seaboard Surety	64.60	9.9	275	168
U. S. Fidelity & Guaranty	54.88	16.3	195	177

* American Insurance data includes American Automobile.
† Continental Insurance includes Firemen's Insurance of Newark.
‡ National Casualty not included in Continental Casualty.
§ No effect given to life affiliate of Federal. Adjustments made for stock dividends and split-ups in the period, so far as cash dividends are concerned. Liquidating values adjusted for rights. Consolidated data used.

Under the ratio of the annual average gain to current (Sept. 30, 1958) price, it is obvious that the "blue chips," generally speaking, make the better showing; and this is as it should be, for price is a component of the ratio, and by-and-large the market puts a higher price on a "blue chip" than it does a secondary. And getting to the ratios of the gain figures to Dec. 31, 1937, price and to the liquidating value at the same date, we find a like condition: the higher ratio figures belong to the better grade stocks. The presence of Firemen's of Newark gives some distortion to the Continental Insurance data, but still all things considered, this stock is entitled to rather high ratios.

The fourth column helps to bring out the growth factor in these stocks. Northern Insurance and Continental Casualty are good examples. Both units have been reporting better than average results in both underwriting and investment operations. But it requires a combination of satisfactory figures in all three ratios to justify the classification of a given stock as a "blue chip." And the study brings out the fact that for the greater part, insurance stocks rate as good growth stocks. And they should be so classified, as they must necessarily grow along with the country's general economy.

Continued from first page

As We See It

who led the way, and so it will be in the future if similarly great accomplishments are to be recorded.

A second truth of even greater practical importance is the circumstance that we as a nation have brought into being conditions which severely curb and repress the energies and activities of individuals who would otherwise naturally and normally lead the way, and that the tendency today is not to correct this condition but if anything to make it more crippling. This fact is the more important because we can and must do something about it. It is graver in its implications because, first, so few appear to realize the necessity of earnest and urgent action, and, second, because the disease has eaten so deeply into the body politic that its elimination presents real problems given the best intentions and the most earnest effort.

Taxes!

Consider the current system of taxation. The system of individual income taxation is such that only in exceptional cases and by devious devices can a modern day Ford—or even a much more modest creater of wealth—make headway proportionate to his ability and energy, and in so doing greatly benefit the rank and file throughout the country. The fact is that the geniuses or near-geniuses who manage large enterprises already in existence can rarely afford to own more than very modest shares of the business they are engaged in managing. If they are not prepared to turn over a very large part—in the higher brackets, very nearly all—of their income to the tax collector they must hold tax exempt securities—and all too often thereby encourage further reckless spending by states and municipalities.

Another matter of serious concern is the attitude of those who work for wages—and incidentally the attitude of the general public toward the concepts and practices which have so widely developed among wage earners. These attitudes are what make possible and indeed encourage the evils of modern labor unionism. They are also responsible for legislation and court decisions affecting wage earners which render it exceedingly difficult for the entrepreneur to earn a fair profit, and certainly tend to discourage any sort of venturing into new and untried fields. They so raise the cost of producing and distributing goods that prices constantly tend to rise to levels which can not be sustained on the basis of actually existing demand. They add still further to the burdens we expect the minority to carry.

Wage Exactions

It was not so in the earlier decades. In those earlier years, when immigration was huge and almost continuous, there were doubtless instances of abuse. Some of them may well have been carried over into more recent years, but whatever may have been the labor situation in those days, it is now plain as a pikestaff that we have gone much too far in our efforts to right wrongs, real or imaginary. It is pointless to lay the blame upon the unions, or even upon their ruling hierarchies. They should really know better, but the fact is that we have not only made their practices possible but positively encouraged them by voting-seeking legislation. But whoever is at fault, the fact is that the situation as it now exists casts a dark shadow over our future.

Another handicap we have laid upon ourselves is found in the habit we have formed of going head over heels into debt. The leading offender in this instance is, of course, the Federal Government. There are plenty of others, however. State and local governments have increased their indebtedness enormously in recent years, and there appears to be no end in sight. Individuals, sometimes called "consumers," are not far behind, and the Federal Government and all the politicians, or nearly all of them, have done about all they could to encourage Tom, Dick and Harry to go heavily into debt. The mass movement from the larger cities into the suburbs has contributed to the trend, by encouraging home ownership and the possession of all sorts of modern conveniences from automobiles to television sets.

Debt

Few stop to take account of the extent in which the people of this country now live "on the cuff" as the saying goes. At the end of 1941 mortgage debt on one to four family houses totaled about $18.4 billion. It did not rise much during the war, naturally, but in postwar years it has had a mushroom growth. It now stands at upwards of $112 billion. These figures suggest, if they do not measure, the burden of debt that small home owners have loaded upon themselves, much of it as a result of "insurance," "guarantees," and other subsidies and encouragement by the Federal Government. The postwar growth of installment consumer credit is similar. By the end of the war this type of indebtedness had declined to small proportions, relatively speaking. By August of this year American consumers owed well over $14.5 billion on cars they were driving. Various other types of consumer goods accounted for another $8 billion and more of debt, while so-called "personal loans" had reached a similar figure.

These are but a few of the unnecessary handicaps we have placed upon ourselves, and which must limit the degree in which we shall be able to realize the blessings that should be ours in the future. What candidate for office even gave evidence of being aware of this state of affairs?

Continued from page 5

Discouraging the False Notion Of Inflation's Inevitableness

by business, consumers, and governments.

Limitations to Monetary Policy

However, it should be clearly understood that monetary policy is not the all-powerful instrument some would make of it. Far from it. It cannot **determine** the course of the economy. It does not absolutely determine the level of interest rates. It cannot even assure stability of individual or average prices—prices are determined by the tastes, desires, and wherewithal of buyers in relation to productive capacity and costs. Monetary policy cannot guarantee a demand for any product or service at any price the seller wishes to ask — and this applies even when the price of the service is called "wages." On the other hand, it is certain that in the presence of upward price pressures an unlimited supply of credit will stimulate speculative commitments and encourage rampant inflation.

While I am about it, let me also point out that monetary policy, by itself, cannot assure the maintenance of full employment. We learned that in the 1930's. If important sectors of the economy have expanded too much or too fast or are endeavoring to maintain prices higher than buyers are willing (or able) to pay, some unemployment is bound to result until appropriate adjustments have been made or shifts of resources to other sectors have been effected.

Furthermore, monetary policy cannot — without becoming an engine of inflation — assure the financing of the government debt **at low rates of interest** at a time when other demands for credit are strong. We learned that in the 1940's. The Treasury must compete with other would-be borrowers for the available supply of lendable funds, and hence must price its securities on a basis that will attract investors. But this does not mean that we must abandon public and social objectives. This country is rich enough to devote large amounts of resources to such uses—national defense, education, social security, and the like. It simply means that there must be a corresponding restriction on other public and private activities. Put succinctly, appropriate monetary policies do not conflict with or prevent the attainment of public policy objectives—rather, they are an essential means of adjusting private demands so as to facilitate the attainment of public objectives.

Although monetary policy is subject to all these limitations—and more—it still is able to exercise a strong counterbalancing influence against those forces which would otherwise cause inflation or depression. In fact, the provision of appropriate credit and monetary supplies is essential for the smooth and efficient functioning of the economy and particularly for sustained growth. The remarkable thing about economic developments in this country in the postwar period is not that we have had some inflation, which is certainly undesirable, or that we have occasionally had considerable unemployment, which is of great concern to us. Much more important is the fact that we have had a high rate of growth and general prosperity without a wild speculative boom followed by a disastrous and prolonged depression. Monetary policy is entitled to some of the credit for this generally favorable course of events.

As you know, monetary policy brings its influence to bear on the economic situation as that situation is created by the actions of businesses, consumers, and governments. It does so, as I indicated earlier, mainly through its control over bank reserves, by which it influences the lending and investing activities of commercial banks. I do not want to minimize the importance of this influence, but I should like to point out that the direct effect of Federal Reserve action is sometimes overshadowed by what may be called the psychological effects.

One psychological effect is exemplified at times by an exaggerated response to Federal Reserve actions. Another consists of occasional anticipations of forthcoming actions on the basis, not of economic factors, but of whatever events here or abroad seem to be newsworthy at the moment. Responses and anticipations of these types have had a lot to do with developments in financial markets in the past few months. But before I turn to that, let me sketch a bit of background.

As you know, the United States economy is presently thrusting itself with vigor out of a recession that began about a year ago. Seldom have the dynamic qualities of our economy been more strikingly exhibited.

In its industrial performance, the economy a year ago moved into a sharp downslide. This followed a three-year boom based on a surge of spending, first by consumers and then by producers. These waves of spending stimulated overall economic activity and enlarged the productive capacity of the economy, but the pace of expansion was too rapid and in the process pressures were generated that led to rising prices and living costs and to spreading inflationary sentiment. Hence the imbalances that led to the 1957 downturn.

As the recession deepened last winter and spring, to many observers the outlook for an early return of prosperity appeared unfavorable. The decline in activity was greater than in either of the two previous recessions of the postwar period. In the eight months after August 1957, industrial production fell 13%. Output of durable manufactures declined 20%. Business outlays for capital goods dropped fast and reported plans for such outlays promised no pickup until well into 1959, or later. Business inventories were large and strong efforts were being made to reduce them. Unemployment had risen sharply and was continuing at a high level. Consumers were demonstrating a distict lack of enthusiasm for most of the products of the automobile industry and were paying off debt in significant amounts.

In spite of these seemingly unfavorable signs, and to the surprise of most analysts, the low point was passed in April. Since then production has been rising at an unusually rapid pace. From April to September the Federal Reserve index of industrial production rose 9%, thus regaining two-thirds of the earlier decline. Instead of a saucerlike low, such as occurred in the preceding recession, when production touched bottom in the spring of 1954 but recovery did not get under way until autumn, this time the cyclical contour took the shape of a V.

Stock Market Premonishes Inflation

Even before it became apparent generally that the recession had touched bottom and was being followed promptly by a strong revival, the stock market began to advance. The advance started early in the year and at a time when corporate profits were at sharply reduced levels. Since then stock market optimism and activity has increased considerably and stock prices have reached successive new highs. This enthusiasm of the stock market is not entirely reassuring. It may be correctly anticipating a much higher level of profits than that reported in the latest official figures. There are good reasons to think that profits **are** rising rapidly; the volume of business operations is expanding and productivity has been rising unusually fast. But the stock market rise may also be a symptom of something else—the growing acceptance of the doctrine of the inevitability of inflation. If this belief is a significant factor in that market or any other market, to that extent it and the economy are vulnerable to potentially destructive forces.

As it became increasingly clear **outside** the stock market that the low point in activity had been passed last spring, pessimism dissipated with remarkable speed. One of the most reassuring evidences of renewed confidence in business prospects was the announcement that the latest official survey of business spending for new plant and equipment found that, contrary to indications from previous surveys, outlays had leveled off in the third quarter and would possibly turn up during the rest of this year.

Now these evidences of economic recovery are very gratifying. We can rejoice in the knowledge that our economy has shown such resilience and buoyancy and is springing back with speed toward full use of our human and material resources. This is indeed dynamic!

While rejoicing, however, we can hope and endeavor to assure that the recovery is a healthy one; that is, broadly based and not too exuberant for its own good. After all, an economy is not like a runner of the 100-yard dash, who can sprint through the tape that marks his objective. If the economy runs through the goal representing full use of resources, it runs right into inflation. It is desirable, therefore, that the recovery be encouraged but also that the economy approach its constantly rising capacity-ceiling at a growth rate than can be maintained. We want no more inflationary booms

and no more busts. We want progress to be as rapid and as steady as we can make it.

In financial markets, events have moved swiftly since last June. In that brief period interest rates have shot back up with great rapidity. Long-term yields have returned to their peak levels of a year ago, when economic activity was considerably higher and monetary policy much more restrictive than in the past three months. Short-term yields have also advanced rapidly, but they are still well below last year's high levels.

The sharp break in medium and long-term market rates in July was associated with the speculative activity that developed in the Treasury's mid-June refunding operation. Acting on the basis of expectations of further reductions in interest rates (particularly in the longer-term area) and consequently of a "free ride" on government securities from their issue price, many investors were induced to take speculative positions in the June exchange offering of 2⅝% bonds. As we now know, many of these speculative purchases were made on little or no margin, by investors with little experience in the government securities market.

I need not dwell on the details of this unfortunate episode. For our present purposes, the important point is that, shortly after the bonds were issued, a combination of events conspired to confound the speculators and, instead of getting a "free ride", they found themselves faced with margin calls as their recently acquired security dropped below par. Their efforts to sell out in order to meet margin calls or to minimize losses gave bond prices a strong downward impetus.

However, the reversal in interest rate movements — from a downward tilt in the spring to a steep upward climb in the summer—cannot be ascribed solely to speculation. It undoubtedly magnified the swing in interest rates and bond prices, but in itself did not cause it.

Interest Rate Climb Explained

For a basic explanation of the interest rate reversal, we must look, in part at least, to the growing public awareness that the economy was moving out of recession (in June alone industrial production rose more than 4%), and that there would be expanding public and private demands for funds and probably a more restrictive monetary policy. Furtherfore, the notion that continued inflation is inevitable had gained increasing acceptance, and the continued rise in consumer prices during the recession must have given further strength to this view. This notion was not diminished by the much-publicized fact that one result of actions taken to cure the recession would be a large federal deficit. (What was designed as medicine for the economy six months ago is now dangerous, because while the patient's condition has changed the dosage cannot be reduced fast enough.)

It would have been surprising if the expectations of investors in financial markets had not been affected by this picture. As it happened, the investing public **did** anticipate the advance in market interest yields and, by their actions, caused it to occur sooner.

Given the increased public awareness of even moderate swings in business activity, the spread of the creeping inflation doctrine, and the speculative psychology that seems prevalent in financial markets, what can we do to promote sustainable recovery and growth without inflation? What can we do if we are confronted with continuing relatively high unemployment and unused industrial capacity and at the same time speculative trends in financial markets that exert strong upward pressures on interest rates?

Getting to the Roots

There is no widely-accepted answer. But clearly the first step must be to diagnose the problem. My diagnosis leads me to the view that belief in the inevitability of inflation is close to the center of the problem. This belief must be attacked at its roots to prevent its proliferating until it becomes so widely accepted that productive processes are disrupted, distortions develop, and the thesis is proved false by a drastic fall in prices and capital values and these are followed by very high levels of unemployment.

We must look at the underlying forces, avoid accepting the economic fads of the day, and offer leadership to the people everywhere who stand to lose most from inflation and its aftermath. We must develop effective means for discouraging the innocent and unwary from accepting the plausible but false doctrine of creeping inflation. We must encourage financial markets to become stronger, to develop greater depth and to be more resilient in meeting the needs of the people and in adjusting to shifts in the market forces. We must encourage financial and economic analysts to greater efforts in appraising the forces of supply and demand, rather than devoting so much of their attention to outguessing the Federal Reserve. A market preoccupied with trying to outguess governmental actions is weaker and less self-reliant than a market conditioned to penetrating beneath the surface of economic events in making its decisions.

As for preventing inflation, some contend that monetary policy, by itself, has power so great that if it were exercised to the fullest extent, with no other consideration in view, it alone could stop even a runaway inflation dead in its tracks. Unfortunately, this would be like stopping a runaway train by putting an immovable barrier across the rails. The train would be stopped all right, but both it and its occupants would be shaken up pretty badly, and considerable time would elapse before the trip could be resumed!

I need not take the time to identify the other steps that should be taken to keep our economic streamliner on the track and moving along at a fast speed that is also safe and can be maintained indefinitely. Suffice it to say that on this train there are a number of fireman who must exercise judgment and restraint regarding the amount of fuel supplied to the engine, and there are several sets of brakes that must be judiciously applied from time to time.

No Lip Service Intended

Putting aside figures of speech, let me say plainly that the Federal Reserve is not merely paying lip-service to a noble sentiment; we are determined to use our powers, as wisely as we can, to maintain the integrity of the dollar and thereby foster the maximum sustainable economic progress of the United States. This job is not one that can be done effectively through monetary policy unaided and alone; but it can be done.

The task is difficult because mankind is not so civilized that various groups readily subordinate group interests to the broader good of the nation as a whole. In recent decades we have seen increasingly the power of public opinion. The work in which the Federal Reserve System is engaged can be conducted successfully only if it has the support of public opinion based on real understanding of what is involved. If that understanding can be widely achieved, it will not only safeguard the sound institutions of our economic and governmental system, but will also lead to statesmanlike and public-spirited policies on the part of consumers, industry, and labor.

It is my sincere conviction that this task of achieving widespread understanding of monetary problems and monetary policies today presents to the banking community of America its most meaningful call to energetic and dedicated leadership.

Philadelphia Inv. Assn. Receives 1959 Slate

PHILADELPHIA, Pa. — Robert T. Arnold of The First Boston Corporation has been nominated for President of the Investment Association of Philadelphia. Mr. Arnold would succeed Harry K. Hiestand of Reynolds & Co., whose term expires. The annual meeting and election of the Association will be held on Thursday, Dec. 11, 1958, at the Mask & Wig Club, 310 South Quince Street. Other officers were: H. Gates Lloyd, III, of Drexel & Co., Vice-President; Herbert S. Bengtson of Schmidt, Roberts & Parke, Secretary; and Frank J. Murray of Bache & Co., Treasurer.

Robert T. Arnold

The following have been nominated for the Executive Board of the Association: Marshall Schmidt of Hornblower & Weeks; Edgar Scott, Jr. of Montgomery, Scott & Co. and Mr. Hiestand.

The nominating committee consists of: Mr. Bengtson; George M. Buffum of DeHaven & Townsend, Crouter & Bodine; Sidney Scott of Smith, Barney & Co.; Norman T. Wilde of Janney, Dulles & Battles, Inc. and Mr. Hiestand.

Detroit Basis Club Elects New Officers

DETROIT, Mich. — The Basis Club of Detroit held its first annual meeting Friday, Oct. 17, 1958, at the Harmonie Club in Detroit.

Edward Parr, of Merrill Lynch, Pierce, Fenner & Smith, was elected President at the general election. Other newly elected officers include:

Pat Inman, Kenower, MacArthur & Company, Treasurer.

Peter Higbie, First of Michigan Corporation, Secretary.

Ted Obuchowski, Goodbody & Co., Director.

Richard Doke, First of Michigan Corporation, retired as President and was appointed to the Board of Directors. John Taylor, First of Michigan Corporation, was appointed as Social Chairman, and Peter Corden, Paine, Webber, Jackson & Curtis, will take over the duties of Publicity Chairman for the ensuing year.

Plans are currently being formulated for the Basis Club's Second Annual Christmas Party to be held in Detroit, sometime during the month of December.

Chicago Analysts to Hear

CHICAGO, Ill.—The Investment Analysts Society of Chicago will have Paul Kayser, President of the El Paso Natural Gas Co., as guest speaker at their luncheon meeting to be held Nov. 6 in the Adams Room of the Midland Hotel.

Form Prudential Plan

BOSTON, Mass. — Prudential Plan Corporation has been formed with offices at 10 State Street to engage in a securities business. Officers are Joseph S. Kaufman, President and Treasurer, and Sumner Kaufman, Vice-President and Assistant Treasurer.

Public Utility Securities

By OWEN ELY

Northern Indiana Public Service Company

Northern Indiana Public Service supplies electricity and gas to 28 counties in northern Indiana. Electricity is served to 229 communities and rural areas. While the area covers only one-third of the state, it includes 37% of the population, 38% of retail sales, 41% of farm products and 45% of industrial output. The area has enjoyed excellent growth, the population of principal cities in Northern Indiana having increased about 20% since 1950; the city of Gary now has a population of 169,000, a gain of 26%, and in Hammond (the company's headquarters) the gain was 23%.

About 58% of the company's revenue is electric and 42% gas. The area served is highly industrialized and about 37% of the electric revenues are industrial, as well as a substantial part of gas revenues. Industrial customers include oil refineries, steel mills, automobile manufacturers, makers of automotive and airplane parts, electric motors, farm equipment, chemical processors, and fabricators of copper, rubber and metal products. In the rural portions of the area livestock, dairy products, poultry and grain are produced on moderate-sized farms.

The company's industrial customers include many of the "blue chip" companies such as U. S. Steel, International Harvester, General Electric, Standard Oil of Indiana, Lever Brothers, Allis-Chalmers, etc. Since 1953 more than 200 new industries, manufacturing a wide variety of products, have established plants here. Recently Bethlehem Steel purchased large tracts of land in Michigan City and Gary, presumably for some large new development.

While industrial activity in the area decreased during early 1958, nevertheless the company's industrial electric revenues for the first seven months of this year were 5% more than in 1957. The company has a very favorable contract with U. S. Steel and some other companies, with demand charges offsetting any decline in the amount of electricity used.

Completion of the St. Lawrence Seaway next year is expected to bring increased activity to the region. Development of terminal facilities along the southern shore of Lake Michigan, and widening and deepening of the Calumet Channel, should make this area an exchange point where barge traffic from the Mississippi will connect with foreign ocean-going vessels. This development is expected to attract over 150,000 people to northern Indiana. The area is also gaining in popularity as a recreation spot.

The company is one of a few important utilities which generate only part of their requirements. In 1955 only 39% of output was produced in company plants but the percentage has now increased to 56%. In December, 1956, the first of three 130,000 kw units was placed in service at the Mitchell Station. Two additional units are now under construction, to be placed in service next year. With the addition of these units the Mitchell Station will have a net generating capacity of 390,000 kw, bringing total capacity to 600,000 kw, and the company will then generate about 75% of requirements.

The company has interconnections with Commonwealth Edison, Indiana & Michigan Electric (American Electric Power) and Public Service of Indiana. Its contract with Commonwealth is flexible, so that the company can reduce purchased power whenever it adds a new generating unit of its own. In 1957 the company generated its own power at a production cost of about 4.1 mills, while cost of purchased power averaged about twice as much. It seems reasonable to expect that the substitution of modern new units for part of the purchased power will work out favorably for stockholders, unless financing costs are very high.

Gas revenues have more than doubled since 1948, and gas house-heating is popular because of the low cost — about $123 a year for six-room house compared with $168 for oil. The company is selling all the gas space-heating that is obtainable from pipeline suppliers, and heating saturation is only 27% as compared with nearly double this figure for the midwest as a whole. If more gas were available the company could probably obtain at least 60,000 more home-heating customers—a 50% saturation; the company has obtained authority to add 9,000 customers this winter, but will still have a backlog of over 25,000 unfilled applications. Sales of industrial gas are also increasing—the company recently signed a contract with Inland Steel for the sale of 45 million cf a day and is negotiating with U. S. Steel for the sale of 36 million; several other industries are considering increasing their firm requirements.

The company expects to receive an additional 10 million cf a day by next January from the Natural Gas Pipeline Company, and is petitioning the FPC for about 22 million cf of additional gas from two other pipelines; it will also take 90-100 million cf from Midwestern Gas Transmission if and when that company is able to construct its pipeline. Northern Indiana is also trying to obtain another 100 million cf from other sources. It is able to use the Herscher Storage Project in Illinois to the extent of about 43 million cf per day during the heating season, and has also renovated its 10 million cf holder and installed additional propane storage.

Capitalization is about 42% long-term debt, 21% preferred stock and 37% common stock equity. The construction program in 1958-59 will total about $76 million, of which amount $21 million can be raised internally. Equity financing was done last July on a 1-for-10 basis.

The company's record of share earnings has been moderately favorable, increasing from $2.04 in 1947 to the $2.77 estimated for calendar 1958. Earnings have increased slowly in 10 of the past 12 years, with setbacks in 1950 and 1958; earnings this year will probably show a decline of about 9%, due in part to dilution resulting from the sale of 375,000 shares of common stock. Postwar earnings would doubtless have increased at a faster rate if it had not been found desirable to raise the equity ratio from 19% to 37%. With the present capital structure there should be considerable flexibility in financing future construction.

The common stock was listed on the Midwest Exchange a few weeks ago, and was recently quoted around 44. Paying $2 and earning about $2.77 the yield works out at 4.5% and the P/E ratio at 15.9.

Joins Walls Associates

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Eugene G. Clyatt has joined the staff of Walls Associates, Inc., Candler Bldg.

Sees End of Rail Passenger Service by 1970

Highways and air spell the death-doom of railroad passenger service I.C.C. Examiner finds in his investigative report on the railroad passenger deficit. Howard Hosmer notes 90 per cent of the American public's travel is by private automobile and railroad's present share of remaining 10 per cent is roughly 30 per cent compared to remaining modes of travel. States deficit cannot be conjured away by statistical legerdemain and asks consequent calculated risk's impact on national defense be fully disclosed.

An Interstate Commerce Commission examiner recently predicted the end of railroad passenger service, other than commutation, by 1970 if rail travel continues to decline as it has in the past decade.

Examiner Howard Hosmer made this prediction in a proposed report in Docket No. 31954, the Commission's investigation into the railroad passenger train deficit. Hearings in the year-long investigation concluded June 23, 1958, after extensive testimony by passenger-carrying railroads, state regulatory commissions, government agencies, and freight shippers and receivers.

The examiner did not propose or suggest any regulatory action under the Interstate Commerce Act.

"If railroad passenger-miles, other than commutation, continues to decline at the average rate of reduction between 1947 and 1957, the parlor and sleeping-car service will have disappeared by 1965 and the coach service by 1970," according to the examiner. "It is possible that some development may stop the decline and stabilize the traffic at some level lower than that of the present time, but no such development is now in sight."

Autos Blamed for Decline

The examiner's report stated the major reason for the decline in railroad passenger travel is the American public's preference for travel by private automobile, which accounts for 90% of all intercity travel. The result is that all public carriers now perform only about 10% of total travel, of which the railroads account for less than one-third.

The investigation showed the 411,000,000 passengers carried by Class I railroads in 1957 represented the smallest number carried in any year since 1890. The number in the first five months of 1958 was 7% lower than in the corresponding months of 1957.

The passenger deficit is due, according to the examiner, "to the tremendous inflation in railroad operating costs which has occurred since World War II accompanied by a continuing reduction in the revenue from passenger train operations." The report stated the average revenue per passenger gross ton-mile increased 22% during 1947-1957 and average operating costs increased 48%.

The report stated that almost the only advantage which railroad passenger service now has to offer in competition with motor and air travel is an "incomparably better safety record."

Government Abets Decline

The examiner agreed that the railroads had good reason to believe that the principal underlying cause of their loss of passenger traffic has been the governmental promotion of air and highway transportation by financial outlay and other means. He added that subsidization of air transportation is so firmly imbedded in the national policy that it is much more likely to increase than to diminish.

The report took notice of the possibility of similar public aids to railroad passenger transportation but said that "the railroads are defenseless against the tax assessors who seemingly are bent on killing the goose that lays the golden egg."

The proposed report refuted as "mistaken ideas" accusations that railroad executives want to get rid of their passenger business regardless of its profitability. The examiner found that the evidence supports the conclusion that the railroads generally have not discontinued trains without serious efforts—sometimes prolonged—to make them pay and only after sympathetic consideration of public convenience.

Referring to disagreements among various witnesses over statistical methods used to measure the amount of the railroads' deficit, Examiner Hosmer commented that the deficit cannot "be conjured away by statistical legerdemain."

"Finally," Mr. Hosmer said, "if it be true that the preference of the American public for motor and air travel is undermining the potential value of railroad passenger transportation to the national defense, this situation should be fully disclosed so that it may be recognized as a calculated risk."

Conclusion

In the conclusion of his investigative report on the railroad passenger deficit, the Examiner explains that, "for more than a century the railroad passenger coach has occupied an interesting and useful place in American life, but at the present time the inescapable fact—and certainly to many people an unpleasant one—seems to be that in a decade or so this time-honored vehicle may take its place in the transportation museum along with the stagecoach, the sidewheeler, and the steam locomotive. It is repetitious to add that this outcome will be due to the fact that the American public now is doing about 90% of its traveling by private automobile and prefers to do so. The percentage of travel by public carriers is bound to diminish as more highways continue to be built.

"The railroads' share of the 10% of total travel by public carriers is roughly 30% thereof compared with a combined percentage of about 40% for air and bus. The railroad percentage seems certain to shrink when the new jet transports, capable of flying from coast to coast in less than five hours, are placed in service.

"If railroad passenger-miles (other than commutation) continue to decline at the average rate of reduction between 1947 and 1957, the parlor and sleeping-car service will have disappeared by 1965 and the coach service by 1970. It is of course possible that some development may stop the decline and stabilize the traffic at some level lower than that of the present time, but no such development is now in sight.

"In this report 1947 figures have been used as a bench mark in measuring the current decline in the railroad passenger position. The railroads in that year earned about $200 million above solely-related costs. In 1957 they failed to cover those costs by $113.6 million. There were prophecies of a new era for passenger transportation in 1947, of which the symbols were Train X and through sleeping cars from coast to coast. These symbols have recently vanished and no others have taken their place.

Public vs Testified Statements

"Railroad presidents occasionally are quoted as saying publicly that their companies are not going out of the passenger business, which they are hopeful of continuing without an out-of-pocket loss, but those executives did not testify in this proceeding nor send subordinate officials to make rosy predictions. The President of the AAR in his statement did not express any optimism. Almost the only official who did was a vice-president of the Pennsylvania who predicted continued profitable passenger service between New York City and Washington and intermediate points. This service, he said, "is about 40% of our total and it does meet its full costs." Another vice-president of the same company pointed out that the traffic between these points had declined from more than 60,000 passengers per day in 1947 to less than 30,000 per day in 1957, and said that the operation is not profitable today "on the total cost basis."

"If railroad passenger service can be said to have any future, some bits of evidence here point to operations between the larger centers of population for distances from 100 to 900 miles using non-luxury equipment perhaps including cars such as the slumbercoach, but this is only a speculative guess. None of the suggested means of reducing the deficit, such as revision of labor agreements, lower taxes, discontinuance of subsidies for motor and air transportation, and more revenue from mail can be considered promising. The President of the AAR was probably correct when he said: 'When every other resource has failed, the railroads have reduced passenger train operations to avoid further loss. Unfortunately the latter course is more and more proving the only remedy.'

"The ICC receives numerous letters from critics of the railroads as well as sincere well-wishers who would like to see their passenger service continued. These writers usually urge that the railroads run more trains with improved equipment, serving less expensive and better meals, and charging lower fares. Sometimes they accuse the railroad executives of wanting to get rid of their passenger business regardless of its profitability and charge that the passenger deficit is a kind of phantom produced by archaic or dishonest accounting."

Financial Facts Speak for Themselves

"These are mistaken ideas. The evidence here supports the conclusion that the railroads generally have not discontinued trains without serious efforts — sometimes prolonged—to make them pay and only after sympathetic consideration of public convenience. The officials and employees of the railroads have a traditional pride in their long record as passenger carriers, and there is no reason to believe that profitable passenger operations have been abandoned. Financial needs in themselves, which have been more or less pressing for many years, should disprove that charge.

"Few, if any, railroads are in a financial position to experiment on a large scale with new kinds of passenger motive power and equipment. Such experiments would be questionable in view of the contracting share of the travel market available to the railroads today. Almost the only advantage which railroad passenger service now has to offer in competition with motor and air travel is an incomparably better safety record. This factor is of negligible value, as few people probably would admit even to themselves that they prefer rail service for this reason. The fact shown in appendix D that the largest percentage of rail passengers are persons above the age of 45 may be significant in this connection."

Cannot Be Conjured Away

"The passenger deficit is not something which can be conjured away by statistical legerdemain. It is real and serious. Unless a good start toward reducing it can be promptly made, the future welfare of the railroads will be gravely endangered. In fact there is here a disturbing overtone due to an implication that the passenger deficit may be a symptom of more deep-seated infirmities for which some remedy must be found if the railroads are to survive.

"Finally, if it be true that the preference of the American public for motor and air travel is undermining the potential value of railroad passenger transportation to the national defense, this situation should be fully disclosed so that it may be recognized as a calculated risk."

Rail Passenger Service to Continue: Loomis

President of the Association of American Railroads, refutes forecasts (most recent by I.C.C. examiner) of an eventual cessation of passenger service by the nation's railroads. Contrarily, he anticipates growing need for "super-channels" of transportation both within and between "our burgeoning cities", and says carriers can meet the challenge "if given a real chance to do so".

Rejecting predictions of an eventual end to all rail passenger service, the President of the Association of American Railroads declared Oct. 23 that "passenger trains will still be running across this continent as long as you and I are alive."

Daniel P. Loomis

"In fact," Daniel P. Loomis, of Washington, D. C., told the New York Rotary Club in a luncheon address at the Commodore Hotel, "I think the day is coming when action to meet the nation's growing need for super-channels of transportation, both within and between our burgeoning cities, could stem the declines in railroad use and bring a new era of expansion."

Mr. Loomis said current trends indicate that the nation by 1975 is likely to increase its population by as much as 60 million people and almost double its annual output of goods and services. Reliance on railroading and mass transit to solve intensified transport problems can only increase as a result of such dynamic changes, he added.

The A. A. R. President warned, however, that railroadmen will be able to provide "new levels of safe, comfortable and dependable service" only if given a real chance to do so. He pleaded for major public policy changes that would. . . .

(1) Allow railroads greater freedom to adjust services to rapidly changing conditions;

(2) Soften the devastating impact from subsidized competition and;

(3) Relieve railroads of oppressive tax burdens that could constitute "the knockout blow."

"What is now needed is to take down the stop signals and give railroads a green light," Mr. Loomis declared.

With the people's understanding and remedial legislation, he continued, "the railroads, instead of being tied in knots by regulation, crushed by taxes and bled white of traffic by government promotion of other carriers, can take their rightful place as the most efficient, economical and useful form of transportation available anywhere."

Mr. Loomis rapped rumors that railroads want to get out of the passenger business. He emphasized, "I know of no railroadman who has any desire to get out of any service, passenger or otherwise, that pays its own way or which holds hope of paying its way."

The railroad officer asked for public support for railroad efforts to discontinue branch-line and other operations where demand has drastically fallen off and which are running heavily in the red.

"Given flexibility," he stated, "railroads can cut off the deadwood of unused services and concentrate efforts and resources in those areas where demand exists or can be stimulated.

"On the other hand, where required by public authority to continue operating losing services, railroadmen can scarcely be considered unreasonable in asking that such losses be borne not by the carriers but by those who want the service continued."

Deploring the distorting effects of multi-billion-dollar subsidies for competing carriers, Mr. Loomis quoted a recent Interstate Commerce Commission report which stated that the railroads "have good reason to believe that the principal underlying cause of their loss of passenger traffic has been the governmental promotion of air and highway transportation by financial outlay and other means."

Public provision of airports, air traffic control aids and the like was partly responsible for a fourfold increase in domestic air travel in the last ten years, during which rail passenger volume dropped off 40%, he said.

The A. A. R. President maintained that railroadmen have no complaint about competing with carriers which pay their full costs of doing business. But, he went on, it is in the public's interest that adequate user charges be paid the government by all forms of commercial transportation benefiting from public spending.

Calling for an easing of railroad tax burdens, Mr. Loomis declared that "no private business can long endure in a competitive situation where its costs and charges are constantly increased by taxation, while the costs and charges of its competitors are artificially held down by subsidy."

"The degree in which tax relief is forthcoming will do much to determine the nature and extent of passenger service in the future," he stated.

Mr. Loomis termed the importance of railroads to defense as "one of the most crucial aspects of the rail passenger problem."

In any new national emergency, he said, the country would again find itself short of gasoline and automotive parts, while the biggest and best airplanes would immediately be attached to global military operations. The railroads, he contnued, would be called upon again as in World War II to carry both military men and vast numbers of civilians diverted from the highways and airways.

"In view of what has been happening to railroad passenger-carrying capacity," Mr. Loomis warned, "utter chaos could develop."

Continued from page 11

"Toward Point of No Return"

tem of maximum and universal incentives and opportunities inherent in a society that really believes in and actually practices individual freedom.

How We Tax Incentives

But what have we done to that system of incentives?

Today's relevant fact—which I doubt anyone seriously disputes—is that we have gone a long way towards undermining it. In terms of "carrot and stick" folklore we have been shrinking the carrot in front and even supplanting it with the stick from behind. Thus the income tax rates on superior individual performance have been lifted to 90%—and might as well be 100% as far as incentive is concerned. The pathetic thing is that the nation gains little if any revenue from steep progressive taxation, but it can lose the effective services and leadership of the very ones who have competitively proven their superior productive effectiveness. Also it actually can lose revenue because such people cannot possibly generate income for themselves without generating much additional income for others in the process, thus enlarging the over-all tax base. Corporate compensation of employees, for example, is a dozen times the dividends paid to owners.

At the other end of the incentive scale we have greatly removed individual and family incentive to be self-reliantly industrious and thrifty against old age, unemployment or emergency. Some of you may be startled to realize that in any necessary cut back of the work force some wage contracts with labor unions already provide that, instead of working hours being reduced to less than four days a week, employees must be laid off entirely to enjoy unemployment compensation leisure.

In short, through progressively bitter tax punishment of the more productive and an ever-widening rewarding of the non-productive, we are steadily adopting the Marxian dictum: "From each according to his ability, to each according to his need." This is something that communists warmly advocate we adopt, but which they themselves would not think of practicing because they know, having tried it out, that there is no more certain way to divert people from being productive to being indolent than to tell them that no one will be allowed to benefit very much from working harder, better or longer than his neighbors, and that no one needs to suffer very much from not working diligently.

If we view the broad trend of corporate taxation, we see much of the same philosophy at work. Federal taxation now takes over half of corporate taxable income; and the income remaining is taxed again when transferred to stockholders. And, when, in addition, the tax code unrealistically counts part of what is really depreciation cost as taxable income, then we have what in effect is "confiscation of capital." Perhaps you have no sense of shock at a 52% corporate income tax. But bear in mind that this tax rides on the broadest incentive of the competitive system, because corporate America provides three-fourths of all non-governmental wages. The tax is a big factor and usually a deterring one in virtually all major business decisions. It is a penalty on efficiency, and the greater the efficiency the greater the tax per unit of output. On the other hand inefficiency, by being spared a similar tax burden, is sheltered. We punish the efficient, coddle the inefficient, and thereby clog the self-cleansing and efficiency-guaranteeing features of the competitive system. No one doubts that the power to tax involves the power to destroy, and that a 100% corporate tax would destroy private capitalism, thus ushering in some sort of sterile socialism. In terms of this arithmetic we are already over half way to socialism with respect to three-quarters of the nation's production. How this has all come to pass in the land of the free and the home of the brave can only be explained, I suppose, in terms of the famous lines of Alexander Pope:

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

We have gone far indeed under the driving force of the give-away and attendant rob-Peter-pay-Paul spirals—perhaps further than we realize.

Institutionalized Inflation

Implementing and interacting with these spirals is the inflation spiral. As a peacetime phenomenon I think of it as having two energizing origins. One of them is the insatiable requirements of the give-away spiral. The other is the monopoly power granted to labor unions. Both politically invoke the framework of soft money required for their functioning.

I think I have already said enough for us to understand that once we embrace the policy of having our government take care of those who do not take care of themselves, then the forces of human nature take over to make the process competitively self-perpetuating and self-augmenting. We have to do Lewis Carroll's Alice one better: We have to run ever faster just to stay where we are. Ever more Federal largess is required and so the persistently recurring question is, "From where is the money to come?" There are only two answers. One is to take it in taxes; the other is to engage in its printing or the modern equivalent thereof. Both present dilemmas that tend to become increasingly unresolvable, and when they become completely unresolvable we have passed a point of no return.

The tax dilemma is a perfectly straightforward one: There is a point—even though no one can define it with precision — when the burden of taxation selectively imposed on the more productive and efficient will substantially destroy both their incentive and their ability to engage in new productive investment, out of which alone comes the creation of new self-sustaining jobs. You recall, of course, that the only way that such jobs ever come into existence is when someone invests savings—supposing they have not already been taxed away—in productive facilities and thereby creates the environment in which men may go to work producing the marketable values to cover their continuing wage. Impair too much the investors' profit in so doing, and the doing of it will be curtailed. There will be fewer new jobs for an expanding labor force to fill, or to replace those constantly being eliminated through technology. In such fashion a vicious spiral is born: The taxing aggravates the unemployment burden on the state, to carry which burden then calls for still more taxing. The Golden Goose in America is a mighty tough bird. It can and has taken a lot of plucking. But our pride and pleasure in its toughness should not beguile us into supposing it can never die.

Deficit Financing

The record is clear that what has been obtained from taxation has not been enough to meet the peacetime spending requirements, or temptations, of a welfare-minded government. There has been extensive resort to inflationary deficit financing, both before and after World War II, to get adidtional money to dole out. Although hidden behind a formidable facade of technicalities, this inflationary process is relatively simple: We have our government print bonds which are turned over to banks, which in exchange for them create equivalent amounts of the deposits which we use for money. This multiplies the supply of money out of proportion to the goods and services going to market. The result is higher prices. But this process breeds its own historically familiar dilemma, too. For if prices go up, then government's costs go up. The previously established level of out-go becomes inadequate for the originally intended purposes and so must be lifted. But this in turn increases the need for additional money, and hence for still further resort to the printing press. We thus walk in the shadow of the inflationary spiral, the most vicious spiral known to economic science. tI is one which has devastated one country after another in the course of human history. It is loose in the world today as the handmaiden of extravagant governments functioning on paper money standards. We are fortunate indeed that we have not been fully caught in it.

But the danger of it remains bright and steady because we have a new kind of cost-push inflation simultaneously at work. It originates in the power of the leaders of our labor unions to enforce inflationary increases in employment costs, calling, in turn, for cost-covering increases in prices as the alternative to bankruptcy.

Labor Leaders' Competition

The leaders of the unions, whether they admit it or not, are competitively forced ever to seek unearned increases in the employment costs of their respective industries. It is a matter of surviving in the leadership to which they have attained, lest they be superseded by more determined aspirants to the positions they hold. Each union's success in elevating employment cost thus becomes the minimum target of the next union's efforts. And so the game of leapfrog up the ladder of wage inflation becomes institutionalized. Employment costs constitute three-quarters or more of all costs in consolidated industry, and when they are unduly inflated there is no possibility of absorbing them out of profits or increased national productivity. As a matter of fact the increase in the annual compensation of the nation's employes since 1950 has been over $90 billion, while corporate profits have actually declined and now amount to well under one-tenth of the wage bill. The intervening price increases have not been sufficient to even cover the wage increases, let alone provide any enlargement of profits.

When wage inflation forces cost-covering price inflation, then living costs rise, and this becomes the social justification, now recognized in many wage contracts, for still further wage inflation. Thus the vicious spiral completes its circle and continues onward. It is rooted in America's new institution of industry-wide labor monopolies.

How Much Have We Relaxed?

I have had a particular reason to discuss our possible progress towards a point of no return. During the past decade we in this country have had a most powerful but nevertheless transient stimulus to engage in productive activity. I refer, of course, to the great world-wide backlogs of demand left over from a decade of deep depression in the 1930s added to those accumulated during the great war. Under such circumstances the urge to catch up on what for the most part we already knew how to do may have obscured the importance of maintaining unimpaired the fundamental system of economic motivations that inspires innovation, permits and encourages the accumulation and investment of risk capital in new ventures, and thereby generates the new jobs and the production that spell progress. It would be quite human in our preoccupation with the postwar reconstruction boom to have relaxed our vigilance in this respect. The question is whether we have relaxed it so far that the system cannot function satisfactorily in the absence of boom or artificial stimulus.

Industry has receded only a moderate amount from the peak of the biggest boom ever experienced. But we find ourselves suddenly confronted with the prospect of huge Federal deficits. Corporate job-creating investments in new plant and equipment has been experiencing serious decline. But inflation continues and fear of its aggravation mounts. Many thoughtful people warn of little likelihood that unemployment will be significantly reduced short of many months. We now need maximum incentive, but we fear that we cannot reform our system of incentive-smothering taxation without either withdrawing from the economy the support of Federal disbursements or aggravating the inflation implicit in multiplied deficit financing. The several dilemmas I have described as slowly evolving over the long years are drawing into a central and perplexing focus.

Closeness to "Point of No Return"

I personally am certain that we have not passed a point of no return. The American Golden Goose is a tougher bird than most people realize. But I am entitled to a shiver as I attempt to point out how close we may be to a point of no return. I have tried to foresee an event which, if it occurred, would mark the passage of the point; and there is one that comes to mind. That could be the official abandonment in peacetime of competitive markets, which would be marked by establishment of comprehensive price and wage controls, rapidly and inevitably followed by allocation and ration controls. This would be the final abandonment of the system under which how much of what was to be produced, by whom, where, when, and at what price or wage, was determined by the voluntary and competitive choices of free men. In its place would be substituted the arbitrary decisions of an ever more powerful bureaucracy, motivated by political expediency and self-perpetuation.

I have tried, too, to foresee an event which, if it occurred, would mean that we need never reach that point of no return; and here one also comes to my mind. It is an intangible event, a matter of moral and spiritual attitudes to which I have thus far in these comments deliberately refrained from making an appeal. It is that we shall reawaken our realization of what a precious thing in the history of humanity is individual liberty; of the spiritual and material blessings that flow from its rigorous practice; of the means of obtaining it and maintaining it; of how easily and irrevocably it can be lost; of the spirals that could be spinning us into statism with resolution to halt them. It is, in short, that we shall remember and renew an historic high resolve "that this nation, under God, shall have a new birth of freedom."

With A. M. Kidder & Co.

Alexander S. Barnes has become associated with A. M. Kidder & Co., Inc., 1 Wall Street, New York City, members of the New York Stock Exchange, as a registered representative.

New Edwards Branch

HIGHLAND, Ill.—A. G. Edwards & Sons has opened an office at 1709 Broadway, with Orville M. Streiff as representative.

Tobey & Kirk to Admit

Tobey & Kirk, 52 Wall Street, New York City, members of the New York Stock Exchange, on Nov. 13 will admit Fred Schwartz to partnership.

Securities Salesman's Corner

By JOHN DUTTON

Account Adjustments for Tax Saving Should Be Planned Now

December, 1958, will soon be with us and with it once again comes the opportunity to readjust portfolios to the realities of today. Stocks that have advanced to a point where profits and prospects indicate that a switch or a sale might be indicated should now be selected for study. Both stocks and bonds that might be sold as offsetting tax credits against the capital gains that have been accepted during the year, as well as those which may be taken from now on until the end of this year should also be investigated. This takes time and it cannot be done properly at the time of the year-end rush of tax selling and holiday diversions.

Select Your Customers and Contact Them

Since an objective study of an investment portfolio of even modest scope takes time and involves the making of serious decisions, it is vital to the welfare of your clients who are alert to the possibilities of tax-savings through portfolio adjustments that you bring this to their attention **now**. Tell them you have other clients who also wish to make portfolio adjustments and that in order to render them the best possible service you would like to have their list for study **now**. If this is not necessary (if you already have it) set up a conference either over the telephone, or in person, to discuss any ideas you may have. If they have taken some capital gains or losses of other property (capital assets) during the year, you should also know this, and also whether these transactions represented short- or long-term holdings. This preliminary work should be completed by the end of the first week in December and the rest of the month should be available for taking action. In many instances, however, portfolio changes can be accomplished during November as well.

The Opportunity This Year For Tax Sales in Bonds

The decline in the bond market has created opportunities for offsetting tax sales that should not be overlooked. Here are a few possibilities.

For those accounts that have achieved profits during the year and that own long-term, low coupon bonds, most of these issues are now selling at deep discounts due to the change in money rates (and not because of a decline in the quality of the security). These bonds can be sold and the tax loss used to offset capital gains taken now or earlier in the year. A comparable bond can be acquired to replace the issue sold.

For accounts that have a large investment in bonds and that may wish to establish tax losses, and where you may find it difficult to trade large blocks of deep discount bonds, you may have other accounts that are in the same position. By selling blocks of bonds at a fair market price for a customer to another customer, and then exchanging another issue held by customer number two at a like fair price with customer number one, a bona-fide purchase and sale can be effected for each account to mutual advantage.

One of the alert investment firms specializing in bonds sent a mailing to other dealers recently headed, "Tax Switch Suggestions." The list offered a diversified assortment of bonds in blocks of $25,000 par value upward at net prices and suggested that if other dealers or brokers had comparable offerings that they should contact the firm that made the mailing. This bond market cooperation between dealer firms, as well as between your customers, can be helpful in reducing taxes and completing transactions for this purpose.

Continued from page 3

Income Tax Pointers for The Present Security Market

profits. For example, suppose Jones has $2,000 of under-six-month profits and $2,000 of over-six-month profits. He also has an open loss of $2,000 on newly bought securities.

If he waits to take the loss until after the six-month line has been passed, he must apply it against the $2,000 of over-six-month profits. That leaves him with the $2,000 of under-six-month profits to report. If he had taken his loss before the six-month period had run, it would have been applied against the $2,000 of under-six-month profits. That would have left him with $2,000 of over-six-month profits of which only $1,000 need be reported (with a maximum tax of $500), compared with $2,000 of regular income the other way around.

All this means alertness throughout the year. To wait until the end of the year, as is so frequently done, may let the six-month mark slip by.

How Spacing Between Years Saves Taxes.

Where there are over-six-month profits and no under-six-month profits, it is an advantage to take loss in a different year from the profits. For example, suppose Jones has $2,000 of open over-six-month profits and $2,000 of open losses. If he takes both in 1958, the net result is zero.

If he takes the $2,000 losses in 1958 and the $2,000 profits in 1959, he is ahead of the game by a $500 deduction. It is figured in this way: For 1958, the $2,000 losses give him a $1,000 deduction and $1,000 to carry forward into 1959. This $1,000 is applied against the $2,000 of over-six-month profits in 1959, making a net profit for 1959 of $1,000, one-half of which, or $500, is reportable. Jones, therefore, has a $1,000 deduction in 1958 and $500 income in 1959, or a net deduction for both years of $500.

Jones' best bet, however, is to switch the thing the other way around and take the $2,000 over-six-month profits in 1958 and to take the $2,000 losses in 1959. By doing this, he reports in 1958 one-half the $2,000 profits, or $1,000. In 1959, he has a deduction of $1,000 of the $2,000 of losses. In 1960, he can deduct the remaining $1,000 of the $2,000 losses. The net effect for the three years is a deduction of $1,000, whereas taking the losses first, resulted in a net deduction of only $500, and taking the profits and losses in the same year was merely a stand-off.

How Short Sales Can Be Used To Tax Advantage.

Through a short sale it is possible to shift profits or losses from 1958 to 1959, or for that matter indefinitely. That is because of the rule that no gain or loss need be reported on a short sale until the short position is actually closed out.

Here is how the shift is accomplished: Jones has in his box 100 shares of stock that he bought in August 1958 at 60. In December 1958, or four months later, the market is 85. He is leery about the future of the market and wants to freeze the $2,500 profit. He goes short the stock with his broker in December. He holds off covering the short sale until some time in 1959. That takes it out of his 1958 return and puts it in 1959.

No matter when Jones covers, it is an under-six-month profit, because when he went short he owned the same stock for less than six months. If when he went short he owned the stock more than six months, the profit on the close-out of the short position is an over-six-month profit.

How to Convert Dividends and Interest into Capital Gains.

Because of the 25% tax limit on over-six-month profits, it is natural for people in high brackets to try to get that sort of profit rather than regular income. Here is a way to accomplish this: Suppose Jones, in the 91% market, has 100 shares of over-six-month preferred stock that costs him $100 a share. The stock is now worth $160 a share because of an accumulation of $60 of dividends which are about to be cleaned up. If he receives the $6,000 of dividends, he will have to part with 91% or $5,460, less $240 (4% of $6,000), or $5,220.

However, by selling the stock at 160 before the ex-dividend date (that is, at least four full business days before the dividend "record" date), he gets the same $6,000, but it is now in the form of profit from the sale of over-six-month stock. His tax on the $6,000 is therefore only 25% or $1,500, instead of $5,220 — a saving of $3,720. If he still wants to maintain his position in the preferred stock, he can step right back into the market after the dividend rate and buy 100 shares. That puts him back to where he started stock-wise, but ahead of the game by $3,720 tax-wise.

How Wash Sales Are Treated.

If an investor sells stock at a profit, and then buys the stock right back, the profit is taxed. Not so with losses. There is a rule that says that no loss will be allowed on a sale, if within 30 days before or after the sale the same security is bought. This is known as a wash sale. The tax effect is as if the sale never took place.

The disallowance applies to a purchase not only of the same security, but also of substantially identical securities. Accordingly, the sale of a stock and the purchase of a voting trust certificate of the same stock, or vice-versa is under the ban. However, the loss will stand if the sale is of stock of one company, and the purchase is of stock of another. This holds even though the two companies are in the same line of business, their stocks sells at the same price, and moves market-wise in the same way.

How to Identify Securities Sold.

Suppose Jones buys 100 shares of stock in 1956 at 70, and another 100 in 1957 at 80. In 1958 he sells 100 at 75. Does he have a five point profit or a five point loss? It all depends. If he delivers the 1957 certificates costing 80, he has a five point loss. If he delivers the 1956 certificates costing 70, he has a five point profit. He can make his own selection of certificates, and so he can control whether to have a profit or loss.

The same result holds good if he instructs his broker at the time of the sale whether he wants to sell the 1956 block or the 1957 block. His instructions will control.

If he says nothing, and the certificates cannot be identified, the rule is that the 1956 block is sold first, because it was bought first.

How Commission and Other Expenses Are Treated.

Purchase commissions are additions to the cost of securities, and sales commissions are deductions from their sales price. Commissions therefore affect only the profit or loss on a trade.

State transfer taxes can be taken as a regular deduction. Federal transfer taxes are deductible by a trader in securities. Whether this also applies to an investor is uncertain.

It is an advantage to have a regular deduction because it can mean 91% saving in tax. As a reduction of profit or an increase in loss on a trade, the tax effect is limited to the tax rate that applies to the profit or loss.

Interest on a debit balance in a brokerage account is deductible, if it is actually paid to the broker. The mere interest charge by a broker is not enough to give the deduction to anyone who makes his return on the basis of cash coming in and going out. However, credits to the customer's account for interest, dividends, and sales proceeds on the customer's securities are the same as so much cash paid by the customer.

Dividends and premiums on short sales are deductible. Other deductions include cost of investment advisory services, subscriptions to investment literature, rent of safe deposit boxes, custodian fees, office expenses, cost of professional services for preparing or defending tax returns.

THE CORPORATE INVESTOR

There are special provisions that apply only to corporate investors. For example, in the case of over-six-month securities, individual investors have the choice of paying 25% of the profit or reporting one-half the profit as regular income. Corporate investors have the choice of paying 25% or reporting the full profit as regular income.

Also, while in the case of individuals, up to $1,000 of net security losses can be immediately deducted from other income, no such deduction can be taken by corporations. All that a corporation can do with the net losses is to carry them forward for five years until absorbed by security profits. If there are no security profits in the five year period, no tax benefit is derived from the losses.

In the case of an individual, mention was made of the desirability of minimizing dividend income in favor of capital gains. A corporation, however, is better off with dividends than any other type of taxable income, even including capital gains. That is because they generally pay less than 8% tax on dividend income.

Accordingly, while in the case of individuals, there is an advantage in selling stock before the dividend date and buying it back afterwards, in the case of a corporation it is just the opposite—there is an advantage in buying stock before the dividend date and selling afterwards.

However, a new provision, passed in 1958, restrains quick in and out turns. The stock must be owned more than 15 days to get the 8% rate on dividends. Otherwise the rate goes up to 52%. With preferred stock paying back dividends of over a year, the holding must be at least 90 days. The rate is also up to 52% if a corporation is long and short the same stock on a dividend date.

TIMING OF YEAR-END SALES

Year-end tax selling, whether to take profits or establish losses, is a familiar occurrence. Timing is important, or else a transaction intended to affect 1958 taxes may turn out to be a 1959 item, and vice-versa. The reason for this is the interesting rule that to a taxpayer reporting on the basis of cash coming in and going out, profits are not considered realized for tax purposes until the securities sold are delivered to the buyer: losses, on the other hand, are deemed to be sustained when the sale is made on the floor of the exchange, regardless of the time of certificate delivery.

As the various exchanges in New York have a four business-day delivery rule, the latest day to take profits for inclusion in 1958 returns is Dec. 24.

Securities sold on the next business day, Dec. 26, will not be delivered until Jan. 2, 1959, and the profit will therefore be a 1959 item. Betwen Dec. 26 and 31, securities can be sold for "cash" instead of the regular four-day delivery, and in that way profits can still be established for 1958. In the case of losses, they can be taken by sales made right up to the end of the year.

Central States IBA Elects New Officers

CHICAGO, Ill.—At the Annual Meeting of the Central States Group Investment Bankers Association on Oct. 22, 1958, Erwin A. Stuebner, Resident Partner of Kidder, Peabody & Company, was elected Chairman for the 1959 term. Mr. Stuebner is also a director of the American Investment Co. of Illinois; Rohm & Haas Co., Philadelphia, Pa.; and United Utilities, Inc., Abilene, Kansas. Also, at this meeting, Edward D. McGrew, Vice-President of The Northern Trust Company of Chicago, was elected Vice-Chairman; and Milton S. Emrich, partner of Julien Collins of Chicago, Secretary and Treasurer.

Erwin A. Stuebner

Paul W. Fairchild, Vice-President of The First Boston Corp., and John W. Maxwell, Vice-President of The Northern Trust Co. of Chicago, were elected Governors of the Investment Bankers Association of America for a three year term.

K. A. Barnes V.-P. of Standard & Poor's

The election of Kenneth A. Barnes to Vice-President, Planned Investments Department, has been announced by Standard & Poor's Corp., investment advisors.

Mr. Barnes had served as Assistant Vice-President in the Planned Investments Department, which manages security portfolios of individual and institutional investors.

He joined Standard & Poor's in 1942 as a Bond Investment Account Executive, rose to Executive Assistant to the Vice-President in Charge of Planned Investments in 1949 and to Assistant Vice-President in 1951.

With James L. Fallon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert E. Bowman, Ronald Conner, and Curtis T. Vondy are now connected with James L. Fallon Co., 7805 Sunset Boulevard.

Non-Booming Business Recovery Cited

Though overall production is rising, purchasing agents do not see a quick return to capacity in all industries, or full employment, or rapid inflation. Instead, they envision a gradual, continuing general advance over the months ahead.

Business is good but is not booming. This is the latest diagnosis by the Business Survey Committee of the National Association of Purchasing Agents, the Chairman of which is Chester F. Ogden, Vice-President, Detroit Edison Company, Detroit, Mich.

In their survey for November, the purchasing agents comprising the Survey Committee report that the brisk business pickup is being hampered by continued spotty strikes—particularly in the auto industry. Reporting members tell of good crop yields and prosperous farmers, but the machine tool industry still looks gloomy. Many say auto orders are exceeding dealer expectations. Steel and chemicals are recovering rapidly, while textiles and lumber continue to have difficulties. But over-all, production is rising, and the 54% of committee members who tell of greater production is the largest number reporting an increase since early 1955. Only 8% report lower production. New orders continue to be most saisfactory, with 50% reporting increases, 38% no change, and only 12% decreases.

But, with this better business outlook, members do not see a quick return to capacity operations in all industries, or full employment, or rapid inflation. Rather, they expect a gradual and continuing advance in general business over the months ahead. This is borne out by the fact that, despite slightly higher prices, there is no rush to buy now—and there seems to be even less desire to add to stocks on hand. Employment is better, but efforts are being made to increase production through more effective use of present personnel rather than by adding new people to pay rolls.

Some concern has been expressed regarding the Federal Reserve Board's recent actions in increasing rediscount rates. In an effort to determine what effect these actions might have on expansion plans for members' companies, the Committee's special question this month asked, "What effect is the high cost of borrowing money having on the expansion plans of your company?" Surprisingly, 78% said "None;" 16% "Some," and only 6% reported "Considerable" effect.

Commodity Prices

There is a strong firming trend in commodity prices — but no skyrocketing, and the magnitude of most increases is small. Higher prices for the nonferrous metals group have played an important part in the fact that more than half of the members state that they are paying more for the items they buy. The 54% who say prices are up is the largest number reporting increases in more than a year; 43% say there is no change, and only 3% tell of decreases.

Inventories

Inventories are about in balance. The inventory reduction program that had been in effect since early 1957 is apparently ending. But, buyers are not now embarking on an inventory accumulation program.

While prices are inching up, the amount of the increases does not justify "stocking up." Similarly, despite better business, our national productive capacity exceeds expected demand and no major shortages are in view.

Over-all, 19% of the members report increased inventories, 50% no change, and 31% reductions.

Employment

Employment figures are up again slightly from September, with 31% reporting greater employment. There are, however, definite overtones of an effort being made to increase production by making better use of present personnel rather than by adding new people to pay rolls. The 12% who report lower employment mention seasonal factors, such as the drop-off in agricultural employment, or local strikes and/or specific markets which have been slower to respond to the upswing in business.

Buying Policy

The general availability of materials and the ease with which buyers can still get into manufacturers' production schedules are reflected again in the lack of desire to extend forward commitments.

	Per Cent Reporting				
	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. to 1 Yr.
October—					
Production Materials	8	36	38	14	4
MRO Supplies	25	47	20	5	3
Capital Expenditures	12	7	18	23	40
September—					
Production Materials	6	42	38	12	2
MRO Supplies	25	51	18	5	1
Capital Expenditures	11	6	22	28	33

Specific Commodity Changes

After several months of minor price activity, October bounces back with the greatest number of price advances in the past two years.

On the *up* side are: Aluminum, brass, copper, lead, steel, tin, zinc, silver, wastepaper, raw sugar, lumber, rubber, cotton, electrical equipment, alcohol, oleic acid, stearic acid, wire rope, and automobiles.

On the *down* side are: Steel scrap, gasoline, fuel oil, and thalo blue pigments.

In *short* supply are: Helium and glass (strike).

Continued from first page

Achieving Difficult Goal of Prosperity Without Inflation

unions played a constructive role by recognizing that it is only commonsense at a time of substantial unemployment to moderate, at least to some degree, demands for higher wage rates and larger fringe benefits. Consumers played their part by continuing to spend at a high rate in the face of diminishing employment and production. Indeed, it was primarily consumer spending that has led the nation out of the recession.

Thus, private citizens, as well as state and local governments, effectively complemented the policies pursued by the Federal Government. Not only that, but the Federal Government itself moved on a wide front to weaken the forces of economic decline and to stimulate the resumption of economic growth.

The Federal Government did not place its trust solely in the automatic stabilizers. It did not leave the task of fostering recovery entirely to the Federal Reserve authorities. On the contrary, it brought many of its programs and policies to bear on the task of restoring prosperity. Significant actions were taken by the government in the sphere of money and credit, in the sphere of housing, in the sphere of unemployment compensation, and in the broad sphere of expenditure and general administration. Even a few tax adjustments were made.

It is these two lessons of our recent experience — first, the need for constructive action by private citizens as well as the Federal Government, second, the cumulative force that derives from coordination of the Federal Government's policies—that I think it is especially important to keep before us as we go about the tasks of the future.

The economic opportunities that are ahead of our nation are prodigious, provided we have the wisdom to make the most of them.

The fear of stagnation, which inhibited progress during the 1930's, has left us. Our population is increasing rapidly and we know it is very likely to continue to do so. We know that our industrial plant is growing and improving abundantly. We know that research and development work has become one of our major industries, and that this effort is yielding a large and steadily increasing harvest of new and improved products, new and improved materials, and new and improved technical processes. We know that our investment opportunities are and will remain prolific as long as we have the incentive to exercise our imagination sufficiently to create them. We know that, as a people, we are more eager than ever to better ourselves and to raise the level on which we and our children live.

Our faith in the nation's economic future is based on this strong foundation of knowledge. Yet there are also clouds on the economic horizon, and the most ominous of them is inflation. It is in large part for this reason that we ponder the problems of monetary policy.

I need not dwell here on the injustices of inflation. Inflation, even if it proceeds at a gentle pace, works hardships over the years on school teachers, civil servants, and many other millions of unorganized workers. It works hardships on the growing numbers whose livelihood depends on pensions or securities that bear a fixed return in dollars. It decimates the savings of people in every income group in our society, but especially the savings of people of modest incomes, who have neither the means nor the knowledge to arrange their investments so as to reduce or escape the toll of inflation.

Inflation Strikes at the Roots

These injustices of inflation are as obvious as they are serious. But continued inflation not only mars a nation's prosperity. It may also endanger it by more directly striking at its roots.

In the first place, inflation distorts the accounts of business firms and thereby creates at times an illusion of profits when in fact capital is being consumed. This is undoubtedly happening in some of our corporations.

In the second place, inflation reduces the nation's ability to sell in foreign markets. The recent loss of gold should serve to remind us that, while our stocks of gold remain very ample, it would be imprudent to assume that we will necessarily escape a balance-of-payments problem a few years from now.

In the third place, inflation is always apt to give rise to expectations of further inflation. Once such attitudes become widespread, extensive speculation in commodities, or real estate, or securities will inevitably occur and in time may lead to a general collapse of the economy.

The welcome with which large stock issues of new investment funds have of late been greeted, the sharp decline of bond prices since this June, and the recent spirited advances in the prices of common stocks are undoubtedly due in part to the fact that our economy has weathered successfully the recession and that business prospects are improving satisfactorily.

But the magnitude of recent changes in security markets, and the frequency with which inflation is being predicted in business and financial circles, are also a warning that an increasing part of the American public is becoming inflation-minded. Here lies our greatest danger.

This inflationary psychology cannot be based on the current behavior of industrial and commercial markets or their near-term prospects. The average level of wholesale prices has undergone little change this year. The average level of consumer prices has been practically stable in the last few months. Inventories of some agricultural and mineral products are embarrassingly abundant. Unemployment is still extensive, in spite of the recent improvement in the economy. Some margin of idle capacity exists throughout the range of our manufacturing and mining industries. Productivity has improved in recent months. Fairly prompt deliveries seem assured for nearly every product. In these circumstances, there is little reason to expect any appreciable advance of the wholesale or consumer price level in the months immediately ahead.

Nevertheless, an inflationary psychology is spreading. It does not appear to be based on short-term expectations, but rather on judgments of what the long future may have in store for us. It is characteristic of security markets to try to anticipate more distant developments than do commodity markets. And, as I have already suggested, the recent behavior of the stock and bond markets is one sign among others that a belief in the continuance of inflationary trends in our economy is growing.

The belief derives force not only from the broad history of money and prices since the 1930's. Unhappily, it derives force, also, from the behavior of Federal finances, money, wages, and prices during the more recent past. Let me sight some salient facts.

Recessionary Wage Rise

First, the resistance of wages to declining business activity, which has always been present in some degree, has become much stronger in recent times. The average hourly earnings of labor in manufacturing industries declined 22% during the severe recession of 1920-21, but declined only 1% during the severe recession of 1937-38. Hourly earnings responded with small declines to the two mild recessions of the 1920's, but hardly budged during the recession of 1948-49 and 1953-54. During our most recent recession, that of 1957-58, wages actually rose appreciably.

The Bureau of Labor Statistics publishes detailed information for 21 major manufacturing industries. In each of these industries the volume of employment this August was below the employment of August 1957. Nevertheless, the hourly earnings of labor rose in every instance. Their average went up 3.2% during the year in the durable goods industries and 2.7% in the nondurable industries. The actual cost of labor per hour to employers went up still more.

If the price of labor rises energetically during periods of expanding business activity, as we know it commonly does, and if it fails to decline or even rises further during recessions, as it has of late, then it seems clear that, unless improvements in productivity become much larger than they have been in recent times, wages are bound to exercise more or less steadily an upward push on prices.

Price Rise During Recession

When we turn next to prices, we find again a striking change from earlier patterns of behavior. Over a long stretch of our history, prices rose briskly in wholesale markets during most periods of expanding business activity but also declined briskly during most business slumps. In these circumstances it was natural to suppose, whenever any substantial advance of the price level occurred, that prices would drop materially during the next decline or two in business activity and, consequently, that no permanent deterioration would take place in the purchasing power of money.

In the light of the history of prices since the war, expectations of this sort would no longer seem reasonable. Thus, during the two full business cycles since 1949, the average level of wholesale prices rose 13% during the first expansion and 7% during the second, but declined only four-tenths of 1% during the recession of 1953-54 and actually rose 1% during the recession of 1957-58.

The behavior of consumer prices has been similar. They rose on the average 13% during the expansion phase of the business cycle from 1949 to 1954 and another three-tenths of 1% during the contraction. During the next business cycle, which came to a close this April, the average level of consumer prices rose 5% during the expansion phase and a little over 2% during the recession.

Facts such as these clearly suggest an arithmetical generalization: If the level of prices rises during business expansions, as it may confidently be expected to do, but remains rigid or even advances further during recessions, as appears increasingly likely, then we shall need to face a trend of prices that over the long run is inescapably upward.

Rising Non-Compensatory Budget

Let me now cite a few facts concerning the Federal budget. On

Continued on page 28

Continued from page 27

Achieving Difficult Goal of Prosperity Without Inflation

a cash basis, Federal expenditures in fiscal year 1947 came to $37 billion. Ten years later they amounted to $80 billion or over twice as much. This year they are expected to reach $94 billion, an increase of nearly $11 billion or fully 13% over the expenditures of the fiscal year that ended this June.

The huge expansion of Federal expenditures scheduled for this year is all the more remarkable in the light of two additional facts. First, increases are expected for every major governmental function except interest payments, and it seems entirely clear by now that even this exception will disappear before the year is over. Second, although a great part of the scheduled increases in expenditures arose from plans to stimulate economic recovery, we have in fact had a recovery with only limited benefit from deliberate increases in Federal expenditures and a sharply rising scale of expenditures is still ahead of us.

In view of the scale and character of governmental spending and the ways of administering it, many observers have of late come to believe that even a balanced budget tends to be inflationary. If this is true of a balanced budget in today's world, it will not be less true of a budget deficit.

The Federal debt, which stood at $258 billion at the end of fiscal year 1947 amounted to $271 billion 10 years later, and at the end of this fiscal year is expected to reach $283 billion. It is well to observe, however, that the increase of the Federal debt during the post-war period has been smaller than the increase of the debt of state and local governments, and that it has been very much smaller than the increase of private debt.

Growth of Money Substitutes

I now want to say a few words about money. Fortunately, our monetary authorities have kept the money supply, in the strict sense, under close control since 1951. Business firms and individuals have learned, however, how to economize on cash and this process of learning is continuing. Thus the money supply proper—that is, demand deposits plus currency in circulation — increased less than $3 billion between August 1957 and this August. In the meantime, $10 billion were added to time deposits—which are practically equivalent to cash, and additional billions were added to the supply of other close substitutes for money—such as savings and loan shares, credit union shares, and equities in life insurance policies. Along with this rapid and continued increase in the supply of money substitutes, the lending power of our financial system has grown enormously in recent years.

The facts that I have noted concerning wages, prices, the Federal budget, and the money supply are broadly familiar to well-informed citizens and their number is growing. It is the increasingly vivid realization of such facts that, I think, is largely responsible for the spread of an inflationary psychology. The average man may reason loosely about money and budgets or about wages and prices. He may exaggerate or understate the influence of Federal deficits. He may make fuzzy or wrong distinctions between the influence of private and governmental deficits. He may blame trade unions or business corporations unfairly. He may confuse long-range tendencies toward inflation with short-run problems. Nevertheless, he is apt to have in his mind a picture of our economy which reflects with substantial accuracy at least some of the developments that have been imparting an inflationary bias to our economic life.

Several Popular Generalizations

The emphasis will vary from one individual to another, but nowadays more and more people are making, and with considerable justification, several—if not all—of the following generalizations.

(1) During periods when the demand for goods and services is rising, competition tends to raise both prices and wages.

(2) During periods when the demand for goods and services is declining, trade unions generally have sufficient power to maintain wages and often even to raise them.

(3) This tendency is reinforced by the growing practice of entering into labor agreements that call for wage increases or larger fringe benefits at future dates without regard to the state of employment or profits that may then exist.

(4) The rigidity or upward push of wage rates during recessions leads to some rigidity or even advance on the part of prices.

(5) Quite apart from this, many business firms — especially the larger corporations—tend to compete increasingly on the basis of the type of product, its quality, and the services accompanying its sale, rather than on the basis of price.

(6) The widening spread of consumer and mortgage credit is leading many consumers to pay less attention to prices and more to the size of monthly payments.

(7) While prices in numerous markets remain flexible, there seems to be a tendency on the part of government to shelter producers, now in one industry, then in another, from the forces of market competition.

(8) Although both wages and prices would undoubtedly become flexible if a recession deepened into a protracted depression, it is now the established policy of our government to do everything in its power to moderate business declines and it may be confidently expected that this policy will prevail in the future.

(9) While the government has in recent times repeatedly demonstrated a willingness and power to counteract the forces of recession, its approach to the problem of inflation has been both less imaginative and less enterprising and there is as yet no persuasive evidence for expecting a different approach.

(10) Finally, and as a consequence of the preceding generalizations, our nation faces a threat of inflation over the coming years and decades.

As I have already stated, generalizations such as these are now being voiced, and with a good show of reason, by an increasing number of Americans. Most people expect the inflation to be of the gradual or creeping variety. Very few expect any runaway or galloping inflation to develop. But the state of people's expectations cannot be safely assumed to remain constant. As more and more individuals come to believe in the inevitabilily of a creeping inflation, there is always a danger that they will behave in wavs that add powerfully to the momentum of inflation and thereby strike at the foundations of the nation's prosperity.

Time to Repair the Dollar?

Fortunately, we still have time as a people—though by no means unlimited time — to arrest the growing belief in the inevitability of inflation and to organize our economic affairs so that faith in the integrity of the dollar may be re-established. We could go about this task in many diffferent ways, but I would suggest that our efforts are most likely to meet with success if we take two general principles as our guide to action.

I mentioned earlier certain lessons of our recent experience with recession. These lessons are no less applicable to the problem of inflation.

The first principle then is that, just as the government and private groups acted together to bring the recent recession to a halt, so also will joint action be needed to avert the threat of long-run inflation that faces our nation.

Second, just as the Federal Government coordinated various of its policies and programs to combat recession, so also will it be necessary to proceed on a wide front in coping with the problem of inflation.

This second principle has an important corollary and, in view of the American Assembly's concern with monetary policy, it may be well to make it explicit. Although efforts to check inflation have increased in recent years, there has been a tendency on the part of our government to leave the job of fighting inflation during times of widespread economic expansion very largely to the Federal Reserve System. This, however, is a greater burden than the System is equipped to carry or should be expected to carry.

Realism requires that we recognize that powerful economic and financial developments of our generation have served to reduce the effectiveness of traditional monetary restraints.

Limits of Federal Reserve

Federal expenditures are growing, as everyone knows, but their course is not affected by what the Federal Reserve authorities do. Many business firms are able to finance their requirements without borrowing or without much borrowing. Corporations taken in the aggregate are less dependent on external financing than they were in an earlier generation. Our steep tax rates and the increasing flexibility of loan instruments have served to blur the influence of rising interest rates.

The Federal Reserve System reigns over the commercial banks and they have grown. But other financial intermediaries over which the Federal Reserve authorities have no direct control have grown much more rapidly. When commercial banks find it difficult to expand loans because of restrictions on their reserves, other financial intermediaries are often still able to lend liberally both to consumers and business firms. Furthermore, the commercial banks themselves can for a time gain relief from the restraints imposed by the Federal Reserve System by unloading blocks of government securities which, in contrast to earlier times, they nowadays hold in great abundance. Indeed, their holdings of Federal securities this August were a full $10 billion larger than a year before.

In view of these momentous financial developments, as well as of the increasing resistance of wages and prices to declines in business activity, it seems clear that in order to achieve a particular effect on the nation's total expenditure to the general price level, the degree of credit restriction which will need to be applied by the Federal Reserve authorities is likely to be appreciably greater than was the case a generation ago. However, the Treasury's chronic financing problems hardly favor highly restrictive credit policies. Nor, in general, does the political environment of our times. Now that our government is committed to promoting maximum production and employment, the Federal Reserve authorities are bound to pursue a policy of credit restraint with considerable caution, lest the application of the restraints bring on a decline of business activity.

These observations do not imply that monetary restraints are undesirable or ineffective as a check on inflation. That is very far from the truth. The proper conclusion is rather, first, that it would be unwise to depend on the Federal Reserve System as our sole or principal guardian of the stability of the dollar, second, that the struggle against creeping inflation is likely to be more successful if it proceeds simultaneously on numerous fronts.

Price Stability as National Goal

What we need more than anything else at this juncture is a national declaration of purpose with regard to the level of prices that could have a moral force such as the Employment Act, which the Congress passed in 1946, already exercises with regard to our levels of production and employment. This could be most simply and effectively accomplished by including reasonable stability of the consumer price level among the objectives of the Employment Act which it "is the continuing policy and responsibility of the Federal Government" to promote "with the assistance and cooperation of industry, agriculture, labor, and state and local governments."

Although such an amendment of the Employment Act would not of itself assure success in curbing inflation, any more than the provisions of the Act as it stands assure success in dealing with recession and unemployment, there is every likelihood that the effects of the amendment would prove wholesome. In the first place, once the Employment Act is amended, the President's Economic Reports to the Congress will need to give closer attention than they have to the outlook for prices and to the policies that are required to maintain over the years reasonable stability of the price level. The reports of the Joint Economic Committee of the Congress would naturally move in same direction. Most important of all, a declaration by the Congress that it is the continuing policy of the Federal Government to promote stability of the price level, as well as maximum production, employment, and incomes, would put private groups on notice that the government is determined to protect the dollar against further encroachment, and that the paths of policy which it takes will depend largely on the moderation that business managers practice with regard to prices and that trade union leaders observe with regard to wages.

I would urge an early amendment of the Employment Act, so as to make stability of the consumer price level an explicit and solemn objective of national economic policy, because I believe that this is the most effective action that the government can now take to arrest the dangerously spreading belief that we are living in an age of inflation. But if the change in people's psychology is to prove permanent, other measures will need to follow. One of the most important needs is to reassert the primacy of consumers, which includes everyone, and to reduce the power that special groups have come to have in our economy. Three broad lines of action are, I think, both desirable and practical.

Three Additional Lines of Action

In the first place, we need to undertake an agonizing reappraisal of the patchwork of price supports, wage regulations, import duties, import quotas, stockpiles, and subsidies that our government has evolved through the years. Although some of this legislation is surely in the public interest, there can also be little doubt that the broad effect of it all is to raise prices or to prevent them from falling. I believe that a public commission could render a great service by disclosing the essential facts in this area and their implications. If nothing else, the dissemination of its findings would at least make us more discriminating in providing new shelters from the exacting tests of the market place.

In the second place, we need to strengthen the anti-trust laws, especially with regard to the formation of new mergers, and also make more liberal budgetary provisions for enforcement.

Third, as far as trade unions are concerned, the least that we can do is to subject their finances, as well as the election of their officials, to standards defined by law. Although such legislation will have no direct effect on wage bargaining, it will serve to remind the leaders of trade unions that unless they practice greater restraint in the future, the government may need to take drastic steps to curb their power to push up costs and prices.

Measure to Increase Productivity

In attending to the problems of inflation, it would be well, besides attempting to strengthen competition, to develop ways of stimulating more directly improvements in efficiency. If anyone should inquire why, in view of the inflationary forces that have been operating in our economy, the over-all rise in the price level has been smaller than in many other nations, an important part of the answer would have to be that our industrial productivity has been improving notably and fairly steadily. Recent gains, however, have been less impressive than might reasonably have been expected, and we will need to make a more determined effort to increase productivity in the future.

This is an area of action in which private citizens, state and local governments, and the Federal Government can very advantageously join forces. There is a need for establishing local productivity councils, in which city leaders, business executives, and trade union officials would be represented, to spot wastes and to promote improvements in efficiency. Local building codes need to be revised in the interest of raising productivity. Many of our local government units need to be combined, or at least some of their functions handled on a consolidated basis. Technical assistance programs, of which the smaller businesses are in special need, should be developed by our state universities in behalf of industry, just as they have been developed over the years in behalf of agriculture. Featherbedding practices and other restrictions on output which have grown up in the course of labor-management relations should be exposed by every honest device of publicity.

Furthermore, it would be short-sighted to allow the present state of the Federal budget to stand in the way of tax legislation that may be justly expected to accelerate the scrapping of obsolete plant and equipment or to increase the mobility of capital. Reform of our methods of reckoning depreciation for tax purposes and of our methods of taxing capital gains could prove immensely helpful to the nation's over-all industrial productivity without involving any loss of tax revenues to the Treasury.

Beyond this, and with a view to additional reforms, we need to make a thorough review of the ways in which our present tax system affects economic incentives, in particular how it tends to divert the energy of some of our ablest citizens from creative

economic activities into channels that may bring a tax advantage to them or their enterprises but bring no benefit or a lesser benefit to the nation's productivity.

Improving Our Fiscal Practices

I need hardly add that prudence in government spending, particularly at the Federal level where we cannot have the vigilance that is so often found in local communities, must occupy a prominent place in a realistic anti-inflation program. This subject will require our closest attention because both the domestic and international factors what make for rising government expenditures are and will remain powerful. We need to form the habit of insisting on the curtailment of some old programs as well as the addition of new ones. It is altogether clear that if we permit Federal expenditures to rise rapidly during good times because we feel we can afford to do so, and also permit expenditures to rise rapidly in times of extensive unemployment because we feel we have to, then the prospect for containing inflation will be no better than it is at present.

In the long run, an informed public is the only effective check on public expenditure. Better methods of budgeting expenditures can prove helpful, however, in mobilizing public opinion in behalf of financial prudence.

At the present time, the Congress passes appropriation bills one by one, and the cost is added up later. To some degree the Executive Branch also proceeds in piecemeal fashion, without constant review of long-range plans and totals that can be justified on economic grounds. I doubt, for example, whether the Federal Government's prospective cash expenditure this fiscal year would be nearly $11 billion above last year's outlay, as the estimates published a few weeks ago show, if any such over-all increase had been projected in advance of the individual actions taken by the Congress and the Executive. I especially doubt if this would have happened if the flow of the increased expenditure, as it could reasonably have been expected to develop over successive months of the fiscal year, had been clearly understood by the Congress and the general public. These doubts become still stronger in view of the implications that this year's heavy budget is likely to have for expenditures in later years and which, as far as I know, have not as yet been spelled out.

Whether or not these reflections are justified, I think that it is clear that we need to revise our financial practices so that Congress could have closer control over each year's planned expenditures and so that the Executive could attain better control over the actual progress of expenditure.

Beyond that, we need to develop long-range fiscal estimates, hazardous and uncertain though they be, so that the budgetary plans for the approaching year can be seen in prospective. Estimates of this type are likely to be particularly helpful at a time when the economy is already operating at or close to full capacity and when the danger of inflation is therefore likely to be especially acute. The President, who has the principal responsibility in budgetary matters, could then urge the importance of great restraint in public expenditures over the immediate future, without subjecting his Administration and political party to criticism on the ground of being unmindful of the long-range need for expanding public works or for enlarging social services.

More About Monetary Policy

I want to add only a word about monetary policy with which the Fourteenth American Assembly is particularly concerned. With all its limitations, monetary policy has made and can continue to make a significant contribution to curbing inflationary tendencies as they develop. Indeed, this contribution can be greater still in the future if we learn how to deal with the obstacles to an effective monetary policy that have grown out of recent changes in our economic, financial, and political environment. Fortunately, this problem is now being investigated by the privately established National Commission on Money and Credit, which includes distinguished citizens drawn from different walks of life and from both of our great political parties. I only hope that this Commission will not wait until all its studies are completed, and that it will advise the nation on the conclusions that it reaches as its work progresses.

What I have tried to urge in the course of my remarks is a broad and concerted program for checking the threat of long-range inflation. We can best start, as I see it, by amending the Employment Act so as to include reasonable stability of the consumer price level among its explicit objectives. We must then work not merely on the monetary front, or the fiscal front, or the wage front, or the agricultural front, but on all these and others, without however interfering with the essentials of economic freedom.

As we go about these urgent tasks of reform, we will of course have to give due attention to the short-run problems facing the nation. We must never permit ourselves to become so engrossed in the fight to curb long-range inflation that we neglect any immediate problem of recession or of substantial unemployment. Indeed, it is only if our government continues to take strong countermeasures in dealing with business declines that we can be at all hopeful of winning the public support that will be required to carry out such long-range reforms as I have discussed or the short-range restrictive policies that are appropriate at a time of boom. Finally, we must always keep in mind, as we evolve our economic policies, that the ways in which we fight recession are bound to have an effect on events after the recession has ended, just as the ways in which we fight inflation are bound to have effects after inflationary pressures have subsided.

Advocates Top Coordinating Council

The precise public and private policies that we will need to apply in striving for prosperity without inflation are bound to vary with circumstances and with the progress of our knowledge. For these very reasons we should have better organization than we have yet developed for economic policy-making in the Federal Government. I have urged on a previous occasion, and I would like to suggest again, the desirability of converting the present Advisory Board of Economic Growth and Stability into an Economic Council, which would meet regularly under the chairmanship of the President and which would have the benefit of staff assistance. This scheme of organization would provide a maximum of opportunity for balanced judgment, and yet facilitate the early change or correction of economic policies that are not working out satisfactorily. It is altogether likely that it would improve, perhaps improve greatly, the consistency and coordination of economic policy-making.

Let me remind you, in conclusion, that our country began to make good progress in solving the problem of depressions only after we became sufficiently aroused to seek workable solutions. With this moral and economic achievement to our credit, it is reasonable to expect that, once we become sufficiently aroused over what is happening to the dollar, we will also make good progress toward the admittedly more difficult goal of Prosperity Without Inflation.

C. B. Macauley Now With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

SALINAS, Calif. — Cedric B. Macauley has become associated with Walston & Co., Inc., Crocker Anglo Bank Building. Mr. Macauley was formerly local manager for Hooker & Fay. Prior thereto he was a partner in Davies & Co.

Myron M. McElwaine has also joined Walston's staff.

With Sterling, Grace

E. Ralph Sterling has joined the staff of Sterling, Grace & Co., 50 Broad Street, New York City, members of the New York Stock Exchange.

Frank A. Pavis

Frank A. Pavis, manager of the corporate bond department of Charles E. Quincy & Co., New York City, passed away suddenly Nov. 2, at the age of 59.

Arnold B. Wayne

Arnold B. Wayne passed away at the age of 66 following a long illness. He had been in the investment business in New York City for many years.

Joins Dewar & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Alexander P. Hart has joined the staff of Dewar & Company, First National Bank Building. He was formerly with Cunningham Cleland Co.

First Calif. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Frederick F. Reeve has been added to the staff of First California Company Incorporated, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

E. E. Charleston Joins Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Ernest E. Charleston has become associated with Harris, Upham & Co., 232 Montgomery Street. He was formerly with J. Barth & Co. and prior thereto was a partner in Davies & Co.

With Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — John Inglis Jr. is with Hooker & Fay, 221 Montgomery St., members of the New York and Pacific Coast Stock Exchanges.

McDonnell Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Lawrence W. Daly has been added to the staff of McDonnell & Co., Russ Building.

Kenneth Ellis Branch

YUMA, Ariz.—Kenneth Ellis & Co. has opened a branch office in the Country Club Apartments under the direction of Melvin A. Smith.

Opens New Branch

REDWOOD CITY, Calif. — Hooker & Fay has opened a branch office at 723 Middlefield Road under the management of Daniel W. Sisson.

Mitchum, Jones Branch

SALINAS, Calif. — Mitchum, Jones & Templeton has opened a branch office at 308 Main Street, under the direction of David T. Driscoll.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is killing its time, awaiting the announcement as to how the much needed money for the Treasury deficit will be raised. It seems to be the opinion of most money market specialists that this operation will be handled by means of a near-term issue. On the other hand, the coming refunding of the Treasury brings with it guesses that an attempt will be made to extend the maturity of the securities that come due next month. A token extension of the maturity of the Government debt at this time could do considerably more harm than good to the capital market in the belief of some money market followers.

Because of the continuance of the uncertainties which face the money market, there is an enlargening demand for the shortest Government obligations. It appears as though the liquidity preference idea has come back as strong as it has ever been in the past.

Long Treasury Market Dormant

The Government market is backing and filling within a limited trading area, which is not very much above the low levels of the year. The demand for Treasury bonds is still very restricted while, at the same time, it should be noted that offerings of these securities also continue to be small. These conditions make for a narrow market, one in which quotations can be moved about in both directions very readily. At the same time it is also evident that this very professional type of Government market carries with it very little in the way of significance since sizable blocks of securities cannot be disposed of with dispatch, and those who would like to make sales of Treasury obligations are pretty much locked in, because there are no large scale bidders for these issues.

Accordingly, it is indicated that the market for the more distant maturities of Government securities has reached the point where conditions are so unfavorable that a mere $100,000 of these obligations, whether from the buy or sell side, has a marked effect on the trend of quotations of these issues. In other words, the interest in Government obligations aside from the shortest and most liquid ones is practically nonexistent.

Long Treasury Issue Feared

Many factors are responsible for the very uncertain conditions which overhang the market for Treasury issues, none the least of which are the fears of inflation, the trend toward tighter money and credit conditions and the noncompetitive yield position of these obligations. In addition, there is the ever present realization that the Treasury, with a new money raising operation impending as well as a large refunding to be taken care of in the very near future, may come along with a longer term obligation. Such an offering would have to meet the existing money market conditions, which would mean a much higher coupon rate for the new issue, and this would have a depressing effect upon not only the outstanding Governments, but also corporate and tax-exempt bonds.

Short-Term for Deficit Issue

It is believed in most quarters of the financial district that the new money raising venture of the Treasury, which will probably involve some $3 billion, and which should be announced very shortly, will be confined to the short-term area. It is being pointed out that the recent offerings of near-term securities which are payable through the tax and loan accounts of the commercial banks have been finding a home among corporations and other large ultimate investors, so that the creation of deposits and an increase in the money supply has not taken place to any appreciable extent. Accordingly, the Treasury has been able in this way to get its much needed funds to take care of the deficit without increasing the inflationary pressures, to any great degree.

Too High a Price?

After the new money raising operation of the Treasury comes the $12,000,000,000 refunding operation. It is this venture about which there is considerable talk of a longer-term obligation being part of a package which will be offered to the present owners of the December maturities. This would be one of the ways in which the maturity of the Government debt would be extended. It should be remembered, however, that the price for such an extension of the debt could be very expensive to the whole bond market.

Philanthropic Dumping

"I have made clear time and again, that Australia would never obstruct, indeed, we would do everything to encourage, the generosity of the United States in giving freely food or other essential requirements to people who otherwise could not afford to buy them.

"At the same time I have been just as emphatic that the United States must not, in the course of disposing of her own surpluses, destroy the traditional trade of another friendly country, such as Australia. These alternatives are not always clearly black or white, and it is on that account that continuous consultation is necessary."—John McEwen, Australian Deputy Prime Minister and Minister for Trade.

First we in effect subsidize production in excess of effective demand, and then try to find somewhere to dispose of it without, so we suppose, taking markets from producers who must stand on their own feet. None of it makes sense.

Continued from page 9

An Investment Officer Looks At His Problems—A. D. 1958

does not have to live in every house on which he approves a loan.

Investing in top-flight common stocks is a part of financial wisdom, because such companies have the management and brain power to produce long-term growth and an increase in values; but investing in bonds—particularly for a life insurance company which, as I have already mentioned, has little need for liquidity because of the steady inflow of funds and the small probability of any substantial withdrawals—is somewhat different. The highest quality debentures of well known corporations — so eagerly sought after by trust officers in banks who have the sometimes perplexing problem of convincing individuals that a particular investment is safe—are not necessarily the type of investment that will enable a life insurance company to secure the greatest mileage out of its money. Frequently lesser known names—sometimes of companies which don't appear to be going anywhere and in lines of business that may even have slightly adverse trends — can be thoroughly satisfactory avenues for senior investing. Such investments are not made for long-term growth or for capital appreciation, but merely because they will pay a satisfactory rate of interest and provide for adequate amortization of the loan.

Finance Committee members—who as a group are probably in quite high income tax brackets—may sometimes fail to appreciate fully the importance of compound interest at high rates on an account—such as a life insurance company—whose income tax formula permits a fairly significant retention of the gross earnings received.

Nor do they always realize the leverage inherent in the spread between net investment earnings and required interest. If the required interest rate and expenses remain static, an increase in the gross earnings rate of ½%—or 50 basis points — will increase the amount that will be added to unassigned surplus funds by approximately 40%. This is a cushion that will help mightily in offsetting investment losses and providing for other contingencies.

It is only after the typical Finance Committee member has been thoroughly conditioned to the different circumstances that prevail in life insurance investing that he is willing to concur readily in investment suggestions that carry a reasonable measure of risk.

Where Real Opportunities Exist

While on the one hand I have urged caution in the assumption of investment risks that might create problems with only a small change in the issuer's fortunes, on the other hand I suggest that real opportunities exist for financing lesser known credits, provided the enterprise has capable management and provided indenture terms are carefully developed to suit the circumstances of the borrower. Restrictive indenture terms and relatively short maturities (or their counterpart, longer maturities with substantial sinking funds) can frequently be made an adequate substitute for the quality which long-term bonds of well known corporations are traditionally believed to possess.

Frankly, quality has more than one dimension. Many of us have become accustomed to think of quality largely in terms of the prominent corporation whose securities carry a good rating by one of the Services. Given the name, we are almost ready to commit our companies provided the rate seems attractive. We seem to spend little time in the analysis of the figures—and even less time in the study of the indenture terms under which we propose to lend our policyholders' money often for a generation. In fact, some of the important indenture terms—like redemption features—are usually left blank in the prospectus until the very last minute—when it is almost too late for investment officers to change their preliminary indications to dealers.

Even though history and our own experience prove that a fine corporation today may not necessarily be a fine corporation two decades from now when our bonds are to be paid off—even though we know that a fine management with great integrity may not be in control 20 years from now or even one year hence, we pay precious little attention to the basic indenture terms which govern the fundamental conditions under which we lend our money.

Examples of Top-Names With Poor Indenture Terms

Recently the U. S. Steel Corporation issued $300 million of 4% debentures. No one questions the integrity of the present management of the Steel Corporation, but when an institution lends money repayable over a generation it should be vitally interested in the contractural terms under which the money is lent. It may come as a surprise to learn that the usual negative pledge clause preventing the issuance of prior debt without ratably securing the debentures has been supplanted in the Steel debentures with the following gem:

"If the Corporation or any subsidiary shall mortgage as security for any indebtedness for money borrowed any blast furnace facility or steel ingot producing facility, or rolling mills which are a part of a plant which includes such a facility, located in the United States, determined to be a principal property by the Board of Directors in its discretion, the Corporation will secure or will cause such subsidiary to secure the debentures equally and ratably. . . ."

The unequivocal prohibition against the issuance of prior debt without ratably securing the debentures that used to be standard has now been watered down. In the case of the Steel debentures we merely have a pious covenant that the company will protect the senior position of the debentures in the event the company should borrow money on certain special facilities, provided those facilities are located in the United States, and provided that the Steel Corporation's Board of Directors determines in its discretion that these special facilities are a "principal property" of the company. Essentially the protection of the bondholders' position has been put into the hands of the Board of Directors, who presumably and under normal conditions represents the stockholders.

As another illustration, let's look at the nice little wrinkle in the indenture of the Consumers Power 4¾% bonds due in 1987. After piously setting forth a call price of 109, the indenture goes on to provide in another paragraph that there shall be a 1% sinking fund, at a special redemption price, of the aggregate principal amount of the bonds of all series and THEN a twist is added: this total sinking fund shall operate against "such series as the company may designate." I'm sure it has come as a rude awakening to many to find that Consumers Power has recently elected to have the full impact of its sinking fund operate against this one issue of 4¾% bonds, retiring 10% of the entire issue at a special redemption price which provided no call premium whatsoever. Obviously, the buyers of these bonds are getting a real finessing.

Call price protection is merely one of the facets of the broad subject of indenture terms. During recent years there has fortunately been a growing recognition of the importance of adequate call features. While a five-year nonrefundable provision in a 25-year debenture with a call price in the sixth year of less than one-year's interest is hardly a fair shake for our policyholders, it does represent some slight forward progress from the archaic protection of only one-year's coupon. Actually, to divide the onus and the benefit of lower interest rates fairly between the lender and the borrower it is statistically necessary to have a non-callable period equal to approximately one-third the life of a bond—with the call premium at the end of the non-callable period scaling down from approximately one-year's interest requirement.

Criticize SEC Chairman Gadsby

In view of this simple fact, it is certainly disheartening to find a prominent public servant, like Chairman Gadsby of the Securities and Exchange Commission, unable to appreciate the vital interest which the savers of the nation have in equitable redemption features. These savers are the 110 million life insurance policyholders, people living on pensions, depositors in savings banks, and the other small investors who together constitute the ultimate recipients of the interest on most bonds outstanding today. Surely they represent a worthy and thrifty group who deserve the encouragement which a decent and sustained level of interest income can provide.

Charter revisions of preferred stocks might be mentioned in passing. The rights of preferred stockholders to vote on the creation of debt (beyond specified limits) or additional preferred, and the remedies available if dividends are passed, are weaker today in institutional quality preferreds than they used to be. Formerly, failure to pay dividends resulted in the preferred stock having the right to elect a majority of the Board of Directors. This provision enabled the preferred stockholders to operate the enterprise in a way that would protect their reasonable interests and prevent, for example, such flagrant abuses as the retirement of preferred stock out of funds that should be used to pay current dividends and reduce arrearage. Now preferred stockholders frequently have the right to elect only a minority of the Board—often just two.

Preferreds Without Sinking Funds

Sinking funds, particularly in public utility preferreds, seem to have gone the way of the dodo. Why should these senior stocks be regarded as satisfactory perpetual commitments? Surely a 2% mandatory sinking fund which would keep the issue alive for 50 years should not work a hardship on even a public utility company, and it would certainly improve the investor acceptability of the stock. The saving grace of bonds is that they have a maturity and that eventually mistakes work themselves out of the portfolio. Preferreds without sinking funds never enable an investor to retrieve his position.

Preferred stocks could be an excellent medium for life insurance investing, particularly now since market fluctuations can be smoothed out for valuation purposes over a five-year period, but I doubt that they will become too popular until charter provisions are strengthened.

Also Criticizes Investment Bankers

But who cares about indenture terms and charter provisions? Certainly not the investment bankers whose role in modern society seems no longer to be that of the impartial intermediary between the borrowing corporation and equally valuable customer investors. Now it seems that the investment bankers have become, and seem even to regard themselves as, the agents for the sellers of the securities, with the investor left to protect his own interests as best he can.

Indenture terms and charter provisions will be improved in no other way than by the continued insistence on more protective covenants by a large number of investors. If security buyers will spend the time and effort to express their sincere objections on indenture terms to the dealers with whom they do business, I believe much good will be forthcoming. Certainly the voice of a few investors crying in the hinterland means nothing to the large investment banking firms; but if a chorus were to point out loosely drawn indenture terms to the securities salesmen, the continued objections would gradually be reflected back to headquarters and stronger provisions would be forthcoming—provisions that would really protect when protection is needed.

Revenue Bonds' Sins

Let's turn to revenue bonds for a moment. Increased interest is being manifested in this area because tax exempted revenue bonds are becoming such a popular medium to finance the growing volume of public works and also, I suspect, because the life insurance business feels that revenue bonds provide a hedge against possible further increases in our Federal income taxes.

Many sins are committed in the name of tax exemption. This feature is certainly not a complete substitute for the other qualities we look for in a bond. On many of these issues precious little information is available at the time of purchase and such information as is provided sometimes borders on the realm of phantasy, particularly when the engineers start making their estimates of future revenue.

And once an issue is sold, considerable difficulty is frequently encountered, particularly on the smaller projects, if the investor is so bold as to ask for current financial information. Repeated letters to the proper authorities are frequently necessary to secure any information whatsoever; and when finally it does arrive, it is often presented on a basis that makes it almost impossible to interpret.

It seems to me that more analysis of a revenue bond is necessary than merely a reasoned judgment about the prospects for an area or the future need for the facility based on the anticipated growth of population.

I believe the issuers of revenue bonds and their bankers should give further serious consideration to the regular presentation to the investing public of financial data prepared by qualified accountants. Nothing would so stimulate the investment officers' interest and confidence in this type of financing as the knowledge that meaningful financial information would always be regularly forthcoming.

Mortage Loans

The mortgage loan officer has his problems, too. Shopping centers have been blooming all over the countryside like lilies in the field and competition for national-name tenants has become so intense that these glamour concerns find it possible to insist on leases that either provide little protection for the landlord and the mortgagee, or decrease the attractiveness of the center for other tenants. The owner of the shopping center, with little or no equity at stake, considers the mortgage loan officer completely stodgy when he fails to see the charm of a percentage-of-sale lease with no adequate minimum guarantee. He is also regarded as a "wart on the nose of progress" when he objects to a national chain's insistence that its lease permit the store to handle every kind of merchandise it chooses—no matter how far afield such items may be from its customary business—and then tries to add insult to injury by proposing that the leases of other tenants contain clauses denying them the opportunity of expanding their product line on an equal basis. Mortgage loans with star-studded makers provide only a mirage of quality—if the investment officer doesn't ruthlessly comb the fine print of the leases for emasculating clauses. What, for example, is a good name on a mortgage note worth when a condemnation clause is merely a concealed cancellation privilege? How good is the security when a tip-top credit has a dummy subsidiary with precisely the same name, but only a different state of incorporation, execute the lease?

Fallacious Housing Financing

It is, of course, not popular to make comments about what is happening in residential lending. The actual construction of a house is now merely a minor and routine detail of the builder's operation. The key to success is the financing. In this area the Federal government has cooperated most nobly. In order that the upcoming generation of happy householders can better stomach the bitter pill of horribly swollen building costs, some interested parties (and I suspect that the real estate and builders' lobbies have not been completely inactive) have been able to secure FHA and GI legislation that places downpayments at the vanishing point and repayment terms extending to thirty years. Just think, at the end of twenty years of steady monthly payments on a thirty-year 5¼% FHA loan, the mortgagor still owes 51% of the original amount. The life insurance business in its quest for yield and in order to retard further inroads by the Government into this area of private enterprise has acceded to these terms and, along with other types of institutional lenders, in many cases has looked primarily to the government guarantee for its security. Always overhanging the head of the mortgage loan officer, like the sword of Damocles, is "Fannie Mae", ready to buy mortgages at a subsidized and artificial rate. Under such circumstances, careful underwriting of the borrower and a studious appraisal of the property have, I fear, been generally neglected.

Such loans are protected by FHA insurance or GI guarantees, to be sure; but any substantial set-back in business conditions would very certainly bring a wave of defaults on these full value loans so frequently made to marginal borrowers. Then the mortgage loan officer will be saddled with the unpleasant duty of dispossessing families, and the life insurance business will once again be considered an ogre as it was in the Thirties when it foreclosed on farms and homes to protect its policyholders.

We talk about the current vitality of the building industry, but let us not forget that this vigor has been created by an increase of over $57 billion in mortgage debt during the past five years. The market for Cadillacs and Thunderbirds would also be vig-

orously expanded if only a nominal downpayment were required and the purchasers were given ten years to repay.

Takes Exception to Excessive Backlog Commitments

I also view with mixed emotions the practice of building up a large backlog of commitments that tie up investable funds for long periods in advance. The requirements of mortgage loan financing and the direct placement technique make a reasonable backlog of commitments inevitable. Such a backlog serves as a useful tool both to the life insurance company and to the borrower; but there is an ever-present temptation to freeze prospective cash too far into the future.

While I certainly do not believe that it is necessary to wait for every dollar to get into the bank before investing it and I certainly do believe that forward commitments and short-term bank borrowing should be considered a proper and routine practice to smooth out the peaks of investment demand, yet I doubt that our policyholders and our stockholders consider it part of our function to extend our commitments beyond a reasonable operational period.

Life Insurance and Fiscal Improvidence

Finally, when the investment officer finishes his struggle with his many current problems, he turns his thoughts to the broad area of Government fiscal policy, realizing the tremendous stake that the institution of life insurance has in sound Federal finance. He wants his company to participate in any program that will aid the Treasury in halting the continued erosion in the purchasing power of the dollar; but he also is keenly aware that every dollar he invests must produce as great a yield as possible for the policyholders. He does not need the ready marketability of Government bonds, nor is he satisfied with their relatively low yield. While he understands the full importance of having the Federal Government finance its requirements in a non-inflationary manner, he realizes quite well that, great as is the institution of life insurance, it can do very little to stem the tide of unsound trends unless great numbers of other citizens take a positive stand for fiscal sanity.

The basic problem of the Treasury seems to be not how to get institutions to purchase Treasury bonds, but rather how to hold in check the steadily mounting expenditures of the Federal Government and eliminate the recurring deficits. Unless it is possible to arouse the citizens to demand a balanced budget—and we have so far failed to find a way to impart sex appeal to this subject—I don't believe there is going to be much enthusiasm about fixed income obligations from this point on.

To many individuals an interest in equities rather than in fixed dollar obligations is definitely a second choice—born of despair of ever securing a stable dollar with all the various pressure groups making their wants effective on the Federal budget. They would welcome the security of fixed dollar investments if only they could feel certain that those dollars would have the same purchasing power ten years from now that they have today.

Somehow we must create a large group of militant citizens who realize the importance of a balanced budget and are willing to fight for it. Where the stimulus will come from that will create this force is hard to see. But, obviously, the hour is growing late.

Maybe we ought to double the salaries of our public servants in Washington in the years when they achieve a balanced budget. Give them a piece of peppermint candy, so to speak, for doing a good job.

Sound Budget Preaching to Date

Perhaps some genius will develop a happy mixture of patriotism and a decent interest rate. Perhaps we might devise a Treasury bond, for individuals to buy in limited amounts, that would give them a bonus in those years when a balanced budget was achieved. Perhaps if we created such an instrument an army of citizens would arise that would have a real selfish interest in sound finance. Perhaps in this way we might dramatize the desirability of a balanced budget and create a pressure group to fight for this worthy objective and thus partially neutralize the many other well organized minorities which are perennially fighting to have the Government increase its spending.

While I do not believe the cause of sound finance is hopeless, we must recognize that all our preaching to date has failed. The signs point to increasing fear for the future of the dollar. How else can we explain the recent vigorous rise in the stock market against a background of indifferent corporate earnings—the palaver about bonds geared to a "cost-of-living index"—the phenomenal success of the recent offerings of mutual funds as contrasted with the serious lag that is occurring in all life insurance sales which contain substantial investment features?

We must, it seems to me, pursue a new tack in dramatizing the importance of sound finance. We must find a way to give a large group of thrifty Americans a pecuniary and selfish reason to put presure on our legislators to vote a balanced budget. We must somehow provide an incentive for the great masses of our citizens to save themselves and save all of us from the spectre of all-out inflation.

Continued from page 5

The State of Trade and Industry

building. Deliveries to some auto plants, however, have been set back by several weeks and part of this loss will not be picked up until later in the year.

Lagging demand for heavy steel products such as plate, structurals and large-diameter pipe is offsetting the improved market for lighter products, such as sheet and strip. No great improvement in demand for heavy products is expected until next year.

Some auto firms will be making up for lost ground in the weeks ahead. Demand for new cars has been encouraging. Some dealers are clamoring for deliveries to take care of orders on the books. Manufacturers will be under pressure to step up output. This combination could make December one of the best months of the year for steel.

This trade weekly added that Detroit sources indicate auto firms are beginning to worry about availability of steel for next summer. They are asking steel companies for advice on when they should start hedge buying against the possibility of a steel strike. One steel executive said: "I tell them to start in the first quarter. We'll worry about the second quarter when it comes around."

The metalworking weekly noted that incoming orders during October ran 5% to 10% ahead of September, depending on geographical area and company. The pickup in sheet and strip orders during the last week was described as "substantial."

With some firms, said "The Iron Age," steel shipments are running behind new orders and there is some chance this situation will hold true for the next two-to-three weeks. It now looks as though November will be a prime month, a little better than the moderate level some steel men had been expecting.

This trade authority mentioned the possibility of a seasonal drop in the market a few weeks before Christmas. But it added that if the new cars go over big, all bets are off.

In the automotive industry last week sparked by General Motors Corp., United States passenger car assembly shot to the best level since mid-February, "Ward's Automotive Reports" stated on Friday last.

The statistical service counted 101,252 passenger cars for last week, or 42.6% more than the prior week when 70,973 were built. The same week last year netted 126,139 completions and the Feb. 8-15 period yielded 101,656.

General Motors Corp., its labor picture suddenly brightening, led the industry gain, which also featured six-day operations at some 20 assembly plants of Ford Division, Chrysler Corp., American Motors and Studebaker-Packard Corp.

However, "Ward's" added that the past week's operations, while up sharply, represented only 66% of the industry's peak weekly output in the 1958 model year. It forecast sharp production gains and heavy overtime throughout November.

The reporting service observed that car makers have rung up a 280,000-unit 1959 model production loss as of Friday, Oct. 31 due to labor problems; many auto dealers as a result are sadly lacking in new model inventories.

It announced results of a "Ward's" survey that showed Chevrolet 1959 model output thus far totals to only six cars per Chevrolet dealer, Pontiac averaging only four. Oldsmobile seven, Cadillac two, Plymouth seven and Dodge eight.

Settlement last week of local contract issues at key General Motors Corp. plants, however, is tantamount to opening the industry's production floodgates. General Motors Corp., with a strike-riddled 21.6% share of the industry's October car output, is scheduling a jump to 48.2% in November and a quick filling of dealer inventory pipelines.

"Ward's" estimated United States October car output at 259,000 units, with Ford Motor Co. (113,000 units) garnering as many as General Motors and Chrysler Corp. combined. Chrysler Corp., of course, also was strike-hit in October.

Following a fractional dip in August, consumer prices held steady in September, the United States Department of Labor states. The consumer price index was unchanged at 123.7 in September, but was 2.1% higher than a year ago. Lower food prices were offset by increased costs for apparel, medical care and transportation. Officials expect little change in over-all prices in the next six months, the report noted.

Steel Ingot Production This Week Expected to Yield 74.5% of Capacity

Steel production will resume its upward push soon as the automotive industry hits full stride, "Steel" magazine predicted on Monday of this week.

Local auto strikes, now about cleaned up, kept auto production in the last two weeks to only 170,000 as against 231,000 in the same 1957 fortnight. The automakers are sure to release additional steel orders soon. How much they will buy will depend on how the new cars sell, but sales reports continue encouraging. Buick Division of General Motors Corp. received more than 100,000 dealer orders in the month following introduction of its new models compared with 37,000 in the like period last year. Oldsmobile orders are double those of a year ago and Chevrolet dealers say they will take all the cars they can get. American Motors Corp. expects to double its Rambler sales this year.

Steel operations held at 75% of capacity last week. Production was about 2,024,000 tons of steel for ingots and castings. October's output of 8,750,000 tons was the largest for any month since October, 1957. Rates for other districts were as follows: Pittsburgh at 68.5%, down 0.5 point; Chicago at 85, no change, Eastern at 72, up 1 point; Youngstown at 64, no change; Wheeling at 83, no change; Cleveland at 78.5, down 3 points; Buffalo at 78, no change; Birmingham at 63.5, no change; Cincinnati at 82, up 0.5 point; St. Louis at 91, down 4 points; Detroit at 82, down 1.5 points and Western at 75, down 1 point.

Steelmaking is being buoyed by good orders from consumers other than automotive. Contractors, for example, expect a record construction volume at $49,500,000,000 this year, compared with $48,500,000,000 in 1957. The steady climb will continue in 1959 with a $51,000,000,000 total expected.

Steel buyers are rebuilding inventories, too, for the first time since late 1956. "Steel's" quarterly survey of inventory trends shows that fabricators will buy more steel than they will use the rest of the year. Users of bars, sheets and strip particularly, will add to stocks.

Optimism about the business weather is widespread and earnings are improving steadily. For all of metalworking, the last quarter is shaping up as the best 1958 profit period by far. The downtrend reversed itself around midyear and the earnings curve is gaining altitude much faster than had been anticipated.

In the third quarter, only about three out of seven companies reported higher earnings than they had in 1957's third period. But a hefty majority showed gains over 1958's second period. For automakers and their suppliers, however, the third quarter generally brought more erosion of earnings.

Many metalworking executives look for fourth quarter profit gains to be greater, relatively, than sales increases. That condition can be traced to firmer prices, better inventory balance and the effect of cost reduction programs.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *125.2% of steel capacity for the week beginning Nov. 3, 1958, equivalent to 2,011,000 tons of ingot and steel castings (based on averaged weekly production for 1947-49) as compared with an actual rate of 126.0% of capacity, and 2,024,000 tons a week ago.

Output for the week beginning Nov. 3, 1958 is equal to about 74.5% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 75.0% the week before.

For the like week a month ago the rate was *120.3% and production 1,933,000 tons. A year ago, the actual weekly production was placed at 1,996,000 tons, or 124.3%.

*Index of production is based on average weekly production for 1947-1949.

Electric Output Continued to Show Gains in the Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 1, 1958 was estimated at 12,330,000,000 kwh., according to the Edison Electric Institute. Output continued to show improvement the past week.

For the week ended Nov. 1, 1958 output increased by 156,000,000 kwh. above that of the previous week and was 470,000,000 kwh. above that of the comparable 1957 week and 843,000,000 kwh. above that of the week ended Nov. 3, 1956.

Car Loadings Dipped 3.1% in the Week Ended Oct. 25

Loadings of revenue freight in the week ended Oct. 25, 1958 were 21,504 cars, or 3.1% below the preceding week.

Loadings for the week ended Oct. 25, 1958 totaled 674,264 cars, a decrease of 29,424 cars, or 4.2% below the corresponding 1957 week, and a decrease of 142,539 cars, or 17.5% below the corresponding week in 1956.

Car Output Advanced the Past Week to Best Level Since Mid-February

Passenger car production for the week ended Oct. 31, 1958, according to "Ward's Automotive Reports," sparked by General Motors Corp. advanced to the best level since mid-February.

Last week's car output totaled 101,252 units and compared with 70,973 (revised) in the previous week. The past week's production total of cars and trucks amounted to 121,641 units, or an increase of 34,413 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 30,279 units, while truck output increased by 4,134 vehicles during the week. In the corresponding week last year 126,139 cars and 21,226 trucks were assembled.

Last week the agency reported there were 20,389 trucks made in the United States. This compared with 16,255 in the previous week and 21,226 a year ago.

Lumber Shipments Dropped 4.8% Under Output in the Week Ended Oct 25, 1958

Lumber shipments of 481 reporting mills in the week ended Oct. 25, 1958 were 4.8% below production, according to the "National Lumber Trade Barometer." In the same period new orders

Continued on page 32

Continued from page 31

The State of Trade and Industry

were 12.1% below production. Unfilled orders amounted to 35% of stocks. Production was 2.5% above; shipments 3.1% below and new orders were 7.4% above the previous week and 6.7% above the like week in 1957.

Business Failures Rose Moderately Above Preceding Week and Like Period a Year Ago

Commercial and industrial failures rose to 299 in the week ended Oct. 30 from 275 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level in four weeks, casualties exceeded moderately the 250 in the similar week a year ago and the 271 in 1956. However, failures remained 6% below their prewar total of 318 in the comparable week of 1939.

All of the week's upturn occurred in casualties involving liabilities of $5,000 or more which climbed to 262 from 226 in the previous week and 207 last year. On the other hand, a decline brought small failures with liabilities under $5,000, down to 37 from 49 a week ago and 43 in 1957. Liabilities ranged above $100,000 for 17 of the failing businesses as against 19 in the preceding week.

The toll among retailers increased to 155 from 144, wholesalers to 30 from 25 and construction contractors to 49 from 38. A contrasting dip appeared in manufacturing failures, off to 45 from 48, while commercial service held steady at 20. More casualties occurred than last year in all groups except manufacturing. The most noticeable rise from 1957 in the trades.

Geographically, the climb in casualties during the week was concentrated in three regions, the Middle Atlantic States, up to 103 from 85, the South Atlantic, up to 27 from 17 and the Pacific States, up to 79 from 59. Meanwhile, four regions reported declines from the previous week; the West South Central and West North Central totals dropped noticeably. There was no week-to-week change in the New England and East South Central States. In six regions, more concerns failed than a year ago and in two regions mortality held even with 1957. Only the West South Central States had fewer casualties than last year.

September Business Failures Lowest Since 1956

Continuing down in September for the fifth month, business failures declined to 1,039, the smallest toll since 1956. The 8% dip from August, considerably sharper than the normal seasonal, pushed casualties 3% under the comparable month last year. Concerns failed at an apparent annual rate of 53 per 10,000 listed enterprises. This rate was the lowest so far in 1958 and compared with 59 per 10,000 in the previous September.

While the liabilities of the month's casualties dipped to $48,000,000 and were below any other month since December, they remained 6% heavier than in the corresponding month a year ago, due to continued increases among casualties of large size.

The number of concerns that were granted corporate charters in September rose to 12,932, the fourth month in a row that they exceeded those of a year ago, Dun & Bradstreet, Inc., reports. The September level was up 22.9% over the 10,526 of the similar 1957 month and 5.7% higher than the 12,234 of the prior month.

New businesses formed during the first nine months of 1958 reached a total of 108,099. This was 2.4% higher than last year's 105,601, but down 0.6% from the record 108,692 of 1956.

Wholesale Food Price Index Registered Fractional Gains Again the Past Week

For the second week in a row the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose fractionally. On Oct. 28 it moved up to $6.26, a gain of 0.2% from the $6.25 of a week earlier. There was an increase of 1.6% over the $6.16 of the comparable date a year ago.

Commodities advancing in wholesale cost last week included flour, rye, barley, hams, lard, butter, coffee, cottonseed oil, cocoa, prunes and steers. Declines occurred in corn, oats, beef, bellies, potatoes, hogs and lambs.

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 Last Week Hit Lowest Level Since Nov. 28, 1955

The general commodity price level fell to the lowest point so far in 1958 last week. On Oct. 27 the daily wholesale commodity price index fell to 275.32, the lowest since Nov. 28, 1955 when it was 274.97. The previous 1958 low was 276.08 on Feb. 8. A week earlier the index stood at 276.71 and a year ago it was 277.07. The latest week's decline was mainly attributed to lower prices of most grains, livestock, flour, lard and coffee.

Although renewed international tension in the Far East resulted in a slight rise in wheat prices at the beginning of the week, they fell at the end of the period as both domestic and export purchases lagged. Rye prices declined as trading slackened. Corn harvesting expanded during the week and supplies rose noticeably resulting in a moderate dip in prices. Corn buying was sluggish.

Reports of a record crop held soybean prices below those of the prior week and transactions were unchanged. Interest in oats was steady, but prices slipped fractionally from a week earlier.

While a slight rise occurred in domestic transactions in flour, export inquiries lagged and flour prices slipped below the prior week. Both export and domestic buying of rice was sustained at a high level with prices steady.

Although purchases of coffee matched those of the prior week, prices dipped somewhat. Lower than expected forecasts on the world cocoa crop encouraged buying during the week and prices moved up noticeably. Cocoa consumption for 1958 is expected to exceed that of 1957. There was a slight decline in sugar prices, but trading was close to the prior week.

Although transactions moved up somewhat, cattle prices in Chicago dipped noticeably. The decline was due to an appreciable rise in cattle receipts. A moderate dip in hog trading occurred and prices fell significantly. The buying of lambs was steady with prices unchanged.

Cotton prices on the New York Cotton Exchange were steady at the beginning of the week, but moved up somewhat at the end of the period. Reports of favorable weather conditions in growing areas held trading close to the prior week. Exports of cotton during the period ended on Tuesday of last week were estimated at 33,000 bales compared with 50,000 in the prior week and 128,000 in the similar period last year. The total for the season to date was about 692,000 bales as against 1,016,000 at the same time last season.

Trade Volume in Latest Week Slightly Exceeded Level of Like Period in 1957

Although rainy weather in many areas held consumer buying below that of a week earlier, total retail trade the past week was slightly higher than a year ago. Sales promotions helped volume in women's apparel and furniture continue over last year offsetting declines in appliances and men's clothing. Although stocks of new models in dealers' showrooms were limited, purchases of new passenger cars rose from the prior week, but declines from last year persisted, scattered reports show.

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., show. Regional estimates varied from the comparable 1957 levels by the following percentages: West South Central States +1 to +5%; Middle Atlantic, South Atlantic, Mountain and Pacific Coast 0 to +4; East North Central and West North Central —1 to +3; New England —2 to +2 and East South Central States —4 to 0%.

Attracted by extensive sales promotions, shoppers stepped up their buying of women's coats, dresses and sportswear, while interest in suits and fashion accessories remained close to that of the prior week. There were noticeable declines from a year ago in sales of men's topcoats and suits, while the call for furnishings was unchanged. A considerable rise in purchases of men's sweaters occurred during the week.

Increased buying of case goods, occasional furniture and bedding boosted overall furniture volume moderately over a year ago. Although retailers reported slight dips from the prior week in floor coverings and draperies, there were appreciable year-to-year gains. Purchases of linens moved up during the week and matched comparable year ago levels. While the call for lamps and lighting fixtures was sustained at a high level, interest in television sets and major appliances faltered and fell from last year.

Food sales equalled those of the prior week. Consumer interest was centered on dairy products, frozen vegetables and some canned goods.

Most furniture markets reported a marked rise in orders for case goods, upholstered chairs and occasional furniture. Volume exceeded that of a year ago. Interest in summer lines fell somewhat from the prior week. There was a noticeable rise in the call for linens and draperies during the week. Although volume in appliances and television sets moved up from a week earlier, it remained moderately below last year. Substantial gains from the preceding week occurred in sales of housewares and glassware.

There was an appreciable dip in orders for men's apparel during the week, but volume was close to that of a year ago. Wholesalers reported some early buying of women's resort wear and spring merchandise. Re-orders for fall better dresses, suits and sportswear climbed significantly. The call for children's clothing improved, with principal gains in girls' dresses, skirts and sweaters, and boys' trousers, sports jackets and sports shirts.

Transactions in woolens and worsteds moved up slightly, following several weeks of lagging activity. Wholesalers of carpet wool in Boston and Philadelphia reported an appreciable gain in volume in carpet wool. There were further increases in trading in wide industrial fabrics and man-made fibers, but the call for cotton gray goods slackened. There was a slight gain in incoming orders at Mid-Atlantic dyeing and finishing plants.

Food buyers were primarily interested in frozen foods, fresh produce and canned goods the past week. Purchases of eggs, butter, cheese and baked goods equalled those of the prior week, but the buying of fresh meat and poultry fell moderately.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Oct. 25, 1958 advanced 3% above the like period last year. In the preceding week, Oct. 18, 1958 an increase of 6% was reported. For the four weeks ended Oct. 25, 1958, a gain of 5% was registered. For the period Jan. 1, 1958 to Oct. 25, 1958 no change was recorded from that of the 1957 period.

Retail trade sales volume in New York City the past week moved somewhat higher despite the erratic weather.

Trade observers placed the gains up a bit to as much as 5% above the level of the like period a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the week ended Oct. 25, 1958 showed an increase of 18% from that of the like period last year. In the preceding week, Oct. 18, 1958 an increase of 14% was reported. For the four weeks ended Oct. 25, 1958, an increase of 9% was noted. For the period Jan. 1, 1958 to Oct. 25, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

Davis Noyes Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — John T. Rayburn has been added to the staff of David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Edward D. Jones

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Donald W. Boschert is now affiliated with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

Thomson, McKinnon Adds

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Bailey O. Cooper has been added to the staff of Thomson & McKinnon, Liberty Life Building. He was formerly with Carolina Securities Corporation.

Rowland With Walston

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Ralph H. Rowland, Jr. has become affiliated with Walston & Co., Inc., 1115 Van Ness Avenue. He was formerly with Francis I. du Pont & Co. and Bailey & Company.

With Farwell, Chapman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William E. Sapp has become associated with Farwell, Chapman & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Sapp was formerly with Bache & Co. and Fairman, Harris & Co. for many years.

With Irving Weis & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Spero S. Furla has become connected with Irving Weis & Co., 141 West Jackson Boulevard.

Joins Myrl D. Maynard

(Special to THE FINANCIAL CHRONICLE)

FREEPORT, Ill.—Benjamin R. Anderson has become associated with Myrl D. Maynard & Co., State Bank Building.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Verne M. Randall has become associated with Bache & Co., Minneapolis Grain Exchange Building.

With Fusz-Schmelzle Co.

(Special to THE FINANCIAL CHRONICLE)

ALTON, Ill.—William J. Fisher is with Fusz-Schmelzle & Co., Inc., 201 East Broadway. He was formerly with Quail & Co., Inc.

Joins Perry T. Blaine

(Special to THE FINANCIAL CHRONICLE)

ASHTABULA, Ohio — Thomas Gog has been added to the staff of Perry T. Blaine & Co., 4519 Main Avenue.

Aub Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — John L. Altshool is now connected with A. E. Aub & Co., Fifth Third Bank Building.

With Pacific Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Emmet C. Copeland is now affiliated with Pacific Coast Securities Company, 240 Montgomery Street.

With Wm. R. Staats

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Hope M. De Veuve is now with William R. Staats & Co., 111 Sutter Street.

Joins J. S. Strauss

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — William R. Bates has joined the staff of J. S. Strauss & Co., 155 Montgomery Street.

Now With Taylor Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Donald R. MacDonald is now with Taylor and Company, Russ Building.

Wilson, Johnson Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — J. C. Spicer is now affiliated with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

With Merrick Co.

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Patrick J. Shanahan has joined the staff of Merrick & Co., 222 East Fifth Ave.

Joins Hincks Bros.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Bernard I. Milove has joined the staff of Hincks Bros. & Co., Inc., 872 Main Street.

Continued from first page

Upsurging Bull Market and The Economic Outlook

high rate of industrial and commercial building and the revived rate of residential building continue to rise and thereby keep the construction companies busy, their suppliers booked to capacity, and this great segment of the labor force fully employed? (c) Is inflation as now widely practiced in this country a healthful as well as pleasant means of economic stimulation, or is it "a monkey on our back" that will enfeeble the user and demoralize the processes of business?

Not being endowed with the gift of prophecy, I shall not attempt specific answers to any one of these three momentous questions. But, believing that the role of the economist is to analyze the underlying factors that assert themselves in market behavior, I shall make a flank attack on the general issue of which these three problems are outstanding parts. That is, I shall raise a few simple questions as to why things have taken the course they have, not merely in the last few months but also during the decade or so since the end of World War II. Then I shall ask whether it seems reasonable to think that these same forces are still here in the same measure or in even greater strength or perhaps only in more or less diminished potency.

Present Wave of Optimism

A great wave of optimism is now sweeping the country, and this is fine as a tonic for vigorous business planning. We should of course move on confidently to the bright day when there will be two infra-red roasted chickens in every electric refrigerator and two oversize and overstyled automobiles sticking out of both ends of every garage. But the prudent businessman wants to see sound reasons to back up any estimate of how many people will be in the market for his product, what will make them anxious or at least willing to buy it, and what income pattern will be needed to enable them to do so. It is not enough to take the admitted fact that the country built 1.4 million dwellings in a recent past year and 7.8 million automobiles and project these figures into 1959 as even a bogey to shoot at. To look at any past figure of performance should not be to set it as either a floor or a ceiling for a future year's calculations. It is just a statistical fact that calls for cold-blooded interpretation.

This brings me to the nub of what I want to discuss. It begins with a brief descriptive statement of the 12-year postwar boom of 1946-57 inclusive. It was, in my analysis:

(a) a re-equipping and re-stocking boom

(b) a technological revolution boom

(c) an early marriage and multi-baby boom

(d) an expansion of the middle-income class boom

(e) an easy money and big government budget bom

(f) a price-inflation boom.

Now, if space permitted, I would like to analyze each of these phases of the 1945-57 boom, trying to separate the part of each which seems to have been special and *ad hoc* and the part that is fundamental and likely to persist —though perhaps in modified form of altered strength. But an over-all interpretation of the boom which I want to suggest is that it had a substantial number of non-recurrent factors rather than establishing a new trend line in each of its six strands that it would be reasonable to expect next year to put us back on a course that will outboom the boom of the early 50's.

The pipelines were filled long ago, and even CCC stocks of farm products and government stockpiling of other commodities can no longer do more than disguise the state of surplus supply. Plants have been re-equipped and expanded to the stage of temporary excess capacity. While organized labor will continue to bargain out income gains in areas of strategic strength, it is hardly conceivable that there could be such a mass realignment of income classes in the next decade or so as took place during and since World War II. Even the fad of big families gives signs of abating, as fond parents discover the costs of raising several children under rising standards of living and constantly inflating prices. Technological progress is the one of these six factors that would seem to be most solidly established in a persistent uptrend possibly even at an accelerating rate. But we must remember that, while such developments often lead to demands for entirely new and more ponderous plant and installations, they also often bring about reductions in both plant and labor demands.

What we have been witnessing is a dynamic enterprise society in a state of boiling activity, in a setting of revolutionary technological progress and great institutional changes. These institutional changes include expanded and strengthened credit facilities, strong union bargaining and escalated wage contracts, expanded government spending, heavier taxes, and increased social security from both private and public funds. All these factors are still with us and give us assurance of a continually dynamic economy and levels of prosperity well sustained against the sharp and wasteful collapses of the past.

I do not need to ask you the question: Do you for a moment suppose that the crash of October, 1929 could be repeated under today's SEC, FDIC, and Federal Reserve conditions? But I do ask you another question in all seriousness: Do you think we should keep things at "the jumping boil" all the time and expect the government to turn the heat on every time the economy simmers down to a period of consolidating its gains and laying the groundwork for the next surge forward? This, I think, is the fundamental issue confronting our business world today.

The Business Cycle Is Not Dead

It appears to be of the very essence of a free enterprise economy that the capital goods expansion of industrial and commercial companies shall occur in waves of overenthusiasm and subsequent overcaution. This is true also of capitalized consumer items such as automobiles and houses. It will undoubtedly continue to be the case in the future even though the long-range planning of economically sophisticated corporate management puts something of a stabilizer on it. When these swings are accompanied and indeed exaggerated by large swings in consumer expenditures, particularly on non-durables, the magnitude of the cycle of boom and depression is magnified.

It is a striking aspect of the recent (or current) recession that consumer spending has been amazingly well maintained. This has provided a stabilizing factor of no mean importance, and there is every reason to regard it as a built-in feature of our American way of economic life for the future. Mass consumer groups who have come to a sense of considerable social security continue to be good spenders even when the FRB index of production takes a rather substantial dip. Thus they cushion the drop for the merchant, and he in turn keeps the manufacturer's order book from collapsing. All this means payrolls sufficiently maintained that the economy does not get out of control in one of those self-perpetuating downward spirals that were the tragic culmination of the old-fashioned economic depression. But this does not mean that there will be no periods of deceleration — as the automobile industry has found out.

Sees No Pronounced Upturn Ahead

What I have said thus far may be summed up in two broad conclusions: (1) That the structure of our economy and the behavior of executives as administrators of business affairs and consumers as administrators of family affairs give assurance that we shall probably not have recessions much deeper in the foreseeable future than we have already had during the postwar period nor unduly prolonged; (2) on the other hand, I do not see in the relationship of unsatisfied needs and disposable purchasing power, of prospective cost and price relationships, of public policy and private initiative the indicators of a pronounced upturn (above seasonal) in the fourth quarter of 1958 and an accelerating boom in 1959.

A prominent business periodical a couple of weeks ago presented an eye-catching cover design in the form of a question: "How Big Will the New Boom Be?" and an accompanying chart that showed two small rises presumably in 1950 and 1956 (no dates given) and a soaring upsweep for the next couple of years. This line ran off the chart at an angle that implied an immediate boom of some three or four times the dimensions of the 1956 boom. This pseudo-chart and the bland use of the term "boom" and the underlined "big" seem to me about as unwarranted and misleading a display as it would be possible to devise at this juncture.

Complex Issue of Inflation

Now, if we go on to a boom basis in 1959, it will, in my judgment be an inflationary boom—not soundly based and sustainable prosperity. Of course this issue of inflation is a very complex and highly controversial one. I shall not attempt to examine it in detail but simply state that it constitutes in my mind the greatest threat to achieving the goal of sustained high level use of our productive resources—human and material—that was the stated objective of the Employment Act of 1946 and should be the hope of all serious citizens. I have never been as comfortably confident as some well-known economists have been that inflation is a safe as well as a pleasant way of economis life. I have always been somewhat apprehensive of the time when it would cease to creep and would accelerate into a flight from the dollar.

There are two phases of this matter that I find particularly pertinent to the puzzlements of our present position and outlook for 1959 — one the price-profit trend an dthe other the meaning (if any) of the recent antics of the stock market. They are interlocked, but I shall begin with the stock market. More than a year ago I noted with concern in a public address that some Wall Street voices were beginning to imply, if not state explicity, that common stocks should be bought as a hedge against inflation. Recently, this advice has been open and quite general. It seems to me to furnish the most plausible but also much the more alarming of the two explanations—or rationalizations—of public participation in this rampant stock market. People who got in early on this excursion have had a lovely ride. That all of them can disembark with safety to themselves and to the economy is not so clear. With my Yankee habit of posing a question rather than volunteering an answer, I ask: Have you written the possibility of a severe stock market shake-out into or out of your business calculations for 1959? [1] Fortunately, wide margin requirements, large institutional buyers, and a sound credit system provide a sturdy backstop against a market rout. But boom psychology might take a beating. Suppose it did. I couldn't care less.

Now let us look at the other explanation of why stocks are where they are. Stocks are eagerly bought by people who want to ride the gravy train of the boom which is supposed now to be in its early stages. Next year, they believe, Gross National Product will soar, unemployment will disappear, personal income will touch new peaks, and profits exceed all past records. Even if a price is now 20 times present earnings all one need do is wait a year or so for rising profits to bring the ratio up to an investment basis. This is a fascinating prospect, but, in now appraising that line of reasoning we should not be swayed by wishful thinking or the folklore of the chart reader.

There was an old-time belief that the stock market is a good barometer of coming economic weather. In recent years, this view had largely been discredited, but it seems to be coming back now in certain quarters. To my mind it seems more likely that the profits picture that unfolds in 1959 will call for a reduction of many of the recent advances in stock prices rather than that these prices will be justified by the earnings that materialize next year.

Let us look for a moment at the cheerful argument that present high and even yet higher stock prices will be justified by greatly expanded profits over the next 12 to 18 months. This increase presupposes the reduction of unemployment to the 1955-57 labor float of less than 3 million; stable or moderately rising prices; sales volume so much increased as to absorb present overcapacity. Such a forecast amounts to placing a bet that "our team" will get all the "breaks" of the game. But the "insolent chariots" may not strike the buying public as so irresistible as to blind buyers to the figures on the price tag. Steel usings at Detroit and other automobile centers may not rise fast enough to boost bookings at Pittsburgh, Youngstown et al up to 85 or 90% of their 142 million-ton capacity. Workers may not be so much in demand at present and promised wage rates and benefits as to get full employment under automated processes. Some very knowledgeable people foresee five million workers unemployed in 1959.

Business management, to be sure, has two good pitchers to send into the game for the next inning. One is named Hard Sell; the other is named Efficiency. But the hard sell calls for more costly ads, television programs, and sales force, or for glamorizing, fancy packaging, or extra servicing—all of which add to delivered cost. Or, on the other hand, the producer may reluctantly turn to—or be forced to—price appeal. In either case, full-volume operation bids fair to be won only on the basis of narrower profit margins.

Let us turn then to the argument that efficiency will enable manufacturers and merchants to absorb cost increases and thus hold the line on prices or meet competitive lowering of them. It must be remembered that improved operative efficiency ordinarily means labor saving or economy in use of materials and supplies. Logically, therefore, the increased volume of finished goods that would be poured out at the level of activity that is being so freely predicted for next year would not be accompanied by a proportionate increase in employment and in sales of raw materials. But this gets us on the other horn of the dilemma—reduction of force or less rehiring than would be needed to give the expanded buying power that would materialize a real boom in 1959. If, on the other hand, efficiency is translated into competitive price paring to get volume, total profits, instead of expanding, would be stable or shrinking, thus cutting the ground from under the present structure of stock market prices.

I do not profess to know what combination of these several factors will materialize during the next five quarters, but I cannot fit the several elements of the picture into a solid structure of reasoning that seems to me to promise a continuation of the present revival up to the boom dimensions which are being so cheerfully forecast in many quarters.

To say this is not to cast myself as "an apostle of gloom" or a raiser of spooks. I confidently expect 1959 to be a year of good prosperity, but not the fabulous boom that would make profits "catch up" with present or still higher stock market averages. While we should not expect to get all the "breaks" of the economic game in 1959, we will probably get a fair average of good and bad luck. More important is it that we make our own breaks by realism in facing problems and by reasonableness in making the compromises and adjustments that are needed to make a free enterprise system work well when confronted with difficult readjustment problems.

All in all, I believe we should take solid satisfaction in the demonstration of the ability of our economy to make a firm bottom to this latest recession and should entertain reasonable hopes for as good or moderately better conditions in 1959 as those obtaining this year. But this is something quite different from the confidence of the easy optimists in the continually upsurging bull market.

As I interpret our present economic situation and outlook, I would suggest that we are in a perfectly normal and not dangerously severe stage of shaking down to the mutual adjustments of new technology, new consumer patterns, new fiscal practices, and new strategies of private business management. If we accomplish these adjustments within a free enterprise economy with economic sophistication and mutual tolerance over a space of two or three years, I believe we shall be giving a good account of the American way of economic life. To insist that we must have forced-draft prosperity all the time—or chronic boom—is to invite destructive depression rather than benefiting from mild but not aborted corrective recession.

[1] It must be obvious that these paragraphs were written prior to Tuesday, Oct. 14. But I have felt no compulsive urge to change them. It may be recent declines in stock prices are no more than an overdue technical correction. But what I am discussing is something of greater amplitude and duration.

Form Counselors Research

ST. LOUIS, Mo. — Counselors Research Sales Corporation, 411 North Seventh Street, has been formed to engage in a securities business. James J. O'Brien is a principal of the firm.

Draper, Sears Branch

HAVERHILL, Mass. — Draper, Sears & Co. has opened a branch office at 91 Merrimack Street under the management of Thomas J. McAuliffe.

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 Enterprise Fund, Inc., New York**
Oct. 30 filed 487,897 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Distributor**—Edward A. Viner & Co., Inc., New York.

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.

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. (11/24-26)**
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, Kaiser & Co., Inc. (formerly 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

★ **Bellechasse Mining Corp. Ltd.**
Oct. 29 filed 300,000 shares of common stock. **Price**—Related to the market price on the Canadian Stock Exchange, at the time the offering is made. **Proceeds**—To be applied over the balance of 1958 and the next three years as follows: for annual assessment work on the company's properties (other than mining claims in the Mt. Wright area in Quebec); for general prospecting costs; and for general administration expenses. **Office**—Montreal, Canada. **Underwriters**—Nicholas Modinos & Co. (Washington, D. C.) in the United States and by Forget & Forget in Canada.

● **Bowling Corp. of America (11/10)**
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.

★ **Bradco 1959 Associates, Inc., Houston, Texas**
Oct. 30 filed $2,500,000 of Participating Interests under Participating Agreements in the company's 1959 Oil and Gas Exploration Program. **Price**—$10,000 per unit. **Proceeds**—For acquisition and exploration of undeveloped oil and gas properties. **Underwriter**—None.

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, L. I., N. Y. **Underwriter**—None.

● **Carrtone Laboratories, Inc., Metairie (New Orleans), La.**
July 2 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion working capital and other corporate purposes. **Underwriter**—None. Statement effective Oct. 24.

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. (11/17-20)**
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.

★ **Central Illinois Electric & Gas Co.**
Nov. 4 filed 42,500 shares of common stock, to be offered to eligible employees of the company pursuant to the company's Stock Purchase Plan.

● **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. Statement effective Oct. 23.

● **Chemirad Corp., East Brunswick, N. J.**
Sept. 25 filed 165,830 shares of common stock (par 10 cents) being 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. (11/17-21)**
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. (11/17-21)**
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**—To be received by company up to 11 a.m. (EST) on Nov. 6 at 120 East 41st Street, New York 17, N. Y.

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. (11/13)**
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 Cooperative Association, Kansas City, Mo.**
Oct. 29 filed $6,000,000 of 5½% 25-year subordinated certificates of indebtedness, and 60,000 shares of 5½% preferred stock (cumulative to extent earned before patronage refunds). **Price**—For certificates at $100 per unit; and the preferred stock at $25 per share. **Proceeds**—For retirement of maturing certificates of indebtedness, redemptions on request of certificates of indebtedness prior to maturity and of 5½% preferred stock; the possible improvement and expansion of present facilities; and the acquisition of manufacturing plants and crude oil properties if favorable opportunities therefore arise. **Underwriter**—None.

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.

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.

● **Electronic Communications, Inc. (11/12)**
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.

★ **Fleetwood Motel Corp.**
Oct. 24 (letter of notification) $294,000 of 10-year 6% convertible debentures and 6,000 shares of class B common stock to be offered as part of underwriter's commission. **Price**—Of debentures, at par (in denominations of $100, $500 and $1,000); of stock, at par ($1 per share). **Proceeds**—For construction of a five-story motor hotel. **Office**—1400 Philadelphia National Bank Bldg., Philadelphia, Pa. **Underwriter**—R. P. and R. A. Miller & Co., Inc., Philadelphia, Pa.

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.

★ **Founders Mutual Depositor Corp., Denver, Colo.**
Oct. 29 filed (by amendment) an additional 32,000 Systematic Payment Plan Certificates and 800 Accumulative Plan Certificates. **Proceeds**—For investment.

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 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

★ **General Investors Trust, Boston, Mass.**
Nov. 3 filed (by amendment) an additional 500,000 shares of beneficial interest. **Price**—At market. **Proceeds**—For investment.

★ **General Public Service Corp. (11/18)**
Oct. 29 filed 2,478,264 shares of common stock to be offered 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); rights to expire on Dec. 2. **Price**—To be supplied by amendment. **Proceeds** — For investment. **Underwriter**—Stone & Webster Securities Corp., New York.

● **General Public Utilities Corp.**
Oct. 1 filed a maximum 530,000 shares of common stock (par $5) being 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**—$38.50 per share. **Proceeds**—To pay short-term bank loans and for additional investments in domestic subsidiaries. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York.

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.

★ **Grain Elevator Warehouse Co.**
Nov. 3 filed 100,000 outstanding shares of common stock (par 10 cents). National Alfalfa Dehydrating & Milling Co., holder of the 100,000 common shares, proposes to offer to its stockholders preferential warrants to subscribe to 98,750 shares of Grain Elevator stock on the basis of one warrant for each share of National Alfalfa common held on Nov. 17. **Price**—$2 per share. **Proceeds** — To selling stockholder. **Office** — 927 Market Street, Wilmington, Del. **Underwriter**—None.

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 by Dec. 31.

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. (11/20)**
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

Continued on page 36

NEW ISSUE CALENDAR

November 6 (Thursday)
Columbia Gas System, Inc. ____ Debentures
(Bids noon EST) $25,000,000
Great Northern Ry. ____ Equip. Trust Ctfs.
(Bids noon EST) $3,390,000
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)
Bowling Corp. of America ____ Common
(Charles Plohn & Co.) $1,350,000
Martin Co. ____ Debentures
(Bear, Stearns & Co.) $20,000,000

November 12 (Wednesday)
Electronics Communications, Inc. ____ Common
(Laird & Co., Corp) 100,000 shares
Illinois Central RR. ____ Equip. Trust Ctfs.
(Bids noon CST) $2,610,000
Simplicity Pattern Co. Inc. ____ Common
(Lee Higginson Corp.) 42,500 shares
Tishman Realty & Construction Co., Inc. ____ Common
(Kuhn, Loeb & Co.) 100,000 shares

November 13 (Thursday)
Consolidated Foods Corp. ____ Common
(Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc.) 111,489 shares.
Norfolk & Western Ry. ____ Equip. Trust Ctfs.
(Bids noon EST) $6,690,000

November 14 (Friday)
Bankers Management Corp. ____ Common
(McDonald, Holman & Co., Inc.) $400,000

November 17 (Monday)
Central Electric & Gas Corp. ____ Debentures
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) $2,000,000
Central Electric & Gas Co. ____ Preferred
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) $1,000,000
Coleman Engineering Co., Inc. ____ Debentures
(Wilson, Johnson & Higgins and Lester, Ryons & Co.) $1,000,000
Colonial Aircraft Corp. ____ Common
(Mallory Securities, Inc.) $259,869
Kentucky Utilities Co. ____ Common
(Offering to stockholders—underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Son) 206,446 shares

November 18 (Tuesday)
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 shares
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 11:30 a.m. EST) $80,000,000
State Loan & Finance Corp. ____ Debentures
(Johnston, Lemon & Co. and Eastman Dillon, Union Securities & Co.) $10,000,000

November 20 (Thursday)
Hamilton Oil & Gas Corp. ____ Common
(Offering not underwritten) $2,000,000

November 21 (Friday)
Polaroid Corp. ____ Common
(Offering to stockholders—underwritten by Kuhn, Loeb & Co.) 173,616 shares

November 24 (Monday)
Arvida Corp. ____ Class A Common
(Carl M. Loeb, Rhoades & Co. and Dominick & Dominick) $27,500,000
World Wide Helicopters Ltd. ____ Common
(Blair & Co., Incorporated) 212,153 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 1 (Monday)
Pacific Telephone & Telegraph Co. ____ Common
(Offering to stockholders—not underwritten) $159,460,400
T. I. M. E., Inc. ____ Common
(Blyth & Co., Inc.) 260,000 shares
Von's Grocery Co. ____ Common
(Hemphill, Noyes & Co.) 360,000 shares

December 2 (Tuesday)
First National Bank in Dallas, Texas ____ Common
(Offering to stockholders—underwritten by Equitable Securities Corp. and Merrill Lynch, Pierce, Fenner & Smith) $7,830,000
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

December 3 (Wednesday)
Montana-Dakota Utilities Co. ____ Bonds
(Bids to be invited) $10,000,000

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

Postponed Financing

Consumers Power Co. ____ Preferred
(Morgan Stanley & Co.) $15,000,000
Gulf States Utilities Co. ____ Bonds
(Bids to be invited) $17,000,000
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

Continued from page 35

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. 20. **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.
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.

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.

★ Jantzen, Inc.
Oct. 21 (letter of notification) 938 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To pay stockholders in cash for their fractional interests resulting from the 4% stock dividend of Nov. 1, 1958. **Office**—411 N. E. 19th Avenue, Portland, Ore. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, New York, N. Y.

● Kentucky Jockey Club, Inc.
Sept. 26 filed $2,300,000 of 6% first mortgage bonds due 1973, 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. **Offering**—Expected this week.

★ Kentucky Utilities Co. (11/17)
Nov. 3 filed 206,446 shares of common stock (par $10) to be offered for subscription by common stockholders of record Nov. 17, 1958, at the rate of one share for each 12 shares then held; rights to expire on Dec. 8. **Price**—To be supplied by amendment. **Proceeds**—To be used to finance part of the company's construction expenditures, including the payment of temporary bank loans incurred for that purpose. **Underwriters**—Blyth & Co., Inc., New York, and J. J. B. Hilliard & Sons, Louisville, Ky.

● 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 was postponed indefinitely and registration statement has since been withdrawn.

★ Lake Ontario Portland Cement Co., Ltd.
Oct. 29 filed 671,376 shares of common stock and warrants for the purchase of an additional 671,376 shares to be offered to common shareholders at the rate of one unit (consisting of one common share and one warrant) for each two shares held. **Price**—To be supplied by amendment. **Proceeds** — For construction program and for corporate purposes. **Office**—Picton, Ontario, Canada. **Underwriter**—None.

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.

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.

★ Lorillard (P.) Co., New York
Nov. 5 filed 364,670 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each eight shares held. **Price**—To be supplied by amendment. **Proceeds** — To be added to general funds of the company and used for corporate purposes, including reduction of short-term bank loans. **Underwriters**—Lehman Brothers and Smith, Barney & Co., both of New York.

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.

★ Managed Funds Inc., St. Louis, Mo.
Oct. 28 filed six separate plans for the registration of 1,000 units ($1,200 maximum payments each) of Personal Investment Plans for the accumulation of shares in each of the following: Metal Shares; Paper Shares; Petroleum Shares; Special Investment Shares; Transport Shares; and Electric Shares. **Proceeds**—For investment.

● Martin Co., Baltimore, Md. (11/10-14)
June 11 filed $25,000,000 of sinking fund debentures, due 1978 (subsequently reduced by amendment to $20,000,000). **Proceeds** — Working capital and general corporate purposes. **Price**—To be supplied by amendment. **Underwriter**—Bear, Stearns & Co., New York.

★ Mead Corp.
Oct. 22 (letter of notification) an undetermined number of shares of $5 par common stock (to aggregate $50,000) to be offered at the market price on the New York Stock Exchange to employees of the Brunswick Pulp & Paper Co. under its employees stock purchase plan for 1959. **Office**—118 W. First Street, Dayton 2, Ohio. **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.

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.

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.

★ Narda Ultrasonics Corp., Westbury, L. I., N. Y.
Nov. 4 field 60,000 shares of common stock (par 10 cents). **Price** — To be supplied by amendment. **Proceeds**—To Narda Microwave Corp., the selling stockholder. **Underwriters** — Milton D. Blauner & Co., Inc. and Michael G. Kletz & Co., both of New York, and six other underwriters.

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.

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.

★ Ohio Oil Co.
Oct. 30 filed $11,250,000 of Participations in the company's Thrift Plan, together with 267,062 shares of common stock which may be purchased pursuant thereto.

★ Oklahoma Natural Gas Co.
Oct. 31 filed 240,000 shares of common stock, to be offered to certain key employees of the company pursuant to its "Restricted Stock Option Plan."

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 Petroleums, Ltd.
Oct. 29 filed 521,149 shares of common stock (par $1), of which 210,257 shares are to be issued in exchange for properties and 286,890 shares and 24,002 shares respectively, in exchange for stock of Humber Oils Ltd. and Catalina Oils Ltd. The offer to Humber Oils Ltd. stockholders will be on the basis of one share of Pacific common for each nine outstanding shares of Humber common; and the offer to Catalina Oils Ltd. shareholders on the basis of four shares of Pacific common for each 31 shares of Catalina stock. The exchange offer with respect to the Humber stock is subject to the condition that Pacific acquire at least 80% of the 2,582,015 outstanding shares of Humber stock; and the proposal with respect to Catalina is subject to the condition that Pacific acquire at least 90% of the 186,016 outstanding shares of Catalina stock (after exercise of outstanding options for 90,000 shares of the latter).

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**—To be received up to 11:30 a.m. (EST) on Nov. 18, Room 2315, 195 Broadway, New York, N. Y.

● Pacific Telephone & Telegraph Co. (12/1)
Oct. 24 filed 1,594,604 shares of common stock to be offered for subscription by holders of outstanding common and preferred stock of record Nov. 26, 1958 on the basis of one new share for each eight common or preferred shares held; rights will expire on Dec. 30, 1958. **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.

★ Pennsalt Chemicals Corp.
Oct. 24 (letter of notification) an undetermined number of shares of common stock (par $10) to be offered to employees of the company and subsidiaries under an Employees Stock Purchase Plan 1958-1959. **Price** — At 95% of average price of the shares on the New York Stock Exchange Aug. 1, 1958 through Nov. 12, 1958, or closing price on the Exchange on Nov. 12, 1958, whichever is lower. **Proceeds**—For working capital. **Office**—3 Penn Center Plaza, Philadelphia, Pa. **Underwriter**—None.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

★ Philip Morris Inc., New York
Oct. 30 filed 97,900 shares of common stock, to be offered under the company's "Stock Option Plan" to employees of the company and its subsidiaries.

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.

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.

★ Scott Paper Co.
Oct. 22 (letter of notification) an undetermined number of shares of no par common stock (to aggregate $50,000) to be offered at market price on the New York Stock Exchange to employees of the Brunswick Pulp & Paper Co. under its employees stock purchase plan for 1959. **Office**—Front & Market Streets, Chester, Pa. **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. (11/12)
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.

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. (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 $2 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.]

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. (11/12)
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 pirncipal amount. **Proceeds**—To be added to the general funds of the company to replenish working capital expended in the acquisition of aircraft. **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.

Continued on page 38

Continued from page 37

★ Tucson Gas, Electric Light & Power Co. (11/25)
Nov. 5 filed 110,000 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held of record Nov. 25, 1958. **Price**—To be supplied by amendment. **Proceeds**—To be added to general funds of the company and used for payment of promissory notes. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., both of New York. [Registration also covers 11,000 additional common shares to be offered to regular full time employees, including officers of company.]

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 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 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.
Oct. 22 (letter of notification) 26,285 shares of common stock (par 50 cents) being 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 (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Utah Power & Light Co.
June 26 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem $15,000,000 of first mortgage bonds, 5¼% series due 1987, to repay $4,000,000 of bank borrowings, and the balance together with further borrowings under a bank agreement and cash generated in the business will be used to carry forward the construction program of the company and its subsidiaries amounting to approximately $43,000,000 for the period 1958-1960. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Blyth & Co. Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly). **Bids**—Were to have been received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Sept. 9, but were postponed on Sept. 3. 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.

★ Von's Grocery Co., Los Angeles, Calif. (12/1)
Nov. 5 filed 360,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Hemphill, Noyes & Co., Los Angeles, Calif., and New York City.

★ Waltham Precision Instrument Co., Inc.
Oct. 24 (letter of notification) 253,334 shares of common stock to be offered for subscription by stockholders on the basis of one share for each eight shares held; unsubscribed shares to be offered to public. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—Waltham, Mass. **Underwriter**—None.

★ Watonga Corp.
Oct. 22 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$1.80 per share. **Proceeds**—For general corporate purposes. **Office**—Suite 918, 711 Main Building, Houston, Texas. **Underwriter**—None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 35 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. (11/24)
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. (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.

★ Dynamic Electronics N. Y. Inc.
Nov. 3 it was reported that the corporation plans some financing, what nature this financing will take is not known at the present time. **Office**—73-39 Woodhaven Boulevard, Glendale, L. I., N. Y. **Underwrtier**—Elliot & 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; rights to expire on Jan. 10, 1959. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Office**—931 Main Street, Houston 1, Texas.

● 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; rights to expire on Dec. 18. **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.

★ Giant Food Stores, Inc.
Nov. 3 it was reported that the company plans an offering of common stock to holders of Giant Food Properties, Inc. **Underwriters**—May be Kidder, Peabody & Co., New York, and Auchincloss, Parker & Redpath, Washington, D. C.

Great Atlantic & Pacific Tea Co., Inc.
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.

★ Great Northern Ry. (11/6)
Bids will be received up to noon (EST) on Nov. 6 for the purchase from it of $3,390,000 equipment trust certificates maturing semi-annually from June 1, 1959 through Dec. 1, 1973 inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Haverhill Gas Co.
Oct. 20 stockholders approved a 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

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.

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. (12/3)
Oct. 27 it was announced the company plans to issue and sell $10,000,000 of first mortgage bonds due 1983. **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. **Bids**—Expected on Dec. 3.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by

a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co and Lehman Brothers, both of New York. **Offering**—Postponed because of uncertain market conditions.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock The First Boston Corp., New York.

● **Norfolk & Western Ry. (11/13)**
Bids will be received by the company up to noon (EST) on Nov. 13 for the purchase from it of $6,630,000 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.

★ **Papercraft Corp.**
Oct. 27 it was reported that the company plans to issue some additional common stock. **Underwriter**—Eastman Dillon, Union Securities & Co.

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. (11/21)**
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 tomorrow (Nov. 6).

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.

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. (12/1)**
Oct. 27 it was reported that an offering of 260,000 shares of common stock (par $2) is planned, of which 125,000 shares will be for account of company. **Proceeds**—To retire equipment purchase obligations and for general corporate purposes. **Business**—Trucking concern. **Underwriter**—Blyth & Co., Inc., New York and San Francisco, Calif.

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.

★ **United States Freight Co. (12/1)**
Nov. 4 it was announced company plans to offer to stockholders the right to subscribe for 150,000 additional shares of capital stock. It is planned that the offering will begin about Dec. 1 and expire about Dec. 15. **Price**—Expected to be below the market price at the time of the offering. **Proceeds**—To repay conditional sale contracts for piggyback equipment and acquisition of additional equipment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, New York.

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.**
Oct. 31 common stockholders were given the right to subscribe for an additional 101,933 shares of common stock (par $5) 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. **Underwriters**—William R. Staats & Co. and Blyth & Co., Inc., both of Los Angeles, Calif.

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.

★ **Vita Food Products, Inc.**
Nov. 3 it was reported that the company plans to issue 15,000 shares of common stock. **Proceeds** — To acquire Mother's Food Products, Inc. **Underwriter**—Granbery, Marache & Co., New York.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Worcester Gas Light Co.
Aug. 18 it was reported that the company plans the sale of $5,000,000 first mortgage bonds. **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).

Continued from page 16

Inflation and Liberty

power, over and above the supply of goods on the market.

The two typical cases are budget inflation and wage inflation.

In the case of budget inflation, the government overspends its income. Civil service salaries, for example, may not be covered by tax revenue, or public investment may exceed the funds raised by taxation or loans.

In the case of wage inflation, employers endow labor with more purchasing power than corresponds to the value of the goods they supply to the market during the same period.

Either course is possible only if the spender, government or employer, can be certain that the required extra cash can be obtained by creation of new money. In the absence of new cash, the government could not spend without raising funds from the population, nor the private firm without selling.

The processes by which the required additional cash can be obtained obviously depend on the nature of the existing monetary system. So as not to complicate our analysis, we shall assume that the deficit party is in a position simply to print new money. But this assumption is unrealistic, since in actual fact the issue of money always requires at least some counterpart. (I have given in the "Draft Program For a Conference on Money and Inflation" the plan of a discussion on the concrete processes through which new cash balances can be obtained in the various existing monetary systems.)

Whatever the processes by which money is created in the principal existing monetary systems, the fact remains that there can be inflation only if the spender can make good his deficit by obtaining additional cash. If, instead, the spender drew on his own assets, these would compensate the excess purchasing power due to his deficit, his impoverishment would constitute the counterpart to the enrichment of the beneficiaries of the deficit, and there would be no inflation.

In actual fact, in all the countries of the Western world, inflation is possible only because those who spend, whether it be government or firms, know that they can cover their deficit by new money, obtained by the Central Bank's discounting of Treasury or commercial bills.

Means of Avoiding Inflation

The preceding analysis shows that there are two means, and two only, of avoiding inflation: action on purchasing power, and action on the money stock.

The necessary and sufficient conditions for absence of inflation are:

(1) Either that the purchasing power exercised on the market in each period be always identically equal to the value of market supply during the same period; or,

(2) That money circulation be always equal to aggregate demand for cash balances.

The National Budget Method

This method involves direct action designed to maintain aggregate demand (for consumer and capital goods alike) at the level of aggregate supply at market prices.

Control through the national budget method requires accurate knowledge of the amount of purchasing power extant and of the value of supply. The policy is to equalize the two by government intervention, and if it fails, it is still possible to try and avoid inflation by restricting the use of purchasing power through rationing.

This method can preclude inflation only if the government possesses precise information and if it is able to enforce the restrictions which appear necessary in the light of its complicated calculations.

In effect, control through the national budget has succeeded in no single country of the Western world, neither of the two conditions ever habing been fully satisfied. It cannot succeed without authorization procedures such as belong to the armory only of Hitlerian or communist regimes.

In liberal or quasi-liberal societies ever having been fully sat- containing inflation, but not in eliminating it.

Yet this is the only method applied, to the exclusion of the monetary method which we shall discuss presently; and this is the reason why inflation has become endemic in the Western world since the war. A system under which balance between purchasing power and the value of goods for sale depends solely on intricate calculations and on the power to enforce their conclusions, has a choice only between authoritarianism and inflation.

In such circumstances liberty can lead but to instability and chaos.

The Monetary Method

Under the monetary method, spenders are free to determine at their own discretion their demand, that is, their own expenditure and thereby the purchasing power they create; but spenders cannot themselves acquire purchasing power except by withdrawing existing purchasing power from others (through taxation or borrowing) or by making supplies of equal value available to the market (goods or commercial instruments).

This result can be achieved if, and only if, the amount of money in circulation is always identical to the money users' aggregate demand for cash for all purposes, (hoarding and payment of transactions).

To this end, it is a necessary and sufficient condition that no one can obtain purchasing power by the creation of new money; in other words, *variation in the money issue must exactly match variations in aggregate demand for cash.*

A liberal regime can avoid inflation only if it establishes and implements a monetary policy tending toward this result.

It is strangely paradoxical that liberals should have neglected this problem completely. Most of them advocate contrary policies, which presume that the "monetary authorities" both have the power and find it politically practicable always to maintain the money issue at the exact level of the demand for cash. For the last ten years or so liberals have blindly accepted the proposition that variations in the rate of interest had lost their efficacy. They have paid no attention to the cover of money issues. When they demand currency convertibility, they rest content with systems such as the European Payments Union, which produces its effects without establishing its conditions.

I cannot, within the limits of this paper, develop the theory of monetary controls. But I suggest that the problem of money is one which merits the attention of all liberals who are aware of the fundamental conditions of the liberal regime to which they aspire. The task is no less than to restore true money to the Western world. There can be no hope of success without a clear knowledge, backed by facts, of the monetary mechanisms in the various existing systems.

Carl Schlesing Opens

RIDGEWOOD, N. Y. — Carl F. Schlesing is engaging in a securities business from offices at 6857 Fresh Pond Road.

Mutual Funds

By ROBERT R. RICH

Investment Companies' Assets Cross $13 Billion Mark

Total combined assets of the 146 open-end (mutual fund) and 24 closed-end investment company members of the National Association of Investment Companies passed the $13 billion mark during the third quarter of this year and totaled $13,282,678,000 on Sept. 30, 1958.

At the end of the first six months of this year, the Association reported, combined assets were $11,983,705,000. A year ago, at the end of the third quarter of 1957, the combined assets totaled $10,280,457,000.

Shareholder accounts for member companies totaled 3,777,262 at the end of the third quarter, of which 259,196 were in closed-end companies and the balance—3,518,066—in mutual funds. At the end of the second quarter of this year, there were 257,663 closed-end shareholder accounts and 3,413,622 open-end shareholder accounts for a total of 3,671,285. At the end of the third quarter of 1957, there were 256,717 shareholder accounts in closed-end companies and 2,913,095 in mutual funds for a 3,169,812 total.

Open-End Companies

Purchases of shares in mutual funds during the third quarter of this year amounted to $439,963,000, the Association reported. Purchases of shares in mutual funds for th esecond quarter of this year totaled $363,663,000 and for the third quarter in 1957 they amounted to $357,580,000.

Redemptions for the third quarter amounted to $133,329,000 compared with $111,366,000 in the second quarter of this year and $97,146,000 in the third quarter of 1957.

Net assets of open-end companies totaled $11,790,270,000 on Sept. 30, 1958 compared with $10,609,839,000 on June 30, and $9,000,662,000 at the end of September a year ago.

Portfolio transactions by open-end companies during the third quarter showed $852,024,000 in purchases and $540,469,000 in sales. This compares with $740,534,000 in purchases and $449,778,000 in sales during the quarter ended last June 30, and $596,018,000 in purchases and $327,477,000 in sales in the third quarter of 1957.

The number of new accumulation plans, under which investors make regular monthly or quarterly payments, opened during the third quarter totaled 59,472. The number of new accumulation plans started in the second quarter of this year totaled 57,102 and during the third quarter of 1957 there were 59,590 new accumulation plans opened.

At the end of Sept. 30, 1958, there were 818,599 of these plans in force with a total value of $1,119,000,000.

The Association reported that open-end member companies paid dividends from investment income totaling $92,333,000 during the third quarter and distributions from net realized capital gains amounting to $25,090,000 in the same period.

This compares with investment income dividends of $90,084,000 and distributions of capital gains totaling $14,491,000 during the second quarter of this year. In the third quarter of 1957, investment income dividends amounted to $78,194,000 and capital gains distributions $21,140,000.

Closed-End Companies

The combined net assets of the 24 closed-end company members of the Association amounted to $1,492,408,000 at the end of the third quarter this year, compared with $1,373,866,000 at the end of the second quarter and $1,279,795,000 at the end of the third quarter in 1957.

New capital for the third quarter totaled $7,303,000, compared with $1,172,000 in the second quarter and $2,117,000 in the third quarter of 1957. Capital repurchased amounted to $317,000 in the third quarter; $8,265,000 in the second quarter and $437,000 in the third quarter of last year.

Common stock dividends from investment income amounted to $8,018,000 for the third quarter, against $9,263,000 for the second quarter of this year and $8,851,000 for the third quarter a year ago.

Common stock distribution from capital gains totaled $2,753,000 in the third quarter, compared with $1,755,000 in the second quarter and $1,206,000 in the third quarter of 1957.

Preferred stock dividends during the third quarter amounted to $785,000, compared with $717,000 in the second quarter and $795,000 in the third quarter of last year.

Interest paid by closed-end companies amounted to $211,000 in the third quarter of this year; $209,000 in the second quarter and $199,000 in the third quarter of last year.

20th Century Fund Initial Shares to Be Priced at $5 Each

A new open-end investment trust, known as Twentieth Century Investors, Inc., has been formed and its securities have been registered with the Securities & Exchange Commission, Washington.

Through a principal underwriter, the company will offer initially one million shares of Twentieth Century Growth Investors and one million shares of Twentieth Century Income Investors at $5 a share.

There will be no sales charge on the shares offered during the balance of the year, the prospectus states.

"Making available the shares at the initial offering price without a sales charge for more than two months is an innovation and a departure from industry practice," James E. Stowers, President, announced.

The income fund, he said, is designed for investors interested in current cash dividend payments. The growth fund has as its primary objective capital appreciation.

The company also will offer a periodic investment plan and has registered $10 million face amount of certificates. One of the features of the plan, the prospectus reveals, is that the participant will receive a rebate upon its completion, the amount being applied to the purchase of additional shares.

Stowers & Company has been named as the principal underwriter. The investment manager is Investors Research Corporation. United States Trust Company of New York is custodian of the assets and registrar for the stock.

Members of the investment committee are Ralph B. Johnson, New York, partner of Smith, Barney & Co.; Gus D. Welch, Kansas City, partner of B. C. Christopher & Co.; A. A. Hermanson, F. J. Raw, and Stowers, all of Kansas City, officials of Investors Research Corporation.

Gains Recorded by Eaton-Howard

Eaton & Howard Balanced Fund 106th Quarterly Report released to over 27,000 shareholders shows assets of $187,292,665, an increase of $25,513,924 since Jan. 1, 1958. Asset value per share increased 13.6% from $19.67 at Dec. 31, 1957, to $22.34 on Sept. 30, 1958.

Report shows that on Sept. 30, 1958, common stocks totaled 63% of the fund, while 13% was invested in preferred stocks, 13% in corporate bonds, and 11% in U. S. Governments, short-term notes and cash. Largest common stock holdings by industries were oil (17%), power and light (12%), insurance (5%), banking (5%), and steel (3%).

Eaton & Howard Stock Fund 108th Quarterly Report, released to over 27,000 shareholders, reports assets of $117,551,370, an increase of $36,371,369 since the beginning of the year and a new asset high in the fund's 27-year history. Charles F. Eaton, Jr., Chairman of the fund's trustees, told shareholders that asset value per share increased 21% from $18.14 at Dec. 31, 1957, to $21.92 on Sept. 30, 1958.

Report shows that common stocks totaled 78.3% of the fund on Sept. 30, 1958. Balance of fund was in U. S. Governments, short-term notes, and cash. Largest common stock holdings by industries were oil (14%), power and light (9%), insurance (7%), chemical (5%), and natural gas (4%).

De Vegh Funds Report Share Values Higher

De Vegh Mutual Fund, has announced that its net asset value per share on Sept. 30, 1958 was $66.96. This compares with $55.65 on Dec. 31, 1957. In addition, the Fund announced that the total net assets as of Sept. 30 were $16,877,975 as compared to $13,162,418 on Dec. 31, 1957. The number of capital shares at the end of this fiscal period were 252,059 as against the Dec. 31 figure of 235,504.

De Vegh Investing Co. announced that its net asset value per share on Sept. 30, 1958 was $15.94 as compared with $12.89 on Dec. 31, 1957, representing an increase of 23.7%. The total net assets for this quarter were $4,698,994 as against the Dec. 31, 1957 figures of $3,057,347. Number of capital shares at the end of this quarter were 294,832 as against 237,139 at the beginning of the year.

Keystone S-1 Fund Achieves 19% Gain

Spurred by the business recovery and market activity, Keystone High-Grade Common Stock Fund S-1 increased approximately 19% in net asset value per share in the fiscal year ended Sept. 30, according to the annual report to shareholders by President S. L. Sholley.

Said Mr. Sholley, "It is now clear that the latest decline, like the two earlier post-war slumps, was confined largely to specific fields —manufacturers of heavy equipment and machinery, automobiles and other consumers' durable goods, and to the rail and mining industries.

"Profits in those industries, off sharply from their 1957 levels, appear unlikely to show marked improvement until the final quarter. But this is reason for concern to those who own one, two or three issues of stock directly rather than to those who own over 40 selected investment-grade issues indirectly through Keystone Fund S-1.

"Investors seeking income and growth have shown a growing appreciation of S-1's prospects in recent months. They placed more than $2,380,000 of net new capital in the shares during fiscal 1958—a 33% increase over the previous year and the largest volume of purchases since inception. The

number of shareholders increased 20% for the year."

Railroad representation was resumed in the fund with the addition of Norfolk & Western Ry. Co. during the last six months. Other additions were National Cash Register and National Dairy Products Corp.

The fund also added to its holdings in chemicals and packaging and reduced in rubber and tires. At the end of the fiscal year, Keystone S-1 had 45 issues in 17 industries.

Total net assets jumped almost 40% to $16,438,570 at the end of the fiscal year as against $11,761,-890 for Sept. 30, 1957. Asset value per share was up 19% to $16.64 and in the past month has continued to increase, reaching $17.16 last week, compared to $14.02 the end of September 1957.

National Shares Issue All Sold

Ranald H. Macdonald, President of National Shares Corporation, a diversified closed-end investment company, announced Oct. 30 that the offering to stockholders of 540,000 additional shares of capital stock which ended on Oct. 29, 1958, had been fully subscribed for and that as a result in excess of $8,000,000 had been added to the corporation's assets.

Nation-Wide Assets Rise to Record 26-Year High

Total net assets for Nation-Wide Securities Company, Inc. on Sept. 30 were at the highest levels in the 26-year history of the company, Hugh Bullock, President, stated in the annual report just mailed to shareholders. Nation-Wide is the balanced, conservative mutual fund in the Calvin Bullock group.

Total net asset at the fiscal year-end were $30,150,255, compared with $25,335,354 for the previous year, Mr. Bullock said, while net asset value per share at the end of fiscal 1958 was $19.14 as against $17.20 on Sept. 30, 1957.

There were 1,575,484 shares outstanding at the end of fiscal 1953 as against 1,472,607 shares outstanding at the 1957 fiscal year-end. During the 1958 fiscal year Nation-Wide paid 73 cents in dividends and 60 cents in capital gains.

Against an uncertain economic and market background during the past year, Mr. Bullock said, Nation-Wide Securities, while committing approximately 50% of assets to common stocks, has followed a conservative policy, maintaining substantial positions in U. S. Government bonds, high-grade corporate bonds and preferred stocks. At the 1958 fiscal year-end, assets consisted of: Government bonds 6.21%; corporate bonds 21.79%; preferred stocks 17.35%; common stocks 52.18% and cash and receivables 2.47%.

This policy, Mr. Bullock stated, has enabled the company to show an unusual stability in terms of income and a satisfactory appreciation in the value of shares. Some "cutting back" of common stocks which appeared to be overvalued from time-to-time as the market advanced, resulted in the realization of profits which were distributed in the form of an optional stock or cash distribution during September.

Holton, Hull Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Homer L. Chattin is now with Holton, Hull & Co., 210 West Seventh St., members of the Pacific Coast Stock Exchange. He was formerly with Lofft & Co. and Daniel Reeves & Co.

Wellington Sales Uptrend Continues

Wellington Fund sales for the month of October 1958 established a new all-time record for that month, according to A. J. Wilkins, Vice-President.

October sales amounted to nearly $11 million, the highest for any October period in the 30 year history of the Wellington Fund, and an increase of over 21% compared with the previous year. The comparable October figures are as follows:

October 1958	$10,804,694
October 1957	8,889,800
Increase	$1,914,894

This continues the trend of record sales since Jan. 1, 1958. The 10-month figures, which show a 21% increase over 1957 sales for the same period, are as follows:

10 months 1958	$96,170,446
10 months 1957	79,130,711
Increase	$17,039,735

The total assets of the Wellington Fund on Oct. 31, 1958, were $804,309,226.

Madison Fund's Discount From Asset Value Cut Sharply

Net assets of Madison Fund, Inc. totaled $104,660,000 on Sept. 30, equal to $20.34 per share on the 5,146,476 shares then outstanding the closed-end investment trust reported. This compares with $17.15 on the same number of shares as of Dec. 31, 1957.

After adjustment to reflect the $0.63 capital gains dividend paid in March, net asset value increased 24.5% during the nine-month period, as against 22.1% for the Dow Jones Industrial Average and 25.1% for the Standard & Poor 500 Industrial Stock Index. Net investment income for the nine months was $2,071,000 and net realized capital gains come to $3,623,000 long term and $268,000 short term.

Madison Fund, Inc., officially changed its name on Oct. 15 from Pennroad Corporation. On the same day, it concluded a one-for-four rights offering to stockholders which increased its number of shares outstanding to 6,433,095.

On the new basis, capital gains for the nine months equaled 56 cents long term and 4 cents short term. Substantially all capital gains will be distributed early in 1959.

In reporting the name change to stockholders, Edward A. Merkle, President, indicated it was part of a two-year effort to correct the misconception that Pennroad was a railroad holding company. Pointing to the reduction of the discount from net asset value from 32% to 10.3% on the date of the report, Mr. Merkle said that the campaign had been "an effective factor in the $20,000,000 increase in the market value of Madison Fund stock."

In a separate section of the report, Madison Fund paid tribute to James Madison's part in the Louisiana Purchase, and commented on recent growth in the State of Louisiana itself. One of Madison Fund's major holdings is in Freeport Sulphur, which derives a major part of its income from Louisiana sulphur, oil, and gas. In addition, the company has investments in Central Louisiana Electric Co., and Louisiana Land and Exploration Co., as well as investments in numerous industrial companies which have major facilities not only in Louisiana but also in others of the 12 states which were carved out of the original territory.

"The opportunity to purchase land at 4 cents an acre may not occur again," the report concludes, "but the opportunity to find value in growing sections of our country and economy is always present. We intend to continue the search."

Major Madison portfolio changes during the third quarter included 15 new additions, 17 increased holdings, 10 reductions, and 6 eliminations.

The newly added securities were: Chesapeake & Ohio Railway Co.; Columbia Broadcasting System Inc. "A"; Consumers Power Company; First National City Bank of New York; Foxboro Company; International Business Machines Corporation; Kern County Land Company; Mallinckrodt Chemical Works "A"; Mesabi Iron Company; Royal Dutch Petroleum Company; Schering Corporation, Southdown Sugars, Inc.; Twentieth Century-Fox Film Corporation; Union Bag-Camp Paper Corporation and Washington Gas Light Company.

The securities eliminated from the portfolio were: American Cyanamid Company; El Paso Natural Gas Company, Florida Power and Light Company; Michigan Chemical Corporation; Middle South Utilities, Inc. and National Lead Company.

National Dividend Series Now Over $100 Million Mark

National Dividend Series became the second of the National Securities Series of mutual funds to cross the $100 million mark on Oct. 29, Henry J. Simonson, Jr., President, announced.

The increase in assets from $65,-942,346 at the start of 1958 to $100,613,734 resulted from new sales and market appreciation. Per share asset value advanced from $2.91 on Jan. 1, 1958 to $3.96 on Oct. 29, 1958, a rise of 36%.

Investors Mutual Total Net Assets Exceed $1.2 Billion

Investors Mutual, Inc., largest of five mutual funds managed and distributed by Investors Diversified Services, Inc., topped all previous records in total net assets at the fiscal year end, Sept. 30, 1958, Joseph M. Fitzsimmons, Chairman of the Board, announced in the company's 18th annual report.

Total net assets increased during the year $220,962,304 to a new high of $1,217,926,124 at the year end. Investors Mutual, Inc. thus continued to be the largest balanced fund in the mutual fund industry.

Net asset value per share was $9.72 compared with $8.55 at the close of the preceding fiscal year, and was a record year-end high. Including capital gains of 12¼ cents per share which were distributed at the year end, the increase in net asset value was approximately 15%.

Dividends from investment income during the year totaled 36½ cents per share, equal to those paid from this source in fiscal 1957. Dividends for the past two years were the highest in the history of the fund. The capital gains distribution of 12¼ cents was an increase over last year's distribution of 7¾ cents.

Number of shares outstanding rose to a new high of 125,301,412 from 116,589,869 at the end of the prior fiscal year. Shareholder accounts also increased to a record 280,787 compared with 269,433 at the previous year end. Approximately 69% of the fund's shareholders are regularly reinvesting their dividends and capital gains in additional shares.

The fund operated under a fully-invested policy during the year and made no significant change in its balance as between fixed income securities and common stocks. At the year end, 36.25% of the fund's total investments were in bonds and preferred stocks compared with 39.3% in 1957. Common stocks taken at market value represented 63.75% of the portfolio compared with 60.7% last year.

Larger common stock investments of the fund were made in the following industry groups: petroleum and natural gas, paper, insurance, business machinery, and building materials.

Johnston Mutual Share Value Rises From 18.73 to 21.42

Johnston Mutual Fund Inc. reports net assets Sept. 30, 1958, of $7,081,170.91, equivalent to $21.42 per share on 330,638 shares outstanding. This compares with $5,-733,739.45, or $18.73 per share, on Dec. 31, 1957; and with $5,801,-595.11, or $19.73 per share, on Sept. 30, 1957, on shares outstanding at these respective dates. A capital gains distribution of $0.46 per share was made on Dec. 20, 1957.

During the quarter the fund added the following securities to its portfolio: Federal Intermediate Credit Banks 2%, 5-4-59; Public Service Electric & Gas Co. first mortgage 4⅝%, 8-1-88; Denver and Rio Grande Western Railroad Co.; Granite City Steel Co.; Long Island Lighting Co.; and N. V. Philips' Gloeilampenfabrieken. Eliminations from the portfolio were: U. S. Treasury C/I series 'C' 4%, 8-1-58; Federal Intermediate Credit Banks 4⅞, 8-1-58; American Telephone & Telegraph Co. deb. 4⅜%, 4-1-85; Sears Roebuck Acceptance Corp. s. f. deb. 4⅝%, 5-1-77; Long Island Lighting Co. 4.40% cum. conv. pfd.; Douglas Aircraft Co., Inc.; Harbison-Walker Refractories Co.; Kaiser Aluminum & Chemical Corp.; and Schering Corp.

Major increases were made in the holdings of Consolidated Edison Co. of N. Y. $5 cum. pfd.; American Cyanamid Co.; Avan Products, Inc.; Eastman Kodak Co.; Merck & Co., Inc.; South Carolina Electric & Gas Co.; U. S. Foil Co. "B"; Square D Co.; U. S. Steel Corp.; and Youngstown Sheet & Tube Co.

Putnam's Net Asset Value Rises to $12.88

The George Putnam Fund of Boston reports for the quarter ended Sept. 30, 1958 an increase in total net assets from $153,269,-000 to a new all-time high of $165,229,000. Net asset value per share increased 6.5% from $12.09 to $12.88 during the quarter.

The total market value of all the Fund's investments on Sept. 30 exceeded cost by $38,802,000, an increase in unrealized appreciation of $9,573,400 during the quarter. Common stocks represented 62% of the Fund's total investment, compared with 60% on June 30.

New common stock additions to the Fund during the quarter included: Deere & Co., Donnelley (R. R.) & Sons Co., Raymond International, Inc., Richfield Oil Corp., United States Foil Co. Class "B," and United States Life Insurance Co. Eliminations included: Air Products, Inc., Goodrich (B. F.) Co., Gulf Oil Corp., and United Aircraft Corp.

Skaife & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

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

Broad Street Offers "Million Dollar" Service to Dealers

The new "Million Dollar Sales Service" of Broad Street Sales Corporation was introduced to investment dealers from all sections of the country at a series of "preview" meetings held in conjunction with the Tenth Annual Mutual Fund Sales Convention.

Milton Fox-Martin, President of Broad Street Sales Corporation, national distributor of shares of the Broad Street Group of Mutual Funds — Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc. — with combined assets in excess of $220 million, unveiled the completely new sales service and aids that are now being made available to investment firms and their representatives through the regional managers of Broad Street Sales Corporation.

The "Million Dollar Sales Service" features: a series of Sales Development Bulletins to help both new and experienced representatives professionalize their sales techniques in offering mutual fund shares; Sales Management Bulletins to assist firms in their recruiting, prospecting and sales programs; and a number of new dealer-tested general information booklets and forms that investment firms may offer to prospective investors through advertisements, direct mail and personal prospecting.

According to Mr. Fox-Martin, "Broad Street is going all out in its efforts to help investment dealers do a more professional and effective job of building their volume of mutual fund sales."

He went on to state that "our new dealer services are proof-positive that Broad Street Sales Corporation believes in the challenging opportunities that exist for increased mutual fund sales; and we intend to do everything possible to help our dealers take maximum advantage of these opportunities.

Full information about the new "Million Dollar Sales Service" may be obtained by contacting Broad Street district managers or by writing to Broad Street Sales Corporation, 65 Broadway, New York 6, New York.

IPC Contractual Plans Rise by 38.3% In Past 12 Months

A 38.3% rise in the number of its active mutual fund contractual plans during the 12 months ending Sept. 30 was reported by Investors Planning Corporation of America.

At the same time, IPC President Walter Benedick disclosed that the firm's 2,600 representatives had increased third quarter sales volume by 2.3% over last year's like period.

The number of IPC plans in force at the end of last month totalled 52,558, compared with 37,-998 on Sept. 30 a year ago. Third quarter sales amounted to $17,-683,875, compared with $17,285,763 last year.

Morton Seidel Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jesse A. Aguirre has been added to the staff of Morton Seidel & Co., 458 South Spring Street, members of the Pacific Coast Stock Exchange.

Lichtman Joins Hanauer

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Morton E. Lichtman has joined the staff of J. B. Hanauer & Co., 140 South Beverly Drive. Mr. Lichtman was formerly a partner in Litchtman, Mong & Co.

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. 9	§74.5	*75.0	71.6	78.0
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 9	§2,011,000	*2,024,000	1,933,000	1,996,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 24	6,918,635	6,892,585	7,099,785	6,765,740
Crude runs to stills—daily average (bbls.)	Oct. 24	¶7,753,000	7,613,000	7,639,000	7,649,000
Gasoline output (bbls.)	Oct. 24	27,546,000	25,991,000	27,758,000	27,350,000
Kerosene output (bbls.)	Oct. 24	2,523,000	2,452,000	2,143,000	2,007,000
Distillate fuel oil output (bbls.)	Oct. 24	12,071,000	12,704,000	12,475,000	12,126,000
Residual fuel oil output (bbls.)	Oct. 24	7,227,000	6,838,000	7,034,000	6,981,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 24	168,350,000	170,361,000	173,481,000	179,288,000
Kerosene (bbls.) at	Oct. 24	31,883,000	31,520,000	30,942,000	35,486,000
Distillate fuel oil (bbls.) at	Oct. 24	163,916,000	161,341,000	153,633,000	175,469,000
Residual fuel oil (bbls.) at	Oct. 24	67,854,000	68,020,000	69,595,000	59,465,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 25	674,264	695,768	672,924	703,688
Revenue freight received from connections (no. of cars)	Oct. 25	568,741	563,777	568,608	592,853
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 30	$272,924,000	$251,425,000	$495,709,000	$370,736,000
Private construction	Oct. 30	105,881,000	103,812,000	166,032,000	223,819,000
Public construction	Oct. 30	167,043,000	147,613,000	329,677,000	146,917,000
State and municipal	Oct. 30	146,820,000	120,849,000	252,040,000	124,741,000
Federal	Oct. 30	20,223,000	26,764,000	77,637,000	22,176,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 25	8,460,000	*8,465,000	8,895,000	9,913,000
Pennsylvania anthracite (tons)	Oct. 25	414,000	472,000	491,000	443,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 25	140	146	136	136
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 1	12,330,000	12,174,000	12,111,000	11,860,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 30	299	275	301	250
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 28	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Oct. 28	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Oct. 28	$42.50	$42.83	$48.17	$34.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 29	28.800c	27.375c	26.100c	26.100c
Export refinery at	Oct. 29	30.025c	29.950c	25.875c	22.425c
Lead (New York) at	Oct. 29	13.000c	13.000c	11.000c	13.500c
Lead (St. Louis) at	Oct. 29	12.800c	12.800c	10.800c	13.300c
‡Zinc (delivered) at	Oct. 29	11.500c	11.500c	10.500c	10.500c
Zinc (East St. Louis) at	Oct. 29	11.000c	11.000c	10.000c	10.000c
Aluminum (primary pig. 99%) at	Oct. 29	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Oct. 29	97.375c	96.375c	94.375c	91.375c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 4	87.92	88.11	87.23	86.88
Average corporate	Nov. 4	89.92	89.92	89.64	88.81
Aaa	Nov. 4	94.26	94.41	93.97	94.26
Aa	Nov. 4	92.93	93.08	92.50	91.62
A	Nov. 4	89.64	89.64	89.51	88.81
Baa	Nov. 4	83.53	83.40	83.15	81.42
Railroad Group	Nov. 4	87.86	87.99	87.99	87.32
Public Utilities Group	Nov. 4	89.64	89.78	88.81	88.67
Industrials Group	Nov. 4	92.35	92.35	92.06	90.48
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 4	3.62	3.60	3.60	3.65
Average corporate	Nov. 4	4.42	4.42	4.43	4.50
Aaa	Nov. 4	4.12	4.11	4.13	4.12
Aa	Nov. 4	4.21	4.20	4.23	4.30
A	Nov. 4	4.44	4.44	4.44	4.50
Baa	Nov. 4	4.90	4.91	4.92	5.07
Railroad Group	Nov. 4	4.57	4.56	4.54	4.61
Public Utilities Group	Nov. 4	4.44	4.43	4.48	4.51
Industrials Group	Nov. 4	4.25	4.25	4.26	4.38
MOODY'S COMMODITY INDEX	Nov. 4	392.9	389.4	389.5	385.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 25	291,364	283,024	288,837	243,205
Production (tons)	Oct. 25	304,776	314,445	308,455	294,159
Percentage of activity	Oct. 25	94	95	94	97
Unfilled orders (tons) at end of period	Oct. 25	421,384	433,785	423,901	414,615
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 31	108.97	108.60	108.92	109.89
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 11	2,542,650	2,535,860	2,008,150	2,210,230
Short sales	Oct. 11	510,350	564,930	433,790	368,300
Other sales	Oct. 11	1,899,500	2,077,360	1,524,420	1,713,320
Total sales	Oct. 11	2,409,850	2,642,290	1,958,210	2,081,620
Other transactions initiated on the floor—					
Total purchases	Oct. 11	671,710	765,790	534,110	485,270
Short sales	Oct. 11	43,800	38,300	32,500	87,140
Other sales	Oct. 11	691,550	661,200	477,880	390,910
Total sales	Oct. 11	735,350	699,500	510,380	478,050
Other transactions initiated off the floor—					
Total purchases	Oct. 11	905,390	872,145	677,929	676,510
Short sales	Oct. 11	186,090	167,950	158,770	148,240
Other sales	Oct. 11	1,141,580	922,007	705,455	655,995
Total sales	Oct. 11	1,327,670	1,089,957	864,225	804,235
Total round-lot transactions for account of members—					
Total purchases	Oct. 11	4,119,750	4,173,795	3,220,189	3,372,010
Short sales	Oct. 11	740,240	771,180	625,060	603,680
Other sales	Oct. 11	3,732,630	3,660,567	2,707,755	2,760,225
Total sales	Oct. 11	4,472,870	4,431,747	3,332,815	3,363,905
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. 11	2,140,798	1,604,009	1,333,254	1,857,790
Dollar value	Oct. 11	$104,351,503	$76,923,218	$63,732,858	$80,770,972
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 11	2,162,292	1,639,940	1,426,379	1,370,166
Customers' short sales	Oct. 11	8,473	6,105	5,892	32,680
Customers' other sales	Oct. 11	2,153,819	1,633,835	1,420,487	1,337,486
Dollar value	Oct. 11	$101,053,962	$75,079,964	$64,937,244	$63,011,222
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 11	681,860	546,710	479,400	304,730
Short sales	Oct. 11	------	------	------	------
Other sales	Oct. 11	681,860	546,710	479,400	304,730
Round-lot purchases by dealers—					
Number of shares	Oct. 11	646,800	505,310	406,080	825,990
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. 11	902,850	905,900	782,760	972,060
Other sales	Oct. 11	19,287,560	19,330,320	15,535,020	15,363,520
Total sales	Oct. 11	20,190,410	20,236,220	16,317,780	16,335,580
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 28	118.5	118.6	118.8	117.5
Farm products	Oct. 28	91.0	91.3	91.9	90.9
Processed foods	Oct. 28	109.7	109.9	111.1	105.1
Meats	Oct. 28	103.8	105.1	108.4	90.5
All commodities other than farm and foods	Oct. 28	126.1	*126.1	126.0	125.6

*Revised figure. ¶Includes 995,000 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
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Sept. 30:			
Imports	$236,089,000	$255,652,000	$234,091,000
Exports	355,094,000	384,855,000	482,520,000
Domestic shipments	18,981,000	21,318,000	11,779,000
Domestic warehouse credits	300,343,000	316,156,000	213,305,000
Dollar exchange	135,900,000	131,175,000	74,860,000
Based on goods stored and shipped between foreign countries	234,518,000	253,939,000	180,839,000
Total	$1,280,925,000	$1,363,095,000	$1,197,394,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of September:			
Manufacturing number	187	206	182
Wholesale number	96	108	76
Retail number	506	549	535
Construction number	163	158	164
Commercial service number	87	106	94
Total number	1,039	1,127	1,071
Manufacturers' liabilities	$18,167,000	$15,742,000	$13,901,000
Wholesale liabilities	5,937,000	8,863,000	7,690,000
Retail liabilities	14,172,000	14,347,000	13,657,000
Construction liabilities	7,841,000	8,687,000	5,618,000
Commercial service liabilities	2,046,000	3,126,000	4,554,000
Total liabilities	$48,103,000	$50,765,000	$45,420,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of September	12,932	12,234	10,526
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of September (000's omitted)	$1,638,000	$302,200	$1,671,800
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Sept. 30 (000's omitted)	$958,000	$981,000	$501,000
COTTON AND LINTERS — DEPARTMENT OF COMMERCE—RUNNING BALES:			
Consumed month of September	647,894	638,767	659,262
In consuming establishment as of Sept. 27	1,415,025	1,504,070	1,081,552
In public storage as of Sept. 27	7,284,540	6,850,815	9,639,785
Linters—Consumed month of September	88,004	84,985	100,110
Stocks Sept. 27	677,695	680,313	713,408
Cotton spindles active as of Sept. 27	17,641,000	17,541,000	18,147,000
COTTON GINNING (DEPT. OF COMMERCE):			
To Oct. 1 (running bales)	2,626,554	------	2,492,496
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1958 crop as of Oct. 1:			
Production 500-lb. gross bales	11,675,000	------	10,963,680
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Sept. 27	20,666,000	20,635,000	21,161,000
Spinning spindles active on Sept. 27	17,641,000	17,541,000	18,147,000
Active spindle hours (000's omitted) Sept. 27	8,190,000	8,070,000	8,441,000
Active spindle hours for spindles in place Sept.	409.5	403.5	422.0
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of September:			
Sales (average monthly), unadjusted	127	107	118
Sales (average daily), unadjusted	129	105	126
Sales (average daily), seasonally adjusted	125	*137	122
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate customers—Month of July (000's omitted)	46,645,615	45,746,221	46,349,158
Revenue from ultimate customers—month of July	$805,925,000	$786,752,000	$777,509,000
Number of ultimate customers at July 31	55,657,248	55,555,432	54,669,114
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of August:			
Contracts closed (tonnage)—estimated	225,768	330,890	183,520
Shipments (tonnage)—estimated	293,012	290,856	383,785
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of September:			
Weekly earnings—			
All manufacturing	$85.17	*$84.35	$82.99
Durable goods	92.23	*90.74	89.24
Nondurable goods	77.03	*76.24	75.24
Hours—			
All manufacturing	39.8	*39.6	39.9
Durable goods	40.1	*39.8	40.2
Nondurable goods	39.5	*39.3	39.6
Hourly earnings—			
All manufacturing	$2.14	*$2.13	$2.08
Durable goods	2.30	2.28	2.22
Nondurable goods	1.95	*1.94	1.90
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of August:			
Gas-fired furnace shipments (units)	88,600	67,700	74,100
Gas conversion burner shipments (units)	19,500	11,600	23,000
Gas-fired boiler shipments (units)	14,600	11,600	12,000
Domestic gas range shipments (units)	134,800	115,900	165,000
Gas water heater shipments (units)	218,400	218,700	210,300
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of Sept.:			
Seasonally adjusted	137	*136	144
Unadjusted	140	136	146
NEW YORK STOCK EXCHANGE—As of Sept. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$3,236,000	$3,152,000	$2,824,130
Credit extended to customers	122,000	*140,000	34,955
Cash on hand and in banks in U. S.	345,000	332,000	339,142
Total of customers' free credit balances	1,123,000	1,103,000	837,727
Market value of listed shares	248,388,149	237,509,464	201,622,023
Market value of listed bonds	107,710,859	110,165,431	98,481,183
Member borrowings on U. S. Govt. issues	254,000	241,335	96,166
Member borrowings on other collateral	1,972,000	1,882,916	2,192,821
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of June:			
Net railway operating income	67,198,976	43,992,810	74,119,421
Other income	22,635,750	22,962,574	22,649,841
Total income	89,834,726	66,955,384	96,769,262
Miscellaneous deductions from income	4,850,386	4,123,886	4,095,898
Income available for fixed charges	84,984,340	62,831,498	92,673,364
Income after fixed charges	53,190,746	31,155,018	61,838,042
Other deductions	3,764,516	3,889,493	4,175,646
Net income	49,426,230	27,265,525	57,662,396
Depreciation (way & structure & equipment)	50,259,921	50,248,915	48,616,999
Federal income taxes	18,779,410	9,810,343	24,161,170
Dividend appropriations:			
On common stock	22,416,144	33,095,412	24,270,657
On preferred stock	839,967	4,571,417	1,069,769
Ratio of income to fixed charges	2.67	1.98	3.01
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Sept. 30	$276,783,745	$276,564,011	$274,528,547
General funds balance	5,098,837	6,367,820	7,334,772
Net debt	$271,684,908	$272,216,191	$267,193,775
Computed annual rate	2.577%	2.534%	2.876%

Our Reporter's Report

Underwriters and dealers, along with potential corporate borrowers, are hoping that the skies surrounding the investment market will be much clearer by the end of the week. The period has brought something of a "cease fire" status to the markets what with the Election Day holiday breaking up the week.

It was not altogether a case of the holiday closedown, however, since the corporate calendar has been light and flattened out to only a handful of offerings this week. Moreover, the prospects for the week ahead are no brighter from a volume standpoint.

With Puget Sound Power & Light's recent $15,000,000 of 25-year, 5¼% bonds proving "sticky" upon formal offering, there has been a slight expansion in dealer and underwriter inventories, though the accumulation has not been such as to make for any concern.

The banking fraternity is hoping that the Treasury late this week will outline its plans for raising another $3 billion of cash. At any rate the general situation is pretty much in abeyance in deference to the government's program.

Terms set by the Treasury for its new securities could, it is hoped, lend an air of confirmation to the current adjusted levels which the markets have worked out for themselves. In that case, it is likely that some of the corporate offerings which have been put into hibernation pending better markets, can be readied for public offering.

Of course, a fortnight hence, the Treasury again will be a factor when it comes to grips with details of plans for meeting its $12 billion rollover of maturing issues.

Down to a Walk

If bankers found the current week a slow period, the situation ahead probably will prove really a bit nerve-wracking. But for two equity offerings which are in the cards, if market conditions hold up, the week would yield little or nothing in the way of new business.

The only debt obligation up for bids is Illinois Central Railroad's $2,610,000 of equipment trust certificates on which tenders will be opened Wednesday.

On Monday, Consolidated Foods Corp. has 111,489 shares of common stock slated for market and Tishman Realty & Construction Co. Inc. has 100,000 shares of common on tap.

Long Look Ahead

Thereafter, unless the market comes up to a point at which issuers and banking interests believe they can float some of the prospects now on the "deferred" list, things look lean for considerable distance ahead.

The next really substantial corporate prospect is Pacific Gas & Electric Corp.'s $50 million of bonds on which bids are now tentatively set for Dec. 2. Public Service Electric & Gas Co. has 700,000 shares of common going to market the same time.

The following week shows Southern Bell Telephone due to take bids for $70 million debentures and Philadelphia Electric is down for $50 million of bonds in that same week.

Straw-in-Wind

Shaking down the mass of bids received this week for its offering of 91-day U. S. Bills, the Treasury found that prospective buyers were looking for an average rate of return of 2.649%.

This compared with, in fact it almost matched, the bids received in the preceding week which had worked out to an average of 2.647%.

The closeness of the bids for the past fortnight might be viewed as another indication that the basic market (Treasury obligations) are showing some signs of working out a new base.

With Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Robert W. Hill is with Foster & Marshall, Southwest Sixth Avenue at Oak Street.

With Ross, Borton Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Aaron J. Udell is now affiliated with Ross, Borton & Co., Inc., The 1010 Euclid Building.

Three With Marvin Yerke

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Thomas G. Buy, John R. Hare and Milton Heath are now with Marvin C. Yerke and Associates, Inc., 40 West Broad Street.

Joins Vercoe Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Wilbur G. Beer has been added to the staff of Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—A great scramble is shaping up for the Nation's savings through the bond flotations—local, state and Federal. Millions of Americans Tuesday voted on hundreds of millions of dollars of proposed new issues. Some of the issues will be approved and some will have been defeated. Regardless of the overall results, the demand for savings will be stepped up at a marked clip for the next few months.

Meanwhile, interest rates are rising all along the way. Use of Federal Housing Administration (FHA) and Veterans Administration (VA) in financing homes has already been curtailed to some extent because of the Government-fixed interest rate of 4¾% makes them difficult to place at par or at a small discount.

Qualified authorities in the Nation's Capital maintain that there has been a rise in interest of ¼ to ½% in the past several weeks. As a result, VA and FHA housing have been affected. FHA loans are becoming more difficult to place, according to some mortgage bankers.

The Department of the Treasury, with a heavy burden of fiscal problems now at hand, is getting ready to become an aggressive competitor for a share of the Nation's savings not only in December, but in years ahead.

The Treasury's Requirements

Obviously, Treasury officials have made up their minds that, in order to get their financing on a sounder basis through extension of maturity, they must pay whatever interest rate that is necessary. The Department has a big financing operation on its hands in December. There is one immediate advantage for the Treasury. The big state and local bond issues approved at the general election will not immediately compete with the Treasury's December financing.

Approximately $9,800,000,000 3¾% Treasury certificates mature Dec. 1, and $2,300,000,000 of 2½% bonds come due on Dec. 15. In addition to this, the Treasury must raise some $3,000,000,000 of new money because of the great demands being made on the Treasury through the spending of Congress at the last session.

In addition to this, the Treasury will be called on from time to time to raise still more funds to meet the deficit that the Treasury faces next June 30. Of the $12,000,000,000—plus in Government securities coming due next month, only about $4,200,000,000 are held by the public.

Deficit spending is estimated by officials at $12,000,000,000 in fiscal 1959, and probably $6,000,000,000 more in 1960. Of course it could go substantially higher, if the 86th Congress goes on another big spending spree like the 85th Congress. It is evident that the new Congress will be one of the most "liberal" the American people have even sent to Washington.

Yields on new government bonds are the highest now than they have been in many years, except in the short period in 1957 when the Treasury issued some bonds and notes at 4%. The guessing in the Nation's capital is that the Treasury will have to approach the 1957 interest peak rate in some of its new operations.

Many corporations, state and local governments have postponed flotations because of the rising interest rate costs. Perhaps some of the tax-exempt issues approved by the voters Tuesday will likewise be delayed to sometime in the future, with the hope of a more favorable interest rate.

Higher Interest Rates Seen

There are some economists in the government that feel interest rates will be even higher in the years ahead, because of the funds needed for the expanding economy.

There has been resistance everywhere to the long-term governmen bonds, because investors are not sure whether Congress is going to keep on spending and rolling up bigger deficits. Certainly the situation is already serious, and it could become critical if the new Congress does not get its feet on solid ground and stop some of the unwise spending.

There is growing belief in Washington that the day is approaching when the Treasury Department is going to have to take bold action in its debt-management program. There is some talk in unofficial circles that the Treasury may have to call in all of its short-term issues and issue new long-term bonds that will be so attractive that the general public will become interested.

The 1958 Emergency Housing Act considerably broadened the government-insured mortgage program. Thus, the Federal National Mortgage Association's special assistance program of purchasing mortgages on low-cost housing was substantially expanded. The program passed this year raised estimated budget expenditures for the Housing and Home Finance Agency $1,000,000,000 above the estimates made in January. In addition to this sum, direct housing loans by the Veterans Administration and for the farm housing program have added another $200,000,000.

The 1958 law unjudicially provided that FNMA buy the $1,000,000,000 of mortgages at interest rates well below the going market rates.

Baird's Views

Julian B. Baird, the Under Secretary of the Treasury for monetary affairs, has some pertinent observations that all members of Congress should bear in mind now and in the future. And the way they should be reminded is by letter and personal contact by the people interested in sound monetary policies by their government.

As Under Secretary Baird pointed out to the Mortgage Bankers Association at Chicago, the FHA and VA guaranteed and insurance program have made it possible for millions of American families to live more comfortably. But those programs should compete with other demands for funds in the money market, rather than have them subsidized.

"We have had it proven time and time again," said the Under Secretary, "that artificially low interest rates established by law under the VA program, and resulting discounts, serve no legitimate purpose. In fact they tend to inflate the price of new houses."

Furthermore, he pointed out, that the need is just as great for improvement in the direct loan programs as it is in the guarantee and insurance area. It should be clear that the time has come in view of the tremendous spending under the Defense Department that this country cannot afford the big defense expenditures plus all the Government subsidy such as housing, agriculture, and REA loans.

Treasury Must Compete

The Under Secretary perhaps gave a tip-off of future financing plans of the Treasury Department when he declared: ". . . It is in the interest of all of us that the Government meet its obligations by means of a sound debt management program. This means, for the Treasury, being an aggressive competitor for a share of the Nation's savings when necessary—not just a residual claimant. It means, for the private sectors of the economy, what I might call 'aggressive cooperation'—even when this may appear to involve some sacrifice of immediate advantages."

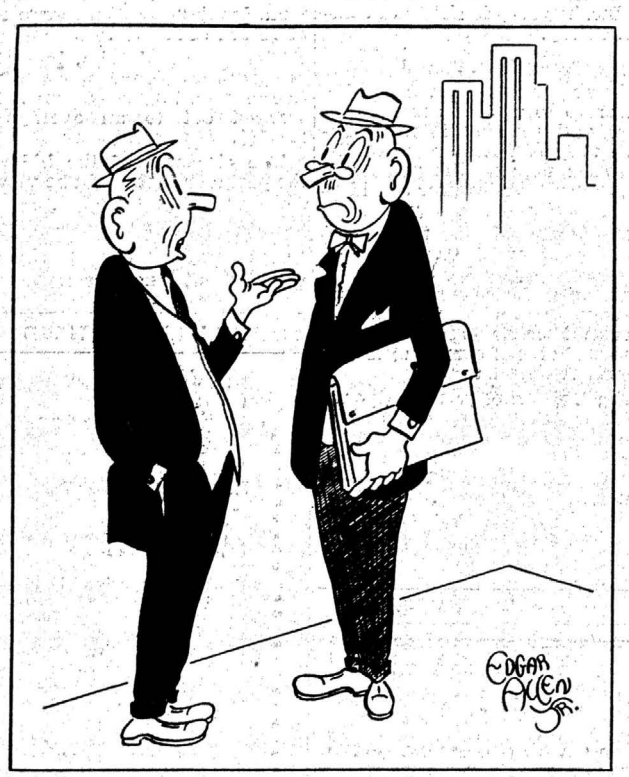
The Treasury plans to continue to do its financing in a free money market. As a result there will be times when the Federal Reserve monetary restraints will make the financing job more difficult, as Treasury officials explain. Nevertheless, the restraints by the Federal Reserve are necessary if they are to serve as an anti-inflationary instrument.

Thus it can be seen that the Treasury's refunding and new borrowing operations, as far as possible, should come from outside the commercial banking system. For this reason the Treasury apparently is going to make an all-out appeal to obtain the funds from individuals and from trust funds.

The time for Congress to put the brakes on spending schemes is immediately. The White House can help through its Bureau of the Budget. Meantime, there is a possibility that the Treasury may ask Congress to raise the debt ceiling again in 1959.

[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'd feel the boss was more sincere about my promotion if he wanted me to set up a new branch in some place other than Quemoy."

M. E. Bradfield Opens

WACO, Tex.—Max E. Bradfield is engaging in a securities business from offices at 2809 Rico Drive under the firm name of Max E. Bradfield & Company. He was previously with Clisbee & Co.

Irwin Margulies Opens

BROOKLYN, N. Y.—Irwin Margulies is conducting a securities business from offices at 47 Remsen Street.

Business Man's Bookshelf

Banking Legislation in the Second Session 85th Congress—American Bankers Association, 730 15th Street, N. W., Washington 5, D. C.—paper.

Directory of Publications Issued by Canadian Financial and Investment Houses—Canadian Business, 300 St. Sacrament St., Montreal, Que., Canada—35c.

Fact Sheets on Nuclear Energy Power Projects—October 1958—Bozell & Jacobs, Inc., 2 West 45th Street, New York 36, N. Y.

"It Floats"; The Story of Procter & Gamble—Alfred Lief—Rinehart & Company, Inc., 232 Madison Avenue, New York 16, N. Y.—$5.95.

Metropolitan Chicago: An Economic Profile, 1955—Ezra Solomon and Zarko Bilbija—School of Business, University of Chicago, Chicago, Ill.—paper.

New 1958 Social Security Law—American Visuals Corporation, 460 Fourth Avenue, New York 16, N. Y.—25c per copy (quantity rates on request).

Occupational Wage Surveys for 19 Labor Markets 1957-1958—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—Regional bulletins, 25¢ each.

One Hundred and Sixty Acres of Water—The Story of the Anti-monopoly Law—Angus McDonald — Public Affairs Institute, 312 Pennsylvania Avenue, S. E., Washington 3, D. C., 25¢.

Problem of National Security: Some Economic and Administrative Aspects—Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y. (paper), 75¢.

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